Worldwide Personal Tax and Immigration Guide

2019-20

EY
Building a better working world

Preface

Governments worldwide continue to reform their tax codes at a historically rapid rate. Taxpayers need a current guide, such as the *Worldwide Personal Tax and Immigration Guide*, in such a shifting tax landscape, especially if they are contemplating new markets.

The content is straightforward. Chapter by chapter, from Albania to Zimbabwe, we summarize personal tax systems and immigration rules in more than 160 jurisdictions. The content is current on 1 July 2019, with exceptions noted.

Each chapter begins with our in-country executive and immigration contact information, and some jurisdictions add contacts from our Private Client Services practice. Then we lay out the essential facts about the jurisdiction's personal taxes. We start with the personal income tax, explaining who is liable for tax and, at some length, what types of income are considered taxable and which rates, deductions and credits apply. A section on other taxes varies by jurisdiction but often includes estate, inheritance, gift and real estate taxes. A social security section covers payments for publicly provided health, pensions and other social benefits, followed by sections on tax filing and payment procedures as well as double tax relief and tax treaties. The immigration sections provide information on temporary visas, work visas and permits, residence visas and permits, and family and personal considerations.

At the back of the guide, you will find a list of the names and codes for all national currencies and a list of contacts for other jurisdictions.

For many years, the *Worldwide Personal Tax and Immigration Guide* has been published annually along with two companion guides on broad-based taxes: the *Worldwide Corporate Tax Guide* and the *Worldwide VAT, GST and Sales Tax Guide*. In recent years, those three have been joined by additional tax guides on more-specific topics, including the *Worldwide Estate and Inheritance Tax Guide*, the *Worldwide Transfer Pricing Reference Guide*, the *Global Oil and Gas Tax Guide*, the *Worldwide R&D Incentives Reference Guide,* the *Worldwide Digital Tax Guide* and the *Worldwide Capital and Fixed Assets Guide.*

Each of the guides represents thousands of hours of tax research. They are available free online along with timely *Global Tax Alerts* and other great publications on ey.com or in our EY Global Tax Guides app for tablets.

You can keep up with the latest updates at ey.com/GlobalTaxGuides, and find out more about the app at ey.com/TaxGuidesApp.

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This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

About EY Tax Services

Your business will only succeed if you build it on a strong foundation and grow it in a sustainable way. At EY, we believe that managing your tax obligations responsibly and proactively can make a critical difference. Our 50,000 talented tax professionals, in more than 150 countries, give you technical knowledge, business experience, consistency and an unwavering commitment to quality service — wherever you are and whatever tax services you need.

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About EY People Advisory Services

What if people mattered most? In this Transformative Age, technology may be providing the fuel for transformation, but it's the human element that will determine what we will achieve.

Humans have extraordinary innate capabilities that no other species possess. Collective cooperation, mutual trust, imagination, curiosity, creativity and resilience are all natural traits that are rarely expressed to the fullest. The challenge for organizations is determining how to unleash these capabilities so that every person can be the best version of themselves.

EY People Advisory Services (PAS) believes that building a better working world means helping our clients harness their people agenda — the right people, with the right capabilities, in the right place, for the right cost, doing the right things.

We collaborate globally to bring you professional teams to address complex issues relating to organization transformation, end-to-end employee life cycles, effective talent deployment and mobility, gaining value from evolving and virtual workforces, and the changing role of human resources in support of business strategy. Our EY professionals ask better questions and work with clients to create holistic, innovative answers that deliver quality results.

A listing of the Executive Leadership Team is provided below. If you have any questions or want to find out more about how PAS can help your people give you a competitive advantage, please get in touch.

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A. Income tax

Who is liable. Individuals who are resident in Albania are subject to tax on their worldwide income. Nonresidents are subject to tax on income derived from Albania sources only.

The following individuals are considered resident for tax purposes in Albania:
- Individuals who have a permanent residence, family or vital interests in Albania.
- Albanian citizens serving in a consular, diplomatic or similar position outside Albania.
- Individuals who reside in Albania consecutively or nonconsecutively for at least 183 days during a tax year, regardless of their nationality or country of vital interests. The calculation of the residence period in Albania includes all of the days of physical presence, including holidays.

Income subject to tax. Individuals are subject to tax on the following types of income:
- Employment income
- Self-employment and business income
- Dividends
- Interest from bank deposits and securities
- Royalties
- Income from rentals and leases of real property and loans
- Income derived from transfers of ownership rights over immovable property
- Income derived from transfers of quotas and shares
- Income derived from gambling and other games of chance
- Other income

These categories of income are described below.

Employment income. Employed persons are subject to income tax on remuneration and all benefits received from employment. Employment income includes the following:

- Salaries, wages, allowances, bonuses, and other remuneration and benefits granted for services rendered in a public office or in private employment
- Directors' fees

Self-employment income. Self-employed individuals must register as entrepreneurs with the National Business Centre for tax purposes. Businesses with annual turnover up to ALL5 million are subject to 0% income tax, businesses with annual turnover from ALL5 million up to ALL14 million are subject to income tax at a rate of 5% of their profits, while businesses with annual turnover over ALL14 million are subject to income tax at a rate on 15% on their profits. Businesses operating in the agriculture sector are subject to a reduced tax rate of 5%. Entities certified as agro-tourism entities on or before 31 December 2021 are subject to 5% tax rate, which is applicable for a 10-year period. The tax base equals the difference between total gross income and total deductible expenses. Self-employed individuals must make advance payments on a quarterly basis, file the annual tax return and pay the tax due for the year less advance payments made by 10 February of the following year.

Businesses with turnover up to ALL5 million must also file the annual tax return by 10 February of the following year.

Dividends. Dividends received by individual shareholders or partners in commercial companies are subject to tax at a rate of 8%.

Amounts received for decreases in the total of participation quotas or capital withdrawals by partners or owners of initial capital are considered dividends received and are taxed to the extent that the amounts are paid out of the company's capitalized profits and not from contributions in cash or in kind by the owners.

Interest from bank deposits or securities. Bank interest and interest on securities, other than interest generated from government treasury bills or other securities issued before the law "On income tax," as amended, entered into force in 1999, are taxed at a rate of 15%.

Royalties. Taxable royalties (intellectual ownership payments) are considered to be income generated from the use of, or the right to use, literature, artistic or scientific works, including movies, tapes, radio records, patents, trademarks, sketches or models, designs, secret formulas, technological processes and industrial, commercial or scientific information. The tax rate for royalties is 15%.

Income from rentals and leases of real property and loans. Taxable income from rentals and leases of real property and loans includes any periodic compensation in cash or in kind that an individual generates from the leasing of real estate and lending of replaceable items (for example, funds). This income is subject to income tax at a rate of 15%.

Income derived from transfers of ownership rights over immovable property. The taxation of income derived from transfers of ownership rights over immovable property is discussed in *Capital gains*.

Income derived from transfers of quotas or shares. The taxation of income derived from transfers of participation quotas or capital shares is discussed in *Capital gains*.

Income derived from gambling and other games of chance. The payer of income from gambling and other games of chance must withhold a 15% tax and remit it to the tax authorities within 24 hours after making the payment.

Other income. Other forms of income include all types of income that are not identified in the categories mentioned above. This category includes the following:

- Income from sponsoring (for example, individuals not registered with tax bodies receive sponsoring from different sources and use the sponsorship for artistic or sports activities).
- Income from professional activities, including teaching, training and publishing articles in newspapers if the beneficiary is not registered with tax bodies and if such activities are of a temporary or secondary character.
- Cash contributions to share capital. Such contributions are taxable if they have not yet been taxed or if no sufficient evidence exists that they originate from sources that are excluded from the scope of Albanian taxation or that they are exempt from tax for other reasons.

Exempt income. The following types of income are exempt from personal income tax:

- Income received from obligatory and voluntary schemes for life insurance, pensions and health insurance and allowances for families or individuals with no or low income.
- Scholarships received by students.
- Allowances received for diseases or disasters, up to 20% of the annual employment income earned by the recipient of the allowance.
- Benefits in cash or in kind granted to former landowners as compensation for an expropriation effected by the government for the public interest. This exemption must be proven by legal documentation explaining the nature of the income.
- Income in kind, such as food (antidotal), received from businesses that are allowed to pay such income under the law.
- Income excluded by international agreements approved by the Albanian parliament.
- Indemnities received by former political prisoners.
- Life and health contributions made by employers for the benefit of employees.
- Compensation for damages ordered by final court decision.
- Prizes received from the government for achievement in science, sport or culture.
- Income derived from the transfer of an ownership title with respect to agricultural land by a registered farmer to another farmer or a legal entity engaged in agricultural activity and income derived from the transfer of ownership between related family members through withdrawal from the property right or by donation of it, in the case of benefits resulting from joint ownership as per the Law on Land.
- Contributions made by employers to private pension schemes for their employees, to the extent they do not exceed the limits set forth in the law for voluntary pension contributions, currently set at ALL250,000 per employee per year.

- The return of investment, including capital gains, made through the assets of a pension fund during the administration by the administration company.

Taxation of employer-provided stock options. No specific rules in Albania govern the tax treatment of employer-provided stock options. Stock options are subject to personal income tax at the moment of exercise.

Capital gains

Transfers of ownership rights over immovable property. Capital gains derived from disposals of real estate are subject to tax. The tax base equals the amount by which the sale price exceeds the acquisition cost. Transfers caused by donations are also considered. The value of the property taken into account on transfer may not be less than the "reference price" for such property. For this purpose, the "reference price" is the objective value per meter in the relevant area, as indicated in the reference table published by the Albanian Institute of Statistics for the main Albanian cities.

Effective from 1 January 2019, capital gains derived by nonresidents from the alienation of immovable property located in Albania, exploitation and other rights regarding minerals, hydrocarbons and other natural resources in Albania or information related to these rights are taxed in Albania.

Transfers of quotas or shares. Capital gains derived from transfers of participation quotas or capital shares include income from sales of quotas owned by partners in businesses or partnerships, income from sales of shares and income from sales or liquidations of businesses. The tax base is equal to the following:
- Shares: difference between the sales value of the shares and nominal value or the purchase value
- Capital participation quotas: difference between the sales value and nominal value or the purchase value
- Liquidation: difference between the sales value or liquidation value of a business and book value

Effective from 1 January 2019, capital gains incurred by nonresidents from the alienation of shares deriving more than 50% of their value, at any time during the last 365 days, directly or indirectly from immovable property located in Albania, from exploitation and other rights regarding minerals, hydrocarbons and other natural resources in Albania or from information related to these rights, are taxed in Albania.

Capital losses. Capital losses are not deductible for tax purposes.

Deductible expenses. In general, the gross amount of income is subject to tax and deductions do not apply. However, tax residents can claim deductions for the following expenses:
- Interest on bank loans used for the education of the individual and/or his or her dependent family members
- Health care expenses for medical treatment that are not covered by health insurance for the individual and/or his or her dependent family members

Rates

Employment income. Salaries and compensation relating to employment are taxed at the rates set forth in the following table.

Monthly taxable income ALL	Tax rate %	Tax due ALL	Cumulative tax due ALL
First 30,000	0	0	0
Next 120,000	13	15,600	15,600
Above 150,000	23	—	—

Other types of income. Albanian resident entities, government institutions and other specified entities must withhold a 15% tax from all other types of income paid. This tax is considered to be a final tax. These types of income include rent, interest, capital gains, royalties and income from gambling and games of chance. For a discussion of the types of income subject to tax in Albania, see *Income subject to tax*.

B. Other taxes

Tax on buildings. The tax on buildings is a tax paid annually by owners or users of buildings. The tax is imposed on all buildings used for residential or business purposes and also applies to buildings under construction that have not yet been completed within the time frame stipulated in the construction permit. The following are the tax rates:

- 0.05% of the value of the buildings used for residential purposes
- 0.2% of the value of the buildings used for business purposes
- 30% of the relevant tax rate for the construction surface of buildings under construction that have not yet been completed within the time frame stipulated in the construction permit

Certain building categories are exempt from the tax on buildings, including, among others, the following:

- Public buildings
- Buildings used for social housing purposes
- Buildings used by religious communities
- Four- and five-star hotels
- Structures with special status
- Structures that exercise their activity under a brand name
- Buildings for cultural purposes under temporary or permanent state protection that are used only for nonprofit purposes
- Buildings for residential purposes in which a retired person or a person with a social pension resides if the person's family is composed of retired persons or dependents that are incapable of working

Tax on hotel accommodations. The tax on hotel accommodations is calculated based on the duration of stay and the category of the lodging. For four- to five-star hotels, the tax on hotel accommodations is ALL105 to ALL350 per night per person, depending on the hotel location; for bed and breakfasts, dormitories, and motels, the tax is ALL35 to ALL140 per night per person, depending on the location of the lodging.

Tax on waste disposal. The tax on waste disposal is determined at the municipality level. It is payable by individuals and legal entities residing or performing economic activity in the municipality.

Tax on construction land. Construction land tax is calculated based on the surface of the construction land. Depending on the local government units in which the construction land is located, the tax rates vary between ALL0.14 per square meter to ALL0.56 per square meter, annually, for residential buildings and ALL12 per square meter to ALL20 per square meter, annually, for commercial buildings.

Tax on agricultural land. Annual agricultural land tax is calculated based on the area in hectares of the land. The tax ranges from ALL700 to ALL5,600 per hectare, depending on the category of the land and the municipality in which the property is located.

Tax on infrastructure impact. The tax on infrastructure impact is imposed on new construction works, such as buildings and infrastructure projects. For housing constructions or commercial units, the tax rate on infrastructure impact ranges from 4% to 8% of the selling price per square meter. This category of investments also includes existing buildings conditioned by the implementation of a concession contract, and commercial and business centers. For the construction of buildings in the tourism, industrial, agricultural sectors, buildings for public purposes and those built for personal use, the tax rate ranges from 1% to 3% of the value of the investment for buildings located outside Tirana, while the tax rate ranges from 2% to 4% for buildings located in the municipality of Tirana.

For infrastructure projects, such as the construction of national roads, ports, airports, tunnels, dams and energy infrastructure, including machinery and equipment for these projects, the tax on infrastructure impact is 0.1% of the value of the investment, but not less than the cost of the rehabilitation of the damaged infrastructure if such cost is not included in the investment projections.

For buildings that are under legalization process, the tax rate on infrastructure impact is 0.5% of the investment value. The legalization process is provided in the law on legalization of buildings. This law provides to owners of buildings that are built without the permission of the relevant public authorities the right to legalize and register their buildings. The tax rate on infrastructure impact for housing constructions in mountainous areas ranges from 0% to 3% of the investment value. The mountainous areas in which such tax is imposed is defined by the relevant Municipality Council.

Investments for the construction of four- and five-star hotels and structures that will exercise their activity under a brand name are exempt from the tax on infrastructure impact.

C. Social security

Contributions. Employers and employees contribute to a social security fund a percentage of the calculated monthly salary. The total contribution is 27.9%, of which 16.7% is borne by the employer, and 11.2% is borne by the employee. The contribution consists of a social security contribution of 24.5% (out of which 15% is borne by the employer and 9.5% is borne by the employee) and a health security contribution of 3.4% (out of which 1.7% is borne by the employer and 1.7% is borne by the employee).

This remuneration cannot be lower than the minimum monthly salary set nationally, which is currently ALL26,000. The monthly remuneration is subject to social security contributions up to the maximum monthly salary amount for employed persons, which is ALL114,670. Self-employed persons must pay a health insurance contribution of ALL1,768, which is twice the minimum amount of health insurance contributions, calculated as 3.4% of the minimum salary.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Albania has entered into social security agreements with Austria, Belgium, the Czech Republic, Germany, Hungary, Kosovo, Luxembourg, North Macedonia, Romania and Turkey.

D. Filing and payment procedures

The tax year in Albania is the calendar year.

Employers must withhold personal income tax from wages and compensation paid, and they must pay the withholding tax to the tax administration by the 20th day of the following month. Employers must maintain records of payments in accordance with instructions issued by the Ministry of Finance.

Individuals earning income of ALL2 million or more must file a personal income tax return for the preceding year by 30 April. Income taxed at source must also be declared, but no personal income tax is calculated on such income.

E. Double tax relief and tax treaties

Tax treaties. Albania has entered into double tax treaties with the following jurisdictions.

Austria
Belgium
Bosnia and Herzegovina
Bulgaria
China
Croatia
Czech Republic
Egypt
Estonia
France
Germany
Greece
Hungary
Iceland
India*
Ireland
Italy
Korea (South)
Kosovo
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Norway
Poland
Qatar
Romania
Russian Federation
Serbia
Singapore
Slovenia
Spain
Sweden
Switzerland
Turkey
United Arab Emirates
United Kingdom

* This treaty is not yet effective.

Foreign tax credit. Resident taxpayers may credit the foreign income tax paid in other countries on the income realized in such countries. The amount of the foreign tax credit may not exceed the amount of Albanian tax regarding such income.

F. Entry visas

Albania issues the following temporary visas:

- Type A visas, which are transit visas permitting a visit or transit passage. Holders of transit visas may not undertake employment or engage in profit-seeking activities.
- Type C visas, which allow the holders to stay in Albania up to 90 days in a 180-day period.
- Type D visas, which are issued to individuals who are planning to stay in Albania for more than 90 days within a 180-day period and who plan to apply for a residence permit. Such visas can be issued for the purposes of work, study, humanitarian activities or family reunion.

The following types of persons can enter, stay and travel through Albania up to 90 days within a 180-day period without a visa:
- European Union (EU) and Schengen area citizens
- Citizens of countries exempted from the Schengen visa requirement as a result of the liberalization of the visa regime
- Holders of a valid multi-entry Schengen, UK or US visa
- Holders of a valid residence permit in one of the Schengen member states
- Citizens of countries with which Albania has entered into international agreements, such as citizens of Armenia, Azerbaijan, Kazakhstan, Kosovo, Turkey and Ukraine
- Citizens of certain countries, such as Bahrain, Belarus, Oman, Qatar, the Russian Federation, Saudi Arabia and Thailand, for the period of 1 April 2018 through 31 October 2019, and China for the period of 1 March 2019 through 31 October 2019
- Other persons, based on the principle of reciprocity as enacted by a Council of Ministers' decision

G. Work certificates and permits

The Ministry of Social Welfare and Youth is in charge of the policies for the employment of foreign citizens. Work permits are issued to foreigners by local institutions (labor office, immigration sector) and the Directory of Immigration Issues.

Foreigners must apply for either a work permit or a work registration certificate. Citizens of the EU and Schengen area are exempt from the obligation to apply for a work permit or a work registration certificate. In addition, citizens of North Macedonia and Montenegro of Albanian ethnicity are exempt from the obligation to apply for a work permit or a work registration certificate.

Work certificate. The work registration certificate is issued for a period of 60 days to 90 days within one year for the following categories:
- Consultants and audit service providers
- Artists and technical staff in cultural activities
- Technical staff provided by foreign companies for technical services
- Lecturers
- Personnel of international transport in Albania and certain other persons

To obtain a work certificate, the following documents must be submitted:
- Application form
- Copy of the passport

- Individual employment contract or secondment contract between the foreign entity, the local entity and the individual employee
- If the above documents are filed by proxy, the relevant power of attorney
- Five passport-size pictures
- Receipt for fee payment

Work permit. The work permit can vary depending on the type of economic activity that the foreigners will perform in Albania. Type A/P work permits are issued to employees who have legally entered Albania, fall in the list eligible for this type of permit and have regular employment contracts.

Type A/P work permits are issued for the following terms:
- One-year term for the first application
- Two-year term, renewable two consecutive times
- Permanent term, after the expiration of the second two-year term for the work permit

To obtain a Type A/P work permit, the following documents must be submitted:
- Application form
- Passport (expiration date at least three months after the visa expiration date)
- Copy of passport information regarding generalities and other important information
- Individual employment contract or secondment contract between the foreign entity, the local entity and the individual employee
- Registration certificate (court decision or company extract from National Business Center) of the employer
- If the above documents are filed by proxy, the relevant power of attorney
- University degree certificate
- Five passport-size pictures
- Receipt for fee payment

H. Residence permits

Foreign citizens who plan to stay in Albania for more than 90 days within a 180-day period and who have entered Albania with a Type D visa or without a visa can apply for a residence permit. The duration of a residence permit may be three months, six months, one year, two years or five years, or the permit may be permanent. Residence permits with the first three periods of duration can be renewed up to five consecutive times. The two-year residence permit may be renewed only one time. Foreigners may apply for a permanent residence permit if they have had a legal residence in Albania for five consecutive years and have a permanent activity. To obtain a residence permit, the following documentation must be submitted:
- Application form
- Passport (valid for at least three months after the expiration date of the visa)
- Copy of passport information regarding generalities and other important information
- Criminal Records Clearance of the individual extracted in the last six months
- Rent or purchase contract for an apartment or house in Albania

- Personal/Family Certificate translated in Albanian, released in the last six months
- Three passport-size pictures
- Declaration from the host or employer about the purpose of stay
- Photocopy of the work permit or the professional license
- Health insurance certificate for Albania
- Medical report (for citizens of and coming from countries affected by epidemics)
- Fee payment receipt

I. Personal and family considerations

Marital property regime. The marriage property regime is based on the concept of common ownership, which means that property acquired after the marriage is deemed to be in joint ownership, unless otherwise agreed between spouses. The law distinguishes the separate property from the joint property of spouses even after the marriage. The following is considered separate property:

- Property that belongs to the spouse before the marriage and remains his or her property
- Property acquired during marriage through inheritance, donation or other forms of legal acquisition

Joint property is the property and income acquired through work during the course of the marriage, and the spouses are considered to be joint owners in equal share unless otherwise provided in a written agreement in accordance with the requirements of the law.

Forced heirship. Albanian succession law provides for forced heirship for children under the age of 18 and disabled dependents.

Driver's licenses. Expatriates with valid residence permits may drive legally in Albania with their home-country driver's licenses if their home-country licenses are valid and if the expatriates are not resident in Albania for more than one year. If the driver's license does not comply with the form provided by international agreements, such license must be accompanied by an official translation of the license into Albanian.

Holders of a valid driver's license issued by an EU country, Canada and other countries that have signed a mutual agreement with Albania or that have signed the conventions and agreements of the United Nations on driver's licenses may convert their driver's license in Albania without any prior test.

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A. Income tax

Who is liable. Individuals who are tax resident in Algeria are subject to income tax on their worldwide income. Individuals who are not tax resident in Algeria are subject to tax on their income from Algerian sources.

The following individuals are considered to be tax resident in Algeria:
- Individuals who are owners or beneficial owners of a home in Algeria
- Individuals who are tenants in Algeria with a rental term of a continuous period of at least one year, whether by single or by successive agreements
- Individuals who have their place of principal residence or the center of their main interests in Algeria
- Individuals working in Algeria, regardless of whether they are paid
- Agents of the Algerian government who serve at a mission in a foreign country and who are not subject in the foreign country to a personal tax on all of their income

Income subject to tax

Employment income. Employment income is included in annual taxable income. It includes salaries, wages, pensions, life annuities and benefits in kind, except for certain items, such as food, housing, heating and lighting.

Self-employment and business income. Income derived by self-employed individuals is divided into the following two categories:
- Business profits, which are profits derived by individuals from commercial, industrial, artisanal or mining activities
- Non-market benefits, which are profits derived by individuals from artistic and scientific occupations

The tax base for self-employed individuals engaged in activities in the above two categories is computed in the same manner as the tax base for corporations. Taxable income equals the

difference between gross income and expenses incurred for the performance of the activity during the calendar year.

Income below DZD30 million is subject to the Single Flat Rate Tax (Impôt Forfaitaire Unique, or IFU) at the tax rates set forth in *Rates*. IFU is a single tax that includes personal income tax (*impôt sur le revenu global,* or IRG), value-added tax, corporate tax and the tax on business activity. If net income is DZD30 million or more, it is taxed under the "real regime" at the same rates applicable to employment income (see *Rates*).

Income derived by taxpayers under the category of non-market business is subject to IRG at a rate of 20%. This tax is levied at source.

Amounts paid as fees or copyright artist fees to artists who have their tax residence outside Algeria are subject to IRG through a final 15% withholding tax. However, these fees are not subject to IRG if they are earned by the artists in the context of cultural agreement exchanges, national holidays, festivals, and cultural and artistic events organized by the Ministry of Culture.

Investment income. Dividend distributions are subject to a final withholding tax at a rate of 15%.

Revenues from loans and deposits are subject to an advance payment corresponding to a 10% withholding tax. However, for interest earned on monies deposited in savings accounts of individuals, the following are the withholding tax rates:

- 1% for the portion of interest payments not exceeding DZD50,000 (final withholding tax)
- 10% for the portion of the interest payments exceeding DZD50,000

Directors' fees. Directors' fees are fees paid to directors of companies as compensation for the performance of their functions. Directors' fees are considered distributions of income. Consequently, they are subject to a final withholding tax at a rate of 15%.

Taxation of employer-provided stock options. The Algerian Direct Tax Code does not contain any specific measures relating to the taxation of stock options granted to employees.

Capital gains. The taxation of gains derived from the transfer of capital assets depends on whether the assets are short-term or long-term assets. Capital assets are considered long-term assets if they have been held more than three years. Thirty-five percent of gains on long-term assets are included in taxable income. Capital assets that are not long-term assets are considered short-term assets. Seventy percent of gains on short-term assets are included in taxable income.

Capital gains on share transfers are subject to a final withholding tax at a rate of 15% for residents, after one-half of the capital gain is transferred to the notary. The rate is 20% for nonresidents, after one-fifth of the capital gain is transferred to the notary.

Capital gains on share transfers for residents are exempt from tax if the amount is reinvested (company contribution or purchase of shares of another company).

Capital gains are exempt from IRG if they are derived from the sale of bonds, securities and Treasury bonds that are listed in the stock exchange or traded on a regulated market and that have a minimum term of five years and are issued during the five-year period beginning on 1 January 2014.

Deductions

Personal deductions and allowances. Taxpayers may deduct certain expenses from employment income including social insurance contribution, support payments and insurance premiums paid as an owner or lessee.

Business deductions. Business deductions include depreciation and general expenses incurred for business purposes. Depreciation of business assets is deductible if it is recorded annually in the accounts and relates to assets shown in the balance sheet. The depreciation rates vary according the nature of the activity in which the assets are used.

Other deductions. After the net income for each category of income is aggregated, the following expenses are deductible:
- Interest paid on loans obtained by a taxpayer for a business purpose or the acquisition or construction of a principal home
- Contributions paid by a taxpayer for a retirement pension or social insurance
- Maintenance allowance
- Insurance policy concluded by a landlord

Rates. The following are the progressive personal income tax rates in Algeria, which apply to employment income and to self-employment and business income of DZD30 million or more.

Taxable income		
Exceeding DZD	Not exceeding DZD	Rate %
0	120,000	0
120,000	360,000	20
360,000	1,440,000	30
1,440,000	—	35

All bonuses paid by the employer on a non-monthly basis are subject to a reduced rate of 10%. For this purpose, non-monthly bonuses include amounts paid to employees in addition to the amounts paid to them for their principal activities.

Self-employment and business income below DZD30 million is subject to IFU at the following rates:
- Income from production activities and sales of goods, and income derived in the context of a distribution channel of goods and services via digital platforms or via direct network sales are subject to tax at a rate of 5%.
- Income from other activities is subject to tax at a rate of 12%.

Relief for losses. In general, losses incurred in business and agricultural activities may be carried forward for four years to offset profits from the same category.

Nonresidents. Individuals who are not tax resident in Algeria are subject to tax on their Algerian-source income. The types of income considered to be Algerian-source income include the following:

- Income from Algerian real estate and related rights
- Income from Algerian securities and capital assets
- Income from business carried out in Algeria
- Income from professional activities (including self-employment) carried out in Algeria
- Profits derived from Algerian real estate operations

The following types of income are also considered Algerian-source income if the payer of the income is resident for tax purposes or established in Algeria:
- Pensions and annuities
- Amounts paid as compensation for services provided or used in Algeria
- Income received by inventors, income from copyrights, and income from intellectual or commercial property and related rights

B. Other taxes

Tax on donations. Donations are taxable on the basis of the value of donated property. The tax rate is 5%, with a preferential rate of 3% for donations between parents, children and spouses. The same rate applies to the fixed assets of a company that heirs agree to continue operating. This tax does not apply to donations to non-family members.

Donations other than those of a humanitarian nature are not deductible from the taxable base for personal income tax.

Wealth tax or net worth tax. Individuals who are tax resident in Algeria are subject to wealth tax on their property located in Algeria and abroad. Individuals who are not tax resident in Algeria are subject to wealth tax on their property located in Algeria. The tax is assessed on 1 January of each year.

The following are the rates of the wealth tax.

Taxable net value		
Exceeding DZD	Not exceeding DZD	Rate %
0	100,000,000	0.00
100,000,000	150,000,000	0.50
150,000,000	250,000,000	0.75
250,000,000	350,000,000	1.00
350,000,000	450,000,000	1.25
450,000,000	—	1.75

Property tax

Developed properties. The property tax is payable annually on buildings located in Algeria, except those that are specifically exempt. Facilities also subject to this tax include, but are not limited to, the following:
- Facilities to house people and goods, or to store products
- Commercial facilities within the perimeters of airports, port terminals and railway and bus stations

The tax rate for buildings is 3%. However, a 10% rate applies to buildings for residential use that are not employed in a personal or family capacity as a rental in areas to be determined by regulation.

The following are the tax rates for land considered dependency property (land attached to the building property):
- 5% if the size is less than or equal to 500 square meters
- 7% if the size is greater than 500 square meters and not more than 1,000 square meters
- 10% if the size is greater than 1,000 square meters

Undeveloped properties. Property tax is imposed annually on all undeveloped properties, except those that are specifically exempt.

The tax base is the tax rental value of the property.

The tax rate is 5% for undeveloped properties located in non-urbanized areas.

For urbanized land, the following are the tax rates:
- 5% if the land size is less than or equal to 500 square meters
- 7% if the land size is more than 500 square meters and less than or equal to 1,000 square meters
- 10% if the land size is greater than 1,000 square meters

The rate is 3% for agricultural land.

For properties located in urbanized or urbanizing areas on which construction has not begun in three years, the normal property tax rate is multiplied by four.

C. Social security

The social security regime depends on the nature of the activity carried out by the person. Two possible regimes are applicable. One regime is for employees and the other is for non-employee persons (trade or managing activities).

Employees' activity. Social security contributions for employees are based on gross compensation paid, including fringe benefits and bonuses. Some benefits paid on an exceptional basis can be exempt from social security contributions under certain circumstances.

Contributions. Employer contributions are paid, and employee contributions are withheld monthly. The following are the rates of the social security contributions:
- Employers: 25%
- Employees: 9%

Employers must make an additional 1% contribution for the funds for social action.

Coverage. All foreign workers from countries with which Algeria has entered into social security agreements who are pursuing an activity in Algeria while maintaining an employment contract with their employers abroad may elect to be subject to the social security system of their home countries and be exempt from social security contributions in Algeria. To implement this election, the employer must give a copy of a certificate of coverage (*certificat de détachement*) to the employee, who then submits it to the national social security fund (Caisse Nationale des Assurances Sociales, or CNAS).

An additional specific social security regime called the National Fund for Paid Leave and Unemployment of Bad Weather of

Building, Public Works and Water Sectors (La Caisse Nationale des Congés Payés et du Chômage-Intempéries des Secteurs du Bâtiment, des Travaux Publics et de l'Hydrauliqueor, or CACOBATPH) applies to companies operating in the building, public works and hydraulic sectors. The rate of this contribution is fixed at 12.96%.

Non-employees' activity. Persons carrying out non-employees' activities in Algeria are required to register for the social security regime called the National Social Security Fund of Non-Employees (Caisse Nationale de Sécurité Sociale des Non-salariés, or CASNOS). The contribution is based on the annual revenue.

Contributions. Contributions are paid on an annual basis. The applicable rate is 15%. The minimum contribution is DZD18,000, and the maximum contribution is DZD144,000.

Totalization agreements. Algeria has entered into social security agreements with Belgium, France, Romania and Tunisia.

D. Tax filing and payment procedures

The Algerian tax law provides for monthly, quarterly and annual tax returns.

The monthly tax return (G50) applies only to businesses under the real regime. This tax return must be filed by the 20th day of each month.

The quarterly tax return applies only to businesses under the simplified regime. It must be filed by the 20th day of the month following the end of the quarter.

All businesses must file an annual tax return by 30 April of each year.

Algerian tax residents who derive personal income in addition to their remuneration must file an annual tax return (G1) by 30 April of each year.

E. Double tax relief and tax treaties

Algeria has entered into double tax treaties with the following jurisdictions.

Austria
Bahrain
Belgium
Bosnia and Herzegovina
Bulgaria
Canada
China
Egypt
France
Germany
Iran
Indonesia
Italy
Jordan
Korea (South)
Kuwait
Lebanon
Oman
Portugal
Qatar
Romania
Russian Federation
Saudi Arabia
South Africa
Spain
Switzerland
Turkey
Ukraine
United Arab Emirates
United Arab Maghreb*
United Kingdom

* The United Arab Maghreb consists of Algeria, Libya, Mauritania, Morocco and Tunisia.

F. Entry and tourist visas

Entry visas are required for nationals of the European Union (EU), United States and certain Arabic countries, such as Egypt. Moroccan and Tunisian nationals are not required to have entry visas.

Algerian embassies or consulates can provide information regarding the documents necessary for the obtaining of a tourist visa.

Foreign nationals who wish to enter Algeria for a period not exceeding 15 days can enter with a business visa. This visa allows the holding of meetings (internal or with clients) but not the provision of services.

Foreign nationals who wish to work in Algeria under a contract that has a duration of less than three months must obtain a temporary work authorization. It can be renewed once in a year. Under Article 9 of Law No. 81-10, a foreigner who is assigned to Algeria for a duration of less than 15 days does not require a temporary work authorization. However, a temporary work visa is always required. To obtain the visa, a foreign national must justify his or her work in Algeria.

After the granting of a temporary work authorization and work visa, a work permit is required. A work permit's validity may not exceed two years, but it is renewable. French nationals benefit from a special regime. They need to obtain a foreign worker declaration instead of a work permit.

A foreign worker working as a managing director of an Algerian entity is exempt from the work permit requirement but needs a business professional card and, in some circumstances, a residence card as well.

G. Residence card

Foreigners who are intending to extend their stay in Algeria beyond the duration specified in the visa must request a residence card 15 days before expiration of the visa's validity. This card is valid for two years. A residence card with a validity of 10 years can be issued after a regular residency of 7 years in Algeria.

The application form for the residence card must be sent to the local police office.

H. Family and personal considerations

Family members intending to reside with a working expatriate in Algeria can benefit from family reunification.

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Law No. 18/14 of 22 October 14 contains the new Personal Income Tax Code, which entered into force on 1 January 2015. In 2019, Law No. 9/19, of 24 April 2019, made slight amendments to the Code.

A. Income tax

Who is liable. Individuals receiving work-related income and/or business and professional income in Angola are subject to personal income tax if the compensation is paid by an Angolan entity or if the respective cost of such income is allocated to an entity with a head office, residence or permanent establishment in Angola. Angola applies a pure source-based system for individual taxation.

Groups of taxation. The new tax code introduced the following three groups of taxation:

- Group A: Income derived from employment and paid by employers under the General Labor Law or civil servants regime, as well as remuneration earned by members of statutory boards
- Group B: Income derived from self-employment (related to the activities included in the list attached to the Personal Income Tax Code, which was expanded by Law No. 9/19)
- Group C: Income derived from industrial and commercial activities

Income subject to tax

Employment income. Taxable income includes all income considered to be salaries, commissions, fees, gratifications (broadly, these are bonuses not included in base salary that reward employees for good performance), allowances, premiums, allowances or ancillary forms of remuneration, such as payments in kind. These types of income are subject to tax, regardless of whether they are attributed to a contractual obligation and regardless of their frequency or computation method.

In addition, the following types of income are also subject to tax:
- Shortage allowances, daily entertainment allowances and travel allowances
- Remuneration paid to shareholders as compensation for work performed for the company
- Remuneration of a company's statutory board members
- Undocumented asset increases and expenses
- Remuneration payments by political parties and other organizations with a socio-political purpose

The following types of income are not included in taxable income for personal income tax purposes:
- Social payments made by the National Social Security Institute
- Shortfall allowances (per diem, representation, travel and displacement allowances attributed to civil servants) not exceeding the limits established for public officials
- Family allowances
- Social security contributions
- Housing allowances, up to 50% of the rental contract amount
- Dismissal compensation that does not exceed the maximum limits contained in the General Labor Law
- Subsidies paid to national citizens with disabilities
- Daily allowances, for meals, up to AOA30,000
- Daily allowances for transportation, up to AOA30,000
- Reimbursement of expenses incurred by employees of entities subject to Industrial Tax (corporate income tax), if documented as per the Industrial Tax Code and ancillary diplomas (Legal Regime for Invoices and Equivalent Documents) and the Angola General Tax Code
- Holiday or Christmas allowances up to 100% of the employee's base salary

Self-employment income. Self-employed individuals are taxed on 70% of their income if they do not have organized accounting records. For individuals with organized accounting records, the taxable income is computed in accordance with the rules applicable to Group A taxpayers for Industrial Tax purposes.

Board members are taxed under the rules set forth for Group A (see *Groups of taxation*).

Industrial and commercial activities. The tax base for industrial and commercial activities is based on the Table of Minimum Income. However, if the taxpayer generates turnover exceeding four times the maximum amount indicated in such table for its respective activity, the tax base equals the volume of sales of goods and services not subject to withholding tax.

Under the Industrial Income Tax Code, for services subject to withholding tax, the tax base equals the value of the services (which is not included in taxable income for purposes of the preceding paragraph).

Deductions

Deductible expenses. For Group A, no deductions from employment income are allowed, except for social security contributions.

Business deductions. The following expenses are deductible for Group B if properly documented:
- Rent paid for business premises
- Wages (subject to a maximum of wages paid to three employees), commissions and fees paid for services
- Water, gas, communication services and electricity expenses
- Insurance premiums
- Other necessary expenses required to carry out the taxpayer's business
- Depreciation of the business premises

The total deduction for the above expenses is limited to 30% of the taxpayer's total income if the taxpayer does not have an organized accounting regime.

Rates. Income tax rates applicable to taxable employment income derived by residents and nonresidents are set forth in the following table.

Taxable income Exceeding AOA	Taxable income Not exceeding AOA	Tax on lower amount AOA	Rate on excess %
0	34,450	0	0
34,450	35,000	0	100
35,000	40,000	550	7
40,000	45,000	900	8
45,000	50,000	1,300	9
50,000	70,000	1,750	10
70,000	90,000	3,750	11
90,000	110,000	5,950	12
110,000	140,000	8,350	13
140,000	170,000	12,250	14
170,000	200,000	16,450	15
200,000	230,000	20,950	16
230,000	—	25,750	17

Income from self-employment is taxed at a rate of 15% (levied on 70% of gross income). As a result, the effective tax rate is 10.5%.

For income from industrial and commercial activities, the rate is 30% of the income amount established by the Table of Minimum Income, and at a rate of 6.5% in all other cases.

B. Other taxes

Inheritance and gift tax. Inheritance and gift tax is payable by heirs and donees. This tax is levied on gratuitous transfers of movable and immovable assets and rights located or transferred in Angola. Tax rates range from 10% to 30%, depending on the value of the estate or the gift and on the relationship of the heir or donee to the deceased person or donor.

Urban property tax. Urban property tax is payable annually by the beneficiary of rental income from rented property or by the owner, usufructuary or beneficiary of surface rights of unrented property. The tax is imposed at the following rates:
- 25% of 60% (which results in a final rate of 15%) of the rental income from Angolan rented urban property
- 0.5% of the patrimonial value of unrented properties (properties valued above AOA5 million

Consumption tax and value-added tax. The consumption tax is a combination of customs excise duties and a single-stage sales tax. It is levied on goods produced in or imported into Angola, as well as on the supply of water, energy, telecommunication, tourism (including hotels and restaurants) services and other services. The standard rate is 10%. The rate is 5% for water, energy and certain types of services. Other rates range from 2% to 80%.

The consumption tax is revoked on 1 July 2019, with the entry into force of the value-added tax (VAT). VAT follows the assessment/deduction mechanism used in European Union (EU) countries, with a standard rate of 14%, except for certain zero-rated items (fuel and specific basic goods).

Property transfer tax. Property transfer tax is levied at rate of 2% with respect to transfers of immovable property, including long-term leases (20 years or more). Stamp duty at a rate of 0.3% also applies to these transactions.

C. Social security

Salaries and additional remuneration specified under the law are subject to social security contributions. No ceiling applies to the amount of remunerations subject to social security contributions. The rates of the contributions are 8% for employers and 3% for employees.

Employees working transitorily in Angola are not required to make social security contributions if they can prove that they are covered by the social security system in another country.

Self-employed persons are subject to social security contributions based on a predefined monthly notional salary. The rate of the contributions is 8%, but it may be increased to 11% if additional benefits are covered.

D. Tax filing and payment procedures

The fiscal year in Angola is the calendar year.

Self-employed individuals must file returns (Form M/1) in March following the tax year-end and are notified of their final tax liability.

Income taxes on employees are withheld by the employer under a Pay-As-You-Earn system, and employees are not required to file returns. The employer must file, by the end of February of the year following the tax year, a tax return, indicating the name and personal details of the employees, their remuneration and corresponding taxes withheld.

Tax on income from capital is generally withheld by the payee entity, unless the entity is not resident or established in Angola. Otherwise, the income recipient is responsible for paying the tax.

Landlords must also file Urban Property Tax Form M/1 in January. Payments (whenever the rents are not subject to withholding tax) must be made in two installments, which are payable in January and July. Alternatively, a request may be presented to the tax administration to make the payments in four installments, which are payable in January, April, July and October.

E. Tax treaty

Angola has entered into a double tax treaty with Portugal. However, the mechanisms have not yet been put in place for the treaty to be applicable.

F. Temporary visas

Law No. 13/19, of 23 May 2019, contains the new legal regime for foreign nationals in Angola. This new law revoked the prior Law No. 2/07 of 31 August 2007. The regulations for the new law are awaited.

In line with the new legal regime for foreign nationals in Angola, various types of temporary visas may be granted to foreign nationals who intend to come to Angola. The type of visa depends on the reason and period of stay. The most common temporary visas of which foreign nationals should be aware are described below.

The former Ordinary Visas, which were originally granted to foreign nationals for business or family reasons, were replaced by Tourism Visas, which were already in place for other reasons. Under the new regime, the Tourism Visas are granted by Consular Missions at the applicant's country of origin or residence, for business prospection or family reasons and for engaging in scientific and technologic activities, as well to those foreign nationals who intend to stay in Angola for recreational, sporting or cultural activities. Tourism Visas allow its holder to stay in the country for 30 days, extendable twice for the same time period. Tourism Visas do not allow their holders to perform remunerated activities in the country, for which a Work Visa is required, or apply for residence.

Short-Term Visas are granted for urgent reasons, allowing its holder to stay in the country for 10 days, extendable once in Angola. Some countries have their own specificities regarding Short-Term Visas. Short-Term Visas do not allow their holders to perform remunerated activities in the country, for which a Work Visa is required, or apply for residence.

Investors Visas, which replaced the Privileged Visas, are granted to foreign investors, representatives or proxies of investing companies to implement and execute investment projects in Angola. Under the new regime, these visas are granted by the authorities in Angola.

Temporary Stay Visas, which are granted for 365 days, extendable for the same time period, until the end of the term of the reason that justified the visa, may be granted in the following circumstances:

- To accomplish missions within religious institutions or within nongovernmental organizations
- For scientific research, mobility or university extension
- To family members of study, medical treatment and work visa holders
- To family members of holders of valid residence permits
- To spouses of Angolan citizens

G. Work visas

The appropriate visa allowing a foreign national to undertake remunerated activities in Angola is the Work Visa. The Work Visa is granted for 365 days, extendable for equal time periods until the end of the term of the employment agreement that justified the visa. The Work Visa must be applied for at the Angolan Consulate or Embassy in the applicant's country of origin or residence.

Before applying for a Work Visa, a favorable opinion from the entity overseeing the sector of activity in Angola is required.

H. Residence visas (and/or permits)

Residence permits are granted to foreign nationals that intend to establish residence in Angola, provided that they meet the requirements imposed by the Angolan law. The application for a residence permit may include spouses, underage children and any dependents of the applicant who have disabilities.

The following residence permits may be granted:

- A Temporary Residence Card, granted to foreign nationals with authorization to establish residence in Angola. It allows the holder to establish residence for two years and is extendable for equal time periods.
- A Permanent Residence Card, granted to foreign nationals resident in the country for more than 10 consecutive years. It is valid for five years and is extendable for equal time periods, without limitation.

Argentina

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A. Income tax

Who is liable. Residents are subject to tax on worldwide income. Nonresidents are taxed on Argentine-source income only.

The following individuals are deemed to be resident in Argentina:
- Native and naturalized Argentine citizens
- Foreign individuals who are granted permanent residence in Argentina
- Foreign individuals who remain in the country under temporary authorization for a period of 12 months or longer

Individuals in the third category who have not been granted permanent residence are deemed to be nonresident if they can prove that they do not intend to stay permanently in Argentina.

Foreign individuals who can prove that they are in Argentina because of their employment, and who remain in the country for a period not exceeding five years, are not considered to be resident in Argentina. This rule also applies to members of the individual's family who accompany the individual to Argentina.

Income subject to tax. The taxability of various types of income is discussed below.

Employment income. Taxable income from employment includes all salaries, regardless of the taxpayer's nationality or the place where the compensation is paid or the contract is concluded.

In general, taxable compensation also includes most employer-paid items, except the following main items:

- Moving expenses
- Overtime worked on Saturday (after 1:00 p.m.), Sunday and/or holidays
- Severance payments, except when the employee has held positions of manager or director in the last 12 months and his/her gross monthly salary taken for the calculation base of severance payment exceeds at least 15 times the Minimum, Life and Mobile salary (in Spanish, SMVM) in force at the date of separation

Educational allowances provided by employers to their local or expatriate employees' children who are 18 years old or under are taxable for income tax and social security purposes.

Self-employment income. Self-employment and business income is taxable, regardless of the recipient's nationality, the place of payment or where the contract was concluded.

Investment income. If a company pays a dividend in excess of its accumulated taxable income, the excess is subject to a final withholding tax at a rate of 35%. This tax applies to dividends derived from income accrued in fiscal periods beginning before 1 January 2018. Under the December 2017 tax reform, withholding tax is imposed on dividends distributed by Argentinian companies to Argentinian individuals and foreign shareholders at a rate of 7% (for fiscal periods beginning between 1 January 2018 and 31 December 2019) and 13% (for fiscal periods beginning on or after 1 January 2020). The tax operates as a "sole and definitive tax payment." It is imposed in addition to the 35% equalization tax described above. Dividends from foreign corporations paid to residents are taxable at regular tax rates.

Royalties and income derived from renting real property are taxed as ordinary income.

Interest is taxed as ordinary income, except interest from certain bank deposits in Argentina, such as saving accounts, which is exempt from tax. Interest from bank deposits paid to nonresidents is exempt from Argentine tax only if the income is also exempt from foreign tax.

The December 2017 tax reform law introduced a "Schedular Tax," determined under Section 90.1 of the Income Tax Law, on interest

derived from financial investments located in Argentina. Interest is taxed at a 5% or 15% flat rate, depending on its type and currency, in accordance with the rules described below.

Interest derived from term deposits, public bonds (government securities, treasury bills and others), corporate bonds, mutual funds and other securities in the national currency (peso [ARS]) without an adjustment clause is taxed at a 5% rate. However, this reduced rate can be increased through a decision of the Executive Power to up to 15%.

Interest derived from the securities mentioned above in national currency with an adjustment clause or in foreign currency are taxed at a 15% rate. Interest from public and corporate bonds issued in Argentina are exempt for foreign investors, with the exception of Argentinian treasury bills.

Under Section 90.5 (Schedular Tax) of the Income Tax Law, gains derived from the sale of real estate purchased on or after 1 January 2018 are taxable at a rate of 15%. However, if the property is the taxpayer's home, the sale is exempt from tax.

Directors' fees. Directors' fees are taxed as self-employment income to the extent that they are deducted by the payer company (allowable up to the greater of 25% of book profit or ARS12,500 per director per year). The portion of fees not deductible at the corporate level is not taxable to the director if the amount of the company's income tax increases by an amount equal to the tax attributable to the directors' fees. Directors' fees paid by Argentine companies are considered Argentine-source income, regardless of where the services are performed.

Taxation of employer-provided stock options. Stock options granted to employees are deemed to be payments in kind and are therefore subject to income tax and social security withholding. Income related to stock options becomes taxable when the option is exercised. No tax is imposed at the time of grant or vesting, and the employees are not required to pay income tax with respect to stock options at such time.

Capital gains. Income arising from the transfer of shares, quotas, equity interests, bonds and other securities is determined under Section 61 and Section 90.4 (Schedular Tax) of the Income Tax Law and is subject to a 5% or 15% tax rate depending on the type and currency of the security. An exception applies for shares that are traded in an Argentinian stock market (authorized by the Argentine Securities and Exchange Commission). Capital gains on such shares are exempt. Under Law 27,260, for foreign companies, the taxable profit equals the difference between the sales price and the purchase price in foreign currency based on the exchange rate at the time of the sale, with the exchange-rate difference between the time of the purchase and sale considered to be non-taxable.

Capital gains on Argentinian securities and sponsored American Depositary Receipts (ADRs) from Argentinian companies are exempt for foreign investors, provided that they do not reside in noncooperative jurisdictions and/or the invested funds do not proceed from noncooperative jurisdictions.

The law establishes an income tax on the indirect transfer of assets located in Argentina. The tax is triggered on the sale or transfer by nonresidents of shares or other participations in foreign entities if both of the following two conditions are met:

- At least 30% of the value of the foreign entity is derived from assets located in Argentina (at the moment of the sale or during the 12 prior months).
- The participation being transferred represents (at the moment of the sale or during the 12 prior months) at least 10% of the equity of the foreign entity.

The applicable rate is generally 15% (calculated on the actual net gain or a presumed net gain equal to 90% of the sale price) of the proportional value that corresponds to the Argentine assets.

The law provides that the tax on indirect transfers applies only to participations in foreign entities acquired after the effective date of the tax reform, which was 1 January 2018. Also, the law indicates that indirect transfers are not taxable to the extent that it can be proved that the transfer took place within the same economic group, in accordance with requirements to be established by additional regulations.

Deductions

Deductible expenses. For purposes of computing tax to be withheld from an employee's salary, employers may deduct certain allowable expenses, including the following:

- Mandatory social security contributions
- Medical insurance payments for employees and their families, with certain limitations
- 40% of invoiced medical expenses up to a maximum of 5% of the taxpayer's annual net income
- 40% of invoiced expenses for the rental of a house up to an annual nontaxable amount (generally ARS85,848.99)
- Expenses incurred by traveling salespeople, up to an annual nontaxable amount (generally ARS85,848.99)
- Donations to the government and certain charitable or nonprofit institutions, up to 5% of net taxable income
- Burial expenses, up to ARS12,000 annually
- Life insurance premiums, up to ARS12,000 annually
- Retirement insurance premiums, up to ARS12,000 annually
- Mortgage interest, up to ARS20,000 annually, for the purchase of a dwelling destined to be a permanent abode
- Contributions made to Mutual Guarantee Companies (SGRs; special companies that guarantee loans)
- Compensation and employer contributions related to domestic help personnel, up to an annual nontaxable amount (generally ARS85,848.99)

Self-employed individuals may deduct expenses incurred in producing income, in addition to the expenses listed above.

Personal deductions and allowances. Employed and self-employed individuals are entitled to standard deductions in amounts established by law. The amounts for 2019 are ARS80,033.97 for a spouse and ARS40,361.43 for each child not older than 18. To qualify, dependents must reside in Argentina for more than six months in the tax year and may not have income exceeding ARS85,848.99.

A deduction of ARS85,848.99 is granted to taxpayers who are resident in Argentina for longer than six months during the calendar year.

A special deduction is available against compensation derived from personal services. The annual amount is ARS412,075.14 for employees and ARS171,697.97 for self-employed persons. For "new professionals" and "new entrepreneurs" (to be defined by the Law Regulating Decree), the special deduction is ARS214,622.47.

Nonresidents residing in Argentina longer than six months in a calendar year may claim the deductible expenses actually incurred and exemptions available to residents.

Rates. The progressive tax rates applicable to Argentine residents for 2019 range from 5% to 35%.

The following table presents the 2019 individual income tax rates.

Taxable income		Tax on lower amount	Rate on excess
Exceeding ARS	Not exceeding ARS	ARS	%
0	33,039.81	0	5
33,039.81	66,079.61	1,651.99	9
66,079.61	99,119.42	4,625.57	12
99,119.42	132,159.23	8,590.35	15
132,159.23	198,238.84	13,546.32	19
198,238.84	264,318.45	26,101.45	23
264,318.45	396,477.68	41,299.76	27
396,477.68	528,636.91	76,982.75	31
528,636.91	—	117,952.11	35

Nonresidents residing temporarily in Argentina, that is, for six months or less, are subject to final withholding tax. A standard deduction of 30% of compensation is allowed for expenses incurred in earning income. The remaining 70% of compensation is taxed at a flat rate of 35%, with no other allowable deductions or exemptions, resulting in an effective withholding tax rate of 24.5%.

Relief for losses. Business losses of self-employed persons may be carried forward for five years. Foreign-source business losses may offset foreign-source income only.

B. Other taxes

Transfer tax. Sales of real estate are subject to transfer tax at a rate of 1.5% on the sale price. This tax only applies to sales of real estate purchased before 1 January 2018.

Personal assets tax. Individuals who have total assets subject to tax of up to ARS2 million and/or who have a dwelling destined to be their permanent abode of up to ARS18 million are exempt from the personal assets tax. Individuals domiciled in Argentina with assets totaling more than ARS2 million are required to pay the personal assets tax for 2019. The following table presents the 2019 individual assets tax rates.

Total taxable assets Exceeding ARS	Not exceeding ARS	Tax on lower amount ARS	Rate on excess %
0	3,000,000	0	0.25
3,000,000	18,000,000	7,500	0.50
18,000,000	—	82,500	0.75

Under the Substitute Taxpayer Regime, individuals domiciled in foreign countries are subject to personal tax on Argentine assets only at a rate of 0.25%. In this case, the minimum of ARS2 million does not apply.

Liabilities, other than those incurred for the purchase, construction or improvement of a taxpayer's home, are not deductible for purposes of the personal assets tax. A tax credit is allowed for similar taxes paid abroad.

Expatriates residing in Argentina on work assignments for a period not exceeding five years are considered to be domiciled in Argentina, but they are taxed only on personal assets located in Argentina.

C. Social security

Contributions. Social security contributions are paid by employees, employers and self-employed persons.

Employees. Employees' social security contributions are withheld from their monthly salary.

Employees make contributions to the pension fund at a rate of 11%, to the retiree's fund at a rate of 3% and to the health care system at a rate of 3%. The maximum monthly tax base for the calculation of these contributions is ARS105,233.32 for January 2019 and February 2019, ARS117,682.47 from March to May 2019 and ARS130,321.52 from June to August 2019. The cap is updated every three months.

Monthly salary that exceeds the maximum tax base is not subject to contributions. For this purpose, a year comprises 13 months.

Employers. Employers pay social security contributions at a rate of 20.4% or 18% for the 2019 fiscal period, depending on the company's activity and turnover (amount of sales). In the following periods, the lower rate will be increased and the higher rate will be reduced until both rates converge to 19.5% for the 2022 fiscal period. A 6% contribution for medical care is required in addition to the social security contributions. For the tax base with respect to employer social security contributions, a minimum nontaxable amount of ARS7,003.68 is applied, but the tax base for employer health care contributions is not capped.

Other. No employee or employer social security taxes are payable with respect to directors' fees. However, a director must pay fixed monthly amounts that are allocated to the social security's Self-Employed System.

The social security tax law provides an exemption for all professionals, researchers, scientists, and technicians who are contracted outside of Argentina to render services in Argentina for a period of not more than two years. The individuals must have a temporary residence, be covered by the social security system of their countries, and provide evidence of their technical qualifications

as well as of their coverage for death, disability and old age in their home countries or countries of residence. This exemption is available only once and, after being granted, it is in force from the date of the application for as long as the conditions for the exemption are met.

Totalization agreements. Social security taxes for nonresidents are collected as outlined above. However, both the employer and the nonresident employee may be exempt from contributions to the Argentine pension fund and health care system if certain conditions are met.

To provide relief from double social security taxes and to assure benefit coverage, Argentina has entered into totalization agreements with the following countries.

Belgium	Italy	Southern Common Market (Mercado Común del Sur, or MERCOSUR) countries (Brazil, Paraguay and Uruguay)
Chile	Luxembourg	
Colombia	Peru*	
France	Portugal	
Greece	Slovenia	
		Spain

* The procedures required for the entry into force of this treaty are currently in progress.

Argentina has also entered into the Ibero-American Multilateral Agreement on Social Security, which is in force with respect to Bolivia, Brazil, Chile, Ecuador, El Salvador, Paraguay, Peru, Portugal, Spain and Uruguay.

Argentina has also signed the Latin American Treaty of Social Security, which is not yet in force.

D. Tax filing and payment procedures

The tax year for individual taxpayers is the calendar year. Tax returns must be filed between 11 June and 13 June (depending on the taxpayer's registration number) of the following year unless the taxpayer's only income is from employee compensation. No extensions to file tax returns are allowed.

National and foreign employees must file an income and personal assets tax return for informational purposes if their gross compensation exceeds ARS1,500,000 per year. The deadline for tax returns for informational purposes is 30 June.

Self-employed taxpayers must register with the tax authorities. Tax returns are filed annually in June, declaring earnings for the previous calendar year.

Individuals with non-wage income, including self-employment income, must make advance tax payments bimonthly from August to April, based on the previous year's tax. Under a withholding system for payments to resident individuals, withholding is imposed at various rates on income exceeding a minimum threshold. Amounts withheld are treated as advance payments.

Advance payments are also required for purposes of the personal assets tax (see Section B).

For married couples, a wife is taxed separately on income derived from personal activities (including employment, self-employment

and business), on assets acquired before marriage and on assets acquired during marriage with income earned from personal activities.

Nonresidents subject to the 35% withholding tax are not required to file tax returns.

E. Double tax relief and tax treaties

Resident taxpayers are entitled to a tax credit for income taxes paid abroad, up to the increase in Argentine tax resulting from the inclusion of the foreign-source income.

Argentina has tax treaties in force with the following countries.

Australia	France	Russian Federation
Belgium	Germany	Spain
Bolivia	Italy	Sweden
Brazil	Luxembourg*	Switzerland
Canada	Mexico	Turkey*
Chile	Netherlands	United Arab Emirates
China*	Norway	United Kingdom
Denmark	Qatar*	
Finland		

* The procedures required for the entry into force of these treaties are currently in progress.

F. Types of residence

Under Law 25,871, the following are the three categories of entry:

- Transitory residence
- Temporary residence
- Permanent residence

These types of residence and other key aspects of the immigration process in Argentina are discussed below.

Transitory residence

Technical residence. Technical residence applies to foreigners who will perform technical or professional activities for a short time period. This type of residence can be obtained at the Argentine consulate in the country of residence of the expatriate or at the Argentine migratory office after arrival in Argentina.

Technical residences granted by the Argentine consulate are for a 30-day period, which can be extended up to 90 days, at discretion of the immigration office.

Transitory Work Authorization. A Transitory Work Authorization (TWA) is a short-term, single-entry work permit valid for a period of up to 90 days. This type of short-term work permit allows assignees to reside legally in Argentina and perform paid or unpaid activities for a local entity in Argentina. The assignee can apply for this benefit twice in a 365-day period beginning on the date of the first application. To apply for a second TWA, the assignee must leave and re-enter the country.

Business visas. Business visas are issued to foreign nationals who were invited by a local commercial entity established in Argentina. This type of visa can be obtained only at the Argentine consulate

in the country of residence. It is issued by the consulate directly or through a prior application to the immigration office in Argentina. This type of visa is for business issues only.

Visitor visas. Nationals from the following jurisdictions require a visitor visa to enter Argentina.

Afghanistan
Albania
Algeria
Angola
Antigua and Barbuda
Azerbaijan
Bahamas
Bahrain
Bangladesh
Belarus
Belize
Benin
Bhutan
Bosnia and Herzegovina
Botswana
Brunei Darussalam
Burkina Faso
Burundi
Cape Verde
Cambodia
Cameroon
Central African Republic
Chad
China Mainland*
Comoros
Congo (Democratic Republic of)
Congo (Republic of)
Côte d'Ivoire
Cuba
Djibouti
Dominica
Dominican Republic
Egypt
Eritrea
Eswatini
Ethiopia
Fiji
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Equatorial Guinea
India
Indonesia
Iraq
Iran
Jordan
Kenya
Kiribati
Korea (North)
Kuwait
Kyrgyzstan
Laos
Lebanon
Lesotho
Liberia
Libya
Madagascar
Malawi
Maldives
Mali
Marshall Islands
Mauritania
Mauritius
Micronesia
Moldova
Mongolia
Morocco
Mozambique
Myanmar
Namibia
Nepal
Niger
Nigeria
Oman
Pakistan
Palau
Palestinian Authority
Papua New Guinea
Philippines
Qatar
Rwanda
Samoa
São Tomé and Príncipe
Saudi Arabia
Senegal
Seychelles
Sierra Leone
Solomon Islands
Somalia
Sri Lanka
Sudan
Syria
Tanzania
Taiwan
Togo
Tunisia
Tajikistan
Timor-Leste
Turkmenistan
Tuvalu
Uganda
United Arab Emirates
Uzbekistan
Vanuatu
Vietnam
Yemen
Zambia
Zimbabwe

* Chinese citizens not born in Argentina who hold Chinese ordinary passports and are going to Argentina for tourism do not require a visa if they have a valid United States visa (Category B2) or a Schengen visa, but must pay an entry fee to visit the country.

Resolution No. 137-E/2017 (March 2017) issued by the Interior Ministry establishes an exemption to transitory visas for individuals from member jurisdictions of the Organisation for Economic Co-operation and Development (OECD) who hold ordinary passports issued by their country of nationality or valid travel documents according to the MERCOSUR regulations. The

exemption applies to transitory matters (only business activities) of up to 90 days, according to Section 24 of Law 25,871.

Temporary residence

Labor contract residence. Labor contract residence applies to foreigners who are regularly employed by a local company for a long period. This type of residence is valid for one year and may be extended indefinitely.

Intracompany transfer residence. Intercompany transfer residence applies to employees who are transferred from a home country company to an Argentine company for a long period. This type of residence is valid for one year and may be extended indefinitely.

Family reunification with temporary resident relative. Family reunification with temporary resident relative residence applies to foreigners who have a relative with temporary residence in Argentina. This type of residence is valid for the period of the temporary residence of the relative and may be extended indefinitely.

Rentier residence. Rentier residence applies to proprietors or pensioners who receive money in Argentina. This type of residence is valid for up to one year and may be extended indefinitely.

Study residence. Study residence applies to foreigners entering the country with the intention of carrying out studies at private or state-run establishments that are officially recognized. This type of residence is valid for up to one year and may be extended for the period of the course of study.

MERCOSUR temporary residence. MERCOSUR temporary residence applies to foreigners born in the MERCOSUR countries (Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela) who will work for a long period. This type of residence is valid for two years and may be extended indefinitely.

Investors. The immigration office considers an investor to be a foreign national that would make a minimum investment of ARS1,500,000 in a productive, commercial or service-supplying activity in Argentina or who convincingly proves that he or she has ARS1,500,000 destined for investment in these types of activities. Prior experience in the relevant activities is desirable. The investor visa is valid for up to one year and may be extended indefinitely.

Permanent residence

Family reunification with a permanent resident relative. Family reunification with a permanent resident relative residency applies to foreigners who have a relative (parent, child or spouse) with permanent residence in Argentina.

Family reunification with Argentine relative. Family reunification with Argentine relative residency applies to foreigners who have an Argentine relative (parent, child or spouse) in Argentina.

MERCOSUR citizens who live in Argentina for two years. After two years of temporary residency in Argentina, MERCOSUR

nationals can apply for permanent residency. Brazilian nationals can apply for permanent residence from the beginning of the assignment under an agreement between Argentina and Brazil.

Non-MERCOSUR citizens who live in Argentina for three years. Non-MERCOSUR citizens can request permanent residence after they live in Argentina for at least three years.

Registration of local companies. The National Registry of Foreign Personnel Requestors (Registro Nacional Único de Requirentes de Extranjeros, or RENURE) is the national registry in which all the local entities requiring foreign staff must be enrolled. The requesting person (private or public, physical or juristic) must be registered at RENURE to obtain the following types of residence:

- Technical residence
- Business residence
- Transitory Work Authorization
- Labor contract residence
- Intracompany transfer residence
- Religious residence
- Study residence

Home country required documentation. To obtain temporary or permanent residence, a criminal record certificate from the countries where the employee lived for at least one year in the past three years is required as well as the criminal record certificate from the country of birth.

The criminal record certificate needs to be legalized for Argentina. Under the Hague Convention, the document can have an *apostille* issued by the home country foreign affairs ministry. If the home country is not part of the convention, double legalization must be performed by the home country foreign affairs ministry and by the Argentine consulate.

For an employee who is accompanied by dependents, criminal records are not required for individuals who are younger than 16 years old. Furthermore, in this case, legalized family-ties certifications must be attached.

Translation of required documents. All of the documents that are issued in a language other than Spanish must be translated by an Argentine sworn translator and legalized by the Argentine Sworn Translators Association. An exception applies to documents issued in Brazilian Portuguese.

National Identity Card. The National Identity Card (Documento Nacional de Identidad, or DNI) is issued to foreigners with any type of temporary residence valid for three months or more.

The first application for the DNI can be made simultaneously with the application for temporary or permanent residence at the immigration office. Subsequent applications need to be scheduled in advance at the Register Office for Natural Persons (Registro Nacional de las Personas, or RENAPER).

Social security number for Argentina. A social security number (Codigo Unico de Identificación Laboral, or CUIL) for Argentina is required for all regularly employed foreigners.

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As of 14 June 2019, the exchange rate of the Armenian dram against the US dollar was AMD478.40 = USD1.

A. Income tax

Who is liable. Resident individuals are subject to income tax on their worldwide income. Nonresident individuals are subject to income tax on only income received from Armenian sources.

For tax purposes, an individual is considered resident if he or she satisfies either of the following conditions:
- He or she resides in Armenia for 183 or more cumulative days in the current tax year (same as a calendar year).
- His or her center of vital interests (the place of a person's family or economic interests) is in Armenia.

For the purpose of determining the residency status, days spent abroad by an individual as a civil servant of the Republic of Armenia (RA) are considered as days spent in the RA.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable income from employment consists of all types of compensation or benefits, whether received in cash or in any other form, subject to certain exemptions.

Self-employment and business income. Corporate income tax is levied on an individual entrepreneur's annual income, which consists of gross income less expenses (except for nondeductible or partially nondeductible expenses) contributing to the generation of the income.

Directors' fees. Directors' fees are included in taxable income.

Investment income. A 10% withholding tax is imposed on interest income and other compensation received by individuals from deposits. Interest derived from Armenian treasury bonds and other state securities is not taxable.

Dividend income received by Armenian citizens is subject to a 5% income tax. Dividend income received by foreign citizens is subject to a 10% income tax.

The above taxes are withheld at source.

Exempt income. "Exempt income" represents part of the gross income of a taxpayer, which is deducted from gross income for determination of taxable income. Income derived by individuals that is considered exempt includes, among other items, the following:

- Contributions made by taxpayers on their behalf and/or by third-party taxpayers (including employers) within the voluntary accumulative pension insurance system according to the terms and conditions established by RA legislation, but not more than 5% of the taxpayer's gross income
- Contributions made by the state for the taxpayer within the obligatory accumulative pension insurance system in accordance with the terms and conditions established by RA legislation
- Compensation paid to employees within the norms specified in the legislation of the RA, with the exception of compensation paid for unused leave days in the event of quitting work
- Property and cash received from individuals as inheritance or gifts, with the exception of gifts of property received from individual real estate developers
- Assets, works and services received from noncommercial organizations free of charge
- Assets, works and services received free of charge on the basis of decisions of the state administration and local government bodies of the RA, as well as such items received from foreign states and international (intergovernmental) organizations
- Proceeds from the sale of property to non-entrepreneur individuals, with the exception of amounts received from the sale of property subject to entrepreneurial activity (property subject to entrepreneurial activity is industrial, other commercial and public property; personal property can be considered to be subject to entrepreneurial activity only if it is a personal car or immovable property for personal use and if both the acquisition and alienation of the same type of property happen two or more times during the same tax year)
- Scholarships and stipends paid by the state, noncommercial organizations, foreign states and international (intergovernmental) organizations to students and postgraduates of higher educational institutions, students of specialized-secondary and vocational schools and attendees of religious seminaries
- Insurance compensation with the exception of insurance compensation received under the voluntary accumulative pension insurance system
- Income derived from the sale of shares, treasury bonds and other state securities
- Income received from securities that certify taxpayers' participations in investment funds
- Amounts received as compensation for damages under the law, with the exception of compensation for lost income
- Lump-sum amounts paid on the death of an employee or his or her family members

- Prizes won at international competitions by athletes and coaches participating for the national team of the RA, and state awards (prizes)
- Monetary and in-kind winnings of the participants in advertising lotteries (lotteries organized by advertisers that fully establish the prize fund) implemented according to the procedures and terms specified by the law of the RA, in an amount not exceeding AMD 50,000 for each winning
- Monetary and in-kind winnings of the participants of drawing, non-drawing, and combined lotteries and totalizators
- Insurance payments up to AMD10,000 per month per head made by the employers for health insurance of their employees
- Income derived from the sale of agricultural production, as well as income received from other activities by individuals involved in agricultural production, to the extent that the income from such other activities does not exceed 10% of the income received from agricultural and other activities (if the 10% threshold is exceeded, the entire income from the other activities is taxed)
- State benefits paid under the legislation of the RA, with the exception of benefits for temporary work disability (including maternity)
- All types of pensions paid under the law of the RA with the exception of pensions received under the voluntary accumulative pension insurance system
- One-time compensation paid under the law of the RA to families of deceased or disabled servicemen
- Alimony paid according to the law of the RA
- Amounts received by individuals for donated blood, breast milk and other types of donorship

Taxation of employer-provided stock options. Employer-provided stock options are taxable benefits.

Capital gains and losses. Capital gains are subject to regular income tax when they are realized. Unrealized capital gains are not subject to tax. Capital gains arising from certain types of activities, such as the sale of shares and other specified types of property as mentioned in *Exempt income* are exempt from income tax.

Individual entrepreneurs may offset their capital losses against capital gains. If the capital loss cannot be offset in the year in which it is incurred, it can be carried forward to offset gross income in the following five years.

Deductions

Business deductions. Taxpayers may deduct all business-related and documented expenses (for example, material expenses, depreciation allowances, lease payments, salaries and wages, and interest paid) except for nondeductible or partially deductible expenses.

Nondeductible or partially deductible expenses include, but are not limited to, the following:

- Business-trip expenses that exceed the norms established by the Tax Code of the RA.

- Representative expenses exceeding 0.5% of gross income (but not more than AMD5 million) for the tax year. The limit of 0.5% is not taken into account in the tax year of registration as an individual entrepreneur.
- Fines, penalties and other proprietary sanctions transferred to the state and municipal budgets.
- Assets, works and services provided free of charge and debts forgiven.
- Expenses related to the generation of income that is exempt from income tax.
- Interest paid on loans and borrowings above the established limit of 24% per year.
- Management service expenses that exceed the norms established by the Tax Code of the RA.
- Amounts of financial aid, food provided to individuals, costs for organization of social and cultural events, and similar expenses exceeding 0.25% of the taxable income before deducting expenses.

Depreciation (amortization) allowances for fixed and intangible assets owned by taxpayers are deducted for tax purposes in accordance with the terms and conditions provided by the Tax Code of the RA. Details regarding the depreciation (amortization) of fixed and intangible assets are provided below.

The annual value of depreciation (amortization) allowances for fixed and intangible assets is calculated by dividing the acquisition cost or revalued cost (if the revaluation is carried out according to the procedure established by the respective law of the RA) of fixed and intangible assets by the depreciation period determined for the appropriate group of fixed assets or for intangible assets. The following minimum periods are established for depreciation purposes.

Group	Assets	Minimum depreciation period (years)
1	Buildings and constructions of hotels, boarding houses, rest homes, sanitariums and educational institutions	10
2	Other buildings, constructions and transmission devices	20
3	Production equipment	5
4	Robot equipment and assembly lines	3
5	Calculating devices and computers	1
6	Other fixed assets, including growing cattle, perennial plants and investments intended for improving the land	8

Fixed and intangible assets with a value up to AMD50,000 are depreciated in the tax year of their acquisition.

Intangible assets are amortized over their useful economic lives. If it is impossible to determine the useful life of an intangible asset, the minimum depreciation period of such asset is set at 10 years, but it may not be longer than the period of the taxpayer's activity.

Land is not subject to depreciation.

For the purposes of determination of taxable income, a taxpayer may choose a different depreciation period for fixed assets at his or her discretion, but it may not be less than one of the above-mentioned periods for the appropriate group.

Rates. The income tax rates are provided below.

Tax agents calculate income tax using the following rates.

Taxable income AMD	Tax rate %	Tax due AMD	Cumulative tax due AMD
First 150,000	23	34,500	34,500
Next 1,850,000	28	518,000	552,500
Above 2,000,000	36	—	—

A 10% rate applies to salaries and other income equivalent to salaries that are paid to employees by employers certified according to procedures established by the RA law on State Support of Information Technologies. This provision will remain in force until 31 December 2022.

Tax on income not taxed by tax agents (that is not subject to tax at source) is calculated at the following rates.

Taxable income AMD	Tax rate %	Tax due AMD	Cumulative tax due AMD
First 1,800,000	23	414,000	414,000
Next 22,200,000	28	6,216,000	6,630,000
Above 24,000,000	36	—	—

A 10% rate applies to the following types of income derived by individuals (except for individual entrepreneurs) in Armenia:

- Royalties.
- Income derived from property leases. If the total amount of income from property leases exceeds AMD58,350,000 during the tax year, an additional 10% tax is charged on the excess amount.
- Interest income. Interest derived from Armenian treasury bonds and other state securities is not taxable.
- Income from the sale of property to tax agents. If the property is the object of entrepreneurial activity (that is, industrial, commercial and public property, including buildings, structures [including unfinished], manufacturing, mining and other industrial land or property), a 20% income tax applies.
- Income from the sale of property that is the object of entrepreneurial activity to nontax agents.

Dividend income received by Armenian citizens is subject to a 5% income tax. Dividend income received by foreign citizens is subject to a 10% income tax.

Credits. The income tax liability of Armenian tax residents is reduced by the amount of tax paid by them abroad under foreign law, with the exception of the amount of foreign tax paid on income that is exempt from tax under the law of the RA. However, the foreign tax credit may not exceed the amount of tax that would be due in the RA on this income.

Relief for losses. Individual entrepreneurs may carry forward operating losses for up to five years. No carryback is allowed.

B. Other taxes

Inheritance and gift taxes. Armenia does not impose inheritance and gift taxes.

Wealth tax. Armenia does not impose wealth tax or net worth tax.

Real estate tax. For individuals and individual entrepreneurs, land, buildings and constructions are subject to real estate tax.

For purposes of the real estate tax, buildings and constructions include the following:
- Residential construction units
- Multi-flat dwelling buildings
- Nonresidential areas of residential buildings
- Separate constructions for the parking of vehicles that are built on plots
- Constructions for public use
- Constructions for production use
- Incomplete (semi-built) construction units
- Newly constructed and/or modified real estate that is registered and evaluated by the cadastral body, but having no state registration of rights, as well as buildings and structures built without authorization on a land parcel by taxpayers having the right of ownership over the given land parcel, including constructions built without authorization in multi-apartment buildings or adjacent to the buildings

The real estate tax rate for agricultural lands is 15% of the net income determined by cadastral evaluation. The real estate tax rate for non-agricultural lands ranges from 0.5% to 1% of the cadastral value assessed under procedures defined by the Tax Code of the RA.

The tax base for buildings and constructions is considered to be the cadastral value assessed under procedures defined by the Tax Code of the RA. The real estate tax rates for buildings and constructions range from 0% to 1%.

Vehicle tax. For purposes of the vehicle tax, vehicles include the following:
- Motor vehicles
- Watercrafts
- Snowmobiles
- Quattro cycles
- Motorcycles

The tax base for vehicles is motor power (horsepower or kilowatt). The vehicle tax for motor vehicles is calculated at the following annual rates.

Type	Tax amount
Motor cars with	
up to 10 passenger seats	
From 1 to 120 horsepower	AMD200 per horsepower
From 121 to 250 horsepower	AMD300 per horsepower and additional AMD1,000 for each horsepower above 150
251 and more horsepower	AMD500 per horsepower and additional AMD1,000 for each horsepower above 150

Type	Tax amount
Motor cars with 10 or more passenger seats and trucks	
From 1 to 200 horsepower	AMD100 per horsepower
201 and more horsepower	AMD200 per horsepower
Watercrafts, snowmobiles and quattro cycles	AMD150 for each horsepower
Motorcycles	AMD40 for each horsepower
Trucks of more than 20 years	0

Vehicle tax on motor vehicles used for up to three years is calculated at 100%. The amount of vehicle tax on motor vehicles used for more than three years is reduced for each year following the third year by 10% but not by more than a total of 50% of the tax amount. The time in use is calculated from the date on which the motor vehicle is produced.

C. Tax filing and payment procedures

The tax year in Armenia is the calendar year.

Individuals must submit income tax returns regarding their annual taxable income to the tax authorities by 20 April of the year following the tax year, except in the following cases:

- The taxpayer received exempt income only.
- The taxpayer received only income subject to taxation at source by a tax agent, regardless of the amount of such income during the tax year.

The amount of income tax calculated must be paid to the state budget by 20 April of the year following the tax year.

Individual entrepreneurs must submit corporate income tax returns to the tax authorities by 20 April of the year following the tax year.

Individual entrepreneurs engaged in economic activities in Armenia must make advance payments of corporate income tax during the tax year, each equal to 20% of the amount of corporate income tax for the preceding tax year. The advance payments must be made quarterly by the 20th day of the last month of each quarter.

The taxpayer may choose an alternative approach for calculating the advance payment amount, which is the application of the 2% rate on revenues received from the provision of goods and rendering of services during the preceding quarter.

Before the calculation of the amount of income tax for the preceding year, a taxpayer must make the first advance payment of corporate income tax by 20 March in an amount not less than the last advance payment of the preceding tax year.

At the end of the reporting year, a taxpayer calculates the amount of corporate income tax based on the accrued taxable income, setting off the amounts of advance payments made for such reporting year.

D. Double tax relief and tax treaties

Armenia has entered into tax treaties with the following countries.

Austria
Belarus
Belgium
Bulgaria
Canada
China
Croatia
Cyprus
Czech Republic
Estonia
Finland
France
Georgia
Germany
Greece
Hungary
India
Indonesia
Iran
Ireland
Italy
Kazakhstan
Kuwait
Latvia
Lebanon
Lithuania
Luxembourg
Moldova
Netherlands
Poland
Qatar
Romania
Russian Federation
Serbia
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Syria
Tajikistan
Thailand
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom

If a foreign citizen who is nonresident for tax purposes in Armenia receives income from Armenian sources and meets the conditions of a double tax treaty, a tax agent can apply the treaty exemption on the basis of a tax residency certificate issued by the competent tax authority of the foreign country.

E. Visas

One of the legal bases for a foreign citizen's stay in Armenia is the entry visa. In general, entry visas are issued by the Passport and Visa Department of the Police of the RA at the border-crossing control points or on the territory of Armenia or by the Ministry of Foreign Affairs of the RA at the diplomatic missions and consular posts of the RA. The Ministry of Foreign Affairs of the RA also provides electronic entry visas to foreign citizens. Citizens of certain countries (principally the countries of the former USSR) are not required to have a visa to enter Armenia and stay in the country for up to 180 days during a calendar year.

Armenian entry visas are provided for a period of stay up to 120 days, with the possible extension for a maximum of 60 days, and are issued for single or multiple entries. The following types of Armenian visas are available:
• Visitor visa
• Official visa
• Diplomatic visa
• Transit visa

Currently, at the border-crossing control points of the RA, visa services of the Passport and Visa Department of the Police of the RA issue the following visas only:
• Single-entry, 3-day transit visas
• Single-entry, 21-day visitor visas
• 120-day visitor visas

Electronic visas are valid for entry at all border-crossing points of the RA.

Citizens of the following jurisdictions may apply for Armenian entry visas only to Armenian diplomatic representations or consular posts abroad and only on the basis of an invitation letter.

Afghanistan
Algeria
Angola
Bangladesh
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Comoros
Congo (Democratic Republic of)
Congo (Republic of)
Côte d'Ivoire
Djibouti
Egypt
Equatorial Guinea
Eritrea
Eswatini
Ethiopia
Gabon
Gambia
Ghana
Guinea
Guinea Bissau
Kenya
Lesotho
Liberia
Libya
Madagascar
Malawi
Mali
Mauritania
Mauritius
Morocco
Mozambique
Namibia
Nepal
Niger
Nigeria
Pakistan
Palestinian Authority
Rwanda
St. Helena Island
São Tomé and Príncipe
Saudi Arabia
Seychelles
Sierra Leone
Somalia
Senegal
South Sudan
Sri Lanka
Sudan
Syria
Tanzania
Togo
Tunisia
Uganda
Vietnam
Yemen
Zambia
Zimbabwe

Citizens of Iraq may apply for Armenian entry visas at only Armenian diplomatic representations or consular posts abroad. However, they do not need an invitation letter.

Visa application forms are usually processed at the diplomatic missions and consular posts of the RA within three working days. In some cases, additional checking may be required and processing time can be extended.

F. Work permits

Under the Law of the RA on Foreigners, employers may enter into labor contracts with foreign employees and employ them based on work permits issued by the competent authority. The issuance of work permits to foreign employees is based on the procedures and terms established by Decree N 493-N of the government of the RA.

The Law of the RA on Foreigners provides that certain categories of foreign citizens are not required to obtain work permits for work in Armenia. These include, among others, the following:

- Foreign nationals having permanent and special residence status in Armenia
- Close family members (parents, brothers, sisters, spouses, children, grandparents and grandchildren) of Armenian citizens or foreign citizens having permanent residence status (legally residing) in Armenia, during their temporary residence status period
- Close family members of employees of authorized diplomatic missions, consular posts, international organizations and their representations in Armenia, on the basis of mutuality
- Employees working close to the border, as well as persons with a specialization in culture and sports who arrive for a short period of time
- Founders, directors or authorized representatives of commercial organizations with foreign capital participation

- Employees of foreign commercial organizations coming to Armenia for the purpose of working in representative offices located in Armenia
- Foreign specialists arriving for a period of not more than six months in order to qualify employees for the installation, repair and utilization of vehicles, equipment and machinery delivered by a foreign trade organization to its branch or representative office or purchased from foreign trade organizations
- Professionals or other persons arriving in Armenia under authority of international agreements
- Lecturers from foreign educational institutions coming to Armenia for the purpose of lectureship in Armenian educational institutions
- Certified representatives of foreign organizations practicing journalistic activities
- Foreign citizens and stateless persons who have the status of refugees and have received political asylum with a term not exceeding the period of residence
- Students working within the framework of job exchange for vacation time by virtue of international agreements
- Foreigners who are exempted from the requirement of obtaining a work permit by virtue of the corresponding international treaties of Armenia
- Highly qualified foreign specialists engaged in professions as defined by the government of Armenia

G. Residence permits

The types of residence status provided by the Law of the RA on Foreigners are described below.

The Passport and Visa Department of the Police of the RA grants temporary residence status to the following foreign citizens:
- Individuals studying in Armenia
- Individuals having a work permit in Armenia
- An individual who is spouse, parent or child of a foreigner having temporary residence status in Armenia
- An individual who is spouse or a close family member (parent, brother, sister, child, grandmother, grandfather or grandchild) of a citizen of Armenia or a foreigner having permanent or special residence status in Armenia
- Individuals engaged in entrepreneurial activities in Armenia
- Individuals of Armenian ancestry

Temporary residence status is granted for up to a one-year term with possible extension periods of one year per extension.

Permanent residence status is granted by the Passport and Visa Department of the Police of the RA to a foreign citizen who satisfies all of the following conditions:
- The individual proves the presence of a spouse or a close family member (parent, brother, sister, child, grandmother, grandparent or grandchild) in Armenia who is a citizen of Armenia or has permanent residence status in Armenia.
- The individual is provided with housing and means for living in Armenia.
- The individual has been legally residing in Armenia for at least three years before submitting an application for permanent residence status.

Permanent residence status can also be granted to a foreigner of Armenian ancestry as well as to a foreigner engaged in entrepreneurial activities in Armenia.

Permanent residence status is granted for a five-year term with possible extensions of five years per extension.

The President of Armenia may grant special residence status to foreign citizens of Armenian ancestry and to foreign citizens who are engaged in economic or cultural activities in Armenia. The special residency status is granted for a 10-year term. It can be granted several times.

The documents establishing types of residence status in Armenia described above are temporary or permanent residence certificates and special passports.

H. Driver's permits

A foreign national with an international driver's license may legally drive in Armenia using this license. Citizens of Commonwealth of Independent States (CIS) countries may drive legally in Armenia with their home-country driver's licenses for up to one year. A foreigner may obtain an Armenian driver's license after passing written and practical examinations.

Aruba

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A. Income tax

Who is liable

Territoriality. An individual who is considered a resident of Aruba is subject to income tax in Aruba on his or her worldwide income. Specific categories of a nonresident's income generated in Aruba are subject to income tax in Aruba. In principle, Aruba can grant unilateral or bilateral tax relief.

Definition of resident. To determine whether an individual should be considered a resident of Aruba, the relevant circumstances should be taken into account. A resident of Aruba who leaves Aruba for a period of less than a year should be considered a resident of Aruba in the aforementioned period, unless it is proven that the individual has lived in another country during this period.

Income subject to tax

Employment income. Taxable employment income consists of income derived from (current or past) employment, including directors' fees, less a fixed deduction and less pension and social security contributions paid or withheld, if applicable.

A nonresident individual is subject to income tax on income derived from (current or past) employment actually carried on in Aruba. In addition, a nonresident who is employed by an Aruban public entity is subject to tax on income, even if the employment is not carried on in Aruba.

Self-employment and business income. Annual profit derived from a business must be calculated in accordance with sound business practice that must be applied consistently.

A nonresident individual generating income out of an enterprise carried on in Aruba personally or through a permanent representative is subject to Aruban income tax.

The fair market value of items received in kind for professional and entrepreneurial activities performed is also included in taxable income.

Directors' fees. Income received by a nonresident managing director or nonresident member of a supervisory board of a company resident in Aruba for current or past services is subject to Aruban income tax.

Investment income. Dividends, interest, royalties and rental income, less deductions, are generally taxed as ordinary income. Interest received from savings accounts at acknowledged local and foreign banks is exempt from Aruba income tax.

A 10% dividend withholding tax is imposed on dividends distributed by companies resident for tax purposes in Aruba to individuals. The rate may be reduced to 0% or 5% if certain conditions are satisfied.

Capital gains. No separate capital gains tax is levied. Capital gains are generally tax-free, but the following capital gains derived by residents or nonresidents may be subject to income tax at normal or special tax rates.

Type of gain	Rate (%)
Capital gains realized on the disposal of business assets and on the disposal of other assets if the gains qualify as income from independently performed activities	Up to 52
Capital gains realized on the liquidation of a company or the repurchase of shares by the company in excess of the paid-up capital	25
Capital gains derived from the sale of shares in a domestic corporation qualifying as a substantial interest (equity interest of 25% or more)	25

Deductions

Deductible expenses. A deduction of 3% of employment income is allowed for expenses related to an employment relationship, up to a maximum of AWG1,500 per year.

A resident taxpayer is entitled to more deductions than a nonresident taxpayer. Resident individuals may deduct the following:

- Interest and costs paid with respect to mortgage loans for home ownership, as well as premiums for a life insurance policy associated with such mortgage loan, up to a maximum of AWG40,000 per year
- Costs of maintenance of a property for a home that serves as the principal residence for the taxpayer and that has been designated as a protected monument, up to a maximum of AWG5,000 per year
- Life insurance premiums that entitle individuals to annuity payments, up to a maximum of AWG10,000 per year
- Donations to charities, churches and sports institutions, up to a maximum of AWG50,000 per year
- Interest, costs and repayments paid with respect to loans incurred for the financing of training or study for a profession to the Executive Education Service (Dienst Uitvoering Onderwijs) in the Netherlands or its legal successor, Aruba or credit institutions in Aruba or similar credit institutions abroad,

up to a maximum of AWG10,000 per year for a maximum of 10 years
- Extraordinary expenses (for example, medical expenses, expenses for the support of relatives and education expenses) and qualifying gifts in excess of a certain threshold amount

Personal deductions and allowances. Tax-free allowances may be claimed, based on personal circumstances. In general, the following child deductions are available.

Deduction	Amount AWG
Fixed tax credit	27,751
Each child under 18 years of age	750
Each child from 16 to 27 years of age	1,200
Additional deduction for each child from 16 to 27 years of age studying abroad	3,800
Each disabled child 16 to 27 years of age who is not able to earn at least 50% of the salary of "healthy" children	1,200

The maximum amount of the old-age deduction equals AWG1,967 for unmarried individuals and AWG3,311 for married individuals and can only be used if the individual is at least 62 years and 6 months old.

An additional old-age deduction of AWG3,500 is allowed for an elderly individual who is at least 60 years old and whose total income does not exceed AWG35,000.

Saving funds. Employees may claim an annual tax-free allowance of AWG3,360 with respect to employee saving funds and provision funds.

Business deductions. Business expenses are fully deductible. In addition, self-employed persons or sole proprietorships may claim an entrepreneur's deduction of AWG2,400.

Rates. Residents and nonresidents are subject to income tax at the same progressive rates, which range from 14% to 52%. Certain types of income (for example, dividends, severance payments and surrenders of pensions [commutations of pension benefits and rights]) are taxed at 25%. Dividends from retained earnings from Aruban entities that are distributed during 2019 are taxed, under certain conditions, at 10%.

Relief for losses. Taxpayers may carry losses forward for five years.

B. Other taxes

Property tax. Property tax is levied annually in principle on at least the fair market value of immovable property in Aruba. The applicable tax rate for individuals who are citizens of Aruba depends on the value of the real estate, as shown in the following table.

Real estate value		
Exceeding AWG	Not exceeding AWG	Tax rate %
0	120,000	0.0
120,000	250,000	0.2

Real estate value		
Exceeding	Not exceeding	Tax rate
AWG	AWG	%
250,000	500,000	0.3
500,000	750,000	0.4
750,000	—	0.6

All real estate owned by a natural person is aggregated to determine the total taxable value.

The tax rate for all other taxpayers is 0.6%. In principle, the owner or possessor of the immovable property is liable for the property tax.

The exemption of AWG60,000 (USD33,520) was abolished as of 1 January 2019.

The inheritance and gift tax is abolished as of 1 July 2018. If immovable property located in Aruba is inherited (other than immovable property that served as a home for the deceased and is inherited by an ancestor, descendant or a spouse), transfer tax is due.

C. Social security

Coverage. All resident individuals are subject to social security contributions.

Contributions. The contributions cover the General Old Age Pension Act and the General Widows and Orphans Act (AOV/AWW). Both the employer and the employee pay contributions on the employee's salary. The employer makes contributions at a rate of 10.5%, and the employee makes contributions at a rate of 5%. These percentages are applied to the premium income, which has a maximum amount of AWG85,000 (USD47,486). The contributions are due until the employee reaches the age of 62 years and 6 months.

General medical insurance (AZV) provides coverage for hospitals, physician consults (for example, visits to the family doctor) and treatments. Premiums are paid on employees' salaries at a rate of 8.9% by the employer and at a rate of 1.6% by the employee, up to a maximum annual salary of AWG85,000.

The abovementioned social security contributions, AOV/AWW and AZV, are only levied if the individual is registered at the Aruba registry office. In addition, with respect to the AZV, the resident must have his or her main residency in Aruba. Consequently, nonresident individuals are not subject to these social security contributions if they are not registered at the registry office.

The General Disablement Insurance Act (OV) and the General Sickness Insurance Act (ZV) offer coverage for employees. The OV premiums are paid on employees' salaries by the employer at rates ranging from 0.25% to 2.5%. The ZV premiums are paid by the employer at a rate of 2.65% of the annual salary of employees earning a maximum annual salary up to and including AWG70,200 (USD39,218).

Totalization agreements. Individuals who are temporarily employed in Aruba and are registered at the registry office are

subject to social security contributions. As a result, they may be subject to social security taxes both in their home country and in Aruba. These individuals may obtain relief from double taxation under social security agreements.

D. Tax filing and payment procedures

Because the wage tax is a pre-levy to the income tax, employers must file wage tax returns on a monthly basis. These returns are due by the 15th day of the following month.

The required wage tax and social premiums withholdings are made for each salary payment period. Wage tax is a pre-levy with respect to the personal income tax.

The personal income tax return for the preceding calendar year must be filed within two months after issuance of the personal income tax return form by the Aruba tax authorities, unless a filing extension is requested and obtained. Any income tax owed in addition to prior withholdings is due within two months after receipt of the assessment. Married couples are taxed separately on their employment income unless they request combined taxation.

Social security contributions are withheld by the employer. Self-employed persons must pay social security contributions within two months after receipt of an assessment.

E. Double tax relief and tax treaties

The Tax Arrangement for the Kingdom of the Netherlands, which regulates relations between the countries of the Kingdom of the Netherlands for fiscal purposes, contains provisions for exchange of information and avoidance of double taxation between Aruba and Curaçao, Sint Maarten and the Netherlands. It applies to, among other items, income tax.

If the regulation does not apply, foreign taxes paid may be deducted as expenses for purposes of calculating taxable income in Aruba (unilateral tax relief).

Aruba has entered into tax information exchange agreements with the following jurisdictions.

Antigua and Barbuda
Argentina
Australia
Bahamas
Belgium*
Bermuda
British Virgin Islands
Canada
Cayman Islands
Czech Republic
Denmark
Faroe Islands
Finland
France
Germany*
Greenland
Grenada*
Iceland
Mexico
Norway
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Spain
Sweden
United Kingdom
United States

* This agreement has not yet entered into force.

Aruba has not entered into any treaties providing double tax relief.

F. Temporary visas

In principle, nationals of the following jurisdictions need a visa to travel to Aruba.

Afghanistan
Albania
Algeria
Angola
Armenia
Azerbaijan
Bahrain
Bangladesh
Belarus
Benin
Bhutan
Bolivia
Bosnia and Herzegovina
Botswana
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central Africa Republic
Chad
China
Colombia
Comoros Islands
Congo (Democratic Republic of)
Congo (Republic of)
Côte d'Ivoire
Cuba
Djibouti
Dominican Republic
Egypt
Equatorial Guinea
Eritrea
Eswatini
Ethiopia
Fiji
Gabon
Gambia
Georgia
Ghana
Guinea
Guinea-Bissau
Haiti
India
Indonesia
Iran
Iraq
Jamaica
Jordan
Kazakhstan
Kenya
Kiribati
Korea (North)
Kuwait
Kyrgyzstan
Laos
Lesotho
Liberia
Madagascar
Malawi
Maldives
Mali
Marshall Islands
Mauritania
Micronesia
Moldova
Mongolia
Montenegro
Morocco
Mozambique
Myanmar
Namibia
Nauru
Nepal
Niger
Nigeria
North Macedonia
Northern Mariana Islands
Oman
Pakistan
Palau
Palestinian Authority
Papua New Guinea
Philippines
Qatar
Rwanda
Russian Federation
Samoa
São Tomé and Príncipe
Saudi Arabia
Senegal
Serbia
Sierra Leone
Solomon Islands
Somalia
South Africa
Sri Lanka
Sudan
Syria
Tajikistan
Tanzania
Thailand
Timor-Leste
Togo
Tonga
Turkmenistan
Tunisia
Turaku*
Turkey
Tuvalu
Uganda
Ukraine
United Arab Emirates
Uzbekistan
Vanuatu
Vietnam
Yemen
Zambia
Zimbabwe

* District or area in Ghana.

G. Work permits

Foreigners who want to exercise a profession in Aruba must have a work permit. The work permit is normally granted only if no qualified persons are locally available. In general, requests for work permits are taken into consideration only if they are filed through a local employer who has to accept full responsibility for

any possible expenses incurred by the government relative to the employees.

H. Residence permits

To request a residence permit without a work permit, an individual must provide the following:

- Bank references indicating that the applicant is financially self-supporting or any other proof that he or she will not become a financial burden to the local government or community
- Home and business addresses for the last 10 years
- Reasons for wanting to reside in Aruba
- Police clearance (good-conduct paper, not older than two months)

Persons desiring a permanent residence permit must be in possession of the following:

- A passport valid for Aruba
- Three passport photographs of true likeness
- A valid vaccination certificate for smallpox, not more than three years old
- A medical declaration that the holder is not suffering from any contagious disease or mental sickness, issued within 30 days before the trip began
- Proof of payment of the required legal fee

I. Family and personal considerations

Work permits for family members. The rules regarding work permits for foreigners discussed in Section G also apply to family members.

Marital property regime. Under Aruba civil law, all property acquired by either spouse during the course of a marriage is considered marital property unless agreed otherwise.

Forced heirship. Under Aruba civil law, an heir has in principle the option not to accept an inheritance.

Driver's permits. In Aruba, an individual may drive with a foreign or international driver's license issued by a member country of the Geneva Convention.

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A. Income tax

Who is liable. Australian residents are subject to Australian tax on worldwide income. Nonresidents are subject to Australian tax on Australian-source income only. An exemption from Australian tax on certain income is available for individuals who qualify as a temporary resident. Temporary residents are generally exempt from Australian tax on foreign-source income (including foreign investment income but not foreign employment income earned while a temporary resident) and capital gains realized on assets that are not taxable Australian property (TAP). For details regarding TAP, see *Capital gains and losses*.

As discussed below, the Australian tax treatment differs for residents, nonresidents and temporary residents.

In general, a resident is defined as a person who resides in Australia according to the ordinary meaning of the word, and includes a person who meets any of the following conditions:

- He or she is domiciled in Australia, unless the tax authority is satisfied that the person's permanent place of abode is outside Australia.
- He or she is actually present in Australia continuously or intermittently for more than half of the tax year, unless the tax authority is satisfied that the person's usual place of abode is outside Australia and that the person does not intend to reside in Australia.
- He or she is an active member of a Commonwealth superannuation scheme.

A nonresident is a person who does not satisfy any of the above tests.

A temporary resident refers to an individual who satisfies the following conditions:

- The individual must be working in Australia under a temporary resident visa (for example, subclass 400, 457 or 482; see Section E).
- The individual must not be a resident of Australia for social security purposes (this covers Australian citizens, permanent residents, special visa categories such as refugees and certain New Zealand citizens).
- The individual's spouse (legal or de facto) must not be a resident of Australia for social security purposes.

No time limit applies to the temporary resident status. If an individual applies for Australian permanent residency, temporary resident status ends on the date on which permanent residency is granted and the individual is taxable as a resident (that is, taxable on worldwide income) thereafter.

Income subject to tax. The taxability of various types of income is discussed below. Taxable income is calculated by subtracting deductible expenses and losses from the assessable income of the taxpayer.

Employment income. Salary, wages, allowances and most cash compensation is included in the employee's assessable income in the year of receipt. Most noncash employment benefits received by an employee are subject to Fringe Benefits Tax (FBT), payable by the employer.

Self-employment and business income. The taxable income from self-employment or from a business is subject to Australian tax. Each partner in a partnership is taxed on his or her share of the partnership's taxable income.

Directors' fees. Directors' fees are included in assessable income as personal earnings and are taxed in the year of receipt.

Dividends. The assessable income of resident shareholders includes all dividends received. Franked dividends (that is, dividends paid from taxed corporate profits) paid by Australian corporations are grossed up for the underlying corporate taxes paid. The shareholders may claim the underlying corporate tax as a credit in their personal tax return. Whether additional tax must be paid on the franked dividends by a shareholder depends on the individual's marginal tax rate. Under certain circumstances, excess credits may be refunded.

Dividends from Australian sources that are paid to nonresidents are generally subject to a final withholding tax of 30% (or 15% under applicable treaties) on the unfranked portion (that is, the portion paid from untaxed corporate profits).

Foreign-source dividends are included in the assessable income of Australian residents. If tax was paid in the foreign country, a foreign income tax offset (broadly equal to the lower of the foreign tax paid or the amount of the Australian tax payable, capped at any applicable treaty tax rates) is allowed.

Temporary residents (see *Who is liable*) are not assessable on foreign source investment income and gains.

Interest, royalties and rental income. Interest, royalties and rental income derived by residents are included in assessable income with a deduction allowed for applicable expenses. Eligibility for building depreciation deductions on a rental property depends on the building's nature and its construction date.

If tax is paid in the foreign country on the foreign rental income, the resident may claim a foreign income tax offset (broadly equal to the lower of the foreign tax paid or the amount of the Australian tax payable). If the foreign investment results in a tax loss (that is, deductible expenses exceed assessable income), the tax loss can be offset against all Australian assessable income.

Temporary residents are not assessable on foreign investment income and, consequently, may not offset foreign expenses or losses against other assessable Australian income.

Interest paid by a resident to a nonresident lender is subject to a final withholding tax of 10%. Interest paid by a temporary resident to a nonresident lender (for example, an overseas mortgagee) is exempt from the interest withholding tax. Royalties paid to nonresidents are generally subject to a final withholding tax of 30% (or 10% to 15% under applicable treaties).

Converting transactions denominated in foreign currency into Australian dollar amounts. Taxpayers are generally required to convert income amounts denominated in foreign currency into Australian dollar (AUD) amounts at the time of derivation of the income. Likewise, taxpayers must convert expense amounts into Australian dollar amounts at the time of payment. This also results in the deeming of assessable income or allowable deductions for residents (but not temporary residents) who have acquired or disposed of foreign currency rights and liabilities. For resident taxpayers, these rules normally apply with respect to foreign-currency debt (for example, mortgages) and foreign-currency accounts (for example, bank accounts). Special rules apply to the acquisition or disposal of capital assets or depreciable assets.

Certain elections can change the amounts of assessable income or allowable deductions arising under the foreign-currency rules and/or reduce the compliance burden. However, because of the significant tax implications of the elections, taxpayers should seek specific advice suited to their circumstances.

The above rules provide limited exceptions for certain assets and obligations.

Proposed reforms to simplify these rules have been announced. However, at the time of writing, the reforms had not yet been legislated.

Temporary residents may be exempt from the above tax rules on certain foreign-currency denominated accounts that are located outside Australia.

Concessions for individuals who are considered to be living away from home. Limited tax concessions are available to employees who are required to live away from home for employment purposes and who maintain a home for their use in the home location

in Australia. In addition, if the concessional treatment is available, it is generally limited to a maximum period of 12 months. These concessions typically do not apply to foreign employees working temporarily in Australia.

A limited number of other benefits may be provided on a concessionally taxed basis to employees who are permanently relocating to Australia.

Taxation of employer-provided stock options. Discounts provided to employees on shares or options acquired under an employee share scheme (ESS) are generally included as ordinary income in the employee's assessable income in the year they are acquired. The governing rules are complex, and professional advice should be sought.

Grants before 1 July 2009. For grants made before 1 July 2009 of qualifying shares or options, taxation may be deferred until the cessation time, which is the earliest of the following dates:

- If the option is exercised, the date unrestricted stock is acquired or the date forfeiture conditions lapse
- The date the share may be sold
- The date of termination of employment
- The end of 10 years

Alternatively, an employee may have elected to be taxed in the year of the grant.

A qualifying share or option is a share or option acquired under an ESS that satisfies certain prescribed conditions.

Grants after 1 July 2009 but before 1 July 2015. For grants made after 1 July 2009 but before 1 July 2015, the time at which tax is payable by the employee is based on the terms of the plan. The extent to which taxation can be delayed from the time of grant to the deferred taxing point depends on whether a real risk of forfeiture of the shares or options exists under the conditions of the scheme. A real risk of forfeiture exists if the employee could lose or forfeit the interest other than by disposing of it or exercising it. The taxing time is the earliest of the following events:

- When the real risk of forfeiture no longer exists and the scheme no longer genuinely restricts the disposal of the share or exercise of the option
- The date of termination of employment
- The end of seven years

The alternative of employees electing to be taxed in the year of grant no longer exists for grants made after 1 July 2009.

Grants after 1 July 2015. For grants made after 1 July 2015, the taxing point may be deferred until the date of exercise rather than the vesting date of the shares or options. The following are significant aspects of the regime:

- No requirement exists for options to be subject to a real risk of forfeiture to enable the deferral of tax if a genuine disposal restriction applies.
- The maximum share ownership and control level eligible for tax deferral on shares or options is 10%, with shares, options and rights counted in determining whether the 10% holding is reached.

- The maximum deferral period for tax on shares or options is 15 years.

The taxable discount amount for shares is generally the difference between the market value of the share and the amount paid for the share by the employee. For options, the discount is the greater of the following two amounts:
- The amount equal to the share value less exercise price
- The value determined according to a formula similar to the Black and Scholes model for valuing exchange-traded options

Other issues. Effective from 1 July 2009, Australian residents are likely to be subject to tax on the entire discount, with a foreign income tax offset for any foreign tax paid (up to the Australian tax otherwise payable). Apportionment of the discount continues for temporary residents and nonresidents.

No tax withholding obligation is imposed in Australia with respect to benefits under employee share schemes unless the employee fails to provide his or her Australian Tax File Number (TFN) to the employer by the end of the financial year.

Employers providing benefits under an ESS are required to comply with annual employer reporting obligations to disclose, among other items, the estimated taxable value of these awards.

Capital gains and losses. Residents (but not temporary residents) are taxable on their worldwide income, including gains realized on the sale of capital assets. Capital assets include real property and personal property, regardless of whether they are used in a trade or business, and shares acquired for personal investment. However, trading stock acquired for the purpose of resale is not subject to capital gains treatment.

Employee shares or options disposed of within 30 days of the cessation time or deferred taxing point (see *Taxation of employer-provided stock options*) are not subject to capital gains tax (CGT). In this case, the entire gain is subject to income tax under the employee share scheme provisions.

For an asset held at least 12 months (not including the dates of purchase and sale), only 50% of the capital gain resulting from the disposal is subject to tax.

Assets acquired before 19 September 1985 are generally exempt from CGT. In general, any gain (or loss) derived from the sale of an individual's principal residence is ignored for CGT purposes. However, special rules may apply if the principal residence had been used to generate rental income.

Capital losses in excess of current year capital gains (before the 50% discount is applied, if applicable) are not deductible against other income, but may be carried forward to be offset against future capital gains.

Nonresidents and temporary residents are taxable only on gains arising from disposals of taxable Australian property (TAP). The following assets are considered to be TAP:
- Australian real property
- An indirect interest in Australian real property
- A business asset of a permanent establishment in Australia

- An option or right to acquire any of the CGT assets covered by the first three items above
- A CGT asset that is deemed to be TAP as a result of the taxpayer making an election to disregard any deemed gain or loss arising on leaving Australia

Individuals who derive a capital gain after 8 May 2012 and are considered either a nonresident or temporary resident at any time on or after that date have a reduced ability to claim the 50% discount. If the individual undertakes a market valuation of the asset as of 8 May 2012, the portion of the gain that accrued before 8 May 2012 may still be eligible for the full CGT discount.

Anti-avoidance measures ensure that nonresidents and temporary residents continue to be taxable on disposals of interests in companies whose balance sheets are largely comprised of real property assets, including mining interests.

Australian residents who are not temporary residents just before breaking residence are subject to a CGT charge on the deemed disposal of all assets held at the date of breaking residence that are not TAP. The taxpayer may elect that this deemed disposal charge not apply. However, such an election deems the asset to be TAP until residence is resumed or the asset is disposed of (even if the asset would not otherwise be TAP). As a result, a CGT charge is imposed if the assets are disposed of while the individual is nonresident.

Temporary residents are generally exempt from tax on gains derived from assets that are not TAP.

Deductions

Deductible expenses. Expenses of a capital, private or domestic nature, and expenses incurred in producing exempt income, are not deductible.

Specific documentation requirements must be fulfilled for all expenses if employment-related expenses exceed AUD300 a year. Client entertainment expenses are not deductible.

Personal tax offsets. Tax offsets are available to resident taxpayers and temporary residents. Tax offsets are subtracted from tax calculated on taxable income.

Nonresidents may not claim tax offsets.

Business deductions. Losses and expenses are generally fully deductible to the extent they are incurred in producing assessable income or are necessarily incurred in carrying on a business for that purpose.

Specific records are required for business travel and motor vehicle expenses.

Deductions are allowed for salaries and wages paid to employees, as well as for interest, rent, repairs, commissions and similar expenses incurred in carrying on a business.

Expenditure for the acquisition or improvement of assets is not deductible, but a capital allowance may be claimed as a deduction. Expenditure for acquisitions or improvements may be added

to the cost base of an asset for CGT purposes and may reduce any taxable gain arising from a later disposition.

Rates. Income tax from 1 July 2019 (2019-20 tax year) is levied on residents and temporary residents at the rates listed in the table below. The following is the table of income tax rates.

Taxable income Exceeding AUD	Not exceeding AUD	Tax on lower amount AUD	Rate on excess %
0	18,200	0	0
18,200	37,000	0	19
37,000	90,000	3,572	32.5
90,000	180,000	20,797	37
180,000	—	54,097	45

The AUD18,200 tax-free threshold is reduced if the taxpayer spends fewer than 12 months in Australia in the year of arrival or departure. Resident taxpayers may be liable for the Medicare Levy (see Section B) in addition to income tax at the above rates. Income tax from 1 July 2019 (2019-20 tax year) is levied on nonresidents at the following rates.

Taxable income Exceeding AUD	Not exceeding AUD	Tax on lower amount AUD	Rate on excess %
0	90,000	0	32.5
90,000	180,000	29,250	37
180,000	—	62,550	45

Nonresidents are not liable for the Medicare Levy.

Resident and nonresident taxpayers with taxable income and superannuation contributions of more than the threshold of AUD250,000 per year may be liable to the Division 293 tax. This is an additional tax on superannuation contributions whereby an individual's income is added to certain superannuation contributions and compared to the Division 293 threshold. Division 293 tax is payable on the excess over the threshold, or on the super contributions, whichever is less. The rate of the Division 293 tax is 15% and may be paid by the individual or deducted from the superannuation contributions, at the individual's choice.

B. Social security

Medicare Levy. Technically, Australia does not have a social security system. However, a Medicare Levy of 2% of taxable income is payable by resident individuals for health services (provided that they qualify for Medicare services). This is the only levy imposed in Australia that is equivalent to a social security levy. An exemption from the Medicare Levy may apply if the individual is from a country that has not entered into a Reciprocal Health Care Agreement with Australia.

No ceiling applies to the amount of income subject to the levy. However, relief is provided for certain low-income earners. High-income resident taxpayers who do not have adequate private health insurance may be subject to an additional 1% to 1.5% Medicare Levy surcharge. High-income taxpayers whose private hospital insurance carries an excess payment (amount for which the insured is responsible before the insurance begins to pay) of

more than AUD500 for single individuals or AUD1,000 for couples or families are also subject to the Medicare Levy surcharge.

Superannuation (pension). Australia also has a compulsory private superannuation (pension) contribution system. Under this system, employers must contribute a minimum percentage of the employee's ordinary time earnings (OTE) base to a complying superannuation fund for the retirement benefit of its employees. The minimum percentage is currently 9.5% and is expected to remain at this percentage until 30 June 2021. In general, OTE consists of salary and wages and most cash compensation items paid for ordinary hours of work. Transitional measures can apply for certain pre-existing superannuation earnings base arrangements. The maximum OTE base for each employee for the year ending 30 June 2020 is AUD55,270 per quarter. No obligation is imposed to make contributions with respect to OTE above that level unless otherwise required by employment contractual terms.

If an employee comes from a country with which Australia has entered into a bilateral social security agreement, it may be possible to keep the employee in his or her home country social security system under a certificate of coverage issued by his or her home country and therefore remove the obligation to make the Australian superannuation contributions outlined above. Australia has entered into such agreements with Austria, Belgium, Chile, Croatia, the Czech Republic, Estonia, Finland, Germany, Greece, Hungary, India, Ireland, Japan, Korea (South), Latvia, the Netherlands, North Macedonia, Norway, Poland, Portugal, the Slovak Republic, Switzerland and the United States.

An exemption from superannuation may be available in limited circumstances for senior foreign executives who hold a certain business visa.

C. Tax filing and payment procedures

Returns for the tax year ended 30 June generally are due by 31 October. Extensions may be available if the return is filed by a registered tax agent. Nonresidents are subject to the same filing requirements as residents. No specific additional filing requirements are imposed on persons arriving in, or on persons preparing to depart from Australia.

Visitors entering Australia for employment or to take up residence who have not previously applied for an Australian tax file number must apply with the Australian Taxation Office.

Married persons are taxed separately, not jointly, on all types of income. Joint filing of returns by spouses is not permitted.

A tax assessment is issued by the Australian Taxation Office after a tax return is filed. For a timely filed tax return, taxpayers generally have 21 days after the date of assessment to pay tax due and may be allowed a longer period.

Salary and allowances paid in Australia are subject to monthly withholding under the Pay As You Go (PAYG) tax withholding system. Income other than salary and wages, such as investment income (depending on the amount), may be subject to quarterly or annual PAYG installments.

D. Double tax relief and tax treaties

Foreign income tax offset system. An offset is available for payments of foreign tax that are similar to the Australian income tax payable on the same income. Both Australian and foreign resident taxpayers may claim a tax offset (equal to the lower of an equivalent foreign tax paid or the amount of the Australian tax payable) for an amount included in the taxpayer's assessable income on which they have paid foreign income tax.

Excess foreign tax offsets may not be carried forward.

Double tax treaties. Australia has entered into double tax treaties with the following jurisdictions.

Argentina
Austria
Belgium
Canada
Chile
China Mainland
Czech Republic
Denmark
Fiji
Finland
France
Germany
Greece
Hungary
India
Indonesia
Ireland
Italy
Japan
Kiribati
Korea (South)
Malaysia
Malta
Mexico
Netherlands
New Zealand
Norway
Papua New Guinea
Philippines
Poland
Romania
Russian Federation
Singapore
Slovak Republic
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Taiwan
Thailand
Turkey
United Kingdom
United States
Vietnam

Australia signed a tax treaty with Israel in March 2019. At the time of writing, legislation had not yet been introduced in parliament to give the treaty the force of law.

E. Temporary visas

Nonresidents seeking entry to Australia, including for tourism purposes, must obtain visas before entry. Individual eligibility requirements and relevant immigration legislation for each visa category must be considered before applying for a visa. Citizens of New Zealand are eligible to be granted a special category (subclass 444) visa (permitting indefinite temporary stay with full work rights) on arrival, subject to meeting health and character requirements.

Temporary residence visas are granted to people whose activities are considered to benefit Australia, including people entering for business, skilled employment, cultural or social activities.

The types of temporary residence visas, and the conditions that must be fulfilled prior to such visas being issued, are described below. Holders of temporary residence visas are generally not eligible for public health benefits in Australia, unless Australia has a reciprocal health care agreement with the country of the visa holder.

Visitors. Three visitor visa categories (subclass 600, subclass 601 and subclass 651) allow individuals to visit Australia for the following purposes:

- Tourism

- Family visits
- Engaging in business visitor activities

Criteria that must be met include health, character and the possession of adequate funds for the duration of the stay. Certain eligible nationalities can apply for a visitor visa online or through a travel agent or airline. The period of stay on a subclass 600 visa is discretionary based on nationality, purpose of stay and required duration of stay. Subclass 601 and subclass 651 visas allow stays of up to three months for each entry and multiple entry.

While in Australia, individuals holding a visitor visa are authorized only to participate in business visitor activities and may not perform work in any capacity. Permissible business visitor activities include the following:
- Attending business meetings
- Participating in training, conferences or seminars
- Investigating, negotiating or entering into contracts
- Making general business or employment inquiries

Employment. An individual wishing to enter Australia for employment reasons may apply for a temporary work short stay specialist (subclass 400) visa, temporary activity (subclass 408) visa or temporary skill shortage (subclass 482) visa.

Temporary work short stay specialist visas. Individuals who need to enter Australia to perform short-term, highly specialized work that is not ongoing or to assist in a national emergency can apply for a subclass 400 visa. The subclass 400 visa can be granted for a period of up to three months. If a period of up to a maximum of six months is requested, a strong business case must be demonstrated. After grant, applicants have up to six months to make their first entry into Australia on this visa.

Temporary activity visas. The subclass 408 temporary activity visa allows individuals to enter Australia to do the following:
- Participate in a reciprocal staff exchange program
- Participate in a high-level sports competition
- Participate in an event at the invitation of an Australian organization
- Perform work in relation to an Australian government-endorsed event
- Perform as an entertainer or work in a production or technical role for a production
- Undertake academic research at a tertiary or research institution
- Be a full-time religious worker
- Work full time in the household of certain foreign senior executives
- Work in Australia as a crew member of a superyacht
- Participate in an approved special program

Each stream has its own criteria, including sponsorship or support by an approved organization. This visa has a maximum stay period of 4 years for the Australian government-endorsed event stream and a maximum stay period of 12 months for the superyacht and special program streams. A maximum stay period of two years is available for the other streams.

Temporary skill shortage visas. Individuals intending to work in Australia may apply for a subclass 482 Temporary Skill Shortage (TSS) visa. The TSS visa may be granted for up to two years if the occupation is listed on the Short-term Skilled Occupation List (STSOL), subject to international trade obligations, or up to four years if the occupation is on the Medium and Long-term Strategic Skills List (MLTSSL) or Regional Occupation List (ROL).

A TSS visa may be renewed, provided that the application criteria are met each time. TSS visa holders in occupations on the STSOL may only renew their visa once in Australia with very limited options to renew again from outside Australia.

The visa application process involves the following three steps:
- The employer must be approved as a sponsor.
- The employer nominates the visa holder to fill a specific position.
- The individual completes the visa application.

Each step has separate eligibility criteria that must be met. These include business operational requirements, minimum skill, salary and experience levels, and health, character and English language criteria.

Requirements for employers include the following:
- Paying a training levy
- Attesting to a strong record or commitment to employing local labor
- Following nondiscriminatory employment practices
- Paying market salary rates
- Conducting labor-market testing unless exempt
- Paying foreign nationals at market salary rates or higher

Business sponsors must also meet several sponsorship obligations with respect to all sponsored TSS visa holders and any accompanying family members. The Department of Home Affairs monitors all sponsors, and sanctions are imposed on sponsors that do not meet their sponsorship obligations.

Visa applicants must meet skill, English language, health and character requirements and have at least two years relevant work experience.

Working Holiday. Under reciprocal arrangements with certain jurisdictions, young people may work in Australia to support their holiday on Working Holiday (subclass 417) visas. Working Holiday visas are granted to individuals 18 to 30 years of age who are citizens of Belgium, Cyprus, Denmark, Estonia, Finland, France, Germany, the Hong Kong SAR, Italy, Japan, Korea (South), Malta, the Netherlands, Norway, Sweden, Taiwan and the United Kingdom. Canadian and Irish citizens benefit from an uplifted age threshold of 35 years of age.

Individuals holding Working Holiday visas may work in Australia only if the work is incidental to their vacations. The Working Holiday visa is valid for 12 months, and the holder may not work for more than 6 months with any one employer, with some flexibility in certain circumstances in which the work is undertaken in different locations and work in any one location does not

exceed 6 months. Working Holiday visa holders who have completed three months of specified work in regional Australia may be eligible to apply for a second Working Holiday visa. From 1 July 2019, Working Holiday visa holders who carry out six months of specified work in regional areas while on their second Working Holiday visa or Work and Holiday (subclass 462) visa may be eligible to apply for a third visa.

Work and Holiday. The Work and Holiday visa is similar to the Working Holiday visa described above but has its own individual eligibility requirements. This visa is available to passport holders of Argentina, Austria, Chile, China, the Czech Republic, Hungary, Indonesia, Israel, Luxembourg, Malaysia, Peru, Poland, Portugal, San Marino, Singapore, the Slovak Republic, Slovenia, Spain, Thailand, Turkey, the United States, Uruguay and Vietnam.

Training. Employers may nominate individuals under the training stream to engage in structured workplace-based training in Australia. The training must be consistent with the individual's employment history and provide skills that the individual will use after returning to his or her home country. The employer must also apply for and be granted approval as a temporary activities sponsor.

Students. Overseas students enrolled in registered courses may reside in Australia for the duration of their courses. Overseas students may work in Australia 40 hours per fortnight, and they may work full-time during college or university breaks.

Overseas students in Australia can apply for a TSS visa for full-time employment without having first completed their studies in Australia if they meet the criteria.

F. Permanent residence

Permanent residence visas are granted in the family, humanitarian and skilled categories. The visas most relevant to individual skilled applicants and business immigrants are described below.

Employer Nomination Scheme. Under the Employer Nomination Scheme, Australian employers may nominate highly skilled individuals from overseas for permanent residence. Applicants for a permanent residence visa under the Employer Nomination Scheme must be nominated in an occupation on the MLTSSL or ROL and satisfy one of the following criteria:

- They have worked in their nominated position in Australia for their nominating employer while on a subclass 457 visa or TSS visa for at least three of the last four years immediately before applying.
- They have three years post-training experience in the nominated occupation and have their skills formally assessed by a specified skills-assessing body in Australia.
- They hold a subclass 444 (special category) visa or subclass 461 (New Zealand family relationship) visa and have worked in their nominated occupation for their nominated employer for at least three of the last four years immediately before applying.

Permanent residence applications may also be filed under the Regional Sponsored Migration Scheme, which has more flexible eligibility requirements.

Some concessions are available for individuals who held or had applied for a subclass 457 visa on or before 18 April 2017. The subclass 457 visa was replaced by the TSS visa on 18 March 2018.

General skilled-points test. Individuals may apply for permanent residence on the basis of their skills for an occupation specified in the MLTSSL. Individuals intending to apply must first lodge an expression of interest outlining their claims for points for employability factors, including qualifications, age, employment experience and language capabilities. Sponsorship from eligible relatives (who are Australian citizens or Australian permanent residents) or state governments attracts additional points. Only those scoring the most points are invited to submit a visa application. The number of invitations issued in each occupation is limited by quotas.

Citizens of New Zealand may also be eligible for streamlined permanent residence visa arrangements.

Business Innovation and Investment Program. The categories in the Business Innovation and Investment Program are designed for successful businesspersons who wish to manage their own business or make substantial investments in Australia. Individuals intending to apply must first file an expression of interest. Their business skills and other attributes are then assessed under a points test (excluding applicants applying for the Significant Investor and Premium Investor streams). Only the highest-scoring individuals are invited to submit a visa application. Most Business Innovation and Investment visa holders enter Australia initially on a provisional (temporary) visa for four years. If they provide satisfactory evidence of a specified level of business activity for two years or investment for four years (or at least one year for the Premium Investor stream), they may apply for permanent residence.

Investor stream. The Investor stream is designed for investors who want to make a designated investment of at least AUD1,500,000 in an Australian state or territory on an ongoing basis. Applicants must secure state or territory nomination, meet the innovation points test and provide evidence of skill and experience in managing a qualifying investment. Applicants must have net business, investment and personal assets of at least AUD2,250,000.

Business Innovation stream. The Business Innovation stream is designed for businesspersons seeking to own and manage a new or existing business in Australia. Applicants must meet the innovation points test, and evidence ownership, skill and experience in managing a business generating annual turnover of at least AUD500,000 in at least two of the preceding four fiscal years. Applicants must own personal and business assets of at least AUD800,000.

Significant Investor stream. Under the Significant Investor stream, individuals must file an expression of interest and receive a nomination from a state or territory government before they are eligible to apply for a visa.

Individuals must be able to demonstrate a capacity to invest AUD5 million into a "complying investment," which consists of the following:

- At least AUD500,000 in venture capital and growth private equity funds that invest in startups and small private companies
- At least AUD1,500,000 in approved managed funds investing in emerging companies listed on the Australian Securities Exchange (ASX)
- Up to AUD3 million in a balancing investment of eligible assets that include ASX-listed companies, eligible corporate bonds or notes and real property with a 10% limit on residential real estate

The Significant Investor visa does not use a points test or have maximum age requirements; it also allows the dependent children or partner of the primary visa holder to work or study in Australia. Individuals applying for this stream may also maintain business interests overseas. As a result, visa holders are required to remain in Australia for only an average of 40 days per year over a four-year period to meet residency criterion for permanent residence.

Premium Investor stream. Individuals in the Premium Investor stream must be invited by Austrade and invest at least AUD15 million in a "complying premium investment," which includes the following:

- Australian securities exchange-listed assets
- Australian government or semi-government bonds or notes
- Corporate bonds
- Australian proprietary limited companies
- Real property in Australia excluding residential property
- Deferred annuities issued by Australian registered life companies
- State or territory government-approved philanthropic contributions

Individuals may be invited by the Australian government to apply for a permanent visa in the Premium Investor stream after holding a provisional visa and complying investments for at least one year.

Entrepreneur stream. The entrepreneur stream is designed to attract overseas talent that has received funding from an approved government or private organization of at least AUD200,000 for a startup for product or service commercialization or development of a promising high-value business idea that will benefit Australia. Entrepreneurs who succeed in Australia will be eligible for permanent residence.

Business Talent Visa. The Business Talent Visa, which is a permanent visa, has two streams. The Significant Business History stream is for the conducting of business in Australia by high-caliber business owners who for at least two of the last four years have achieved business turnover of AUD3 million and net personal and business assets of at least AUD1,500,000. The Venture Capital Entrepreneur stream is for entrepreneurs who have obtained at least AUD1 million in funding from a member of the Australian Venture Capital Association Limited for the commercialization or development of a promising high-value business idea that will benefit Australia.

Partner program. Spouses (including de facto and same-sex spouses) of Australian citizens or Australian permanent residents may apply for permanent residence through sponsorship by their Australian spouse. In most cases, applicants are issued a two-year temporary visa that converts to permanent residence if the partner relationship is ongoing after the two-year period.

G. Family and personal considerations

Family members. Spouses (including de facto and same-sex spouses) and dependents of temporary and permanent visa applicants are generally included in the same visa application as the primary applicant and granted a visa of the same subclass. Family members who are not included in a temporary resident's initial visa application may generally apply for a visa at a later date.

If sponsorship or nomination is a requirement for the primary applicant, spouses and dependents must be included in the sponsorship or nomination.

Driver's permits. Foreign nationals who are in Australia temporarily may drive legally in Australia using their home country drivers' licenses. In most states, an individual who becomes a resident must obtain an Australian driver's license. To obtain an Australian driver's license, the applicant must take a computerized knowledge test, followed by a physical driving test.

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A. Income tax

Who is liable. In principle, all individuals are subject to tax on their worldwide income if they are considered ordinarily resident in Austria. Nonresidents with an income source in Austria are subject to tax to a limited extent, but their taxes may be reduced under a double tax treaty (see Section E).

Individuals are considered ordinarily resident if they have a residence available for use in Austria or if they live in Austria for more than six months.

Each partner in a partnership must pay tax on his or her share of profits. The partnership is not subject to income tax as a separate entity.

Income subject to tax. Austrian income tax law categorizes income into the following income sources:
• Income from agriculture and forestry
• Income from dependent employment (earnings as an employee)
• Income from self-employment, including directors' fees
• Business income
• Investment income
• Rental income
• Income from other sources

Specific regulations govern the calculation of taxable income from each source. After income from each source is calculated, the amounts are aggregated.

Employment income. Employed persons are subject to income tax on remuneration and all benefits received from employment. Employment income includes the following:

- Salaries, wages, bonuses, profit participations, and other remuneration and benefits granted for services rendered in a public office or in private employment
- Pensions and other benefits received by a former employee or his or her surviving spouse or descendants, in consideration of services performed in the past

Allowances paid to foreign employees working in Austria, including foreign-service allowances, income tax equalization allowances and housing allowances, are considered employment income and do not receive preferential tax treatment.

Under certain conditions, employment income does not include employer-paid moving expenses, education expenses for employees or contributions to Austrian pension funds.

Investment income. A final withholding tax at a rate of 27.5% (rate applicable from 1 January 2016) is imposed on dividends. A final withholding tax at a rate of 25% is imposed on investment income from saving deposits and current accounts derived from Austrian sources by residents. All other taxable investment income is subject to a tax at a rate of 27.5%. Expenses related to dividends and interest are not deductible. A final withholding tax applies only to interest income derived from securities offered to the general public (not to privately placed securities). Tax exemptions for interest income are available, especially for nonresidents, under domestic law.

Dividend income and interest income of residents derived from non-Austrian sources are also taxed at a special tax rate of 27.5% (rate applicable from 1 January 2016). A 25% tax applies to interest from saving deposits and current accounts. All other interest income is subject to a 27.5% tax rate (rate applicable from 1 January 2016). The Austrian tax authorities can decide to impose tax at the ordinary tax rates if the foreign company making the payments is taxed at a rate below 15%. In this case, a tax credit is granted for the taxes paid abroad.

Gains derived by residents from the sale of investments (securities, derivatives and others) that were purchased on or after 1 April 2012 are subject to tax at a rate of 27.5% (rate applicable from 1 January 2016; a 25% tax rate applies until 31 December 2015). Special transition treatment applies to gains from the sale of investments purchased or sold on or before 31 March 2012.

Royalties and rental income derived by residents are taxed as ordinary income.

Dividends paid to nonresidents are subject to withholding tax at a rate of 27.5% (rate applicable from 1 January 2016; a 25% tax rate applies until 31 December 2015). However, this rate is reduced by most of Austria's double tax treaties (see Section E). For royalties and directors' fees, the rate of withholding tax is 20%.

The withholding taxes imposed are usually final taxes.

Self-employment and business income. Individuals acting independently in their own name and at their own risk are subject to income tax on income derived from self-employment or business activities.

Business income includes income from activities performed through a commercial entity or partnership, while self-employment income primarily includes income from professional services rendered (for example, as doctors, dentists, attorneys, architects, journalists and tax consultants).

In general, all income attributable to self-employment or business, including gains from the sale of property used in a business or profession, is subject to income tax.

General or limited partnerships are not taxed as entities. The profit share of each partner is subject to tax separately. In addition, a partner's income from self-employment or business activities also includes compensation received by a partner for services rendered or for loans made to the partnership.

For nonresidents carrying on business through a permanent establishment in Austria, taxable income is computed in the same manner as for resident individuals and is taxed at the same rates.

Directors' fees. Remuneration received as a supervisory board member of a corporation is treated as income from self-employment. Companies must withhold tax at a rate of 20% on such remuneration paid to nonresidents.

Taxation of employer-provided stock options. Favorable taxation applies only to stock options that were granted on or before 31 March 2009. Stock options granted after that date do not benefit from favorable taxation.

EUR3,000 (from 1 January 2016; the amount was EUR1,460 until 31 December 2015) per year of the benefit derived from the grant of free shares or the purchase of shares on favorable terms may be exempt from tax if all of the following conditions are met:

- The shares must be kept on deposit with a European Community bank or other specified institution, determined by the employer and representatives of the employees.
- The shares must be retained for at least five calendar years after the year of acquisition (that is, they be neither given away nor sold).
- The employee must prove by 31 March of the following year that he or she still owns the shares by means of a deposit confirmation, which must be filed with the payroll administration of the employer.

If the above conditions are not met, the employer is required as from the year of violation to withhold tax from the benefit, unless the employee has left the company.

Capital gains. Capital gains derived from sales of businesses, parts of businesses and partnership interests are taxed as ordinary income. On request, these capital gains may be distributed over three years, if at least seven years have passed since the opening or purchase of business, part of the business or partnership interest. Otherwise, the capital gains in excess of EUR7,300 are fully taxed in the current year. If the business is sold or closed because of the retirement of the owner, and at least seven years have passed since the opening or purchase of business, part of the business or partnership interest, the capital gains are taxed at half the normal rate.

Gains derived from the sale of shares in a corporation are taxed at a rate of 27.5% (rate applies from 1 January 2016; a 25% rate applied to sales from 1 April 2012 until 31 December 2015). For sales until 31 March 2012, special transition provisions apply, depending on the acquisition date and the percentage of shares owned. Gains derived from the sale of real estate are taxed at a rate of 27.5% (rate applies from January 2016; a 25% rate applied to sales from 1 April 2012 until 31 December 2015). Special transition provisions may apply, depending on the possession period and type of real estate. Gains derived from the sale of a primary residence may be tax-free if certain conditions are fulfilled.

Gains on other privately held assets, excluding securities and real estate, are not taxable if the assets are held longer than one year.

Otherwise, the gains are taxed as ordinary income. If the assets are held less than one year, the difference between the acquisition price and the sale price is taxable at the regular rates (see *Rates*). Losses may be set off only against other speculative gains.

Deductions. Expenditure incurred by an employee to create, protect or preserve income from employment is generally deductible. Such expenses include the following:

- Expenses connected with the maintenance of two households, which are deductible for a limited period of time, depending on individual circumstances
- Professional books and periodicals
- Membership dues paid to professional organizations, labor unions and similar bodies

A standard deduction of EUR132 for business-related expenses is granted, unless an employee proves that expenses actually paid are higher.

Amounts paid for health, old-age, unemployment and accident insurance are deductible if they are required by law.

Other items that may be claimed as deductions include church tax, tax consulting fees and donations for specified organizations.

Nonresidents are not entitled to the same general allowances granted to residents. However, see *Special rules for expatriates*.

Rates. For 2019, income tax is calculated in accordance with the rules set forth below.

Income below EUR11,000 is tax-free for ordinarily resident individuals, while the income of nonresidents is tax-free up to EUR2,000.

The following are the tax rates for individuals ordinarily resident in Austria.

Taxable income EUR	Tax rate %	Tax due EUR	Cumulative tax due EUR
First 11,000	0	0	0
Next 7,000	25	1,750	1,750
Next 13,000	35	4,550	6,300
Next 29,000	42	12,180	18,480
Next 30,000	48	14,400	32,880

Taxable income EUR	Tax rate %	Tax due EUR	Cumulative tax due EUR
Next 910,000	50	455,000	487,880
Above 1,000,000	55*	—	—

* This rate applies for 2016 through 2020.

Nonresidents are generally taxed at the same rates as resident individuals, but certain differences exist.

Special tax rates for vacation and Christmas bonus (non-regular payments). Annual salary is paid in 14 equal installments to achieve a more favorable income tax rate. Non-regular payments, such as the 13th and 14th months' salaries, are taxed at the following tax rates on the condition that they do not exceed 1/6 of the amount of the regular payments:

Amount of payments	Rate (%)
Up to EUR620	0
For the next EUR24,380	6
For the next EUR25,000	27
For the next EUR33,333	35.75
For more than EUR33,333	50

If 1/6 of the regular payments equals EUR2,100 or less, the non-regular payments are tax-free.

Relief for losses. Income from one source generally may be offset by a loss from another source, with certain exceptions.

Taxpayers who maintain commercial books of account and derive income from agriculture, forestry, commercial business or other self-employment activities may carry forward losses incurred in 1991 and subsequent years for an unlimited time period. The amount of losses that may be set off is generally limited to the taxable income of a given tax year. Excess losses may be carried forward.

Special rules for expatriates. Expatriates are taxed in the same way as other resident and nonresident individuals. Nationality does not have an impact on income taxation. However, some simplifications are allowed if the following conditions apply:

- The expatriate must be an individual who has not had a residence in Austria during the past 10 years and who is transferred from his or her foreign employer to an Austrian employer (subsidiary or permanent establishment of the foreign employer in Austria).
- The expatriate must have an employment contract with the employer's Austrian subsidiary or permanent establishment.
- The expatriate must maintain his or her primary residence abroad, and the assignment may not exceed five years. Effective from 1 January 2016, a contractual option for prolongation after the five-year period prevents the application of the expatriate regime.

The rules regarding the simplifications for expatriates are modified, effective from 1 January 2016. If the above conditions are met and if the employee meets certain reporting requirements, effective from January 2016, the employer can consider one lump-sum deduction of EUR10,000 per year per employee in the calculation of the expatriate's monthly withholding tax instead of the deductions for double housing, home leave and extraordinary expenses, which applied under the prior rules.

If no expenses were deducted by the employer, and if an expatriate has additional expenses or extraordinary expenses, he or she may file an income tax return on a voluntary basis.

B. Other taxes

Net worth tax. Net worth tax is not levied in Austria.

Inheritance and gift taxes. The inheritance and gift taxes were eliminated, effective from 1 August 2008.

To prevent double taxation, Austria has entered into inheritance tax treaties with the Czech Republic, France, Hungary, Liechtenstein, the Netherlands, Poland, Sweden, Switzerland and the United States. The inheritance tax treaty with Germany has been terminated.

C. Social security and other contributions

Elements of social security. Social security taxes consist of the following elements:
- Old-age pension
- Unemployment insurance
- Health insurance
- Insolvency guarantee
- Accident insurance

Social security contributions are required for all employees, unless they are exempt under the European Union (EU) regulations or a totalization agreement.

Contributions. Social security payments on wages or salaries must be made by employers and employees at the following rates for 2019.

	Employee's share %	Employer's share %	Total %
Pension insurance	10.25	12.55	22.80
Accident insurance	0	1.20	1.20
Health insurance	3.87	3.78	7.65
Unemployment insurance	3.00	3.00	6.00
Accommodation promotion contribution	0.50	0.50	1.00
Chamber contribution	0.50	0	0.50
Insolvency guarantee funds contributions	0	0.35	0.35

The maximum wage base for monthly contributions for each employee is EUR5,220 (amount for 2019). In addition, social security is levied on special payments (13th and 14th salaries, or bonus), up to a ceiling of EUR10,440 (amount for 2019). The maximum social security contributions for 2019 are set forth in the following table.

	Regular salary %	13th and 14th months' salary %	Maximum annual contribution EUR
For wage earners			
Employer's share*	21.38	20.88	15,572.30

	Regular salary %	13th and 14th months' salary %	Maximum annual contribution EUR
Employee's share*	18.12	17.12	13,137.70
For salary earners			
Employer's share	21.38	20.88	15,572.30
Employee's share	18.12	17.12	13,137.70

* This amount does not take into consideration the special bad weather contribution for workers in the construction industry and agriculture. Each employer and employee must make such contribution at a rate of 0.7%.

Employers must also pay the contributions described in the following four paragraphs.

A contribution to the severance pay fund is required for employees covered by the Austrian labor law. The rate is 1.53% without ceiling.

A contribution to the family burden fund is payable for employees covered by the Austrian social security system and for employees from non-EU jurisdictions. The rate is 3.9% without ceiling.

A 3% community tax is payable without ceiling.

A company that is a member of the chamber of commerce must pay a contribution at a rate ranging from 0.34% to 0.42% (without ceiling).

Totalization agreements. To provide relief from double social security contributions and to ensure benefit coverage, Austria has entered into totalization agreements with certain jurisdictions. The agreements usually apply to foreigners living in Austria and to Austrians living abroad for a maximum of two years. Austria has entered into totalization agreements with the following jurisdictions.

Australia (a)
Belgium
Bosnia and Herzegovina
Bulgaria
Canada
Chile (a)
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
India (d)
Ireland
Israel
Italy
Korea (South)
Latvia
Liechtenstein
Lithuania
Luxembourg
Malta
Moldova
Montenegro
Netherlands
North Macedonia
Norway
Philippines (b)
Poland
Portugal
Romania
Serbia
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Tunisia (c)
Turkey
United Kingdom
United States (a)
Uruguay

(a) This agreement covers pension insurance only.
(b) This agreement covers pension and accident insurance only.
(c) This agreement covers all types of insurance except for unemployment insurance.
(d) This agreement has been signed, but it is not yet in effect.

D. Tax filing and payment procedures

The tax year in Austria is the calendar year. Tax returns generally must be filed by the end of April. However, a return filed electronically must be filed by the end of June. An extension is available if the return is prepared by a tax adviser.

Salaries and wages of employees are subject to withholding tax. Taxpayers other than employees must make advance payments of income tax in quarterly installments on 15 February, 15 May, 15 August and 15 November.

Interest is levied on final payments as assessed by the tax authorities if the assessed liability is paid after 30 September. A taxpayer may avoid interest by paying the expected income tax liability as advance payments.

Married persons are taxed separately, not jointly, on all types of income.

E. Double tax relief and tax treaties

Resident individuals are generally taxed in Austria on their worldwide income. However, if tax is imposed in the other country at a tax rate of more than 15%, certain elements of taxable income are excluded from the Austrian tax computation for resident individuals. Otherwise, Austria grants a foreign tax credit against Austrian taxes.

Austria has entered into double tax treaties with the following jurisdictions.

Albania
Algeria
Argentina (b)
Armenia
Australia
Azerbaijan
Bahrain
Barbados
Belarus
Belgium
Belize
Bosnia and Herzegovina
Brazil
Bulgaria
Canada
Chile
China Mainland
Croatia
Cuba
Cyprus
Czech Republic
Denmark
Egypt
Estonia
Finland
France
Georgia
Hungary
Iceland
India
Indonesia
Ireland
Iran
Israel
Italy
Japan
Kazakhstan
Korea (South)
Kosovo
Kuwait
Kyrgyzstan
Latvia (b)
Liechtenstein
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Moldova
Mongolia
Montenegro
Morocco
Nepal
Netherlands
New Zealand
Philippines
Poland
Portugal
Qatar
Romania
Russian Federation
San Marino
Saudi Arabia
Serbia
Singapore
Slovak Republic (a)
Slovenia
South Africa
Spain
Sweden
Switzerland
Taiwan
Tajikistan
Thailand
Tunisia
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States

Germany	North Macedonia	Uzbekistan
Greece	Norway	Venezuela
Hong Kong SAR	Pakistan	Vietnam

(a) The treaty with the former Czechoslovakia currently applies.
(b) This treaty was terminated, effective from 31 December 2008.

F. Temporary visas

Austria joined the European Economic Area (EEA) on 1 January 1994, and has been a member of the EU since 1 January 1995; therefore, the treatment of citizens of EEA and EU member countries with respect to immigration matters differs from the treatment of citizens of non-member jurisdictions.

Non-EU and non-EEA nationals. Non-EU and non-EEA nationals who wish to visit Austria for periods of up to three months and who do not intend to engage in remunerated activities are permitted to enter the country with a valid passport and, in certain cases depending on the citizenship of the foreigner, a visa. Visas are obtainable at all Austrian embassies and must be applied for abroad. In all cases, registration with the local police department is required within three days after arrival in Austria.

As tourists, non-EU and non-EEA nationals may stay in Austria for up to six months per year; however, a single stay may not exceed three months. If these nationals wish to stay longer, they must apply for residence permits.

G. Work permits and self-employment

EU and EEA nationals. EU and EEA nationals do not need work permits to work in Austria. Nationals of Croatia must obtain a work permit similar to the permit required for nationals of jurisdictions outside the EU and EEA. This temporary regulation will expire on 30 June 2020, at the latest.

Reporting Obligation to the Central Coordination Department with the Ministry of Finance notification. For an employee posted to Austria for work purposes from an EU/EEA member country, the employer must make the Reporting Obligation to the Central Coordination Department with the Ministry of Finance (Meldeverpflichtung an die Zentrale Koordinationsstelle des Bundesministeriums für Finanzen, or ZKO), regardless of the length of the period of work performance in Austria. Accordingly, under Austria law, the notification must be made even if the work performance is for one day.

The ZKO notification can be easily submitted online. The deadline for submitting the notification is before the actual start of activity in Austria.

The ZKO notification must contain information on the employer and the Austrian contractor, the period of assignment and place of work, information regarding the job title, and the monthly salary of the assignee. The minimum wage must be in line with the minimum requirements (minimum pay and other working conditions) of the notional applicable Austrian Collective Agreement for the respective business sector. In addition, the Austrian labor law provides that in case of an audit, assignment-related documents such as the employment and assignment contract, salary statements, time sheets, and certificate of coverage A1 (form

used within the EU, which is an application to remain in the employee's home-country social security system) must be available, generally in the German language, at the place of work in Austria.

The ZKO notification is a reporting obligation when posting EU/EEA nationals to Austria and is not the same as an Austrian work permit. If a third-country national is posted to Austria from an EU/EEA country, it is necessary to obtain work permit documents in advance to legally work in Austria.

Non-EU and non-EEA nationals. Non-EU and non-EEA nationals may be employed in Austria only if the employer obtains a work permit for this purpose.

The granting of work permits to non-EU or non-EEA nationals is governed by the Employment of Foreigners Act. Applications must be filed by the prospective employer with the local labor authority (Arbeitsmarktservice), which grants a permit based on several requirements, including the following:

- Similar remuneration and working conditions for foreign and Austrian employees must be ensured.
- Notice of job opportunities must be given to Austrian employees before a foreign employee is hired (this is not required in the case of highly qualified foreign applicants).

An employer who wishes to recruit foreign employees abroad must apply for an individual assurance certificate (Sicherungsbescheinigung), which indicates the employees or the number of employees for which work permits are prospective. The individual assurance certificate is therefore only granted if the conditions for the issuance of a work permit (and to a certain extent, a residence permit) are generally fulfilled. Accordingly, the requirements for the work (and residence) permit are examined at this early stage of the permit procedure.

After the employer obtains an individual assurance certificate, the alien must apply for a residence permit (see Section H). A residence permit allows a foreigner to enter Austria. However, before the foreigner may work, the Austrian employer must apply for a work permit with the competent employment authority. A work permit is usually issued if an individual assurance certificate has been granted.

Work permits are not transferable and are usually granted for one year with the possibility of renewal. They refer to a particular workplace in a particular company and therefore expire on the termination of employment.

Under the Employment of Foreigners Act, a work permit is granted if "the actual situation and the development of the employment environment allow for the employment of a foreigner, and the grant of the work permit is not in opposition to important public or economic interests."

Austria has introduced a flexible immigration scheme, known as the Red-White-Red Card. It aims to facilitate the immigration of qualified third-country workers and their families with a view to permanent settlement in Austria, based on personal and labor-market criteria.

The Red-White-Red Card is issued for a period of 24 months and entitles the holder to fixed-term settlement and employment by a specified employer. The following persons are eligible for a Red-White-Red Card:

- Very highly qualified workers
- Skilled workers in shortage occupations
- Other key workers
- Graduates of Austrian universities and colleges of higher education

The Red-White-Red Card plus entitles the holder to fixed-term settlement and unlimited labor market access. The following persons are eligible for a Red-White-Red Card plus:

- Holders of a Red-White-Red Card if they were employed in accordance with the requirements decisive for admission for a minimum of 10 months within the preceding 12 months
- Family members of Red-White-Red Card holders and holders of EU Blue Cards
- Family members of foreign citizens permanently settled in Austria

For purposes of the above scheme, family members are defined as the following:

- Spouses
- Registered partners
- Minor children, including adopted children and stepchildren (up to the age of 18)

At the time of filing the application, spouses and registered partners must be at least 21 years of age.

The EU Blue Card is a residence permit for highly skilled university graduates who are third-country nationals. First-time applications must be submitted to the Austrian diplomatic representation abroad or by the potential Austrian employer on behalf of the applicant directly in Austria. Persons who are eligible for visa-free entry can submit the application in person to the immigration office in Austria during the validity period of their visa. The following are significant aspects of the EU Blue Card:

- Proof of German language skills before coming to Austria and completion of Module I are not required. To receive an Austrian residence permit, third-country nationals must complete Module I. It is proof that the third-country national has more than basic German language skills.
- The EU Blue Card can be issued with a validity period of 24 months.
- Free labor market access is available in case of an extension.
- Permanent leave to remain can be obtained more quickly, and mobility in the EU is facilitated (EU Blue Cards from other EU member states can be considered).
- Quota-free family reunification (Red-White-Red Card plus) is available.

A non-EU or non-EEA employee who already has a work or employment permit in another EU member state and who works for an employer based in an EU member state must obtain an EU-sending certification (EU-Entsendebestätigung) to work in Austria. These certifications must be issued by the competent authority within two weeks after application. The EU-sending

certifications are not subject to investigation by the employment authorities with respect to the Austrian labor market.

Sanctions are imposed on companies that hire employees without the correct visas and permits. These sanctions usually consist of fines ranging from approximately EUR1,000 to EUR20,000 per worker. In the case of several violations within one organization or recurring violations, fines may be as much as EUR50,000 per worker.

The Intra-corporate Transfer Directive governs intra-corporate transfers of high-level third-country employees (namely managers, specialists with crucial expert knowledge for an affiliated subsidiary or a trainee with a high school diploma) from a third-country company to an EU affiliate or employees with an existing intra-corporate transferee (ICT) title from another member state to Austria.

The definition of the covered employees is in general in accordance with the existing definition of "Rotationsarbeitskräfte" (professionals subject to being rotated).

Individuals who are posted from employment agencies or commercial personnel leasing agencies are not covered by the facilities of the Intra-corporate Transfer Directive.

ICTs are eligible for a residence permit called the Residence Permit for ICTs if the legal requirements are met. The transferee receives this residence permit, which is issued for no longer than three years or, for trainees, for no longer than one year.

The application process is similar to the "Red-White-Red-Card" model.

If the respective employee already holds an ICT title from another EU country, he or she is entitled to stay and work in Austria for up to 3 months (90 days) without any further application process (however, an upfront reporting obligation similar to the existing EU Posting of Workers Certificate [Entsendebestätigung] procedure applies).

If the work duration exceeds 3 months (90 days) and the applicant holds an ICT title from an EU country, an application for a Residence Permit for Intra-corporate Transferees must be filed 20 days before the estimated start date in Austria.

Self-employment. For most professions, self-employment requires a certificate of qualification. The extent to which foreign qualifications are accepted depends on the particular case. It may be possible to avoid certain restrictions by carefully choosing the form of legal entity used for the business.

Special rules apply to self-employed key persons.

H. Residence permits

EU and EEA nationals. No special documents are necessary for EU and EEA nationals who wish to stay in Austria for longer periods. EU and EEA nationals must prove, however, that they have sufficient funds to support themselves while in the country. In addition, visitors must have health insurance. Further registration is required for EU and EEA nationals if the stay exceeds three months.

Non-EU and non-EEA nationals. Non-EU and non-EEA nationals who plan to stay in Austria for longer than six months must apply for a permanent residence permit (Niederlassungs bewill igung) or, to work in Austria without changing their permanent residence to Austria, a residence authorization (Aufenthaltserlaubnis). Permanent residence permits are usually granted for one year (up to 24 months for persons who hold an EU Blue Card) and may be renewed for a two-year period. After five years, the permanent residence permit is granted indefinitely.

Depending on the nationality of the non-EU and non-EEA national, a first-time applicant may apply for residence permits outside Austria at any Austrian embassy or he or she may apply in Austria. Swiss citizens may generally reside in Austria without a residence permit.

Residence authorizations are available to non-EU and non-EEA nationals who prove that they are registered at Austrian universities and who have a certain minimum income. The permits are valid for six months or one year and may be extended.

I. Family and personal considerations

Family members. Working spouses of expatriates must apply independently for their own work permits. The family members of non-EU and non-EEA expatriates must obtain separate residence permits to reside in Austria. The children of non-EU and non-EEA expatriates must obtain student visas to attend school in Austria.

Driver's permits

EU and EEA nationals. A driver's license issued by the authorities of any EU or EEA country is recognized on an equal basis with an Austrian driver's license.

Non-EU and non-EEA nationals. The validity of a foreign driver's license held by an individual without established principal residence in Austria generally is limited to one year. Individuals with a residence in Austria must change their driver's license to an Austrian driver's license within six months.

An Austrian driver's license may be obtained by presenting a foreign license if all of the following requirements are met:

- The applicant has stayed or has established a principal residence in the country of issuance of the driver's license for a minimum of six months.
- The applicant has moved his or her principal residence to Austria.
- The applicant has been residing in Austria for no longer than 24 months since the establishment of principal residence in Austria.
- No objections are raised with respect to the individual's driving record and no health obstacles exist that might hinder the person's driving ability (as defined by law).
- The applicant's driving qualifications are proved by a practical driving test or the issuance of the foreign driver's license was subject to requirements similar to those in Austria.

The Ministry of Transportation has identified jurisdictions with processes similar to those of Austria for the issuance of various

classes of licenses. The following jurisdictions have similar requirements for the issuance of all classes of licenses.

Andorra	Japan	San Marino
Guernsey	Jersey	Switzerland
Isle of Man	Monaco	

The following jurisdictions have similar requirements for the issuance of B-class licenses.

Australia	Israel	South Africa
Bosnia and Herzegovina	Korea (South)*	United Arab Emirates
Canada	North Macedonia	United States
Hong Kong SAR	Serbia	

* Only for licenses issued as of 1 January 1997.

Azerbaijan

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The exchange rate is AZN1.7 = USD1.

A. Income tax

Who is liable. Residents are taxed on worldwide income. Nonresidents are taxed on Azerbaijani-source income only.

For tax purposes, individuals are considered resident if they are present in the country for 183 days or more in a calendar year.

Income subject to tax

Employment income. Taxable income from employment consists of all compensation, whether received in cash or in kind, subject to certain minor exceptions as discussed below.

Income received in foreign currency is translated into Azerbaijani manats (AZN) at the official exchange rate of the Central Bank of Azerbaijan on the date the income is received.

Education allowances provided by employers to their employees' children aged 18 years and younger are taxable for income tax and social security purposes.

Self-employment income. Tax is levied on an individual's annual self-employment income, which consists of gross income less expenses incurred in earning the income.

Non-employment income. Interest on securities and deposits, copyrights, royalties and rental income are taxable.

Capital gains. Capital gains derived from the sale of most movable tangible property that is held for business purposes or from the sale of real property that has been the taxpayer's primary residence for at least three years are exempt from tax in Azerbaijan.

Deductions

Income exclusions. The following specific tax exemptions apply for resident and nonresident individuals:

- The cost of renting accommodations in Azerbaijan if paid or reimbursed by the employer

- Food expenses paid or reimbursed by the employer
- Expenses paid or reimbursed by the employer for business trips

Personal allowances. The monthly taxable income of individuals with three or more dependents, including students under the age of 23, is reduced by AZN50.

Business deductions. Deductible business expenses include expenditure for materials, amortization deductions, lease payments, wages, state social security payments, payments for therapeutic nourishment, milk and similar products provided to employees (deductible within the established limits), payments of interest and expenses for repairs to capital production assets.

Rates. The following tax rates apply to an individual's monthly taxable income earned from employment activities in the oil and gas and public sectors.

Monthly taxable income AZN	Tax rate %	Tax due AZN	Cumulative tax due AZN
Up to 2,500	14	350	350
Above 2,500	25	—	—

Individuals whose monthly gross salary is less than AZN2,500 are exempt from tax on AZN200 of their monthly salary.

Individuals engaged in employment activities in the non-oil and gas and nonpublic sectors are subject to the following tax rates, effective from 1 January 2019, for a period of seven years.

Monthly taxable income AZN	Tax rate %	Tax due AZN	Cumulative tax due AZN
Up to 8,000	0	0	0
Above 8,000	14	—	—

An individual's taxable income earned from non-entrepreneurial activities (includes specific items, such as dividends, interest, royalties and gains received on the disposal of assets that are not used for entrepreneurial activities) is subject to a 14% personal income tax.

The taxable income of an individual who conducts entrepreneurial activities without creating a legal entity is subject to tax at a flat rate of 20%.

Relief for losses. Individuals may carry forward losses for up to three years if they are related to entrepreneurial activities.

B. Other taxes

Estate and gift tax. Azerbaijan does not levy estate or gift tax.

The value of gifts and/or material assistance for education and medical treatment up to a limit of AZN1,000 is exempt from income tax, while the value of material assistance for medical treatment abroad is exempt up to a limit of AZN2,000. The value of an inheritance up to a limit of AZN20,000 is exempt from income tax. Gifts, material assistance and inheritances received from family members are exempt from income tax without limit.

Property tax. Azerbaijan levies an annual property tax on each square meter of building area. The following table provides the property tax rates for residential and nonresidential premises that are privately owned by individuals.

Areas	Amount of tax per square meter (AZN)
Baku	0.4*
Gyanja, Sumgait cities and Absheron region	0.3
Other cities (except for regional subordination towns) and regional centers	0.2
Cities, towns and villages of regional subordination (except for settlements and villages of Baku, Sumgait cities and Absheron region)	0.1

* For buildings located in Baku, a coefficient of at least 0.7 and not more than 1.5 must be applied to the rate.

C. Social security

Employers engaged in the oil and gas and public sectors must make social insurance contributions at a rate of 22% of employees' gross salary to the Social Protection Fund. In addition, 3% is withheld from the employee's salary and is payable to the Social Protection Fund.

Social insurance contribution rates for individuals engaged in employment activities in non-oil and gas and nonpublic sectors are calculated differently from the above, effective from 1 January 2019, for a period of seven years. For individuals whose gross taxable monthly income is above AZN200, 10% of the amount exceeding AZN200 plus AZN6 should be withheld from the employee and 15% of the amount exceeding AZN200 plus AZN44 should be paid by the employer.

D. Tax filing and payment procedures

The tax year is the calendar year.

Employers in Azerbaijan (Azerbaijani entities, joint ventures and foreign representative offices) must withhold tax from the salaries of resident and nonresident employees paid in Azerbaijan. Withholding is required regardless of whether payments are made in manats or in foreign currency.

Resident and nonresident individuals are not required to file tax returns if they receive income from employment and do not have income from other sources.

Resident and nonresident individuals engaged in self-employment in Azerbaijan must comply with the following filing and payment requirements:

- They must pay estimated taxes of one-fourth of the tax paid for the prior tax year or tax on actual income for the quarter, as measured at the effective tax rate for the prior year, due in four equal installments by 15 April, 15 July, 15 October and 15 January.
- They must submit an annual tax return no later than 31 March of the year following the reporting year.

- They must submit a final tax return within 30 days following the end of activities in Azerbaijan.

The final tax due for the year is determined from the final tax return after it is filed with the tax authorities. However, the final tax must be paid by the deadline for filing the final tax return.

E. Double tax relief and tax treaties

Foreign taxes paid by residents on foreign-source income may be credited against Azeri tax, but the credit may not exceed the amount of the Azeri tax payable on the same income. To obtain relief, the taxpayer must present the appropriate form from the tax authorities of the foreign state verifying that tax has been paid in that country.

According to information provided on the official site of the Ministry of Taxes, double tax treaties with the following countries are effective in Azerbaijan.

Austria
Belarus
Belgium
Bosnia and Herzegovina
Bulgaria
Canada
China
Croatia
Czech Republic
Denmark
Estonia
Finland
France
Georgia
Germany
Greece
Hungary
Iran
Israel
Italy
Japan
Kazakhstan
Korea (South)
Kuwait
Latvia
Lithuania
Luxembourg
Malta
Moldova
Montenegro
Netherlands
North Macedonia
Norway
Pakistan
Poland
Qatar
Romania
Russian Federation
San Marino
Saudi Arabia
Serbia
Slovenia
Sweden
Switzerland
Tajikistan
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
Uzbekistan
Vietnam

F. Visas

Foreigners who want to visit Azerbaijan and who are from countries with which Azerbaijan has a visa regime should obtain entry visas from the respective embassy or consulate of Azerbaijan. In general, entry visas are granted to foreign individuals for entry into the country. Under recent changes to the migration legislation, several types of entry visas are available. These visas are based on the purpose of the visit and include, but are not limited to, the following:

- Visa for business trip purposes
- Visa for labor activity conduction purposes
- Touristic visa
- Visa for official visit

Visas are divided into single and multiple entries with the validity period of stay ranging from one month for single-entry visas to 180 days for multiple-entry visas.

To obtain a visa from the diplomatic representations, embassies and consulates of Azerbaijan abroad or from the Consular

Department of the Ministry of Foreign Affairs of Azerbaijan, applicants must present the following items:

- Letter of invitation provided by a legal entity registered in Azerbaijan that is approved and certified by the Consular Department of the Ministry of Foreign Affairs in Azerbaijan before its submission to the respective Azerbaijan embassy
- A completed application
- Passport-size photographs
- A passport
- Applicable fee

The following are two exceptions:

- Citizens of certain countries under several international agreements to which Azerbaijan is a party can obtain the visa on arrival at international airports by submitting a set of documents to state officials through the use of an invitation letter approved by the State Migration Service.
- Citizens of countries that have direct airline relations with Azerbaijan but do not have embassies and accredited consulates of Azerbaijan can apply for visas on arrival at international airports by submitting a set of documents to state officials.

Electronic application forms for obtaining Azerbaijani visas may be used.

In addition, permits for staying in Azerbaijan temporarily or permanently are obtained through the "one window" principle or through the migration online system, which is designed to ease the application process. Under the "one window" principle, all documents necessary for the registration of expatriates in Azerbaijan or for the obtaining of work permits for them are submitted to one state body (State Migration Service), which, in turn, coordinates the work with other state authorities and issues identification cards and work permits for expatriates.

The "one window" principle is likewise used to register expatriates who have already been granted permits for staying in Azerbaijan temporarily or permanently and to obtain special identifications for them.

Citizens of countries that have a non-visa regime with Azerbaijan, such as the Russian Federation, do not need a visa to enter Azerbaijan.

G. Work permits

Expatriates must obtain a work permit to work in Azerbaijan. Work permits are obtained through the "one window" principle or the migration online system (see Section F).

H. Family and personal considerations

Vaccinations. Although no vaccinations are required, a vaccination for malaria is recommended. Malaria is not a threat in Baku, but it exists in other regions of the country.

Driver's permits. A foreign national may drive legally using his or her home country driver's license if the license is legally translated into Azerbaijani and notarized. Azerbaijan has driver's license reciprocity with other CIS countries.

Bahamas

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A. Income tax

Income is not taxed in the Bahamas.

B. Other taxes

Capital gains. No tax is levied on capital gains.

Stamp duty. Transfers of real property are subject to a stamp duty of 2.5% if realty is valued under BDS100,000 and 10% if the value exceeds BDS100,000. Although stamp duty typically applies to real estate transactions, it can also apply to other financial and commercial transactions.

Value-added tax. The Bahamas imposes value-added tax (VAT) on the purchase of various consumer goods and services. The VAT rate is 12%. Specific items that are subject to VAT can be found on the Bahamas government website.

Business license fee. Business license fees are payable by any person conducting or "carrying on" business in the Bahamas. The rate ranges from a flat fee of BSD100 to 1.25% based on turnover. The license year is the calendar year. For businesses that do not need an annual business license, options, such as the Occasional Business License and Temporary Business License, are available.

On 30 May 2019, the government released the budget communication, which proposes changes to the current tax regime. At the time of writing, such tax changes had not taken effect.

C. Social security

All employees and employers must contribute to the social security (national insurance) scheme. Contribution rates are based on the amount of weekly or monthly wages. Effective from 1 July

2018, the ceiling increased to BSD670 weekly, BSD2,903 monthly or BSD34,836 annually. The total contribution rate is 9.8% of the employees' wages, of which 3.9% is withheld from the employee and 5.9% is paid by the employer.

D. Tax treaties

The Bahamas has not entered into any double tax treaties. The Bahamas has entered into Tax Information Exchange Agreements with several countries, including, but not limited to, Canada, Germany, the United Kingdom and the United States.

E. Temporary visas

To enter the Bahamas, visitors from countries other than the United States or Canada must hold a passport that is valid for six months beyond the dates of travel and/or a valid Bahamas visa. All visitors entering the Bahamas must have return or onward tickets. If visitors intend to stay for more than a few days, they may be asked to provide evidence of financial support.

Visas are required for all foreign nationals entering the Bahamas except the following:

- British Commonwealth citizens and landed immigrants of Canada for visits not exceeding 30 days, if they possess Form 100
- US citizens (including those from Hawaii) entering as bona fide visitors for less than eight months
- US residents (non-citizens) for visits of up to 30 days
- Citizens of the following countries who have valid passports for stays up to the stated periods:
  - Eight months: Belgium, Greece, Iceland, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, San Marino, Spain, Switzerland and Turkey
  - Three months: Austria, Denmark, Finland, France, Germany, Ireland, Israel, Japan, South Africa and Sweden
  - Fourteen days: Argentina, Bolivia, Brazil, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Uruguay and Venezuela

Citizens of all other countries require both a valid passport and visa to enter the Bahamas.

F. Work permits

The right of expatriates to work in the Bahamas is restricted and regulated by the Bahamas government through the Department of Immigration. The government attempts to ensure that immigrants do not create unfair employment competition for Bahamians. An expatriate may not be offered a position for which a suitably qualified Bahamian is available.

No quota system exists for work permits. A work permit application is not considered if the employee is already in the Bahamas as a visitor.

The Department of Immigration considers the employment of a non-Bahamian if the prospective employee would be an asset to the Bahamas, and if the following conditions are met:

- The employer has advertised and interviewed locally and has found no suitable Bahamian to fill the position.
- The employer has obtained a vacancy certificate stating that no qualified Bahamian is registered who might fill the position.

Normally, it is the employer's responsibility to submit the work permit application for the prospective employee. This includes all necessary documentation, along with a copy of the local job advertisement, the results of interviews with local applicants and a vacancy certificate. Employment may commence only after the work permit is approved and the fee is paid.

Cost of work permits. The annual fee for a work permit ranges from BSD2,000 for farm workers to BSD12,500 for senior professionals, such as executives. The fee is payable on the granting of the work permit.

Duration of initial work permit and renewals. A work permit is usually issued for one year, but may be issued for a longer period for certain key positions under contract. Contracts should indicate that renewal is subject to obtaining immigration permission. Many employment contracts stipulate that the employee is expected to train or be replaced by a suitable Bahamian within a stipulated period of time.

The renewal of a work permit on expiration is not automatic. Application for renewal must be made, and generally permits are not renewed for expatriates who have been employed in the same capacity for more than five years. However, the government exercises some flexibility with respect to this policy and considers various mitigating circumstances.

The Bahamas does not issue permanent work permits, but does issue permanent residence permits that grant the right to work. For further details, see Section G.

Other important stipulations. Work permits are issued for a specific position only. Changes in position within an organization require the issuance of a new work permit, which is subject to the same conditions stated above.

An employer must inform the Department of Immigration within 30 days if an international employee is no longer employed. An expatriate who ceases to be employed must take his or her work permit to the department for cancellation within seven days after ceasing employment.

For each expatriate work permit issued, employers must post a bond to repatriate the employee and his or her dependents, if necessary, and to pay any public charges incurred by the employee.

Due to the complexity of the employment confirmation process, it is recommended that employers submit all applications three to four months in advance of the desired start of employment.

G. Residence permits

Temporary residence. Individuals making the Bahamas their temporary home may apply for annual residence permits. The annual cost of this permit is BSD2,000 for the head of a household and BSD100 for a spouse and each dependent. A person attending an

institute of higher education in the Bahamas must pay BSD100 per year for an annual residence permit. Holders of annual residence permits may not work in the Bahamas under any circumstances.

Overseas investors who acquire residential property in the Bahamas are eligible for Home Owners' Residence Cards, which are renewable annually. The annual cost of the card is BSD500. The card facilitates entry into the Bahamas and entitles the owner, spouse and minor children to remain in the Bahamas for the period covered by the card. This card is most appropriate for seasonal residents. Holders of the card may seek local employment.

Permanent residence. Permanent residence with the right to work is typically reserved for spouses of Bahamians or overseas individuals who can demonstrate strong financial and family ties to the Bahamas.

Male spouses of Bahamians may apply for permanent residence after five years of marriage. Females married to Bahamians may apply any time after marriage. The cost of a certificate of permanent residence for the spouse of a Bahamian is BSD1,000.

A permanent residence permit without the right to work may be suitable for foreign nationals who wish to reside in the Bahamas permanently. The one-time cost of a permanent residence permit ranges from BSD1,000 to BSD15,000 for the head of a household, depending on the length of prior residency in the Bahamas. This type of permit is suitable for retirees who plan to spend most of their time in the Bahamas or for persons who will not be conducting business in the Bahamas. Applicants must provide evidence of adequate financial support, and character and financial references. The Bahamas government gives accelerated consideration to owners of Bahamian residences valued at BSD500,000 or more.

Foreign nationals holding permanent residence certificates may have their spouses and dependent children under 18 years of age endorsed on the certificate at the time of the original application or at a subsequent date.

H. Family and personal considerations

Family members. Spouses and dependents of expatriates holding valid work permits should apply for annual residence permits as outlined in Section G.

Driver's permits. Visitors to the Bahamas may drive legally using their home country driver's licenses for up to three months. However, holders of work permits must have Bahamian driver's licenses when they start to work.

Drivers holding valid licenses issued outside the Bahamas may present the license and receive a Bahamian license for BSD20 without completing verbal or written examinations. First-time drivers must take verbal and driving examinations.

Bahrain

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At the time of writing, the exchange rate between the Bahraini dinar and the US dollar was BHD0.376 = USD1.

A. Income tax

No income taxes are currently imposed on individuals in Bahrain.

B. Other taxes

Except for tax imposed on companies involved in earning income from qualified oil and hydrocarbon activities, Bahrain levies no taxes on corporate income, capital gains, sales, estates, interest, dividends, royalties or fees. No withholding tax is imposed in Bahrain.

C. Social security

The following social security contributions are payable on basic salary and recurring constant allowances on a monthly basis.

Contribution	Rate (%)
For Bahrainis	
Social insurance contributions (pension fund)	
Employer's contribution (including insurance against employment injuries)	12
Employee's contribution	6
Unemployment insurance; paid by employee	1
For expatriates	
Insurance against employment injuries	
Paid by employer	3
Paid by employee	1

The above rates apply up to an income ceiling of BHD4,000 per month. If the salary exceeds BHD4,000 per month, the actual salary is registered in the Social Insurance Organization of Bahrain

(SIO) records while the contribution is calculated based on a maximum salary amounting to BHD4,000.

The Ministry of Health charges an annual health insurance fee of BHD22.5 for each Bahraini employee. The fee is paid to the Ministry of Health through the SIO. If the employer already provides medical or health insurance to employees, the health insurance fee need not be paid. The employer may approach the Ministry of Health and obtain an exemption letter and present it to the SIO.

D. Visas

Nationals of the Gulf Cooperation Council (GCC) member countries should not require visas to visit Bahrain.

Business visas. Since April 2015, business visas issued online or at the Nationality Passport and Residence Affairs headquarters are valid for up to one month. The visa is valid for multiple entries, with two weeks being the maximum time allowed to be spent in Bahrain on one visit.

Visas on arrival. The Bahraini government has recently made changes to the visa on arrival procedures. Effective from 9 November 2016, nationals of 66 countries are eligible for a visa on arrival in Bahrain. The visa on arrival is extended to nationals of certain European countries as well as to certain South and Central American countries. Visitors from an additional 113 countries may apply for e-visas through a simple online process before traveling. Non-nationals with GCC residency and a designation of manager or above can obtain a visa on arrival at Bahrain Airport.

The cost and duration of visas on arrival and e-visas vary depending on the traveler's nationality. Since April 2015, visitors applying for an e-visa or who obtain a visa on arrival are issued multiple-entry visas typically for a duration of two weeks (renewable up to three months). Certain privileged rules apply to passport holders from Canada, Ireland, the United Kingdom and the United States.

To avoid inconvenience, it is suggested that visitors always check with the nearest Bahraini embassy or seek professional advice before traveling to Bahrain. To check eligibility and to apply for the above visas, please visit http://www.evisa.gov.bh/.

E. Work and residence permits

To work in Bahrain, all expatriates must have a valid work permit. To be allotted work visas, an entity that employs expatriates must satisfy the following conditions:

- It must be established in Bahrain.
- It must be registered with the Labor Market Regulatory Authority (LMRA).
- It must have a certain percentage of Bahraini workers (between 5% and 50%, depending on the industry).

The following documents are normally required to apply for a work visa:

- Copy of passport (validity of a minimum of six months)

- Pre-employment medical certificate as per the LMRA guidelines, showing that the employee is fit to work
- Signed offer letter or contract
- Copy of diploma or qualifications
- Copy of marriage certificate (if applicable)

The LMRA can take up to 10 working days to process the visa application. After processing, the LMRA publishes the visa status online. Each applicant is allocated an application identification and the visa status can be checked online through the LMRA website.

Before the employer proceeds with the visa application, it is suggested that the employee inform the future employer as to whether he or she previously worked in Bahrain. This ensures that he or she is not given a duplicate personal identification card (Smartcard). In addition, the employee should inform the employer as to whether he or she holds a current valid Bahraini visa, such as a multiple re-entry business visa. To avoid the disruption of the application process, it is suggested that the prospective employee not enter Bahrain before the visa is finalized.

After the employee enters the country, another medical exam needs to be carried out to confirm that the employee is fit to work. On completing all the above and providing proof of an address in Bahrain, an expatriate employee can obtain the Smartcard.

F. Family and personal considerations

Family members. The employee must obtain the Bahrain work permit (which also serves as the employee's residence permit) before the employee's family members can obtain Bahrain residence permits.

The following documents and information are required for a family visa (that is, Bahrain residence permit):
- Copy of employee's passport with valid Bahraini residence permit stamp
- Copy of the employee's contract
- Copy of the identification pages of the family member(s) passport(s)
- Copy of the marriage certificate for the spouse
- Copy of the birth certificate for each child (children must be under 18 years of age)

After the residence permit is issued, each family member must obtain the Bahrain identity card (Smartcard).

Each family member must provide the following documents to obtain the Smartcard:
- Original passport
- Sponsorship letter stating names of dependents
- One passport-size photograph
- Marriage certificate for spouse and birth certificate for the children
- Copy of electricity bill or letter from the local area municipality confirming the address

Driver's permits. Bahrain has driver's license reciprocity with all GCC member countries.

A Bahraini driver's license can be obtained from the General Directorate of Traffic. In addition, citizens of certain countries can exchange their home countries' driver's licenses for Bahraini-issued driver's licenses without taking the driving evaluation tests.

Barbados

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A. Income tax

Who is liable

Territoriality. An individual resident and domiciled in Barbados for tax purposes is subject to income tax on worldwide income, regardless of whether the income is remitted to Barbados. Residents who are not domiciled in Barbados are taxed on income derived from Barbados and on income remitted to (or from which a benefit is received in) Barbados. Nonresidents are taxed on income derived from Barbados only.

Definition of resident. Individuals are considered resident if they are present in Barbados more than 182 days in a calendar year or if they are ordinarily resident in Barbados in a calendar year. Individuals are deemed to be ordinarily resident if they have a permanent home in Barbados and notify the Revenue Commissioner that they intend to reside in Barbados for a period of two consecutive years, including the current income year. Domicile is not defined in the Income Tax Act and is understood as it is used in the United Kingdom. Broadly, it is the jurisdiction that an individual regards as his or her permanent home.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable remuneration from employment includes salaries, commissions, bonuses, directors' fees, perquisites and pension income. In general, employees may be taxed on any

benefit that is not conferred wholly, exclusively and necessarily for the performance of duties relating to their employment. For example, a company car is taxed at 10% of its cost, and the value of a rent-free residence is included in the employee's taxable income, up to a maximum of BBD48,000 per year.

Amounts paid as a housing allowance are fully taxable.

Educational allowances provided by employers to their employees' children are fully taxable for income tax and social security purposes.

Self-employment income. Taxable profits generally consist of business profits as disclosed in the business operation's financial statements, subject to various tax adjustments. Income tax is imposed on net business income.

Investment income. A resident's investment income, other than domestic dividends, domestic interest and income from the rental of property, is aggregated with other income and taxed at the rates set forth in *Rates*.

If a resident company pays an ordinary dividend to a resident individual shareholder, the dividend is subject to a final 12.5% tax withheld at source. For resident individuals, dividends received from shares held under dividend reinvestment plans are exempt from the 12.5% withholding tax if the shares are held for at least five years. However, this exemption is limited to 75% of the value of the dividend, up to a maximum of BBD7,500 per year. Interest received by a resident individual, other than a pensioner, from a resident borrower is also subject to a 12.5% final tax withheld at source. Pensioners over 60 years of age are not subject to tax on interest income.

For resident "authors," 50% of royalties received in Barbados is exempt from tax. Section 2 of the Barbados Copyright Act provides that an "author" in relation to a work is the person who creates it. Section 7 of the act states that a work qualifies for copyright protection if the author was a citizen of or habitually resides in Barbados at the time the work was created. All other royalties received are aggregated with other income and subject to tax at the rates set forth in *Rates*. Net income from the rental of residential property is taxed at a flat rate of 15%.

Nonresidents are taxed on domestic dividend income, interest, royalties and management fees, which are subject to a final 15% tax withheld at source. Rental income is subject to a 25% withholding tax, which represents a prepayment of tax. However, if a nonresident individual has habitually filed tax returns with respect to rental income in prior years, no tax is required to be withheld. In addition, if the payer is a company operating in the international business and financial services sector, rental income is not subject to withholding tax. Interest earned by nonresidents on debentures, bonds and stock issued by the government of Barbados is exempt from tax.

Taxation of employer-provided stock options. Employees are taxed on income arising on the purchase of shares acquired under a stock option plan. The taxable amount is equal to the difference between the market price of the stock on the date the option is exercised and the price paid for the stock under the option,

subject to a deduction of up to 10% of the employee's assessable income. The benefit is taxed in the same manner and at the same rates as other employment income. If the shares are disposed of within five years after the option is exercised, the 10% deduction is recaptured in the year the shares are sold. No distinction is made between qualified and nonqualified stock option plans.

Capital gains. Capital gains are not subject to tax, and capital losses are not deductible.

Deductions

Personal deductions and allowances. For 2019, residents are entitled to the deductions and allowances listed in the following table.

Type	Maximum deductible amount
Basic allowance	BBD25,000
Basic allowance for pensioners	BBD40,000
Dependent spouse allowance	BBD3,000
150% of the cost of conducting energy audits and 150% of 50% of the cost of retrofitting premises or installing systems to produce electricity from sources other than fossil fuels	Up to BBD10,000
Amounts donated to exempt charities	Allowed in full
Amounts of BBD1 million or less paid to registered charities	10% of assessable income
Amounts in excess of BBD1 million paid to registered charities	50% of assessable income

Nonresidents may not claim the above deductions and allowances.

Specially qualified individuals working in the international business and financial services sector may qualify for tax exemptions equal to percentages of their remuneration, including salary, fees or any other emoluments, if they hold a valid work permit for at least three years. The following are the tax exemptions.

Income	Percentage exemption
Income not exceeding BBD150,000	35%
Income exceeding BBD150,000 but not exceeding BBD500,000	50%
Income in excess of BBD500,000	60%

If a resident individual earns income from sources outside Barbados and transfers this income to Barbados through the banking system, the individual may claim a foreign currency earnings credit as set out in the following table.

Foreign earnings as a percentage of total earnings	Rebate of income tax (expressed as a percentage of income tax on foreign earnings)
20% and under	35%
Over 20% but under 41%	45%
At least 41% but under 61%	64%
At least 61% but under 81%	79%
81% and over	93%

Business deductions. Any expenses incurred wholly and exclusively for the purpose of producing taxable income are deductible.

Reserves or provisions of a general nature are not allowable. Write-offs of specific amounts or balances generally are allowed if the Barbados Revenue Authority is satisfied that they are not recoverable.

In computing taxable income, depreciation and amortization for financial statements' purposes are replaced by capital allowances for tax purposes. Annual allowances from 5% to 33.33%, calculated on a straight-line basis, are granted on the original cost of fixed assets.

Industrial buildings qualify for an annual allowance of 4% of the cost of the building.

Rates. The following tax rates apply to taxable income earned from 1 January 2019 to 30 June 2019.

Taxable income BBD	Tax rate %	Tax due BBD	Cumulative tax due BBD
First 35,000	16	5,600	5,600
Next 15,000	33.5	5,025	10,625
Over 50,000	40	—	—

The following tax rates apply to taxable income earned from 1 July 2019 (see below).

Taxable income BBD	Tax rate %	Tax due BBD	Cumulative tax due BBD
First 50,000	12.5	6,250	6,250
Over 50,000	33.5	—	—

As a result of the effective date of the new tax bands, it is necessary to prorate income earned in 2019 between the former rates and the new rates.

Nonresidents are taxed at the same rates as residents except on domestic dividend income, interest, royalties and management fees (see *Investment income*).

Relief for losses. Business losses may be carried forward seven years and offset against income arising in those years. However, effective from the 2019 income year, the offset of tax losses is restricted to 50% of assessable income. Losses may not be carried back. Losses incurred from the rental of residential property can be offset only against taxable income derived from the rental of residential property. These losses may also be carried forward seven years.

B. Other taxes

Property transfer tax. Property transfer tax is levied on all transfers of real estate, certain leasehold interests and shares, except shares traded on the Barbados securities exchange, shares of companies whose assets consist of foreign assets and securities whose income is derived solely from sources outside Barbados.

The seller pays tax at a rate of 2.5% on amounts in excess of BBD50,000 received for the sale of shares and on amounts in excess of BBD150,000 received for the sale of land on which

there is a building. Transfers of shares involving no change of beneficial ownership are exempt from property transfer tax if the beneficial ownership does not change within five years after the original transfer. The lessor pays tax at a rate of 2.5% on a lease of 25 years or more for residential and commercial property.

Estate and gift tax. Estate and gift tax is not levied in Barbados.

C. Social security

Contributions. Contributions to the National Insurance Scheme must be made at the following rates on maximum monthly insurable earnings of BBD4,820:

- For employees, 11.1%
- For employers, 12.75%
- For self-employed persons, 17.1%

Totalization agreements. Barbados has entered into social security totalization agreements with Canada, the Caribbean Community and Common Market (CARICOM) and the United Kingdom to provide relief from paying double social security taxes and to assure benefit coverage.

D. Tax filing and payment procedures

Resident and nonresident individual taxpayers must file income tax returns by 30 April following the income year, which ends 31 December. Self-employed persons must file returns regardless of the amount of their taxable income. They must also prepay income tax quarterly based on the tax payable for the preceding year.

Tax on employees normally is collected through the Pay-As-You-Earn (PAYE) system.

Married persons are taxed separately, not jointly, on all types of income.

E. Double tax relief and tax treaties

Double tax relief is provided for foreign taxes paid to a British Commonwealth country.

Barbados has entered into double tax treaties with the following jurisdictions.

Austria
Bahrain
Botswana
Canada
CARICOM
China
Cuba
Cyprus
Czech Republic
Finland
Ghana
Iceland
Italy
Luxembourg
Malta
Mauritius
Mexico
Netherlands
Norway
Panama
Portugal
Qatar
San Marino
Seychelles
Singapore
Slovak Republic
Spain
Sweden
Switzerland
United Arab Emirates
United Kingdom
United States
Venezuela

Gross income received from a non-treaty country is taxed. However, a credit can be claimed for any foreign tax imposed on the income.

F. Temporary visas

In general, visitors from certain countries are required to have visas to enter Barbados. In certain cases, individuals from these countries are required to have visas only if they are going to be in Barbados longer than 28 days.

Foreign nationals who own property in Barbados may enter on special entry visas or, if other criteria are met, may be granted immigrant status.

Visitor visas, also called temporary visas and extensions of stay, are issued to individuals who want to extend their stays on the island or to cover the waiting period while another type of visa is being processed. Visitor visas are also issued to spouses of work permit holders.

The following documents are required to qualify for an extension of stay:
- An application on Immigration "Form B"
- A valid airline ticket back to the country of origin
- A passport
- An application fee of USD50 for each six-month period
- One passport-size photograph
- Proof of financial support while in Barbados

G. Work visas and/or permits

Foreign nationals and foreign companies are allowed to establish companies in Barbados. Foreign nationals employed by these companies in Barbados must obtain work permits.

Nationals of member countries of CARICOM who are university graduates are not required to have work permits to live and work in Barbados. However, such nationals must obtain a certificate of recognition as a CARICOM Skilled National instead of a work permit contingent rights, including the right to leave the country without permission and the right to seek employment without first obtaining a work permit. All other foreign nationals who wish to work in Barbados must apply for work permits. Work permits allow individuals to reside and work in Barbados and normally are issued for a period of three years unless otherwise specified.

No quota system exists for issuing work permits; each application is evaluated on its own merit. To approve a work permit application, the government must be satisfied that no suitable Barbadians can fill the vacancy.

Work permits are non-transferable. If a work permit holder leaves the employer, the work permit is canceled. The employer should inform the Immigration and Passport Department that the employee has left the company.

Applicants may not work while their work permit applications are being processed.

Work permit holders should renew their work permits three to four months before expiration. Work permit holders who have lived in Barbados for six years or more may apply for non-immigrant visas (see Section H), which eliminate the necessity of applying for work permits. If necessary, an application should be

made for a long-term work permit to cover the processing period of the non-immigrant visa.

The following documents must be submitted together with the application for a Barbados work permit:
- Application fee of BBD300 (USD150).
- C-1 and C-2 forms.
- Medical form completed by a medical practitioner (including X-ray report and venereal disease research laboratory report). If it is done outside of Barbados, it must be reviewed by a local doctor (compact disc is required).
- Four passport-size photographs.
- Copy of passport bio-data page.
- Two character references.
- A Police Certificate of Character (PCC) based on a fingerprint check from the applicant's place of residence and from each country in which the applicant has resided for six months or more during the past three years. For UK residents, an affidavit may be accepted instead of the PCC, but a certificate based on a nationwide search of the country's database is also required.
- Documentary evidence of the applicant's qualifications (for example, university degree).
- A cover letter setting out the nature of the business in which the applicant will be engaged.
- For an applicant hoping to set up a business in Barbados, clear evidence of the amount of his or her investment (for example, bank transfer statements).
- A copy of the certificate of registration or incorporation of the company as well as the company's International Business Companies license, if applicable.

A fee is payable upon receipt of the work permit. The amount of the fee is based on the job level, the type of business, the duration of the work permit and the nationality of the applicant. The minimum work permit fees are approximately USD150 to USD175 per month.

H. Residence visas and/or permits

Non-immigrant visas are issued to individuals who wish to retire or reside on the island. Applicants must be of sound body and mind and must be capable of supporting themselves. Each application is processed on its own merit. The process is lengthy and can take more than one year.

To approve a residence application, the government must be satisfied that the applicant can support himself or herself and will not be a burden to the country. The individual's qualifications and entitlement are also taken into consideration.

No quota system exists for issuing residence permits; each application is evaluated on its own merit.

I. Special entry permits

The Barbados government has introduced a special entry permit, which is available to a high net-worth individual who wishes to reside in Barbados. To qualify for a special entry permit, an individual must meet specific criteria. These criteria depend on the category of permit that the individual wishes to obtain.

The following items must accompany an application for a Barbados Special Entry Permit for the High Net-Worth Individual:
- Extension of stay form
- A certified statement of assets over USD5 million from an auditor, accountant or banker
- Title deeds or land tax documents, if applicable
- Evidence of health insurance coverage in excess of USD500,000
- A police certificate of character from any country that the individual resided in for more than six months in the past three years, or, for British applicants, an enhanced disclosure form instead of the police certificate of character
- Two character references
- A completed medical form with X-ray report
- Copy of passport bio-data page
- One passport-size photograph
- Documentary evidence of the applicant's qualifications if applicable (notarized copies are acceptable)
- Proof of relationship to dependents if applicable (birth certificates or legal documents)
- Original birth certificate and a certified copy
- Application fee of USD150

J. Family and personal considerations

Family members. Spouses and dependents of working expatriates must obtain their own work permits to be employed in Barbados or must obtain extensions of stay to reside there.

Children who accompany work permit holders, non-immigrant visa holders or those who are in Barbados for the sole purpose of studying must obtain students visas.

Marital property regime. Barbados does not have a community property or similar marital property regime.

Forced heirship. The succession laws of Barbados provide that a surviving spouse is entitled to one-half of the estate of the deceased spouse, unless the surviving spouse elects not to claim this right or chooses instead to take his or her bequest under the will of the deceased spouse. Parents are not required to leave any part of their estate to their children unless the children are minors (under 18 years of age), in which case sufficient provision must be made for the maintenance of the children. These rules apply only to persons who are citizens or permanent residents or are domiciled in Barbados.

Driver's permits. A foreign national may not drive legally in Barbados with his or her home-country driver's permit, nor does Barbados have driver's license reciprocity with any other countries.

Holders of work permits who possess valid driver's licenses in their home countries are excused from taking the written exam and driving test. They must submit the following documents to the Barbados Licensing Authority:
- Identification card
- Three passport-size photographs
- Proof of possession of a work permit

Other applicants for a driver's license in Barbados must take a moderately difficult written exam and a driving test at the Licensing Authority.

Belarus

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Because the legislative system of Belarus is in a state of development and is subject to frequent and often unpredictable changes, readers should obtain updated information before engaging in transactions. The following are the official exchange rates of the Belarusian ruble set by the Belarusian National Bank on 1 June 2019:
- *USD1 = BYN2.0989*
- *EUR1 = BYN2.3384*

A. Personal income tax

Who is liable. Individuals who are tax residents of Belarus are subject to personal income tax on their worldwide income. Nonresidents of Belarus are taxed on their Belarusian-source income.

Belarusian-source income includes, but is not limited to, the following:
- Employment income
- Payments under insurance contracts
- Income derived from copyrights exercised in Belarus
- Income derived from work and services performed in Belarus
- Capital gains derived from disposals of property located in Belarus
- Income derived from disposals of shares or other securities
- Rental income from property located in Belarus
- Dividends derived from Belarusian legal entities or foreign legal entities with regard to their permanent establishments in Belarus
- Pensions or similar payments

Non-Belarusian-source income includes, but is not limited to, the following:
- Employment income
- Payments received from foreign insurance companies under insurance contracts
- Income from copyrights exercised abroad
- Income from disposals of shares or other securities abroad

- Income paid by foreign companies or entrepreneurs for works or services performed abroad
- Capital gains from disposals of property located abroad
- Rental income from property located abroad
- Dividends received from foreign companies

Definition of Belarusian tax resident. For personal income tax purposes, an individual is treated as a tax resident if he or she stays in Belarus for more than 183 days in a calendar year. An individual staying in Belarus for 183 or less days in a calendar year is treated as a nonresident of Belarus for tax purposes. Time spent by an individual abroad because of medical treatment, recreation and business trips is included in this period, while time spent by an individual in Belarus exclusively for the purpose of medical treatment and recreation is not included in this period.

Income subject to tax

The taxation of various types of income is described below.

Employment income. Employment income includes, but is not limited to, salary and compensation, and bonuses received in cash or in kind. For personal income tax purposes, Belarusian-source employment income is income received by individuals from Belarusian companies, and non-Belarusian-source employment income is income received from foreign companies, regardless of the place where the employment duties are actually performed. Employment income received from foreign companies operating in Belarus though a permanent establishment is considered Belarusian-source income.

Belarusian tax residents may claim several deductions in determining their taxable income (see *Deductions*).

Investment income. Income is treated as dividend income if originating from stocks or shares. A flat personal income tax rate of 13% applies to Belarusian- and foreign-source dividends.

Dividends received by nonresidents from local sources are subject to 13% personal income tax withheld at source.

Interest income from bank deposits in Belarus is not subject to personal income tax if the money is placed in Belarusian ruble (BYN) deposit accounts for over one year or in foreign currency deposit accounts for over two years or if interest income from bank deposits is accrued at an interest rate not exceeding the interest rate of a bank deposit on demand.

Self-employment and business income. The income of self-employed individuals is generally subject to personal income tax at a flat rate of 16%. Certain types of income are taxed at a specific flat rate of 9% (see *Rates*). Tax is levied on the individual's annual self-employment income, which consists of gross income, less documented expenses associated with that income.

A self-employed person whose activity is treated as business is required to register as an individual entrepreneur with the appropriate registration authority. Individual entrepreneurs are generally required to pay personal income tax on their quarterly income.

Specific tax regimes (simplified taxation and single tax) may be used by individual entrepreneurs under certain circumstances.

The single tax is paid with respect to limited activities determined by the tax law. Payers of the single tax include the following:
- Individual entrepreneurs selling services to individuals for their own personal needs or who sell certain types of goods at certain places of sales (for example, small shops)
- Individuals not engaged in entrepreneurial activities that involve the sale of certain types of goods in marketplaces of goods (for example, vegetables and fruits grown by individuals)

The single tax is applied at fixed rates, depending on the type of goods or services sold or provided by the entrepreneur. The basic monthly rates of single tax vary from BYN9 to BYN438. The amount of the tax depends on the type of entrepreneurial activity and the location at which this activity is conducted. In general, the single tax is payable in advance on a monthly basis.

The law prohibits the realization of goods without supporting documents that confirm the acquisition of the goods. Entrepreneurs engaged in sales to legal entities and other individual entrepreneurs do not qualify as payers of single tax.

Individual entrepreneurs (other than those qualifying as single taxpayers) may use the simplified taxation regime rather than the general tax system if the revenue generated by them does not exceed the statutory thresholds.

Newly registered entrepreneurs may use simplified taxation immediately after state registration by applying to the tax authorities. The tax is paid quarterly at a rate of 5% of the total revenue generated in the reporting period. The rate is reduced to 3% if an entrepreneur applies the simplified taxation regime and also pays value-added tax (VAT). Quarterly or monthly reporting applies, depending on frequency of VAT reporting.

Other income. Any other income that is not listed above is generally included in regular income and taxed at the general tax rate of 13%. Specific tax rates of 4%, 9%, 10% and 16% and fixed rates apply to certain types of income.

Capital gains. Capital gains are included in the total income of an individual taxpayer. A tax on capital gains is not paid separately. For additional information, see *Property tax deductions*.

Deductions. Belarusian tax law divides tax deductions into the following four categories:
- Standard tax deductions
- Social tax deductions
- Property tax deductions
- Professional tax deductions

Taxpayers may claim all of the above deductions in computing their personal income tax liability.

Standard tax deductions. In computing tax, each taxpayer may claim the following standard tax deductions:
- Individual deduction equaling BYN110 per month. This deduction is not available to individuals who earn more than BYN665 per month.

- A deduction equaling BYN32 per month per each child under 18 years of age or dependent.
- Compensation-related deduction equaling BYN155 per month. The compensation-related deduction is provided to disabled individuals, war veterans and victims of natural disasters.

To claim the second and third standard deductions listed above, appropriate documents must substantiate the deductions.

Standard deductions are provided for each month of a calendar year at the place of primary employment or by the tax authorities on the basis of the annual tax return (declaration) submitted to the tax authorities.

Social tax deductions. Taxpayers may claim social tax deductions for the total of the following amounts:

- Actually incurred education expenses for the taxpayer, and his or her close relatives (children, spouse, parents, brothers, sisters, grandparents and grandchildren). This deduction is allowed if the expenses are incurred by the taxpayer for a first education (higher or specialized secondary education).
- Actually incurred repayments of loans (including interest due on loans) obtained from banks, local companies or entrepreneurs by a taxpayer to pay for education.
- Expenses actually incurred during the year on insurance under voluntary pension, life or medical insurance agreements. Pension or life insurance agreements must be entered into for a period not less than three years.

Any amounts incurred that are claimed as social tax deductions must be supported by relevant documents.

Property tax deductions. Under the Belarusian tax law, individuals may claim the following property tax deductions:

- Deduction of expenses actually incurred by a taxpayer or any of his or her family members to construct or purchase an apartment or a house located in Belarus as well as for expenses incurred on repayments of loans provided by local companies or entrepreneurs or by Belarusian banks for this purpose. The deduction is provided only to a taxpayer whose living conditions require improvement. This fact must be confirmed by a local authority based on appropriate documents.
- Deduction of expenses actually incurred and documented for purchases and disposals of property. However, income derived by individuals from sales of property, excluding real estate, cars and securities, is exempt from personal income tax in Belarus. The disposal of real estate made not more than once within five years (one house, one apartment, one land plot, one garage or similar item) and the sale of one car within a year are not taxable for tax residents.

The first type of property tax deduction mentioned above is provided to an employed taxpayer based on appropriate documents held by his or her employer at his or her work place during the current tax year or on the annual tax return (declaration) submitted to the tax authorities.

The second type of property tax deduction mentioned above is provided to the taxpayer based on the annual tax return submitted to the tax authorities by the taxpayer. The tax authorities allow a

deduction at the payer's choice in the amount of actually incurred and documented expenses or in the amount of 20% of taxable income derived from the sale of property. A tax agent can provide this deduction to the taxpayer in the amount of 20% of taxable income derived from the sale of property during the calendar year.

Income derived from sales of securities is subject to personal income tax in accordance with special rules established by the Belarusian tax law. In particular, the taxable gain on disposals of stocks equals the difference between the sales proceeds and the documented expenses associated with the purchase, possession, and sale of the stocks.

Gains derived from sales of any properties to close relatives are exempt from tax.

Professional tax deductions. Individuals who receive royalties or fees for the creation, performance or other use of the results of intellectual activity may deduct associated expenses in accordance with the Belarusian tax law.

All expenses must be supported by the relevant documents made in the established format. Explicit regulations contain descriptions of deductible expenses.

Instead of claiming professional tax deductions based on documented expenses, certain individuals involved in creating intellectual property may claim tax deductions equal to 20%, 30% or 40% (depending on the type of activity) of the income derived.

A professional tax deduction is provided to the taxpayer based on the annual tax return submitted to the tax authorities by the taxpayer. The tax authorities allow a deduction at the payer's choice in the amount of actually incurred and documented expenses or in the amount of an established percentage of taxable income. A tax agent can provide this deduction to the taxpayer in the amount of an established percentage of taxable income during the calendar year.

Individual athletes and their coaches may deduct associated expenses in accordance with the Belarusian tax law. Instead of claiming professional tax deductions based on documented expenses, such individuals may claim tax deductions equal to 20% of the income derived. This professional tax deduction is provided to the taxpayer based on the annual tax return submitted to the tax authorities.

Rates. Individual income derived from sources in Belarus or abroad is generally subject to personal income tax at a flat rate of 13%. In addition, specific tax rates of 4%, 9%, 10% and 16% and fixed tax rates apply to certain types of income.

A specific tax rate of 4% applies to income from winnings (unplayed and returned bets and payouts received from successful bets) received from Belarusian gambling companies.

A specific tax rate of 9% applies to employment income received by individuals who work under employment agreements with residents of the High Technology Park. The business income of

an entrepreneur registered with the High Technology Park is also taxed at a rate of 9%.

A specific tax rate of 10% applies to employment income received by individuals who work under employment agreements with manufacturing companies registered from 1 July 2015 to 31 December 2020 in the southeastern areas of the Mogilev region.

A specific tax rate of 6% applies to dividends from Belarusian companies if profit had not been distributed among participants or shareholders of Belarusian companies in the preceding three consecutive calendar years.

A specific tax rate of 0% applies to dividends from Belarusian companies if profit had not been distributed among participants or shareholders of Belarusian companies in the preceding five consecutive calendar years.

A specific tax rate of 16% applies to business income earned by individual entrepreneurs under the general tax system (that is, not applying the single tax and simplified taxation). A specific tax rate of 16% also applies to income calculated by the tax authorities based on the excess of total expenses over total income of individuals in some cases (for example, on the purchase of an apartment).

Fixed tax rates apply to income received by individuals under rent contracts. Monthly fixed rates of personal income tax vary from BYN2.10 to BYN133, depending on the type and location of the rented property.

Relief for losses. Business losses of a self-employed person incurred during a year cannot be carried forward.

B. Other taxes

Estate and gift taxes. Belarus does not impose estate and gift taxes.

Net worth tax. Belarus does not impose net worth tax.

Immovable property tax and land tax. Immovable property tax and land tax are payable by individuals for capital structures (houses, apartments, garages, parking spaces and certain other structures) and land plots possessed by them.

The annual immovable property tax rate payable by an individual is 0.2% if an individual owns two or more houses and/or apartments. In other cases, a 0.1% rate applies. The tax is paid annually on the value of the taxable item on the basis of the tax authority's notification no later than 15 November for the current calendar year.

The annual land tax is set as a percentage of the cadastral value or at a fixed rate per each 10,000 square meters of a land plot, depending on the size, location, designated purpose and cadastral value of a land plot.

C. Social security

Contributions and coverage. All payments to employees are generally subject to social security contributions at a rate of 35%.

These contributions include payments to social security and pension security.

Social security contributions are paid by employers and must be remitted to the Fund of Social Protection of People under the Belarusian Ministry of Labor and Social Protection not later than the date established for salary payments by the employer. If the day for paying salaries for a month is later than the 20th day of the following month, the contributions must be paid by the 20th day of the following month. The employers' contribution rates are 28% for pension insurance and 6% for social insurance.

Employees also pay pension insurance contributions at a rate of 1% on their gross compensation. This tax is withheld and paid to the Fund of Social Protection of People directly by the employers together with their own social security contributions.

Both employer and employee contributions are payable on the gross compensation (salary) of employees. However, the monthly tax base for social security charges is limited (capped) to five average salaries in Belarus, currently equal to BYN5,368.5. Accordingly, the effective social security contribution rate for employees earning more than five average monthly salaries is actually lower. In addition, the tax law contains a list of payments to employees that are exempt from social security contributions.

Self-employed individuals and individual entrepreneurs must make contributions for pension insurance at a rate of 29% and for social insurance at a rate of 6%. They generally pay contributions by 1 March of the year following the reporting year. Under some circumstances, the base for social security contributions may not be less than the minimum monthly salary stipulated by national legislation.

In addition to social security contributions, employers must make mandatory payments for insurance against accidents at work and professional diseases to the state insurance company, "Belgosstrakh." A rate of 0.6% generally applies to all payments to employees.

Social security and mandatory insurance contributions are payable for resident and nonresident individuals employed in Belarus.

Totalization agreements. Belarus has entered into agreements regarding pension coverage with the following countries.

Armenia	Latvia	Tajikistan
Azerbaijan	Lithuania	Turkmenistan
Kazakhstan	Moldova	Ukraine
Kyrgyzstan	Russian Federation	Uzbekistan

The agreements with Azerbaijan, Latvia, Lithuania and the Russian Federation also regulate issues regarding social security contributions.

Broadly, the agreements listed above provide that the obligations of foreign individuals with respect to social security contributions are generally governed by the legislation of the country where they are working on the basis of employment contracts.

D. Personal income tax return filing and payment procedures

The tax year in Belarus is the calendar year.

Employers are required to withhold, calculate, and pay to the state the relevant tax on compensation paid to employees. The tax is transferred to the budget on the date on which the salary is paid.

Any non-employment income received in a tax year by a tax-resident individual must be declared in the individual's annual tax return.

The annual tax return must be submitted to the tax office by 31 March of the year following the tax year. The taxpayer must pay personal income tax due on income derived in the tax year by 1 June of the year following the tax year.

Attorneys, notaries and individual entrepreneurs using the general taxation regime compute tax quarterly on a cumulative basis and file tax returns by the 20th day of the month following the reporting quarter.

The tax for the reporting quarter must be paid by the 22nd day of the month following the end of the reporting quarter.

Entrepreneurs who use the simplified taxation regime and who pay VAT on a quarterly basis or do not pay VAT must file tax returns quarterly by the 20th day of the month following the end of the reporting quarter. Entrepreneurs who pay VAT on a monthly basis must file tax returns monthly by the 20th day of the month following the reporting month. Tax must be paid by the 22nd day of the month following the end of the reporting month.

Entrepreneurs whose business activities are subject to the single tax must pay the tax on a monthly basis by the first day of each calendar month and file a tax return on the first day of each calendar quarter.

E. Double tax relief and tax treaties

Taxes actually paid abroad on foreign-source income are credited against taxpayers' tax obligations to the Belarusian government. A foreign tax credit may not exceed the personal income tax payable in Belarus on the same income.

To obtain an exemption, a taxpayer must present a certificate of residency from a country with which Belarus has entered into a double tax treaty and a document that is certified by the tax authorities of the foreign country and proves that the income was received and the prescribed amount of foreign tax was paid.

Belarus has entered into double tax treaties with the following jurisdictions.

Armenia	Ireland	Saudi Arabia
Austria	Israel	Serbia
Azerbaijan	Italy	Singapore
Bahrain	Kazakhstan	Slovak Republic
Bangladesh	Korea (North)	Slovenia
Belgium	Korea (South)	South Africa
Bulgaria	Kuwait	Sri Lanka

China Mainland
Croatia
Cyprus
Czech Republic
Ecuador
Egypt
Estonia
Finland
Georgia
Germany
Hong Kong SAR
Hungary
India
Indonesia
Iran
Kyrgyzstan
Laos
Latvia
Lebanon
Lithuania
Moldova
Mongolia
Netherlands
North Macedonia
Oman
Pakistan
Poland
Qatar
Romania
Russian Federation
Sweden
Switzerland
Syria
Tajikistan
Thailand
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
Uzbekistan
Venezuela
Vietnam

In addition, Belarus currently applies the double tax treaties entered into by the former USSR with Denmark, France, Japan, Malaysia, Spain and the United States.

Belarus has signed a double tax treaty with Libya, but this treaty is not yet in force. Belarus has signed a new double tax treaty with Spain, but this treaty is not yet in force.

F. Visas

Belarusian visas are divided into entry, exit and exit-entry visas.

Entry visas may be obtained from embassies and consulates abroad. A foreigner traveling by plane also may obtain an entry visa from the Belarusian consular division at National Airport Minsk.

Exit visas and exit-entry visas may be obtained from Citizenship and Migration Departments at the place of temporary stay (residence) of foreigners in Belarus.

Entry into Belarus is possible under certain circumstances, including among others, on the basis of one of the following types of visas:

- Visa obtained for a business trip (without the right to work by hire) on the basis of an application of a Belarusian legal entity
- Visa obtained for a private trip (without the right to work by hire) on the basis of an invitation issued by the Citizenship and Migration Department of the Ministry of Internal Affairs of the Republic of Belarus
- Visa with the right to work by hire, on the basis of a notarized copy of a special permit for foreigners to work by hire in Belarus, which is issued by the regional Citizenship and Migration Department of the Ministry of Internal Affairs of the Republic of Belarus

Entry and exit-entry visas can be single, double or multiple entry.

Entry business visas are issued to individuals who are on business trips to Belarus. A business visa limits a foreign citizen to 90 days per calendar year in Belarus from the date of the first entrance.

Entry work visas are issued to individuals who want to work in Belarus. An entry work visa allows a foreigner to stay in Belarus for up to 90 days per calendar year from the date of the first entrance.

Embassies and diplomatic consular posts issue entry visas to foreigners abroad. To apply for an entry visa, a foreigner should submit to the issuing authority certain documents, including but not limited to the following:

- Visa application in the established form.
- Document for traveling abroad (passport). In general, this document should contain a photo of its holder, not less than two blank pages for visas and should not expire earlier than 90 days after the date of expiration of the visa.
- Photo. The photo must be 35 mm x 45 mm, comply with international standard requirements for face image, and should have been taken not earlier than six months before the application.
- Visa supporting documents confirming the purpose and conditions of the visit (invitation of a Belarusian legal entity or individual, special permit for foreigners to work by hire in Belarus and other related documents at the request of the issuing authorities).
- Insurance policy valid in Belarus or contract for medical insurance concluded with foreign insurance company, which is valid for the whole period of temporary stay (residence) of a foreigner in Belarus, with insurance coverage of not less than EUR10,000 and covering the territory of Belarus.
- Document confirming the payment of a consular duty.

Foreigners from most of the Commonwealth of Independent States (CIS) countries do not need to obtain entry visas. Foreigners who have a valid permanent resident card, which is issued based on a permanent residence permit, also do not need to obtain entry visas. The foreigners mentioned above should present a passport or other document for traveling abroad on entry into and departure from Belarus.

Recently, Belarus introduced 30-day visa-free travel for citizens of 80 countries, including European Union member states. The visa-free procedure applies to foreigners entering Belarus for a temporary, 30-day stay via a border crossing at Minsk National Airport. Visa-free movement through the airport does not extend to persons coming to Belarus by plane from the Russian Federation, as well as to those who intend to fly to the airports of the Russian Federation.

A foreigner can leave Belarus if he or she has a valid short-term or long-term entry visa (in this case, the obtaining of an exit or exit-entry visa is not required). In specific cases if an entry visa has expired, a foreigner can receive an exit or exit-entry visa, which is issued by the Citizenship and Migration Department of the Ministry of Internal Affairs. Double exit-entry visas and multiple exit-entry visas are issued to foreign nationals who have received a temporary or permanent residence permit for three months and one year, respectively, but not for longer than the validity period of the temporary residency permit or document for traveling abroad.

G. Work permits

In general, foreign citizens who intend to work in Belarus should obtain a special work permit issued by regional Citizenship and Migration Departments of the Ministry of Internal Affairs.

The validity period of a special work permit is one year, except for highly skilled professionals for whom a special work permit is issued for two years. A foreign highly skilled professional is a foreigner with high level of professional knowledge, skills and expertise confirmed by education certificate, and with work experience not less than five years and a contractual monthly salary that is more than the equivalent of BYN4,950. CIS nationals, with the exception of Armenian, Kazakh, Kyrgyzstan and Russian citizens employed by Belarusian legal entities, should also obtain a special work permit.

A special work permit is not required for, among others, the following foreigners who want to work in Belarus:
- Individuals who have permanent residence permits
- Individuals employed by diplomatic missions and consulates of foreign countries, representative offices and/or bodies of international or interstate organizations accredited in the Republic of Belarus
- Journalists from international media organizations accredited with the appropriate Belarusian authorities
- Certain other types of foreigners (for example, clergy invited for religious activities by religious associations that are statutorily registered in Belarus)

To obtain a special work permit for a foreigner, the following documents should be presented by the Belarusian employer of such foreigner to the appropriate regional Citizenship and Migration Department of the Ministry of Internal Affairs:
- Application in the established form
- Copy of the foreigner's passport or other equivalent document
- Education certificate and paper on work experience with respect to the profession of not less than five years and confirmed high level of professional knowledge, skills and expertise (for highly skilled professionals)
- Receipt for registration fee

The procedure for obtaining a special work permit takes up to 15 calendar days.

H. Residence permits

Foreign citizens may stay in Belarus if they have any of the following three statuses:
- Foreigners who are temporarily staying in Belarus
- Temporary residents (individuals who hold temporary residence permits)
- Permanent residents (individuals who hold permanent residence permits)

A foreigner's temporary stay in Belarus should not exceed 90 days per calendar year from the date of the first entrance.

Temporary resident status is the most common status for expatriates working in Belarus. A temporary residence permit is a docu-

ment that allows a foreign national to reside in Belarus during its validity.

A temporary residence permit is given for the period of up to one year. Its validity may be extended if a foreigner has a document confirming the legality of his or her staying in Belarus.

To obtain a temporary residence permit, an applicant planning to work by hire in Belarus should submit the following main documents:
- Application in the established form
- Passport or other equivalent document
- Document confirming the legality of his or her staying in Belarus
- Special permit to work by hire in Belarus or labor agreement (contract) with a Belarusian employer (if a special permit to work by hire is not required)
- Insurance policy or contract for medical insurance concluded with foreign insurance company
- Document confirming the possibility of staying at the place of temporary residence (usually a long-term rent contract)
- Document confirming the payment of state duty

A permanent residence permit may be issued to the following foreigners:
- Close relatives of Belarusian citizens permanently residing in Belarus
- Persons who are granted refugee status or asylum in Belarus
- Foreigners who have the right to family reunification
- Foreigners who have lived legally in Belarus for a continuous period of seven years after obtaining the temporary residence permit
- Foreigners who may become Belarusian citizens through the mechanism of registration
- Foreigners who were previously nationals of Belarus
- Workers and professionals who are needed by Belarusian organizations
- Foreigners who have extraordinary capabilities and talent, have outstanding merits for Belarus or have high achievements in science, technology, culture or sports
- Foreign investors who have made investments in the amount not less than EUR150,000 in investment activities in Belarus
- Ethnic Belarusians or their blood relatives in the direct line of descent, including children, grandchildren and great-grandchildren who were born outside the current territory of Belarus

The Belarusian government may provide other grounds for the obtaining of a permanent residence permit under an agreement with the President of the Republic of Belarus.

The issuance of a permanent residence permit is a subject to an immigration quota that may be established by the Belarusian government with respect to each foreign country.

I. Family and personal considerations

Family members. Nonworking family members of expatriates may receive accompanying family member visas, but applications for visas should be filed and presented separately.

If family members plan to work in Belarus, they should also obtain separate special work permits in accordance with the established rules.

Driver's permits. In general, foreign nationals may drive legally in Belarus on the basis of their valid home-country driver's licenses or international driver's licenses, which should be accompanied by a notarized translation into Russian or Belarusian. Belarus does not have driver's license reciprocity with any foreign country.

On expiration of the 90-day period after receipt of a Belarusian permanent residence permit or a Belarusian passport, an individual should obtain a local driver's license.

To obtain a local driver's license, an applicant should have a medical report on his or her capability to drive, and pass a theoretical examination and a practical driving test.

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A. Income tax

Who is liable. Income tax is levied on the worldwide income of Belgian residents and on the Belgian-source income of nonresidents.

Residents are individuals who are domiciled in Belgium. Residency status is determined based on the facts and circumstances. A rebuttable presumption exists that individuals enrolled in the National Register of the Population are resident in Belgium for tax purposes. For married individuals (or individuals officially engaged in a "cohabitant" scenario), an irrefutable presumption exists that the tax domicile is where the spouse or partner and any dependent children live.

Certain foreign executives, specialists and researchers residing temporarily in Belgium are eligible for a special tax regime under which they are treated as nonresidents (see *Special expatriate tax concessions*).

The income of spouses and registered cohabitants is taxed separately, even though they are required to file a joint tax return.

Under a fundamental revision of the Belgian tax system, effective from 1 January 2014, the overall tax due is split into a federal base and a regional surcharge. In addition, several pre-existing tax deductions are transferred to the authority of the regions (Brussels, Flemish and Walloon).

Although the regions have not made any changes that significantly affect the overall liability, consultation with a professional advisor is suggested.

Income subject to tax. Belgian tax law provides for the following four categories of taxable income:

- Earned income, including employment income, director fees, self-employment income, business income and retirement income
- Real estate income
- Investment income, including dividends, interest and royalties
- Other miscellaneous income

For each category of income the net taxable amount is determined as the gross income received minus a number of deductions specific to the income category. In addition, several deductions and allowances can be set off against the total net taxable income.

The taxation of various categories of income is described below.

Employment income. Employment income includes salaries, wages, bonuses, perquisites and benefits in kind, as well as retirement income. Benefits in kind are taxable based on their actual value for the beneficiary. Specific valuation rules are provided for several of the more common benefits, such as company cars, below-market interest loans, free housing and stock options (see *Taxation of employer-provided stock options*).

Income from employment may be reduced by normal professional expenses, including, among others, the following:

- 75% of the cost of gasoline for the professional use of a car
- 75% of most other automobile expenses (for cars acquired before 1 January 2018)
- Commuting expenses up to EUR0.15 per kilometer
- 69% of restaurant expenses and 50% of other entertainment expenses incurred in Belgium

Instead of claiming a deduction for actual professional expenses, the taxpayer may choose to claim a standard business expense deduction. The maximum standard deduction is EUR4,810 for the 2019 income year (2020 tax year).

Directors' fees. Directors' fees are included in total earned income. Directors' fees include income earned by a director as fixed remuneration as well as participation in the profit of the company. Certain benefits derived by a director are also included in the taxable income of the director. Directors' fees also include

amounts paid to in-house self-employed consultants with day-to-day managerial responsibilities of a technical, commercial or financial nature. A deduction for professional expenses (actual expenses uncapped or a maximum standard deduction of EUR2,540 for the 2019 income year) can also be claimed against directors' fees. To avoid a tax surcharge (2.25% of the tax for the 2019 income year), tax prepayments and wage tax withholdings must equal the final tax due.

Self-employment and business income. Self-employment and business income is included in the total earned income. A deduction for actual professional expenses is also available against this income. To avoid a tax surcharge (2.25% of the tax for the 2019 income year) at the time of final assessment by the authorities, tax prepayments must be made.

Real estate income. Real estate income includes rental income from real estate that is used for a professional activity and, in certain circumstances, from real estate used for private purposes by the occupant.

Nonresidents whose Belgian-source income consists only of real estate income are exempt from personal income tax if the annual rental income does not exceed EUR2,500.

Investment income. Under the Belgian domestic tax law, investment income consists of dividends, interest and royalties.

Dividends, interest and royalties are subject to a final withholding tax.

Dividends up to an amount of EUR804 (for the 2019 income year) are exempt from tax. This exemption should be claimed via the annual tax return.

Special expatriate tax concessions. Foreign executives, specialists and researchers residing temporarily in Belgium may qualify for a special tax regime when they are assigned, transferred or recruited from outside Belgium to work for a Belgian operation of an international group of companies. The special expatriate status is obtained through a written application to the Belgian tax authorities that sets forth the reasons why the relevant employee should qualify. The application is filed jointly by the employee and the employer. It must be filed within six months after the beginning of the month following the month of arrival of the employee in Belgium.

Foreign executives, specialists and researchers qualifying under the special expatriate tax regime are treated as nonresidents for purposes of the Belgian tax law. As a result, they are taxed on Belgian-source income only. Accordingly, unearned income and real estate income arising outside of Belgium are ignored in the determination of Belgian taxable income.

Qualifying individuals are taxed only on employment income or directors' fees relating to professional activities performed in Belgium.

Unless other reliable criteria are available, the amount of remuneration excluded from taxation in Belgium can be calculated as the fraction of the total worldwide remuneration that corresponds to the number of workdays performed outside Belgium compared

to the total workdays performed (the travel exclusion). Special rules apply to the calculation of the exclusion. No maximum or minimum travel percentage is required to qualify for the special regime.

Certain allowances paid to the employee as a result of his or her temporary stay in Belgium are treated as deductible expenses for the employer and are non-taxable to the employee, within certain limits. An overall annual limit of EUR11,250 applies for qualifying expatriates working for regular operating companies. For qualifying expatriates employed by recognized headquarters, coordination offices, and research centers, an increased limit of EUR29,750 applies. The following are the most common recurring allowances:

- Cost-of-living allowance
- Housing differential
- Home leave
- Income tax

The tax-free allowances can be determined based on either the actual allowances granted by the employer (if these are based on recognized tables) or on a calculation method provided by the Belgian tax authorities (if no specific allowances are paid by the employer).

Expatriates are also allowed to exclude from taxable compensation the reimbursement of moving expenses by their employer and the reimbursement of education expenses for international primary and secondary schooling in Belgium and, exceptionally, outside Belgium. These exclusions are not subject to an overall limitation other than that the amounts reimbursed must be reasonable. In this context, lump-sum relocation allowances are considered taxable, in most instances, unless they are justified by specific relocation expenses.

Although the concessions are not granted for a fixed time period, the competent tax office has recently issued new guidelines, which set a review of the application after 10 years and 15 years. If the conditions for the regime continue to be met, the regime can be maintained after these reviews for up to a total of 20 years.

Taxation of employer-provided stock options. Effective from 1 January 1999, specific rules are included in Belgian domestic law relating to the taxation of stock options granted to employees, directors and other independent persons.

Two applicable tax regimes are provided for stock options.

Stock options offered during the period of 2 November 1998 through 10 November 2002 or offered after 10 November 2002 and accepted within the 60-day period. Options offered on or after 2 November 1998 and before 11 November 2002 are deemed to be granted on the 60th day after the date of the offer, unless the beneficiary has refused the stock options in writing within this 60-day period.

Options offered on or after 11 November 2002 are deemed to be granted on the 60th day following the offer if the beneficiary has given written notice of his or her acceptance of the option before the expiration of the 60-day period. If the option is accepted within the 60-day period, the taxable benefit is determined in the

same manner as for the options offered during the period of 2 November 1998 through 10 November 2002.

The benefit in kind arising from such stock options is taxable to the beneficiary on the date of grant on a lump-sum basis, regardless of whether the exercise of the option is unconditional. Under the lump-sum basis, the taxable income is determined as a percentage of the value of the underlying shares at the moment of the offer of the options (18%, effective from the 2012 income year). If the exercise price of the option is lower than the value of the underlying shares at the time of the offer, the lump-sum basis is increased by the difference.

In general, only the grant of an option results in a taxable benefit. If that is the case, the employee is exempt from tax on potential benefits arising from subsequent possession of the option, including benefits from the exercise or sale of the option or from the sale of the underlying shares. However, the taxation at grant does not apply in all circumstances. If the taxation at grant does not apply, taxation normally occurs at the time of exercise of the stock options.

No social security contributions are required with respect to such options, unless the options are "in the money" (that is, granted at a discount) or if the options are "covered" (that is, the risk that the value of the underlying shares will decline is covered at the time of offer or until the end of the exercise period of the option, therefore granting a guaranteed benefit to the beneficiary of the option).

Stock options offered on or after 11 November 2002 that are not accepted within the 60-day period. Special rules apply to stock options granted on or after 11 November 2002 that are not formally accepted within the 60-day period following the date of offer. Such options are taxed at the time of exercise on the difference between the fair market value of the underlying shares at the time of exercise and the exercise price. The benefit is also subject to social security contributions at the time of exercise.

No further taxes are due when the shares are sold.

Capital gains. In general, capital gains on assets that are not used for a professional activity are not taxable. However, exceptions exist for the following types of capital gains:

- Capital gains derived from speculative activities
- Capital gains derived from the sale of a Belgian corporation's shares to a company not resident in the European Economic Area (EEA) if the individual, alone or together with his or her family, directly or indirectly owned more than 25% of the corporation's shares at any time during the five years before the sale
- Capital gains derived from the sale of land that was acquired by purchase if the sale takes place within eight years after acquisition
- Capital gains derived from the sale of land that was obtained by donation if the sale takes place within three years after donation and the land was acquired by the donor within eight years before the donation
- Gains derived from the sale of developed real estate if the property is sold within any of the following time periods:

— Five years after purchase
— Five years after the start of using a new building if construction began within five years after purchasing the land on which the building stands
— Three years after donation if the donor bought the property within five years before the donation
• Capital gains derived from the sale of certain intangible rights

Deductions, personal allowances and reductions. As mentioned in *Who is liable*, the Belgian regime of personal allowances, deductions and reductions is revised with a partial transfer to the competency of the regions. Because the regions have issued their own modifications, consultation with a professional advisor is highly recommended.

Certain of the deductions, allowances and reductions mentioned below are not available to nonresidents. Consultation with a professional advisor is necessary.

Deductible expenses. The following are allowable deductions:
• Deduction for certain alimony payments (limited to 80% of the payments).
• Investment deduction for new fixed assets (for self-employed persons). For the 2019 income year (2020 tax year), the standard rate of the investment deduction is 8%. However, the standard rate is 20% for new fixed assets acquired during the period from 1 January 2018 until 31 December 2019.

Some of the above deductions are not available if the payments are made by or to nonresidents.

Personal allowances. All individuals may deduct personal allowances. Additional personal allowances are available for dependents. The personal allowances are applied to the lowest tax brackets.

For the 2019 income year (2020 tax year), the standard personal allowance equals EUR8,860 per person.

The following personal allowances for dependent children may be claimed for the 2019 income year (2020 tax year).

Number of children*	EUR
1	1,610
2	4,150
3	9,290
4	15,030
Each additional child	5,740

* A handicapped dependent child is considered to be two children.

In general, nonresidents who do not earn at least 75% of their total professional income in Belgium may not deduct any personal allowances.

Tax reductions. Tax reductions are granted either by the federal or regional government for the following:
• Life insurance premiums
• Personal contributions to group insurance contracts or pension funds
• Investments in shares issued by the individual's employer

- Loans used to finance real estate acquisitions or renovations
- Interest on loans for financing the purchase, construction or renovation of privately owned real estate (subject to certain limits)
- The purchase of service vouchers, up to a maximum purchase of EUR1,500 per person (2019 income year)
- Child care expenses for children up to the age of 12 (limited to EUR11.20 per child, per day)
- Charitable contributions to qualifying charities

Several other tax reductions are available, depending on the taxpayer's family situation and the type of professional income (pensions, pre-pensions for early retirees, unemployment income and disability or sickness reimbursement).

Rates. The following are the tax rates for the 2019 income year (2020 tax year).

Taxable income		Rate on
Exceeding EUR	Not exceeding EUR	excess %
0	13,250*	25
13,250	23,390	40
23,390	40,480	45
40,480	—	50

* This bracket applies to the amounts exceeding the taxpayer's tax-free amount (see *Personal allowances*).

All tax amounts are increased by the applicable municipal (commune) taxes, which are imposed at rates of up to 9% (2019 income year). The municipal tax is calculated on the amount of income tax due.

For nonresidents, the final tax due is computed in the same manner as for Belgian residents, with personal allowances being allowed if nonresidents earn at least 75% of their total professional income in Belgium. No municipal tax is due, but an additional federal tax at a flat rate of 7% on the amount of the individual's income tax is payable.

The professional income of a husband and wife is taxed separately. If only one spouse receives earned income, 30% of this income (limited to a maximum annual amount of EUR10,940 for the 2019 income year) is attributed to the non-earning spouse and is taxable to such spouse at the (lower) progressive rates. If the earned income of the secondary wage-earning spouse is less than the maximum attributable amount, additional income from the primary wage earner is attributed to the second spouse to the extent of the difference.

The following types of income are subject to special tax rates:
- Severance payments are taxed at the average rate applicable in the last year of normal professional activity, taking into account the municipal tax (not for directors).
- Anticipated Belgian holiday pay is taxed at the average rate applicable to all income in the year of payment, taking into account the municipal tax.
- The capital accrued under life or group insurance contracts and lump-sum amounts paid instead of pensions are taxed at a rate of 10% or 16.5%, increased by the municipal tax. Tax increases

may apply in the case of retirement before the age of 65 or in the case of a career of less than 45 years.
- Miscellaneous income from occasional benefits (including certain capital gains, prizes and subsidies) is taxed at a rate of 16.5% or 33%, depending on the nature of the income (the rates are increased by the municipal tax).
- Copyright income, up to a ceiling of EUR61,200 (net amount for the 2019 income year after standard or itemized deductions), is taxed at a rate of 15% (the excess is subject to the regular progressive tax rates).

The above flat rates apply to the special items unless it is more favorable to include the income with other income taxable at the regular progressive rates.

Withholding tax. Dividends are subject to withholding tax at a rate of 30%.

Belgian-source interest is generally subject to a 30% withholding tax. Interest on regulated savings accounts in excess of the tax-exempt amount is subject to a 15% withholding tax.

Royalties are subject to withholding tax at a rate of 15% if the underlying contract was concluded on or after 1 March 1990. Royalties paid on contracts concluded before that date are subject to withholding tax at a rate of 25%.

Employment income and directors' fees are subject to a payroll tax at source by the employer. This withholding tax is creditable against the final income tax liability and any excess income tax withheld is refundable to the employee or director.

A tax on immovable property is levied on all real estate property located in Belgium. The rate of this withholding tax ranges from 1.25% to 3.97%, depending on the region where the property is located. The tax is levied on the deemed rental income of the property. The basic tax is increased by a local surcharge, depending on the municipality where the property is located.

New reporting and withholding obligations for foreign incentive plans entered into force in 2019. Belgian-related entities are required to report all remuneration paid or attributed to the beneficiaries working for the benefit of Belgian entities. Under this new measure, any remuneration attributed outside Belgium needs to be reported by the Belgian-related entity. In addition, Belgian-related entities must retain and remit withholding taxes on all such grants or payouts made outside Belgium. These extended reporting obligations apply to any compensation attributed as of 1 January 2019, and the new withholding tax requirements apply as of 1 March 2019.

Relief for losses. Losses with respect to earned income may be offset against other earned income and may be carried forward indefinitely. No carrybacks are allowed. Professional losses may not be deducted from other types of income.

B. Other taxes

Net worth tax. No net worth tax is imposed in Belgium.

Inheritance and gift taxes. The inheritance tax rate system in Belgium varies depending on the region of residence of the deceased. Substantial differences exist between the rates applied by each region. Special rules apply with respect to the transfer of a family-owned business and to the transfer of a family home to a surviving spouse, legal cohabitant or other cohabitant (except in direct line). Readers should obtain up-to-date information regarding these rules.

Under existing law, the estate of a deceased resident consists of the resident's worldwide assets. Belgian jurisdiction over estates of deceased nonresidents is limited to the nonresidents' real estate located in Belgium. The definition of resident for inheritance tax purposes may differ from the definition used for income tax purposes. Nonresident status for purposes of the special expatriate tax regime (see Section A) does not automatically apply for inheritance tax purposes.

Inheritance taxes and gift taxes on donations of immovable property are levied according to sliding scales, depending on the beneficiary's relationship to the deceased or donor.

However, preferential flat rates apply to gifts of movable property.

Belgium has entered into estate tax treaties to prevent double estate taxation with France and Sweden.

Transfer duties. Transfer duties, whether registration duties or inheritance taxes, apply only to the extent an effective transfer of assets occurs under Belgian matrimonial or inheritance laws. On the death of a spouse, the transfer of assets to the surviving spouse resulting from the dissolution of the marital community is not subject to succession duties. Consequently, inheritance taxes apply only to the portion of the property that was actually owned by the deceased spouse.

Tax on stock exchange transactions. As of the 2018 income year, a stock exchange transaction tax of 0.35% applies to any transaction (purchase or sale) carried out by Belgian residents through professional intermediaries established in and outside Belgium. If the foreign professional intermediary does not fulfill this duty, the Belgian resident is ultimately responsible for filing and paying the stock exchange transaction tax. The maximum amount of tax per transaction is EUR1,600. The reporting and payment should be done proactively by the participant by the end of the second month following the month of the transaction. Penalties apply in cases of delay, errors or omissions in the return.

Tax on securities accounts. The tax on securities accounts is imposed on any natural person holding one or more securities accounts with an intermediary on which qualifying financial instruments are registered for an average value exceeding EUR500,000 in the tax period. As of 10 March 2018, a tax of 0.15% is due on the average value of those qualifying financial instruments.

C. Social security

Contributions. Social security contributions are generally compulsory for individuals working in Belgium. For 2019, the rate of

the employee's basic social security contribution equals 13.07%. This rate applies to the monthly gross compensation without a ceiling. The employer's social security contributions are levied at a basic rate of 22.65% of gross monthly compensation, with no ceiling. On top of this basic rate, several specific contributions are due from the employer; some contributions vary based on certain parameters and may be industry or sector specific. Some reductions are available, depending on various eligibility criteria. This results in an average actual rate of 25%. These percentages apply to white-collar workers in the private sector.

Specific (and generally more beneficial) rates and arrangements apply to several salary components and benefits in kind complementing the base salary. For example, no social security contributions are due on the benefit resulting from the personal use of a company car. However, an employer contribution based on the company car's carbon dioxide emission level is applied.

Different rates apply to self-employment activities, including activities of directors. For the 2019 income year, social security contributions are levied at a rate of 20.5% on net income up to EUR59,795.61 and at a rate of 14.16% on income between EUR59,795.61 and EUR88,119.80. Income in excess of EUR88,119.80 is not subject to social security contributions. The annual maximum contribution for self-employment activities is EUR16,268.80 (increased by 3% to 5% for administration fees for the social insurance fund).

Mandatory (self-employed) social security contributions are deductible for income tax purposes.

An individual who is liable to Belgian social security contributions is also required to make a special social security contribution. For the 2019 income year, the maximum amount of this contribution is EUR731.28. The special social security contribution is not deductible for income tax purposes. For self-employed workers and directors, the special social security contribution is included in the abovementioned rates for self-employed activities.

Coverage. An employee who pays Belgian social security is entitled to benefits, including health insurance, disability insurance, occupational insurance, unemployment allowances, family allowances, and retirement and survivor's benefits.

Totalization agreements. To prevent double social security liability and to assure benefit coverage in situations of cross-border employment, Belgium has entered into agreements with several countries.

As a member state of the EU, Belgium applies EU Regulation 883/2004 (and the amendments made to the regulation by EU Regulation 465/2012 of 22 May 2012), which entered into force on 1 May 2010 and replaced EU Regulation 1408/71. Regulation 1408/71 continues to apply for a maximum of 10 years to all cross-border situations existing before 1 May 2010 in which Regulation 883 alters the relevant state if the individual does not opt into coverage of the new regulation and if a material change in circumstances does not occur. Following the adoption of EU Regulation 883/2004 by Switzerland and the other three European

Free Trade Association (EFTA) countries (Iceland, Liechtenstein and Norway) in 2012, Regulation 883/2004 also applies with respect to the EFTA countries. For posted workers, Regulation 883/2004 extends the home-country standard coverage from 12 months to 2 years (in general, the Belgian social security administration accepts a further extension to 5 years).

Regulation 883/2004 is currently under revision by the European Council. After the amended version becomes effective, the maximum period for the posting of workers with continued application of the home-country scheme will be limited to 18 months under Regulation 883/2004.

Belgium has also entered into social security totalization agreements with Albania, Algeria, Argentina, Australia, Bosnia and Herzegovina, Brazil, Canada, Chile, Congo (Democratic Republic of), India, Israel, Japan, Korea (South), Kosovo, Moldova, Montenegro, Morocco, North Macedonia, the Philippines, Quebec, San Marino, Serbia, Switzerland, Tunisia, Turkey, the United States and Uruguay. Under most agreements, the Belgian social security administration accepts an extension of the home-country standard coverage of up to five years. However, the agreement with the United States exempts employees working in Belgium from Belgian social security taxes for a period of up to seven years in exceptional circumstances.

In relation to the citizens of the United Kingdom within the context of the impending departure of the United Kingdom from the EU, EU Regulation 883/2004 will continue to apply unaltered until the date of Brexit. In the case of departure with a deal, a transition period until 31 December 2020 will be observed during which the European provisions (Regulation 883/2004) will remain applicable. After that date, rights for existing situations will continue to be applied; for new secondments, a new arrangement is yet to be introduced. In the case of departure without a deal, Belgian contingency legislation foresees existing social security rights to be unchanged until 31 December 2020, based on reciprocity with the United Kingdom. Belgium will continue to recognize and issue certificates of coverage for continued subjection to home social security, to the extent that the United Kingdom does the same.

D. Tax filing and payment procedures

Individuals must file annual tax returns reporting income received during the preceding calendar year, which is the income year. The year of filing is considered the tax year. The tax return must be completed, dated, signed and returned to the tax authorities by the date indicated on the return, unless the taxpayer obtains an extension. The official filing date is 30 June, but the date is sometimes extended for resident individuals and is generally extended for nonresident individuals.

After filing, but no later than 30 June of the following year, a tax assessment or refund notice is issued. Within two months after the receipt of this assessment, the amount of tax due must be paid to the tax authorities. Any refund owed is paid within the same two-month period.

E. Double tax relief and tax treaties

Income derived by Belgian residents from a business activity performed in non-treaty countries is taxable at half the normal rate, to the extent that the income is subject to standard taxation abroad. Double tax treaties entered into by Belgium with other countries provide for the abolishment of double taxation on such income of Belgium residents through the exemption-with-progression method. Foreign-source income is exempt from tax in Belgium, but other taxable income is taxed at the rate that would apply to all taxable income if the foreign-source income were included in taxable income.

Belgium has entered into double tax treaties with the following jurisdictions.

Albania
Algeria
Argentina
Armenia
Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Belarus
Bosnia and Herzegovina (c)
Brazil
Bulgaria
Canada
Chile
China Mainland (a)
Congo (Democratic Republic of)
Côte d'Ivoire
Croatia
Cyprus
Czech Republic
Denmark
Ecuador
Egypt
Estonia
Finland
France
Gabon
Georgia
Germany
Ghana
Greece
Hong Kong SAR
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Japan
Kazakhstan
Korea (South)
Kosovo (c)
Kuwait
Kyrgyzstan (b)
Latvia
Lithuania
Luxembourg
Malaysia
Malta
Mauritius
Mexico
Moldova (b)
Mongolia
Montenegro (c)
Morocco
Netherlands
New Zealand
Nigeria
North Macedonia (c)
Norway
Pakistan
Philippines
Poland
Portugal
Romania
Russian Federation
Rwanda
San Marino
Senegal
Serbia (c)
Seychelles
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Tajikistan (b)
Thailand
Tunisia
Turkmenistan (b)
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Venezuela
Vietnam

(a) The treaty does not apply to the Hong Kong SAR.
(b) Belgium is honoring the USSR treaty with respect to the republics comprising the Commonwealth of Independent States (CIS), except for those members of the CIS with which Belgium has entered into tax treaties.
(c) Belgium is honoring the Yugoslavia treaty with respect to Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

Belgium has entered into an agreement dealing with double taxation with Taiwan. This treaty is not considered an international treaty because Belgium has not recognized Taiwan as a state.

Belgium has signed double tax treaties with the Isle of Man, the Macau SAR, Moldova, Oman, Qatar and Uganda, but these treaties are not yet in force.

F. Belgian immigration for employees

When planning an assignment (short-term or long-term), a business trip to Belgium or local employment in Belgium, several questions need to be posed before clearance to travel and employment can be given.

The first immigration question to be posed is "What is the nationality of the individual?" which is based on the valid passport(s).

For EEA and Swiss nationals, there are no immigration formalities for employment activities or travel to Belgium (that is, exemption from the Belgian work/single permit, short-term Schengen Visa C or long-term Schengen Visa D).

Special attention needs to be given to UK nationals after the date of Brexit.

Entry, residence and employment. For short stays, EEA nationals can enter Belgium on the basis of their passport or identification (ID) card allowing them to reside for 90 days per entry in Belgium (in any 180-day period). All EEA nationals intending to reside in Belgium for more than the 90 days need to register with the local town hall within 90 days to obtain either paper proof of registration or they can apply for an electronic ID card (not obligatory, but recommended).

For all non-EEA nationals (excluding Swiss nationals), further verification is required (see the second immigration question below).

The second immigration question to pose is "Does the individual already have a residence right in Belgium which might result in an exemption from the Belgian work/single permit?" This verification is based on the Belgian residence permit or ID card.

The most common exemptions are based on Belgian unlimited stays (that is, holders of the ID Cards B, C or D).

Spouses/partners of EEA nationals who are registered in Belgium or in the process of registration can also be exempted from the Belgian work/single permit (that is, the holders of the ID Cards F and F+, which are temporary documents evidencing that the registration process has been started and holders of an ID Card A, which is granted to spouses of non-EEA nationals who are working in Belgium and mentions unlimited access to the labor market).

If the individual does not yet reside in Belgium, a third immigration question needs to be posed, which is "What activities will the individual undertake in Belgium?" Based on the actual activities in Belgium, an exemption from the Belgian work/single permit might be possible. The following are some examples of these activities:

- Attending meetings in closed or limited circles for a maximum 60 working days per calendar year with a maximum of 20 consecutive calendar days per meeting. The purpose must be only

to attend meetings (for example, board meetings, contract discussions with potential clients and evaluation meetings and following classroom trainings).
- Secondment to Belgium within the framework of the provision of services by companies located in the EEA if there is compliance with "Vander Elst-requirements." A local employment contract in an EEA country and a valid work and residence permit in the concerned EEA "home" country are required.
- Activities that must meet strict conditions, which are intra-group training for maximum of three months in the Belgian seat of the multinational group, assignment to Belgium for the initial assembly and/or the first installation of machinery, tools and similar items, and the activities of a specialized technician of a foreign company coming to Belgium to carry out urgent repair or maintenance work on machines or equipment.

If after this third immigration question, it is concluded that in view of the employment activities in Belgium no exemption from a work/single permit applies, it needs to be determined which immigration documents need to be applied for.

The period in Belgium, the activities in Belgium and the actual place of employment in Belgium (different regions) determine the following:
- Type of permit required to be applied for
- Documents that need to be gathered
- Salary level that needs to be respected, which is the immigration salary threshold or applicable salary according to the competent joint committee
- The processing time
- The validity period of the permit

If a non-EEA national comes to Belgium for up to 90 days (that is, a short stay), the following immigration actions are taken:
- Application for a work permit B.
- Based on the nationality, travel is possible on the basis of the national passport (a short stay is possible for a maximum 90 days in any 180-day period in the Schengen area) or on the basis of a Schengen Visa C (required for nationals of countries listed in the European Community [EC] regulation).
- Depending on their place of stay in Belgium (hotel or not), formalities with respect to the Belgian town hall might be required (that is, declaration of arrival).

If a non-EEA national comes to Belgium for more than 90 days, the following immigration actions are taken:
- As of 1 January 2019, Belgium effectively implemented the EU Single Permit Directive through the introduction of the new Single Permit procedure in all of its regions. The new immigration process significantly differs from the previous procedure in the sense that only one application must be filed with the regional authorities (that is, the Brussels Capital Region, Flanders or Wallonia). All documentary evidence supporting the right to work and the right to reside needs to be provided at the start of the process.
- The regional authorities verify if the file is admissible. If yes, they transfer the file to the immigration office. The regional authorities verify the "employment" part of the file, and the immigration office verifies the "residence" part. If both parties

approve, a notification is provided to the employer (proxy holder), employee and competent Belgian consular authority.
- Once the authorities have agreed to issue the single permit, the individual needs to apply for a Visa D via the competent Belgian consular authority.
- Once in Belgium the individual must register with the town hall of his or her place of residence within eight days after arrival) to obtain a document called Annex 49 and to obtain the actual single permit (that is, the Belgian ID card that allows residence and employment).

Regional differences. Access to the labor market is a regional competence in Belgium. Consequently, the different regions have separate legislations, apply different immigration salary thresholds and, although all regions foresee the possibility for the single permit to be valid for maximum of three years (depending on the actual employment situation), different formalities apply for intermediate verifications of the file by the region. Therefore, it is important to verify the specific regional conditions applicable to each individual case.

G. Belgian immigration for self-employed persons

Non-EEA nationals (with the exception of Swiss nationals) who are self-employed must be in the possession of a professional card, which is the equivalent of a single permit for employed persons.

Self-employed persons who reside outside of Belgium and who come to Belgium for meetings for maximum of 90 days are exempted from the professional card requirement.

To acquire this card, applicants must file an application for a professional card and a Visa D with the competent Belgian consular authorities in their last country of residence.

Access to certain professions is restricted in Belgium, and authorization from the competent authority is required.

The professional card application is transferred via the competent Belgian consular authority to the regional authorities that examine the file.

On approval of the professional card, the competent Belgian consular authorities are informed and are able to issue the Visa D. After the Visa D is obtained, the applicant may enter Belgium and, within eight days after arrival, must register at the town hall of his or her place of residence. At this time, the non-EEA national receives an electronic ID card A, which is, in principle, valid for one year and is renewable annually.

H. Belgian immigration for family members of employees and self-employed persons

Spouses and children of non-EEA nationals who hold a work permit, single permit, or professional card or are exempted from the requirement to obtain these documents, may reside in Belgium if they meet all entrance requirements of the Belgian authorities.

I. Limosa

The Belgian social security authorities must be notified about employees and self-employed persons who work on a temporary or part-time basis in Belgium and who habitually work or have been hired outside of Belgium while not subject to Belgian social security. This is known as the Limosa notification, which must be filed before such persons begin their activities in Belgium.

Certain exemptions exist with respect to the duration and the nature of the activities in Belgium. The abovementioned exemption for meetings in limited circles (see Section F) also applies as a LIMOSA exemption.

Bermuda

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A. Income tax

Bermuda does not tax the income or capital gains of resident and nonresident individuals.

B. Payroll tax

For payroll tax compliance purposes, the fiscal year in Bermuda runs from 1 April through 31 March.

The Payroll Tax Amendment Act 2017 took effect on 1 April 2017. It increased the current tax cap on gross earnings from BMD750,000 to BMD900,000, effective from 1 April 2017. It also changed the structure of payroll tax into the following two separate portions:
• Employer portion
• Employee portion

These two portions must be calculated separately and reported by employers on the quarterly payroll tax returns. The sum of the two portions is the total payroll tax payable.

The employer remains responsible for the payment of both portions. However, they will have the option of deducting the employee portion from employee remuneration in full or in part.

The employer is responsible for calculating the full employee portion regardless of whether they deduct it from the employees.

The following are the payroll tax rates for the employer portion, which are based on gross annual remuneration:
• Annual payroll greater than BMD1 million: 10.25%
• Annual payroll from BMD500,001 to BMD1 million: 9%
• Annual payroll from BMD200,000 to BMD500,000: 7%
• Annual payroll less than BMD200,000: 1.75%

The employee portion of payroll tax is a separate amount and must be calculated separately from the employer portion.

Although as noted above, employers have the option to deduct the employee portion of payroll tax from employee remuneration, the responsibility to pay the full amount of tax (employer and employee portions) to the Office of the Tax Commissioner still rests with the employer.

Effective from 1 April 2019, the employee portion is calculated using the following marginal or progressive tax rate structure:
- From BMD0 to BMD48,000: 4%
- From BMD48,000 to BMD96,000: 6.5%
- From BMD96,000 to BMD235,000: 7.75%
- From BMD235,000 to BMD900,000: 8.75%

Items exempt from the payroll tax base include employers' contributions to social insurance, the Hospital Insurance Plan, approved retirement plans, hospital and health schemes, life insurance schemes, and workers' compensation schemes.

C. Estate tax

Estate tax in Bermuda is paid through a stamp duty which is payable based on the affidavit of value filed by the personal representatives of the deceased with the Supreme Court of Bermuda. For such purposes, the estate of the deceased person includes the following:
- All real and personal property in Bermuda of the deceased at the time of death, together with any property in which the deceased had an interest ceasing at his death to the extent that a benefit arises for someone else as result of the deceased's death (that is, the value of the remainder interest following the deceased's death if the deceased jointly owned a life interest).
- Money payable to the deceased's estate under any insurance policy. However, for a deceased person who was not domiciled in Bermuda, such money is deemed to form part of the estate only if such money is payable in Bermuda or in Bermuda currency.
- The value of a vessel or aircraft, or any share of a vessel or aircraft, belonging to the deceased if the vessel or aircraft is registered in Bermuda at the time of the deceased's death.

If the deceased is a Bermudian, estate tax is not payable on the value of the deceased's primary family homestead at the time of the deceased's death.

The following are the estate tax rates:
- On the first BMD100,000 of the value of the taxable estate: 0%
- On the next BMD100,000: 5%
- On the next BMD800,000: 10%
- On the next BMD1,000,000: 15%
- Thereafter: 20%

D. Social insurance

The Department of Social Insurance advised that a 4.2% increase in social insurance contribution is effective from 1 August 2018. As a result, contributions for Bermuda social insurance are payable at a flat rate of BMD71.84 per employee per week. The cost is typically shared equally between the employee and the employer, with each paying BMD35.92. As a result, the amount of BMD179.60 is generally deducted from each employee's monthly paycheck in a five-week month and BMD143.68 is deducted from each employee's monthly paycheck in a four-week

month. These amounts are remitted together with the employer's matching amount to the Bermuda Social Insurance Department.

Exceptions. In some circumstances, individuals can be exempted from contributing to the Contributory Pension Fund. An application must be submitted to the Director of Social Insurance for the following persons:
- A student who works during periods of vacation or public holidays
- A person who earns less than BMD3,000 per year
- A widow or widower who is currently receiving a widow's or widower's benefit
- A nonresident who has worked for less than 26 consecutive weeks in Bermuda

E. Stamp duty

Stamp duty is charged on various legal instruments, including those detailed below.

The following are the rates of stamp duty for the sale of Bermuda land or property:
- On the first BMD100,000 of the amount or value or any part thereof: 2%
- On the next BMD400,000 of the amount or value or any part thereof: 3%
- On the next BMD500,000 of the amount or value or any part thereof: 4%
- On the next BMD500,000 of the amount or value or any part thereof: 6%
- Amount in excess of BMD1,500,000: 7%

F. Temporary entry

Visitors flying into Bermuda are normally allowed to stay for an initial period of 90 days. All travelers must hold a passport that is valid for 45 days beyond the expiration date of their travel and/or work permit. Applications for extensions may be made subsequently at the Department of Immigration's headquarters in Hamilton. However, in all cases, proof of financial viability for the period being considered must be furnished. This may be done by way of a local resident sponsoring the visit or by furnishing proof of funds and a place of residence. Proof of a valid passport and return airline ticket must also be submitted with a visitor extension application.

Visitors are not permitted to seek work or to engage in gainful occupation while in Bermuda.

Business visitors have the tacit approval of the Minister of Home Affairs to conduct business in Bermuda. There is no need for an employer to obtain Department of Immigration approval to land a business visitor if the business visitor is in possession of a return ticket (as well as a valid multi-re-entry visa if the business visitor is a Visa Controlled National), if the total length of the stay does not exceed 21 consecutive days and if the activities undertaken by the business visitor are limited to the following:
- Attending broker meetings
- Attending director meetings
- Attending shareholder meetings

- Attending general business meetings with employees of an organization if the visitor is not being remunerated by the Bermuda-based organization (including external examination boards)
- Presenting business seminars or making other presentations if the seminars and presentations are not open to the general public and are not for the purpose of promoting investment schemes or other money-making ventures
- Entering Bermuda for training in techniques and work practices, if the training is conducted by a company affiliated by an ownership relationship and the training is limited to observation, familiarization and classroom instruction
- Entering Bermuda for a job interview
- Entering Bermuda to gather information, or make a presentation, in response to a Request for Proposal or a similar tendering process, if the business visitor is not being paid for his or her services by the Bermuda based-organization
- Attending, presenting or exhibiting at conferences
- Internal auditing, including school accreditation and certification audits
- Visiting potential customers, purchasing, checking details or examining goods or services
- Visiting current clients to negotiate deals, contracts, policies and other agreements as a service provider (excluding traveling salespersons)
- Providing advice as a financial advisor if it is not in contravention of the 14 Investment Business Act 2003 and related regulations
- Work lasting not greater than seven days for the following if the services of such business visitors do not extend to clients of the Bermuda business and the training is for a specific, one-off purpose:
  - Journalists, models or photographers on an assignment for an international publication or for international electronic media
  - Religious officials providing services to a private wedding party
  - Advisors, consultants, trainers and troubleshooters, provided that they are employed abroad, directly by the same company (or group of companies) to which the Bermuda client belongs
- Interpreters or translators who are existing employees of an overseas organization and who are accompanying the business visitors
- Certified installers of equipment or software entering Bermuda to deploy, troubleshoot or debug and/or enhance their products for a Bermuda company whose purchase agreement includes installation and maintenance
- Fine artists creating works of art who intends to sell paintings of Bermuda abroad
- Sports professionals or professional teams who will be participating in a tournament or sporting event (provided they are not compensated by a person or entity resident in Bermuda)
- Lawyers, their clients, witnesses, experts and administrative support professionals visiting Bermuda in connection with international dispute resolution and/or preparation for and participation in international arbitration proceedings

- Lawyers visiting Bermuda to participate in insurance claims-related meetings (including mediations and other settlement meetings) involving insurance policies issued to policyholders located outside Bermuda and governed by laws other than the laws of Bermuda

G. Work permits

Standard Work Permit. All persons must obtain specific permission by or on behalf of the Minister of Home Affairs responsible for immigration if they are to engage in gainful occupation in Bermuda, unless they are the following:
- A Bermudian
- A spouse of a Bermudian
- A widow or widower of Bermudian
- A permanent resident

For the purposes of the discussion below, these persons are referred to as "Bermudians."

Prior to making an application for a Standard Work Permit in an open job category, employers must demonstrate that they have made a bona fide attempt to recruit a suitably qualified Bermudian. This includes advertising the role three consecutive times over a period of eight days in a local newspaper as well as a minimum of eight consecutive days on the Bermuda Government Job Board. Employers must disclose to the Department of Immigration the results of such recruitment efforts through the Recruitment Disclosure Form. This form should outline the publication dates of the advertisement, each applicant's contact details and the assessment details for each. Employers are required to inform all unsuccessful Bermudian applicants of the outcome of their applications before submitting work permit applications to the Department of Immigration. If no qualified and interested Bermudians are available, the employer may apply for a work permit to employ a non-Bermudian unless the position is in a closed category.

Advertisements must include the following:
- Title of the job.
- Telephone number and mailing address of the employer.
- Minimum qualifications and experience.
- Brief description of the job to be filled, which should be consistent with the normal functions associated with the job. An advertisement is invalid if it contains a job description that appears to be tailor-made to fit a particular existing or potential work permit holder.
- Deadline for application.

Unless special circumstances exist, the Department of Immigration imposes the same advertisement requirements for work permit renewals. The work permit application must be submitted within three months of the date on which the position was last advertised.

Work permit applications must be made in writing by the employer and addressed to the Chief Immigration Officer at the Department of Immigration.

With respect to international companies, the following exemptions to policies that govern domestic companies are in effect:

- Exempt companies are not generally required to advertise for the appointment of a new chief executive officer unless, in the opinion of the Minister of Home Affairs, a special reason exists for doing so.
- Exempt companies are not generally required to advertise the job of an incumbent chief executive officer on expiration of his or her work permit unless, in the minister's opinion, a special reason exists for doing so.

These exemptions are granted at the discretion of the Chief Immigration Officer and must be requested in writing.

Special category work permits

Global Work Permit. A Global Work Permit allows a person who is already employed by a global company in another jurisdiction to transfer to the Bermuda office without the requirement to advertise the position. The employee must occupy a senior position within the company. To qualify for the Global Work Permit, the following conditions must be satisfied:

- The company must demonstrate that the Global Work Permit holder is not being transferred to fill a vacancy or a pre-existing position in Bermuda.
- The company must demonstrate that the employee has been employed within the organization for at least one year before transferring to the Bermuda office or provide specific reasons for transferring an employee with less than one year of service.

In addition, a Global Work Permit is automatically approved for an individual who earns at least BMD125,000 per year. Applicants earning less than BMD125,000 a year are considered on a case-by-case basis, and approval depends substantially on demonstrating that the addition of the Global Work Permit holder will add value to Bermuda.

A Global Work Permit is not available for positions listed in closed or restricted categories. At the end of the Global Work Permit term, the employer must advertise the position in the normal manner (Section 3.2 of the Immigration Policy Document).

Periodic Work Permit. A Periodic Work Permit is used by employers seeking to hire nonresident individuals who will make multiple visits to Bermuda over a period of time, staying no more than 30 days for each visit. The following are key aspects for the issuance of a Periodic Work Permit:

- Advertising for a Periodic Work Permit is not required.
- Periodic Work Permits may be granted for periods of one, two, three, four or five years.
- After arrival, if the holder of a Periodic Work Permit requires a stay longer than 30 days, the employer can apply for an extension of up to 30 more days.
- The Periodic Work Permit holder cannot be in Bermuda for more than a total of 180 days per calendar year.

New Business Work Permit. A New Business Work Permit allows an exempt company that is new to Bermuda to receive up to five work permits for overseas recruits for senior positions within the first six months of obtaining the first new business work permit. Advertising the positions is not necessary. New Business Work Permit holders may be employed in any job category if their

position is not an entry-level position, a graduate position, a trainee position or in the closed/restricted category. At the end of the New Business Work Permit term, the employer must advertise the position as noted above under *Standard Work Permit*.

Short Term Work Permit. Short Term Work Permits are issued at the request of employers who want to employ individuals to work for periods of up to six months. Applications are accepted for terms of up to three, four, five or six months. At the conclusion of the term of the Short Term Work Permit, the holder is expected to leave Bermuda, unless an extension is sought within the proper processing period. An employer must write to the Department of Immigration justifying the issuance of the Short Term Work Permit (and subsequent extension, if applicable). The Department of Immigration must then ensure that no Bermudian is available who can perform the task.

Global Entrepreneur Work Permit. A Global Entrepreneur Work Permit is issued for a one-year period for an individual to work and reside in Bermuda with respect to an exempted company or Section 114B startups.

Work activities may include the following:
- Business planning
- Seeking appropriate government or regulatory approval(s)
- Meeting compliance
- Financial requirements
- Raising capital

To apply for a Global Entrepreneur Work Permit, a letter of application must be sent to the Department of Immigration justifying the request, together with a letter from a Bermudian or Bermuda business services company verifying the intent of the applicant and a completed form.

The Minister of Home Affairs grants a permit if the Minister is satisfied that the applicant is a bona fide investor or business person that is likely to domicile a company in Bermuda.

Fintech Business Work Permit. A Fintech Business Work Permit allows a Fintech company that is new to Bermuda to receive automatic approval of up to five Fintech Business Work Permits for the first six months of obtaining the first new Fintech Business Work Permit. There is no need to advertise the positions. Fintech Business Work Permits are issued for one, two, three, four or five years. The fees for Fintech Business Work Permits are the same as the fees for Global Work Permits.

Letter of Permission. A Letter of Permission may be granted to a not-for-profit organization, a registered charity or religious institution for an individual, such as a coach or teacher of sports, clergy, a speaker or a musician or entertainer, regardless of whether the individual is being remunerated.

Such a person is given permission to stay for 30 days at the time the application is made. After landing, a Visitor's Extension may be granted (after applying and paying the required fee) as long as the total stay does not exceed 60 days. If a stay longer than 60 days is required, a work permit should be applied for.

Landing Permit. Landing Permits are issued to assist work permit holders who have a need to travel during the period of time during which a new work permit is being processed.

A Landing Permit provides proof that the work permit holder has a right of residence in Bermuda, and allows the work permit holder to be appropriately landed on return to Bermuda.

In all cases, although the application has been submitted, there is no decision on the work permit at the time of travel.

Emergency Permit. For emergency cases, employers should contact their respective department representative by phone to discuss the emergency request and to obtain instructions, and later submit in writing the particulars of the situation by way of a letter justifying the request for emergency service.

Processing times and fees. The following are the processing times and fees for the various types of work permits.

Type	Time frame*	Fees
Standard	20 business days	BMD920 to BMD5,905
Periodic	10 business days	BMD920 to BMD5,905
Short-term	10 business days	BMD640 to BMD550
Global	10 business days	BMD1,775 to BMD6,765
New Business	10 business days	BMD1,775 to BMD6,766
Global Entrepreneur	10 business days	BMD1,775
Fintech	10 business days	BMD1,775 to BMD6,765
Letter of Permission	10 business days	BMD105 to BMD550
Landing	5 business days	BMD35 to BMD240
Emergency	48 hours (decision only)	Depends on situation

* Assuming a complete application

Repatriation. In cases in which permission to work has expired and persons are required to leave Bermuda, the Department of Immigration allows 90 days to close off personal residency arrangements. If more time is required, a written request must be submitted to the department including justification for the additional time. If an agreement between the employer and the work permit holder provides that the work permit holder must leave Bermuda and/or vacate accommodation in a period of time less than the time frame specified above, the time frame agreed between the employer and the work permit holder prevails. Section 1.13 of the Immigration Policy Document provides that "when extensions of time are granted by the department that exceed the time period agreed with the employer to remain in Bermuda, the department may require funds for the work permit holder and sponsored dependents (if any) for their repatriation to their country of origin to be deposited with the Chief Immigration Officer pursuant to Section 130 of the Act. Persons who wish to seek

alternative employment may request permission from the Department to do so."

Self-employment. Non-Bermudians are normally not permitted to be self-employed in Bermuda.

People who possess Spouses' Employment Rights Certificates (SERCs) may be self-employed at the discretion of the Minister of Home Affairs. Policies governing self-employment apply to local companies only. Exempt companies may be owned and managed by non-Bermudians.

H. Residence permits

A Residential Certificate gives a retired individual the right to enter and live indefinitely in Bermuda. Holders of this certificate may not undertake employment in Bermuda or elsewhere.

The right to enter or live in Bermuda granted by a Residential Certificate does not extend to the holder's dependents other than the spouse, who may apply for and receive a certificate that runs concurrently with his or her spouse's certificate. Other dependents must obtain permission in their own right to enter and reside in Bermuda. Residential Certificate holders may acquire property in Bermuda if its annual rental value exceeds the minimum value for sale to non-Bermudians at the time of purchase.

Eligibility. The following groups of people are eligible to apply for Residential Certificates:

- Group A: Those owning residential property in Bermuda, including the leasehold of condominiums as well as the freehold of houses
- Group B: Those who have been gainfully employed in Bermuda for at least five years

In addition, to be eligible to apply for a Residential Certificate, an applicant must satisfy the following conditions:

- He or she must be retired.
- He or she must be over 50 years of age.
- He or she must have no more than two dependent children on arrival in Bermuda to take up residence.
- He or she must have substantial means (determined on a case-by-case basis).
- He or she must have good character.

Method of application. In general, a non-Bermudian wishing to apply for a Residential Certificate must submit to the Department of Immigration a completed application form.

Fees. No fee is charged for the grant of a Residential Certificate to a Group A applicant because these individuals have already paid substantial fees to the government to acquire property. Group B applicants must pay the appropriate fee set out in the Government Fees Regulations.

Revocation. The Minister of Home Affairs may revoke a Residential Certificate if the holder's circumstances change (for example, if a person qualified on the basis of owning residential property sells the property). The minister may also revoke a certificate at his or her discretion at any time.

Restriction on renting property. Residential Certificate holders are not permitted to rent out their residential property for extended periods. Certificate holders may, however, obtain permission from the Minister of Home Affairs to rent their property for short periods while they are abroad.

I. Family and personal considerations

Spouses. Spouses of Bermudians may compete for jobs on equal footing with Bermudians. Among the benefits granted to spouses are the following:

- Prospective employers are not required to advertise the jobs in question.
- Although non-Bermudians are normally barred from being self-employed, the Minister of Home Affairs may approve self-employment for a spouse at the minister's discretion. Each case is considered on its own merits.
- A spouse may change jobs as often as he or she likes.

Applications are submitted to the Bermudian Status Section of the Department of Immigration.

Dependent children. A dependent child older than 16 years of age of non-Bermudian work permit holders may work with the permission of the Minister of Home Affairs. The dependent child's work permit may extend beyond the termination date of the work permit of the parent who is the supporting work permit holder. However, work permits are granted to dependent children on the condition that if the supporting work permit holder's permit is not renewed, then the dependent's work permit becomes void immediately. A dependent who has his or her own work permit may not have his or her name placed on a parent's confirmation of employment or re-entry letter. Dependent children, on attaining 18 years of age (25 years of age if in college), require permission in their own right to work and reside in Bermuda.

Dependents who wish to remain in Bermuda after the primary work permit holder has left Bermuda require special permission. If the dependent is a work permit holder, the case is determined on its merit. If the dependent is not a work permit holder, he or she is expected to leave Bermuda with the primary work permit holder.

Sponsored dependents residing in Bermuda. Sponsored dependents of the work permit holder may be given permission to reside with the work permit holder and seek employment provided that the sponsor submits proof of financial support for the sponsored dependents. Proof is a bank reference and evidence of medical coverage. The Department reserves the right to require further proof if required to assess the ability of the sponsor to support the sponsored dependents.

The following are the required salary levels for sponsors:

- Two-person household: salary level of BMD60,000 per year
- Three-person household: salary level of BMD100,000 per year
- Four or more person household: salary level of BMD125,000 per year

English-speaking policy. Persons coming to work in Bermuda under the Portuguese Accord as well as those employed in the construction industry are required to have a working knowledge

of the English language. In cases where English language skills are questionable, the person will be landed for seven days and may be required to undergo testing by the Department. Failure may result in the person being asked to leave Bermuda.

Penalties. Section 1.6 of the Immigration Policy Document provides that "Section 71A of the Bermuda Immigration and Protection Amendment (No. 2) Act 2013 empowers the Chief Immigration Officer to impose civil penalties of up to BMD10,000 on employers who abuse immigration policy. Employers and employees should review the Act to ensure they understand the consequence of making untruthful applications."

Bolivia

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A. Income tax

Who is liable. All individuals domiciled or resident for tax purposes in Bolivia are subject to personal income tax (Régimen Complementario al Impuesto al Valor Agregado, or RC-IVA) on their total worldwide income. Nonresident individuals are taxed on Bolivian-source income only.

A work permit (visa) or similar documentation does not change resident status in Bolivia. A foreigner may obtain this permit if he or she fulfills certain requirements, most importantly, the obtainment of a resident visa.

Domicile is defined as residence in a particular place with the intention of staying there. The intention is proved through facts and circumstances, including employment in Bolivia or moving one's family into the country.

Income subject to tax

Employment income. In general, taxable income includes all wages, salaries, prizes, bonuses, gratuities, compensations and allowances

in cash or in kind. It also includes fees for directors and trustees and salaries for owners and partners.

The following items are not included in taxable income:
- Salaries, fees or allowances received by diplomatic personnel, official personnel of diplomatic missions accredited in Bolivia and foreign employees employed by international organizations, foreign governments or foreign international organizations, as a direct reason of his or her position
- Christmas bonuses (the first one is mandatory, and the second one is mandatory only if annual growth of the country is higher than 4.5%)
- Social benefits resulting from indemnities and evictions, in accordance with existing legal rules
- Pre-family, wedding, birth, lactation, family and burial allowances received according to the Social Security Code
- Retirement and pension income, sick allowances, and professional risk allowances
- Life pensions given to persons who were members of the army in any war or life pensions given to members of the army who were injured in peace time
- Per diem and representation payments, evidenced by local or foreign invoices if they are company-related expenses

Investment income. Dividends paid to Bolivian residents are not subject to personal income tax. Residents are taxed on interest and royalties received.

Nonresidents are subject to a 12.5% withholding tax on dividends, interest and royalties.

Self-employment and business income. Self-employed persons are subject to the following taxes:
- Value-added tax at a rate of 13%. This tax is paid on a monthly basis.
- Transactions tax at a rate of 3% on each service rendered. This tax is paid on a monthly basis.
- Corporate income tax at a rate of 25% (tax is calculated according to special rules). Up to 50% of the income tax can be offset by a tax credit equal to 13% of the purchase invoices obtained during the tax year. This tax is paid on an annual basis.

Directors' fees. Directors' fees not supported by a local fiscal invoice are taxed in the same manner as other personal income.

Taxation of employer-provided stock options. The Bolivian tax law does not specifically address the taxation of employer-provided stock options. Based on the nature of the Bolivian personal income tax, employees are taxed on stock options when the beneficiary acquires the right and can use or transfer the option.

Capital gains and losses. Capital gains derived by individuals are subject to personal income tax. Capital losses can offset capital gains. Gains derived from financial transactions conducted through the Bolivian stock exchange are not taxed.

Deductions and tax credits. For personal income tax on employees, the following tax deductions may be claimed with respect to taxable income.
- Employee contributions to social security institutions.

- The nontaxable minimum amount, which equals two minimum national salaries per month. The current minimum salary is BOB2,122 (USD305).

In addition, the following credits may be claimed with respect to the tax on the taxable income of employees:
- 13% of two minimum national salaries
- The value-added tax (VAT) credit remaining after offset against VAT

Rate. The personal income tax rate is 13%, which equals the rate of VAT.

B. Tax on inheritances

Inheritances are subject to the Free Transmission of Goods Tax. This tax applies to each legal act involving the free transfer of movables, real estate, shares and rights subject to registration.

The beneficiaries of the transfers must pay the tax. The tax rates are the following:
- Parents, children and spouse: 1%
- Brothers, sisters and their descendants: 10%
- Other relatives, legatees and free donees: 20%

C. Social security

Contributions. Employers and employees are required to make social security contributions based on the total monthly remuneration. The following are the contribution rates.

Institution	Employer %	Employee %
Social Security Office (Caja Nacional de Salud, or CNS) (a)	10	—
Housing Fund (Fondo de Vivienda [Provivienda], or FV) (b)(c)	2	—
Pension Fund Administration (Administradoras de Fondos de Pensiones, or AFP) (c)	1.71	12.21
Solidarity Fund (c)		
Fixed contribution	3	0.5
Variable contribution	0	1/5/10 (d)

(a) For contributions to the CNS, employees receive short-term health insurance, which covers medical care related to pregnancy, illnesses and accidents.
(b) As a result of their contributions to the FV, employees receive credits toward the financing, purchasing and construction of public housing.
(c) For contributions to the FV, AFP and Solidarity Fund, the mandatory contribution base equals 60 minimum national salaries, which totals BOB123,600 (USD17,758). An employee can make a voluntary contribution over this amount. For contributions to the AFP, employees receive coverage for total or partial incapacity, and death. In addition, the AFP provides pensions on the retirement of employees. Contributions of 0.5% of base salary to the AFP (included in the 12.21% contribution mentioned in the table) cover the expenses of the administration of the individual pension accounts of employees and other funds.
(d) Under Law No. 65 of December 2010, the following are the variable contributions to the Solidarity Fund:
- 10% of the difference between the total salary and BOB35,000
- 5% of the difference between the total salary and BOB25,000
- 1% of the difference between the total salary and BOB13,000

Employers must withhold the employee contributions. They can pay these withholdings until the last working day of the following month.

Contributions of foreigners. Under Act No. 65 of December 2010, expatriates must make social security contributions in Bolivia. This law also provides that contributions can be transferred to the expatriate's home country if the following conditions are fulfilled:

- The expatriate ends his or her employment relationship and definitively leaves the country.
- The expatriate has not accessed his or her pensions in Bolivia.
- A bilateral or multilateral social security agreement is in effect with the destination country.

The Bolivian authorities have not yet established an application procedure to achieve the abovementioned transfer.

Totalization agreements. Bolivia has signed the Ibero-American Multilateral Agreement on Social Security. Countries that have effectively implemented this agreement are Argentina, Bolivia, Brazil, Chile, Ecuador, El Salvador, Spain, Paraguay, Peru, Portugal and Uruguay.

Expatriates can request the transfer of their contributions to other countries after they leave Bolivia. However, transfer procedures are not currently available.

D. Tax filing and payment procedures

Tax must be paid monthly when it is paid by a withholding agent and quarterly when it is paid directly by a taxpayer. The tax must be paid at the same time the tax return form is filed. The tax return form must be filed between the 13th and 22nd day of the month following the end of the reporting period. The due date is determined by the last digit of the Tax Identification Number (Número de Identificación Tributaria, or NIT).

E. Double tax relief and tax treaties

Bolivia has signed tax treaties with Argentina, France, Germany, Spain, Sweden and the United Kingdom. It has also signed the Andean Pact, which includes a tax treaty with Colombia, Ecuador and Peru.

F. Migration regime

In May 2013, Act No. 370, which describes the new migration regime, was issued. This law provides requirements for entry into Bolivia. It restricts the entry of undocumented foreigners as well as foreigners who have a criminal background or are not economically solvent. The regulatory Supreme Decree No. 1923 of March 2014 includes the visas described below.

G. Temporary visas

Tourist visas. Tourist visas are valid for 30 days and can be renewed for two more periods of 30 days each (that is, 90 days per year). Tourists can obtain these visas in their home countries if a Bolivian consulate is located there.

Specific object visas. Specific object visas are valid for 30 days and are renewable twice (that is, first renewal for up to 90 days, and second renewal for up to 180 days).

Other temporary visas. Other temporary visas can be obtained for one year and are renewable for up to two more years.

Cancellation of visas. A temporary visa is canceled if the expatriate, without the express authorization of the migratory authority, exceeds the terms of absence from the country. The following are the applicable terms of absence:
- Tourist visas: 8 days for each validity period
- Specific object visas and other temporary visas: 90 continuous or discontinuous days

H. Work visas and self-employment

Expatriates who want to engage in remunerated activities in Bolivia must apply for a visa or residence permit that entitles him or her to work. The most common of these documents are the provisional work permits for tourists, subject-to-contract visas and temporary visas (see Section G). Except for provisional work permits, these permits may be obtained after the expatriate has entered the country. Individuals may also obtain the documents before their arrival through a Bolivian consulate abroad.

Foreign nationals may establish businesses in Bolivia if they comply with all legal requirements. Companies may be headed by foreign nationals who are resident or domiciled in Bolivia for tax purposes.

The visas mentioned above allow individuals to reside and work in Bolivia.

I. Residence visas

Bolivia issues the following types of residence visas:
- Officials: Members of the consular and diplomatic corps.
- Temporary: Expatriates who want to work or perform other legal remunerated activities in Bolivia. This visa may be granted to individuals who have relatives in Bolivia or who intend to make investments that are considered advantageous for Bolivia.
- Subject-to-contract: Valid for one to two years, and may be renewed for an additional one- to two-year period.
- Student: Valid for up to one year and may be renewed for additional one-year periods, as many times as necessary.
- Political refugee: Issued to foreign nationals who intend to establish permanent residence in Bolivia.
- Permanent residence: An indefinite visa that grants to the expatriate the same rights as an ordinary Bolivian national, except for the right to vote and work at public offices.

In general, foreign nationals must submit all or some of the following items when applying for visas and permits:
- An application form
- Passport and documents proving current visa status
- Foreign national identification card
- Documents that prove professional status
- Documents that prove marital status

- Documents that evidence the activities that an applicant will perform in Bolivia, such as a labor contract, or documents that prove that the applicant has been accepted in a college or educational institution
- A certificate proving that the applicant has no criminal record (if the applicant has left the country for a period of three months or more, an international document proving no criminal record is required)
- Document proving economic solvency (bank statements, labor contract or others)
- A current photo of the applicant
- Payment for the procedure of UFV2,500 (USD800; UFV is an acronym for Unidad de Fomento a la Vivienda, which is a Bolivian index referring to inflation)

A residence visa is canceled if the expatriate, without the express authorization of the migratory authority, is absent from the country for more than two consecutive years.

J. Family and personal considerations

Family members. Family members of foreign personnel do not need separate or individual visas for residing in Bolivia. In addition, the children of foreign personnel do not need student visas to attend schools in Bolivia, but they must apply for dependent visas. A separate work visa must be obtained by any family member of a working foreign national who intends to work in Bolivia.

Driver's licenses. Foreign nationals may not drive legally in Bolivia using their home country driver's licenses. However, they may legally drive in Bolivia with an international license while the license is in force. Bolivia has driver's license reciprocity with a few countries. To obtain a Bolivian driver's license, a foreign national must take a basic written exam, a technical exam, a basic practical driving test and a basic medical exam.

Bonaire, Sint Eustatius and Saba (BES-Islands; extraordinary overseas municipalities of the Netherlands)

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Please direct all requests regarding the BES-Islands to the persons listed below in the Willemstad, Curaçao, office.

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On 10 October 2010, the country, Netherlands Antilles, which consisted of five island territories in the Caribbean Sea (Bonaire, Curaçao, Saba, Sint Eustatius and Sint Maarten), was dissolved. On dissolution of the Netherlands Antilles, the islands of Bonaire, Sint Eustatius and Saba (BES-Islands) became part of the Netherlands as extraordinary overseas municipalities. Curaçao and Sint Maarten have both become autonomous countries within the Kingdom of the Netherlands. A new tax regime applies to the BES-Islands, effective from 1 January 2011. The following chapter provides information on taxation in the BES-Islands only. Chapters on Curaçao and Sint Maarten appear in this guide.

A. Income tax

Who is liable. Residents of the BES-Islands are taxable on their worldwide income. Nonresidents are taxable only on income derived from certain sources in the BES-Islands. Resident individuals who receive income, wherever earned, are subject to income tax in the BES-Islands.

Residence is determined based on an individual's domicile (the availability of a permanent home) and physical presence, and on the location of an individual's vital personal and economic interests.

Income subject to tax. The following sources of income are subject to tax in the BES-Islands:
- Income from movable property (dividend and interest income)
- Employment income
- Self-employment and business income
- Income from periodic allowances

Movable income. Dividend and interest income derived from domestic and foreign sources, less deductions, are generally subject to income tax at the rates set forth in *Rates*.

Nonresident individuals are taxed on dividends received as a result of a substantial share interest in resident companies, interest income derived from debt obligations if the principal amount of the obligation is secured by mortgaged real estate located in the BES-Islands, and profit-dependent remuneration from a business in Bonaire.

Employment income. Taxable employment income consists of employment income, including directors' fees, less itemized and standard deductions and allowances (see *Deductions*), pension premiums and social security contributions, whether paid or withheld.

Employees who have more than a 5% interest in their employer must report an annual deemed salary. The minimum deemed salary is USD14,000 (unless an exemption applies). The salary is treated similarly to ordinary employment income and is taxed at the rates set forth in *Rates*. Directors' salaries paid by BES-Islands companies are subject to withholding for wage tax and for social security insurance contributions.

Nonresident individuals receiving income from current or former employment carried on in the BES-Islands are subject to income tax and possibly social security contributions in the BES-Islands. Wage tax and social security contributions must be withheld from an individual's earnings. However, if the individual's stay does not exceed three months, the individual may request a full or partial exemption from the withholding requirement. Nonresidents who are employed by BES-Islands public entities are subject to income tax and social security contributions, even if the employment is carried on outside the BES-Islands.

Nonresident individuals receiving income as managing or supervisory directors of companies established in the BES-Islands are subject to income tax.

Self-employment and business income. Residents are subject to tax on their worldwide self-employment and business income, as well as on income derived from a profession.

Annual profits derived from a business must be calculated in accordance with sound business practices that are applied consistently. Taxable income is determined by subtracting the deductions and personal allowances specified in *Deductions* from annual profits.

A nonresident individual earning income from activities carried on in the BES-Islands through a permanent establishment or a permanent representative is subject to income tax in the BES-Islands. Profits of a permanent establishment are calculated in the same manner as profits of resident taxpayers.

Income from periodic allowances. Resident individuals are subject to tax on their worldwide periodic allowances, including old-age pensions (not related to previous employment), alimony payments and disability allowances. In general, periodic

allowances are taxable if the allowances exceed their purchase price and if the purchase price has not (nor could have) been deducted from BES-Islands income or was considered to be a component of BES-Islands income.

Capital gains. In general, capital gains are exempt from tax. However, in the following circumstances, capital gains are taxable at the indicated rates.

Type of income	Rate (%)
Capital gains realized on the disposal of business assets and on the disposal of other assets if qualified as income from independently performed activities	30.4 to 35.4
Capital gains on the liquidation of a company or on the repurchase of shares by the company in excess of the average paid-up capital (non-substantial share interest)	30.4 to 35.4
Capital gains derived from the sale of a substantial share interest in a company*	5

* The taxpayer has a substantial share interest if the taxpayer or the taxpayer and his or her spouse have any of the following:
- At least 5% of the issued capital directly or indirectly as a shareholder in a company that has capital divided into shares
- Profit sharing that is related to at least 5% of the annual profits of the company
- Rights to acquire directly or indirectly shares representing at least 5% of the issued share capital

Deductions. A fixed deduction for acquisition costs in the amount of USD280 may be deducted from employment income. The actual employment-related expenses incurred may be fully deducted if and to the extent the expenses exceed USD560.

For residents, the available deductions are described below.

Personal deductions. The following deductions may be claimed:
- Alimony payments to a former spouse.
- Mortgage interest paid that is related to the taxpayer's dwelling (limited to USD15,364 annually).
- Maintenance expenses related to the taxpayer's dwelling (limited to 2% of the value of the dwelling, with a maximum deduction of USD1,676 annually). All of the maintenance expenses are deductible if the dwelling is a protected monument.
- Premiums paid for fire and natural disaster insurance related to the taxpayer's dwelling.
- Interest paid on consumer loans (limited to USD1,397 [USD2,794 if married] annually).
- Life insurance premiums that entitle taxpayers to annuity payments (up to a maximum of 5% of the income or USD559 annually).
- Pension premiums paid by the employee.
- Qualifying donations in excess of certain threshold amounts.

Extraordinary expenses. Extraordinary expenses include the following (thresholds apply):
- Financial support to children exceeding 27 years of age and other relatives not capable of providing for themselves
- Medical expenses
- Educational expenses
- Support for up to second-degree relatives

Business deductions. In general, business expenses are fully deductible. However, deductions of certain expenses are limited. The following deductions are available for self-employed individuals:
- Accelerated depreciation of fixed assets at a maximum rate of 33⅓%.
- An investment allowance of 8% for acquisitions of or improvements to fixed assets in the year of investment and in the immediately following year. The investment allowance is increased to 12% for acquisitions of new buildings or improvements to existing buildings. This allowance applies only if the investment amounts to more than USD2,794 in a year.

Deductions for nonresidents. Deductions for nonresidents include the following:
- Employment expenses
- Qualifying donations in excess of certain threshold amounts

Personal tax credits. The following personal tax credits are available to residents only:
- Fixed tax credit: USD12,242
- Senior allowance: USD1,348

Expatriate facility. Individuals that meet certain conditions can request the application of the expatriate facility. To qualify for the expatriate facility, an individual must meet the following conditions:
- The applicant must not have been a resident of the BES-Islands for the past five years.
- The applicant must have special skills at the college or university level and at least five years of relevant working experience at the required level.
- The applicant must receive remuneration from his or her employer of at least USD83,500.
- The applicant must possess skills that are scarcely available in the BES-Islands.

The employer must file the application. In principle, the expatriate status applies with retroactive effect to the beginning of the employment if the application is filed within three months after the beginning of the employment.

An employee with the expatriate status can receive limited amounts of fringe benefits tax-free, such as wages in kind, travel expenses, hotel expenses and expenses with respect to means of transportation and relocation. The remainder of the compensation paid to the expatriate by the employer is taxed at the progressive income tax rates (see *Rates*). In addition, a net employment contract can be entered into with the expatriate, and the wage tax should then not be grossed up as an additional benefit received from employment.

Rates. The following are the tax rates in the BES-Islands.

Taxable income		Tax on lower amount	Rate on excess
Exceeding USD	Not exceeding USD	USD	%
0	282,957	0	30.4
282,957	—	86,019	35.4

Income from a substantial share interest in a company is taxed at a rate of 5%.

B. Social security contributions

All resident individuals must pay social security contributions. The contributions result in benefits under the following:
- General Old Age Pension Act (AOV)
- General Widows, Orphans Act (AWW)
- Decree for Health Insurance
- Accident Insurance Act (OV)
- Cessantia (severance contribution)
- Health Insurance Act (ZV)

For the calculation of the AOV, AWW and Health Insurance employee contributions, the maximum premium base is USD31,635. The OV, Cessantia, ZV and part of the BZV contributions are due only in the case of employment. The following are the rates of the social security contributions.

Employee contribution	Rate (%)
AOV	25
AWW	1.3
Health Insurance	0.5
Total	26.8

Employer contribution	Rate (%)
OV	0.3
Cessantia	0.1
Health Insurance	11.7
ZV	1.3
Total	13.4

C. Tax filing and payment procedures

Filing and payment. Because the wage tax is a pre-levy to the income tax, employers must file wage withholding tax returns quarterly. The wage tax return must be filed by the 15th day of the month following the quarter in which the salaries are paid to employees. However, if certain conditions are met, the employer can request to pay the wage tax per month. For most employees, wage withholding tax is the final tax. The personal income tax returns for the calendar year must be filed within two months after the issuance of the income tax return forms, unless extensions for filing are obtained. Any additional income tax that is payable is normally due within two months after the date of the final assessment.

Effective from 29 March 2018, a guideline was implemented in the BES-Islands legislation for subjects such as collection, execution, interest, waiver and settlement.

Social security payments. Social security contributions are withheld by the employer and are declared together with the wage tax returns.

D. Residency and working permits

In general, foreign individuals who wish to reside and work in the BES-Islands need a residency and work permit. The conditions for obtaining such permit depend on the nationality of the individual. Special provisions apply to individuals with a Dutch passport.

E. Exchange of information

In the BES-Islands, various legislation for the exchange of information is in force. For example, following the Foreign Account Tax Compliance Act and Common Reporting Standard regulations, certain financial information regarding nonresident individuals that should be reported by financial institutions to the BES-Islands tax authorities is automatically exchanged with certain countries.

Botswana

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A. Income tax

Who is liable. Individuals earning income in Botswana are subject to income tax.

Individuals are considered resident in Botswana for any tax year (1 July to 30 June) if they meet any of the following conditions:
- Their permanent place of abode is in Botswana.
- They are physically present in Botswana 183 or more days during the tax year.
- After staying in Botswana 183 or more days in a tax year, they physically remain in Botswana into the next tax year, even if they do not stay in Botswana 183 days during the latter tax year.

Income subject to tax

Employment income. With a few exceptions, income derived from sources outside Botswana is not subject to tax. All salaries paid, and benefits provided, for work performed in Botswana are taxable, regardless of where paid or provided. Special tables are used for calculating the taxable value of fringe benefits.

For individuals who receive retrenchment packages, one-third of the amount of the package, or an amount equal to the tax threshold, whichever is higher, is exempt from tax.

Educational allowances provided by employers to their local and expatriate employees' children are taxable.

Self-employment and business income. Business profits from self-employment activities are taxed at the rates described in

Rates. Partners are individually subject to tax on their shares of business profits. If the owners of a company are residents and if the company's income is less than BWP300,000, they may elect to have the company's profits taxed in the same manner as partnership profits.

Directors' fees. Directors' fees are added to the taxable income of residents and nonresidents.

Investment income. Royalties and rental income from Botswana sources are also included with other taxable income and are taxed at ordinary rates.

Dividends from resident companies are not included in taxable income and are subject to a 7.5% final withholding tax.

Interest, royalties, and management and consulting fees paid to nonresidents are subject to a 15% final withholding tax.

Interest paid to residents in excess of BWP7,800 is subject to 10% withholding tax, which is a provisional tax. A credit is granted for the withholding tax against tax chargeable on assessment.

Interest paid to resident individuals by banking institutions or building societies in Botswana is subject to 10% withholding tax. The withholding tax deducted is a final tax, and the interest earned by the individual does not form part of the individual's assessable income.

Taxation of employer-provided stock options. No specific provisions regulate the taxation of employer-provided stock options. Under general principles, the employee is taxed at the time of exercise on the difference between the fair market value of the stock at the time of exercise and the strike price.

Capital gains. Capital gains tax is levied on gains derived from the sale of immovable capital assets and from the sale of corporate shares and debentures.

Gains on disposal of a principal private residence (PPR) by an individual are exempt from capital gains tax if the PPR has been held for five years. Any subsequent disposal of the PPR is exempt from capital gains tax if five years have elapsed since the tax year in which the exemption was granted.

To compute capital gains on sales of property acquired before 1 July 1982, the cost of acquisition and improvements is increased at a rate of 10%, compounded for every 12-month period from the date of acquisition to 1 July 1982, and then indexed for inflation from 1 July 1982 to the date of sale. For property acquired on or after 1 July 1982, the cost of acquisition and improvements is indexed for inflation in computing capital gains.

Only 75% of gains derived from sales of corporate shares is subject to tax. Gains on the sale of shares listed on the Botswana Stock Exchange are exempt from tax if the shares have been held for a period of at least one year.

Net aggregate gains are subject to tax at the following rates.

Taxable gain BWP	Tax rate %	Tax due BWP	Cumulative tax due BWP
First 18,000	0	0	0
Next 54,000	5	2,700	2,700
Next 36,000	12.5	4,500	7,200
Next 36,000	18.75	6,750	13,950
Above 144,000	25	—	—

Deductions

Personal deductions and allowances. A single tax-free allowance of BWP36,000 is incorporated into the individual tax table applicable to residents. A deduction for approved pension fund contributions is also allowed, limited to 15% of income, excluding investment income.

Tax-free gratuities for non-citizens. One-third of a gratuity paid to a non-citizen employee is exempt from tax if the employee has completed a two-year contract of employment and if the gratuity payment is provided for in the employment contract. For the first contract, the one-third exemption is applied up to a maximum of 25% of an individual's cumulative salary, 27.5% for the second continuous contract and 30% for the third contract and subsequent contracts.

Business deductions. Business expenses of sole proprietorships and partnerships are deductible to the extent incurred in producing taxable income. Resident sole proprietors and partners may take the same salary deductions as employees.

Rates. The following table sets forth the income tax rates for residents.

Taxable income BWP	Tax rate %	Tax due BWP	Cumulative tax due BWP
First 36,000	0	0	0
Next 36,000	5	1,800	1,800
Next 36,000	12.5	4,500	6,300
Next 36,000	18.75	6,750	13,050
Above 144,000	25	—	—

The following table sets forth income tax rates for nonresidents.

Taxable income BWP	Tax rate %	Tax due BWP	Cumulative tax due BWP
First 72,000	5	3,600	3,600
Next 36,000	12.5	4,500	8,100
Next 36,000	18.75	6,750	14,850
Above 144,000	25	—	—

Relief for losses. Losses may be carried forward for five years on a first-in, first-out basis.

B. Capital transfer tax

The recipient of property transferred gratuitously or by inheritance is subject to capital transfer tax. Liberal exemptions apply. For example, all transfers between spouses and the first BWP100,000 transferred by inheritance are exempt. The following rates of capital transfer tax apply to individuals.

Taxable transfer BWP	Tax rate %	Tax due %	Cumulative tax due BWP
First 100,000	2	2,000	2,000
Next 200,000	3	6,000	8,000
Next 200,000	4	8,000	16,000
Above 500,000	5	—	—

C. Social security

Social security taxes are not levied in Botswana.

D. Filing and payment procedures

The tax year runs from 1 July to the following 30 June. Returns are due within 90 days after the end of the tax year, unless an extension is requested. Payment is due within 30 days after assessment.

The pay-as-you-earn (PAYE) scheme covers noncash benefits, including employer-provided housing, utilities and cars.

Married persons are taxed separately.

E. Tax treaties

Botswana has entered into double tax treaties with the following countries.

Barbados	Mozambique	South Africa
France	Namibia	Sweden
India	Russian Federation	United Kingdom
Mauritius	Seychelles	Zimbabwe

F. Visitor visas

All foreign nationals must obtain valid entry visas to enter Botswana, with the exception of nationals from most British Commonwealth countries and from the following countries with which Botswana has entered into visa-abolition agreements.

Austria	Ireland	Samoa (Western)
Belgium	Italy	San Marino
Denmark	Japan	Spain
Finland	Liechtenstein	Sweden
France	Luxembourg	Switzerland
Germany	Mozambique	United States
Greece	Netherlands	Uruguay
Iceland	Norway	

Although Bangladesh, Ghana, India, Nigeria, Pakistan and Sri Lanka are British Commonwealth countries, their citizens must have visas to enter Botswana.

All foreign nationals may visit Botswana as visitors or tourists subject to compliance with immigration regulations. Visitors are allowed a maximum of 90-day stays within a 12-month period. On application, they may be permitted by the Chief Immigration Officer to stay longer than 90 days. The various types of visitor visas are described below.

A continuous visa authorizes the holder to enter Botswana on an unlimited number of occasions within a period of 12 months from the date the visa is issued.

A transit visa authorizes the holder to pass through Botswana in transit to other countries for the period endorsed on the visa.

An ordinary visa authorizes the holder to enter Botswana on several occasions for the periods endorsed on the visa. Normally, this visa application takes at least 21 days to be processed. The visa is usually valid for no more than three months.

The following documents are required to apply for all visitor visas:
- A valid passport
- Letter of support from the host
- Letter requesting a visitor visa

Visas are issued at the discretion of the Chief Immigration Officer.

Visitors holding all types of visas are expected to provide their own financial support.

G. Work permits and self-employment

Foreign nationals may obtain work permits in Botswana. In general, the permit is granted for the requested period, up to five years. Work permits may be renewed for as long as their holders are employed. A foreign national holding a valid work permit may change employers after signing a contract with the new employer. However, his or her permit is canceled and he or she must reapply with respect to the new company. The approximate turnaround time for obtaining the outcome of a work permit application, after all appropriate documents are submitted, is 10 to 12 weeks.

Foreign nationals may be self-employed in Botswana if they hold investor work permits and residence permits. No set minimum capital investment is necessary. A work permit holder may operate any business that is not reserved for the citizens of Botswana.

H. Point-based system to consider applications for work and residence permits

In April 2012, the Ministry of Labour and Home Affairs implemented a point-based system (PBS) for the assessment of applications for work and residence permits. The objective of the PBS is to assist the Ministry of Labour Home Affairs and Regional Immigrants Selection Boards in the facilitation of the inflow of foreign investment into the country and the importation of skills. Under the PBS, points are awarded for the attributes that Botswana considers to be desirable in its immigrants.

Employees. The PBS awards points for employees based on the following categories:
- Age
- English language ability
- Scarce skill (as stipulated on the Skills Occupation List)
- Academic qualifications
- Professional and technical qualifications
- Affiliation to professional bodies
- Job offer in Botswana
- Residence in Botswana
- Partner skills
- Spouse of a citizen

Investors. The PBS awards points for investors based on the following categories:
- Business activity (should not be a reserved business activity)
- Export focus
- Use of local raw materials
- Financial investment
- Total investment (including loans)
- Proportion of Botswana employees
- Proportion of Botswana partners
- Age of investor
- English language ability
- Educational and professional qualifications (not applicable to businesses that do not require persons with professional qualifications for their operation)
- Specific work experience (dependent on number of years)
- Locality of business (rural, peri-urban or urban)
- Residence in Botswana

I. Residence permits

The following residence permits are issued in Botswana for the specified durations:
- Business: maximum 10 years
- Employment: maximum 5 years, depending on the duration of the contract
- Religious work: 2 years
- Students: depends on the duration of the course of study
- Dependents: varies based on the sponsor's residential status
- Research permits: duration according to the period requested

The following documents are required for foreign nationals pursuing business, employment, research and religious work, and for students, immigrants and dependents:
- Completed application form
- Medical forms completed by a medical practitioner
- Valid passport
- Proof of financial means for a dependent or a student
- Proof of investment and clearance from the Ministry of Commerce and Industry for self-employed applicants
- Qualification certificates and proof of employment

The applications for work and residence permits are considered simultaneously by the Regional Immigrants Selection Boards. All permits are renewable for an additional period if the Immigration Selection Board considers the renewal to be in the interest of Botswana.

The holder of a residence permit must take up residence in Botswana within six months after the date of approval. If he or she does not take up residence within six months, the permit may be canceled.

J. Family and personal considerations

Family members. The working expatriate's spouse and dependents must obtain separate residence and work permits. The dependents of an expatriate do not need student visas to attend schools in Botswana.

Driver's permits. Foreign nationals may drive legally in Botswana using their home-country driver's licenses. However, the foreign national should apply for a Botswana driver's license, but no time period is specified for this matter.

Foreign nationals who do not hold valid foreign driver's licenses must take written and physical driving exams to obtain Botswana driver's licenses.

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At the time of writing, the approximate exchange rate for the Brazilian real against the US dollar was BRL3.71 = USD1.

A. Income tax

Who is liable. Residents are taxed on worldwide income. Non-residents are taxed on Brazilian-source income only.

Under Brazilian law, source is defined according to the place where the payer is located, regardless of where the services are

provided. Therefore, income paid by a Brazilian entity is considered local source, while income paid abroad is considered foreign source.

Determination of residence for tax purposes depends on which visa an individual uses to enter the country and/or the physical presence test on entering the country.

Individuals are considered to be tax residents from the moment of arriving in Brazil if any of the following conditions are satisfied:
- They are involved in a local labor relationship.
- They hold a residence permit based on a statutory representative status.
- They hold a residence permit based on an investor status.

Other foreign nationals are taxed as nonresidents if they satisfy all the following conditions:
- They hold other types of temporary visas.
- They are not involved in a local labor relationship.
- They do not stay in Brazil for more than 183 days (consecutive or non-consecutive) during any 12-month period.

A foreign national who remains in Brazil for longer than 183 days is subject to tax on his or her worldwide income at the progressive rates applicable to residents.

Before their departure from Brazil, tax residents should file the Departure Communication and the Departure Income Tax Return and obtain tax clearance to resolve their final liability for Brazilian income tax. Otherwise, these individuals may be considered resident for tax purposes, subject to Brazilian income tax on worldwide income during the 12-month period following departure. From the time the individual files under the departure process mentioned above, taxation as a nonresident applies to Brazilian-source income only.

Income subject to tax. The various types of income subject to tax are described below.

Employment income. Taxable employment income generally includes wages, salaries, and any other type of remuneration and benefits received by an employee from an employer. The treatment of employer-provided allowances varies, as described below.

Under Brazilian law, individuals are taxed on a cash basis. Payments from foreign sources, including bonuses or premiums related to services rendered, that are made before or after an assignment in Brazil (non-tax resident period) are generally not taxable if received during a period when the individual is not a resident for tax purposes. Consequently, these payments should be scheduled so that they are received when the individual is not yet resident for tax purposes or after the individual applies under the departure process and requests tax clearance before repatriation.

Reimbursements received by employees from employers for income tax liability are recognized as income on a cash basis. If employers make the income tax payments directly, the amounts paid are taxable to the employees.

Schooling allowances for an individual's family members are considered indirect salary (a fringe benefit) and are taxed accordingly. For tax purposes, no distinction is made between amounts paid directly by the company or reimbursed by the company to an employee. Moving allowances are generally not taxable if paid in a lump sum by the employer.

Other allowances received by expatriates for work performed, including foreign service premiums and allowances for home leave, costs of living and housing, are subject to regular taxation.

Employees are not taxed on obligatory monthly deposits equivalent to 8% of gross salaries that are paid by employers to the Severance Pay Indemnity Fund (FGTS), which is administered by the government. The amounts deposited, plus interest, may be withdrawn tax-free by the employees under certain conditions, including retirement or dismissal without just cause.

In addition, an employee who is dismissed arbitrarily or without just cause is entitled to a tax-free indemnification from the employer equal to 40% of the employer's deposits in the employee's FGTS fund.

Recently, the Labor Reform (Law #13,467/17) introduced a significant change in the Consolidation of Labor Laws. The Labor Reform created the possibility of an employee and employer negotiating a dismissal by mutual agreement. In this case, the total indemnification decreases to 20% instead of the above-mentioned 40%, and the employee is also entitled to immediately withdraw 80% of the FGTS fund.

Self-employment income. Self-employed resident individuals are subject to tax on income from a trade, business or profession.

Investment income. Interest income received by resident individuals from sources abroad is generally included in taxable income and is taxed at the rates stated in *Rates*. Local financial income and gains from fixed or variable interest financial investments are taxed exclusively at source. The rates vary from 15% to 22.5%, depending on the investment term. In general, financial institutions withhold the tax due and the earnings are credited net.

Net rental income and royalty income from Brazilian and foreign sources are generally included in taxable income and are taxed at the rates stated in *Rates*.

Brazilian dividends paid to nonresidents are exempt from withholding tax. Rental payments to nonresidents from Brazilian sources are subject to a 15% final withholding tax, and other payments to nonresidents from Brazilian sources are generally subject to a 25% final withholding tax, unless a lower double tax treaty rate applies. Financial investments should be analyzed on a case-by-case basis.

Taxation of employer-provided stock options. Employer-provided stock options are not subject to tax at the time of grant. The taxation of equity plans represents a gray area in Brazil. In general, stock options are taxable at the time of exercise. The difference between the market price and the strike price is considered a fringe benefit and is taxable as employment income at a maximum

rate of 27.5%. For purposes of capital gains tax, when the employee sells the shares the cost basis is the market value of the shares at the time of exercise (the spread between the strike price and the market value has already been taxed as employment income). A positive result from the sale of personal assets located outside Brazil is subject to capital gains tax at the rates stated in *Capital gains*. Capital gains earned by individuals on the sale of stocks on the Brazilian market are exempt from tax if the sale proceeds are equal to or lower than BRL20,000 in the month in which the sale occurs. In the case of the sale of stocks abroad, realized gains from sales proceeds of up to BRL35,000 in a given month are exempt from capital gains tax.

Capital gains. Capital gains are defined as the difference between the sale price of an asset and its acquisition price.

Under Law #13,259/16, effective from 1 January 2017, gains realized on the sale of assets and rights of any nature (real estate, vehicles and shares) are subject to the following progressive tax rates.

Exceeding BRL	Not exceeding BRL	Rate %
0	5,000,000	15
5,000,000	10,000,000	17.5
10,000,000	30,000,000	20
30,000,000	—	22.5

If the sale price exceeds the abovementioned thresholds, the entire gain is taxed at the rates stated in the above capital gains table.

For the purpose of calculating and paying the monthly tax on net gains, the losses calculated on the market operations may be offset against the net gains realized in the same month or in subsequent months from other market operations.

A special exemption is granted to individuals selling their only residence if they have owned it for at least five years and if the sale price does not exceed BRL440,000. In addition, gains derived from sales of residential real properties are exempt from tax if the seller uses the proceeds from the sale to buy other residential real estate properties in Brazil within 180 days from the first contract execution date.

Deductions. The following are the only deductible expenses permitted when calculating monthly income tax liability:

- Social security taxes paid to Brazilian federal, state or municipal entities
- Amounts paid as alimony and pensions in accordance with a Brazilian court decree
- BRL189.59 per month for each dependent, with no limitation on the number of dependents
- Brazilian Private Pension Fund contributions, up to 12% of gross taxable income

On the annual federal income tax return, the taxpayer may elect the standard deduction, which is 20% of taxable income up to a maximum deduction of BRL16,754.34, or may deduct the following amounts:

- Brazilian Private Pension Fund contributions, up to 12% of gross taxable income.
- Amounts paid as alimony and pensions in accordance with a court decree.
- BRL2,275.08 for each dependent, with no limitation on the number of dependents.
- Social security taxes paid to Brazilian federal, state or municipal entities.
- Payments made by the taxpayer or a dependent for educational expenses, up to an annual limit of BRL3,561.50 for each individual.
- Payments made during the calendar year to doctors, dentists, psychologists, physiotherapists, phono-audiologists, occupational therapists and hospitals, as well as expenses for laboratory tests and X-rays, with no limit. These payments are not deductible for income tax purposes if a health plan reimburses the individual for the payments.
- Payments for medical treatment plans managed by Brazilian companies or by companies authorized to carry out activities in Brazil, as well as payments made to entities to ensure the right to either medical attention or reimbursement for medical, dental and hospital expenses.
- Contributions to cultural and audiovisual activities, sports and the Children's Fund, up to 6% of income tax due.
- Payments for the social security system on behalf of a maid who works in the taxpayer's house (limited to one employee per taxpayer and to an annual amount, which is approximately BRL1,200.32 (amount is disclosed by the local tax authorities).

Ordinarily, a dependent's medical expenses are deductible on the annual federal return. Expenses that are covered by insurance or reimbursed to the taxpayer are not deductible.

Rates. Federal income tax is levied on taxable income. Under Normative Instruction #1558/2015, the following tax rates apply to monthly taxable income.

Monthly taxable income		Deductible	
Exceeding BRL	Not exceeding BRL	amount BRL	Rate %
0	1,903.98	0	0
1,903.98	2,826.65	142.80	7.5
2,826.65	3,751.05	354.80	15
3,751.05	4,664.68	636.13	22.5
4,664.68	—	869.36	27.5

The following rates apply to annual taxable income.

Annual taxable income		Deductible	
Exceeding BRL	Not exceeding BRL	amount BRL	Rate %
0	22,847.76	0	0
22,847.76	33,919.80	1,713.58	7.5
33,919.80	45,012.60	4,257.57	15
45,012.60	55,976.16	7,633.51	22.5
55,976.16	—	10,432.32	27.5

For information regarding the taxation of investment income paid to nonresidents, see *Investment income*.

Relief for losses. If a self-employed person's business activity shows a loss in one month, the loss may be carried forward to a later month in the same fiscal year (but not into a new year) if the proper supporting documentation is provided.

B. Estate and gift tax

The Senate has established a maximum estate and gift tax rate of 8%. States may levy estate and gift tax on transfers of real estate by donation and inheritance at any rate, up to 8%. A rate of 4% generally applies in São Paulo. In Rio de Janeiro, the rate can vary from 4% to 8%, depending on the values involved. Resident foreigners and nonresidents are subject to this tax on assets located in Brazil only.

For transfers of property through succession, inheritance or donation, the assets may be valued at either market value or the value stated in the declaration of assets of the deceased or donor. For transfers carried out at market value, the excess of market value over the value stated in the declaration of assets is subject to income tax at the rates stated in the capital gains table (from 15% to 22.5%) in *Capital gains* in Section A.

C. Social security

Contributions. All individuals earning remuneration from a Brazilian source are subject to local social security tax, which is withheld by the payer. Contributions are levied on employees at rates ranging from 8% to 11%, depending on the level of remuneration, with a maximum required monthly contribution of BRL642.34. Employers' contributions are calculated at approximately 26.8% to 28.8% of monthly payroll, without limit. These contributions consist of ordinary social security contributions (20%) plus a percentage from 1% to 3% corresponding to the risk of the activity to the health or safety of the employee and additional social security contributions known as "s" system contributions (approximately 5.8%).

Corporate social contributions on employment-related income paid overseas (that is, the portion of split-payroll arrangements that is paid outside Brazil) are considered a gray area under the Brazilian tax law. According to Labor Reform, amounts paid, even if frequently, as fringe benefits, food allowances (not covered by its payment in cash), travel expenses, premiums and bonus allowances are not part of the employee's ordinary compensation. Accordingly, the above payments might not constitute basis for the calculation of labor and social security charges.

The Greater Brazil Plan took effect in August 2011. This plan changed the pricing model of social security contributions in Brazil with respect to the part of the contribution levied by the employer. Under this plan, employers do not pay the ordinary social contribution at a rate of 20% of payroll. Instead, the social security contribution is calculated according to a flat rate applicable to the gross revenue of the company, which can vary from 1% to 2.5%, depending on the sector and the case. The reduction allowed by the Greater Brazil Plan applies only to the ordinary employer social security contribution of 20%.

Self-employed individuals' contributions are calculated at a rate of 20% of base salary. The base salary is fixed by the government, and its value depends on when the self-employed individual joined the social security system. The maximum monthly contribution for a self-employed person is BRL1,167.89.

International social security agreements. Brazil has entered into social security totalization agreements with the following jurisdictions.

Argentina	El Salvador	Luxembourg
Belgium	France	Paraguay
Bolivia	Germany	Portugal
Canada	Greece	Quebec
Cape Verde	Italy	Spain
Chile	Japan	Uruguay
Ecuador	Korea (South)	United States

Brazil has also signed social security agreements with Bulgaria, Israel, Mozambique and Switzerland, but the Brazilian Congress has not yet ratified these treaties. Negotiations are in progress for social security agreements with Austria, the Czech Republic, India, Sweden and Ukraine.

D. Tax filing and payment procedures

The Brazilian tax year is the calendar year. Brazil imposes a pay-as-you-earn (PAYE) system. Under the PAYE system, income tax on income received by an individual through a foreign payroll should be paid on a monthly basis through a tax voucher known as *carnê-leão*. In addition, for the portion of the compensation paid through a Brazilian payroll, taxpayers are subject to withholding income tax.

Individuals who receive income from more than one source may pay the difference between tax paid or withheld at source and their total monthly tax liability at any time during the fiscal year or when they file their annual federal returns in the year following the tax year (the deadline for filing tax returns is generally the last business day of April). The balance of tax due is payable either in a lump sum when the return is filed or in eight monthly installments. The installments are subject to interest based on a monthly rate set by the Central Bank of Brazil (approximately 1% per month). Brazilian law does not provide for extensions to file tax returns. Nonresidents are not required to file tax returns.

Income tax on foreign earnings or on earnings received from other individuals in Brazil on which no Brazilian tax is withheld at source must be paid monthly, as described above. The tax is due on the last working day of the month following the month when the income is received. Late payments are subject to penalties (at a daily rate of 0.33%, limited to 20%) and to interest (at a monthly rate of approximately 1%).

Payments from companies to self-employed persons are subject to income tax withholding at source. The payer must withhold tax at the monthly rates set forth in Section A. If the payer makes several payments to a self-employed person during a month, the tax withheld at source must be calculated using the tax rate for the total amount paid that month.

To make monthly income tax payments, residents must register as individual income tax contributors and obtain a Taxpayer Identification Number (CPF). Disclosure of the CPF number is mandatory in most financial transactions.

Tax on capital gains derived from Brazil is generally not included in the total annual tax liability calculated in the annual federal income tax return. Instead, tax on capital gains is due on the last working day of the month following the month when the gain is realized. Special rules apply to gains derived from transactions on stock exchanges.

Married persons may be taxed jointly on all types of income if one spouse has no income and is listed as a dependent in the other spouse's return. In all other cases, married persons are taxed separately on all types of income.

Individuals resident or domiciled in Brazil who hold foreign assets of at least USD100,000 on 31 December of the preceding year must annually declare their holdings of the following monetary assets, properties and rights to the Central Bank of Brazil:
- Foreign deposits
- Monetary loans
- Financing
- Leasing and financial leasing
- Direct investments
- Portfolio investments
- Investments involving derivative instruments
- Other investments, including real properties and other assets

The due date for the Declaration of Assets and Rights Held Abroad varies each year (usually due by 5 April of the following year). Penalties are imposed for failing to declare the required information or for submitting inaccurate declarations. Such declaration must be filed quarterly, based on the dates of 31 March, 30 June and 30 September, if the total value of the assets and other items that the declarant holds abroad is USD100,000 or more on those dates.

Foreign nationals who were considered residents for tax purposes should apply under the departure process and obtain a tax clearance certificate from the Brazilian tax authorities before their definitive departure from Brazil. To obtain such certificate, individuals must file a Departure Communication and a Departure Income Tax Return covering the period of 1 January in the year of departure through the date on which the return is filed and pay all taxes due.

E. Double tax relief and tax treaties

Brazil has entered into double tax treaties with the following countries.

Argentina
Austria
Belgium
Canada
Chile
China
Czech Republic
Denmark
India
Israel
Italy
Japan
Korea (South)
Luxembourg
Mexico
Netherlands
Russian Federation
Slovak Republic
South Africa
Spain
Sweden
Trinidad and Tobago

Ecuador	Norway	Turkey
Finland	Peru	Ukraine
France	Philippines	Venezuela
Hungary	Portugal	

In addition, the Brazilian Federal Revenue and Customs Secretariat recognizes that although Germany, the United Kingdom and the United States have not entered into formal tax treaties with Brazil, these countries waive reciprocal tax treatment for individuals who may be subject to double taxation. As a result, tax paid in one of the countries may be offset against the tax due in the other on the same earnings if all of the following requirements are satisfied:

- Same tax nature
- Same calculation basis
- Absence of a tax refund in the future

From a Brazilian perspective, even if the above requirements are met, foreign taxes may only be offset against the *carnê-leão* system (see Section D); it is not allowed to offset foreign income taxes against Brazilian payroll withholding taxation.

F. Visit visas (tourist or business purpose) and other types of visas

With the exceptions for nationals of countries that border Brazil and nationals of countries that do not require visas of Brazilians, foreign nationals must obtain valid entry visas to enter Brazil.

The visa is an individual document granted by the Brazilian consulate abroad, which provides expectation of entry into Brazil. After the visa holder enters the country, the Brazilian Federal Police defines the applicable immigration situation. The validity of the visa, which could be up to one year, is applicable at the first entry in Brazil.

The resident permit is granted by the Ministry of Justice and National Security, and it may have a temporary or indeterminate validity. Such authorization is ratified by the Federal Police at the moment of the visa registration.

The validity of the temporary visa is unrelated to the validity of the residence permit.

Visit visas. Visit visas are intended for visitors who will stay for a short period of time, with no intent to establish their residence in Brazil. This visa type is aimed at those who intend to enter Brazil for the following reasons:

- Tourism
- Informative, cultural, educational or recreational activities
- Family visits
- Participation in conferences, seminars, congresses or meetings
- Performance of volunteer services
- Research, teaching or academic extension activities

The visit visa does not allow the immigrant to receive remuneration in Brazil, except daily allowances.

This is also the case for a business visa, which is granted to short-term visitors who visit Brazil for specific purposes (for example,

attending meetings and establishing business contacts). A business visa does not permit the holder to work for any locally owned or multinational company or organization located in Brazil, nor does it permit the holder to receive any remuneration in Brazil for products or services supplied.

In all cases, immigrants must obtain residence permits (see Section G) to receive remuneration in Brazil for services provided in Brazil.

The terms of business visas vary depending on the degree of reciprocity between Brazil and the home country of a foreign national. In general, business visas are valid for up to 10 years (depending on the consulate issuing the visa) and allow various entries into the country for stays of no longer than 90 days. Business visas are renewable once each year for an additional 90 days, for a total of 180 days per year. The visa must be renewed before the expiration of the 90 days; otherwise, the holder is subject to a fine. Depending on the nationality, an individual holding a temporary business visa can stay in Brazil for up to 90 days in a 6-month period.

Other types of visas. Visas are classified according to the purpose of the trip to Brazil, and not according to the type of passport presented. Under the new immigration law, the following types of visas are available.

Diplomatic Visa. Diplomatic Visas are granted to foreign officials and employees who have diplomatic status and travel to Brazil on an official mission, either on a temporary or permanent basis, representing foreign governments or international organizations recognized by Brazil.

Official Visa. Official Visas are granted to foreign administrative staff traveling to Brazil on an official mission, either on a temporary or permanent basis, representing foreign governments or international organizations recognized by the Brazilian government, or to foreigners traveling to Brazil under the official seal of their states.

Courtesy Visa. Courtesy Visas are granted to the following:

- Foreign personalities and officials on an unofficial trip to Brazil
- Spouses or partners, regardless of their gender, dependents and other family members who do not benefit from Diplomatic or Official Visa, for family reunification
- Domestic workers of foreign missions based in Brazil or of the Ministry of Foreign Affairs
- Foreign artists and sportspersons traveling to Brazil for free and primarily cultural events

Other. Nationals of countries that joined the Agreement on Residence for Nationals of the Mercado Comun del Cono Sur (Mercosur), which are Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay, may apply at a consular office for a temporary residence. Those who already live in Brazil can go directly to the Federal Police.

After two years in Brazil, Mercosur nationals holding a temporary residence permit can request residence for an indefinite period from the Federal Police. In addition, holders of certain

types of work visas can request residence for an indefinite period by applying to the Ministry of Justice and National Security.

G. Temporary work permit (residence permit)

The following types of temporary work permits are based on the characteristics of the activities that will be performed in Brazil:
- Cultural or study trip
- Artist or entertainer
- Athlete
- Student
- Professional contracted by a Brazilian company or the government
- Scientist or teacher
- Technician or other professional without a local contract with a Brazilian company
- Correspondent for newspaper, magazine, radio, television or other foreign news agency
- Religious worker

A temporary work permit is designed for immigrants who have an interest in establishing residence in Brazil. For this type of work permit, the following may be considered:
- Research, teaching or academic activities
- Health treatment
- Humanitarian sheltering
- Study
- Work, including vacation work
- Practice of religious activities
- Volunteer service
- Investment purposes
- Activities with economic, social, scientific, technological or cultural relevance
- Family reunion
- Artistic or sports activities with a contract for a determined term

Some temporary work permits may renewable for an additional equivalent period.

To obtain temporary work permits for their expatriate employees, employers must apply for authorization from the Ministry of Justice and National Security. The process and documents required depend on whether the work permit is based on a service contract between a Brazilian company and a foreign company (temporary technical work permit based on Normative Resolution 03) or whether the work permit is for an expatriate employee of a Brazilian company under a local work contract (temporary work permit based on Normative Resolution 02), such as a service contract.

For a temporary technical work permit, the contractor in Brazil initiates the procedure by applying to the Immigration Division of the Ministry of Justice and National Security. If the application is approved, the authorization is forwarded through the Ministry of Foreign Affairs to a designated Brazilian consulate abroad, where the individual designated in the service contract requests the issuance of the visa in the passport.

To obtain a temporary technical work permit under a service contract, the immigrant individual and the company must provide certain documents and information, including the technical service agreement between the companies.

To obtain a temporary work permit based on a labor contract with a Brazilian company, the individual must file proof of education and professional experience in addition to the passport. The employer in Brazil must also file certain documents with the Ministry of Justice and National Security, together with an employment contract.

H. Residence permits for indefinite period

Immigrant nationals who intend to establish permanent residence in Brazil may obtain residence permits for an indefinite period. This type of residence permit allows an immigrant to transfer his or her residency to Brazil for an indefinite period of time, beginning on the date on which he or she enters the country under this type of permit.

Self-employment. Immigrants may obtain a residence permit in Brazil as an investor to be able to be self-employed in the country. To obtain this type of residence permit, both of the following conditions must be satisfied:

- The immigrant must make a minimum investment, which is currently BRL500,000 if certain requirements are met, and register the investment at the Central Bank of Brazil. This limit may be reduced to BRL150,000 if certain requirements are met.
- The investor must present a plan of investment and a commitment to create work positions for Brazilian nationals.

The investment amount and the number of work positions referred to above may vary, depending on the region where the company is located. In the event of the cessation of the Brazilian business, the investment may be repatriated.

Statutory director of a Brazilian subsidiary. If an immigrant is to be appointed as statutory director (general manager, president or member of the board) of a Brazilian subsidiary of a foreign parent company, the company must present proof of an investment of BRL600,000 registered at the Central Bank of Brazil for each immigrant administrator applying for this type of residence permit.

Brazilian child, stable union or marriage. Immigrants who have a Brazilian-born child, have a stable union or are married to a Brazilian citizen may apply for a residence permit for an indefinite period.

I. Family and personal considerations

Family members. Spouses of expatriates may work with dependent work visas. Working expatriates must list their dependents when applying for their visas. The listed dependents require dependent permits to reside in Brazil. These permits and the main applicant's work permit are applied for together. The children of working expatriates do not require student visas to attend schools in Brazil.

All dependents are allowed to work in Brazil.

Marital property regime. The Brazilian Civil Code provides for the following marital property regimes:

- Community property, under which all assets and liabilities of the spouses, whether acquired before or during the marriage, are held in common. Certain exemptions apply.
- Partial community property, under which assets acquired during the marriage are held in common.
- Separate property, under which assets acquired before and during the marriage are held separately.
- Final participation in the assets, under which each spouse has his or her own wealth, and in case of divorce, the couple divides only the assets acquired during the marriage.

The above regimes apply to heterosexual and same-sex couples married under the laws of Brazil. The partial community property regime automatically applies unless the spouses elect one of the other regimes in a prenuptial agreement.

Driver's permits. Immigrants from countries included in the Vienna Convention may drive legally in Brazil with their home country driver's licenses for up to 180 days. They can also use an international driver's license. These licenses are usually valid for one year. To drive in Brazil after this period, immigrants must obtain a Brazilian driver's license.

Fine and penalties. Penalties are imposed in case of violations of the immigration rules. Breaches committed by individuals face fines ranging from BRL100 to BRL10,000 per occurrence and those that are committed by a legal entity may range from BRL1,000 to BRL1 million per breach. In the case of recurrence, these penalties may be increased from one to five times and may reach BRL5 million.

British Virgin Islands

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A. Payroll tax

General. Under the Payroll Taxes Act, 2004, corporate tax, Pay-As-You-Earn (PAYE) income tax and any other income tax payable under the Income Tax Ordinance is applied at a 0% rate. Payroll tax is imposed on the following:

- Remuneration provided in cash or in kind by employers to employees and deemed employees
- Remuneration received in cash or in kind by self-employed persons
- Any benefits received in cash or in kind by employees, deemed employees or self-employed persons as a result of his or her employment

Remuneration is defined as the payment an employee receives for services rendered to his or her employer. The first USD10,000 of earnings is exempt from payroll tax. Persons receiving remuneration from a second employment are not entitled to the exemption of USD10,000 with respect to that remuneration because the exemption is granted only once.

Employers must pay the payroll tax, regardless of whether they withhold payroll tax from employee remuneration. Employers may withhold 8% of the remuneration of an employee and pay the amount withheld together with the balance of the tax due to the Department of Inland Revenue. Employers may not withhold payroll tax from the first USD10,000 paid to an employee in a tax year.

Individuals are not subject to tax on investment income in the British Virgin Islands.

Rates. The applicable rate of payroll tax depends on whether the employer is classified as a Class I employer or Class II employer.

Class I employers. For Class I employers, which include self-employed persons, payroll tax is imposed at a rate of 10%.

A Class I employer or self-employed person is one who meets the following conditions:
- Its annual payroll does not exceed USD150,000.
- Its annual turnover or gross receipts does not exceed USD300,000.
- The total of its employees and deemed employees does not exceed seven.

Class II employers. For Class II employers, which include self-employed persons, payroll tax is imposed at a rate of 14%.

A Class II employer is an employer that does not satisfy all of the requirements for qualification as a Class I employer.

Capital gains. No tax is levied on capital gains. However, transfers of real property are subject to stamp duty at a rate of up to 4% of the sales price or market value of the property, whichever is higher. The rate of the duty is increased to 12% if the sale is made to a non-British Virgin Islander. British Virgin Islanders are persons who are born in the British Virgin Islands or who obtain "belonger" status, as defined by law.

B. Social security and health insurance

Social security. All employers and employees must contribute to the National Insurance Scheme. The total contribution rate is 8.5%; employers pay 4.5% and employees pay 4%. Contributions are based on the amount of weekly or monthly wages, up to maximum weekly wages of USD815 or to monthly wages of USD3,531.66. Consequently, the maximum annual contribution is USD1,907.01 for employers and USD1,695.20 for employees.

Health insurance. The National Health Insurance (NHI) regime requires employers and employees to pay 3.75% each on the employee's monthly income. The maximum income on which NHI premiums is assessed is two times the upper wage limit for social security contributions, which equals USD7,063.34 per month. Consequently, the maximum monthly amount payable by employees and employers is USD264.88 each. Employees also must to contribute an additional 3.75% on behalf of an unemployed spouse.

C. Tax filing and payment procedures

The tax year is the calendar year. Employers and self-employed persons must pay the payroll tax within 21 days after the end of each month for which the tax is due. A failure to comply with this rule results in the imposition of a penalty of 5% on the outstanding tax. The Commissioner of Inland Revenue may request that a return of payroll or remuneration for a tax year be submitted to the Inland Revenue.

Married persons are taxed separately.

D. Temporary permits

In general, all visitors may enter the British Virgin Islands if they meet certain requirements.

A person entering the British Virgin Islands to visit must satisfy the Immigration Officer at the port of entry that he or she satisfies all of the following requirements:
- He or she possesses a valid travel document.
- He or she does not intend to remain permanently in the British Virgin Islands.
- He or she has sufficient funds to support himself or herself, as well as any dependents, without working for the duration of his or her stay, and can meet the cost of return or onward travel. In general, a return ticket is required.

Citizens of the British Commonwealth, except Guyana and Jamaica, do not require visas to visit the British Virgin Islands.

All visitors to the British Virgin Islands are allowed entry without medical certification for 30 days. After the 30-day period expires, visitors can apply for an extension with the Department of Immigration.

E. Work permits and self-employment

Persons who are employed in the British Virgin Islands on a temporary or periodic basis must obtain temporary or periodic work permits (as applicable).

Work permits for foreign nationals are issued by the Labour Department for specific positions with specific employers if the positions cannot be filled locally. The permits are usually valid for one-year periods. However, one month before expiration, they may be submitted for renewal. Temporary work permits are issued to persons to enter and work in the British Virgin Islands for a single period not exceeding three months. Periodic work permits are issued to persons to enter and work in the British Virgin Islands for short periods within a one-year period.

Individuals in the following categories are not required to obtain work permits:
- Expatriate government employees from other territories who possess a letter from the British Virgin Islands' government offering them employment.
- Expatriates married to local men and women for at least three years. However, they must apply to the Ministry of Labour for this exemption.
- Children of expatriates who have completed their primary and secondary education in the British Virgin Islands.
- Individuals entering the British Virgin Islands to provide volunteer services. They are issued an exemption on application to the Ministry of Labour.

In general, an applicant cannot reside in the British Virgin Islands during the period during which his or her work permit application is being processed. However, if the applicant is changing employers and has worked and lived in the jurisdiction for five years or more, he or she is not required to leave while his or her work permit is being processed. Approval of work permits may be

issued within six to eight weeks if all of the appropriate documentation is in order when it is submitted to the Labour Department.

A person coming to the British Virgin Islands for the purpose of employment must produce the following documents at the port of entry:

- A letter issued to his or her prospective employer by the Labour Department approving employment in the British Virgin Islands together with all documents stipulated in the letter. The possession of such a letter does not absolve the holder from complying with visa or immigration requirements.
- A certificate of good health from the country where the applicant lived before arrival.
- A recent Police Certificate of Character issued by the police department in the applicant's country of residence or any other country where the applicant has lived since becoming 18 years old.
- Evidence of a return travel booking to the applicant's country of origin.
- Two passport-size photos.
- Proof of address in the jurisdiction.

Applicants wishing to establish businesses in the British Virgin Islands must obtain the following:

- Trade licenses from the Chief Minister's Office
- Work permits from the Labour Department
- Documents required for permanent residence
- Entry permits from the Immigration Department

F. Annual and permanent residence

Permanent residency is reserved for those individuals who have lived in the British Virgin Islands continuously for 20 years or more, and who qualify after normal screening processes. Applicants for permanent residence must satisfy the same requirements at the port of entry as other visitors (see Section E).

If a person does not satisfy the 20-year requirement, he may instead apply for permission to reside in the British Virgin Islands. Permission to Reside is effectively an entry permit that is renewable from year to year. A successful application involves establishing to the Chief Immigration Officer that the applicant is of good character and, more importantly, has sufficient funds to support himself or herself and any dependents while in the British Virgin Islands. This requirement may be satisfied by producing bank statements, a statement of pension entitlement or any other evidence that the applicant has funds adequate for this purpose. The holders of this status are not eligible for work permits and cannot legally work in the British Virgin Islands.

An application for permission to reside must be submitted to the Chief Immigration Officer of the Immigration Department and must be supported by the following:

- Evidence that the applicant wishes to make the British Virgin Islands his or her home
- Evidence of financial support for the applicant and any dependents
- Evidence of marriage, if applicable
- Evidence of birth
- Photograph of applicant and any dependents

- A certificate of good health from the country of embarkation
- Two copies of a Police Certificate of Character, one from the applicant's country of birth and one from his or her country of residence prior to arrival
- Immunization records for children
- School transcripts for children
- Application to ministry of education for children

G. Family and personal considerations

Marital property regime. No community property or other similar marital property regime is in effect in the British Virgin Islands.

Driver's permits. An expatriate can drive legally in the British Virgin Islands using his or her home country's driver's license for one month. However, because the British Virgin Islands does not have driver's license reciprocity with any other countries, a foreign national must obtain a temporary three-month driver's license from the Department of Motor Vehicles in the British Virgin Islands. To obtain the temporary license, proof of a current valid driver's license from the expatriate's home country must be provided to the Department of Motor Vehicles. On expiration of the temporary driver's license, the applicant may apply for a permanent driver's license within one month by presenting his or her work permit, documents of residency or certificate of land ownership, and taking a written and road test within one month of residing in the British Virgin Islands. A visitor may apply for a three-month temporary license by providing a valid foreign license and passport to prove that he or she is not a resident. Expatriates now must now take both written and road tests to obtain a permanent driver's license.

Brunei Darussalam

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A. Income tax

Individuals are exempt from income tax in Brunei Darussalam.

Individuals who are partners are not subject to tax on their apportioned shares of partnership income.

B. Capital gains

No capital gains tax is levied in Brunei Darussalam.

C. Estate tax

No estate tax is levied in Brunei Darussalam.

D. Social security

Brunei Darussalam does not impose social security taxes. However, under the government-run Tabung Amanah Pekerja (TAP) and Supplementary Contributory Pension (SCP) employee trust fund schemes, employees who are Bruneian citizens or permanent residents and their employers are required to contribute to the funds for the benefit of the employees. Under the TAP scheme, employees must contribute at least of 5% of their basic salaries to the fund and employers must make a contribution at a minimum rate of 5% for their employees. Under the SCP scheme, the employees' and employers' contributions are calculated at a rate of 3.5% of basic salaries of the employees. These contributions are each subject to a maximum contribution of BND98 per month per employee. The employers withhold the employees' contributions. These contributions and the employers' contributions are payable monthly by the employers to the funds. These schemes do not apply to foreign nationals who are not permanent residents.

E. Double tax relief and tax treaties

Brunei Darussalam has entered into double tax treaties with Bahrain, Cambodia, China Mainland, the Hong Kong Special Administrative Region (SAR), Indonesia, Japan, Korea (South), Kuwait, Laos, Luxembourg, Malaysia, Oman, Pakistan, Qatar,

Singapore, the United Arab Emirates, the United Kingdom and Vietnam. In addition, Brunei Darussalam has signed a tax treaty with Tajikistan, but this treaty has not yet been ratified.

F. Visitor visas

In general, visitors must obtain entry visas before their visits to Brunei Darussalam. However, nationals of various countries with which Brunei Darussalam has visa arrangements are exempt from the requirement to obtain visas for visits of up to either 14 or 30 days. Visitors from the United States are exempt from the requirement to obtain visas for visits not exceeding 90 days.

Visitors to Brunei Darussalam may not take up remunerated employment during their stay in the country without the prior approval from the relevant authorities.

G. Work visas and self-employment

Employers in Brunei Darussalam who wish to hire foreign workers are allocated quotas that permit them to employ foreign nationals. An applicant is advised to verify with his or her potential employer that an appropriate quota is available and is suitable for the employment position and nationality of the applicant.

As in most countries, foreign workers may be employed in Brunei Darussalam for positions that cannot first be satisfied by citizens or permanent residents of the country. Therefore, employers may sometimes be required to provide justification to support their desire to hire foreign individuals by documenting their efforts to first hire locals.

For health security reasons, all foreign individuals whose applications to work in Brunei Darussalam are approved must undergo medical screening tests conducted by the Ministry of Health. This screening is not required for their spouses and dependent children.

Employment visas. To work in Brunei Darussalam, foreign nationals must obtain employment visas, which are usually granted for an initial period of up to two years, and subsequently extended for two-year periods, if certain requirements are met.

The following are the procedures to obtain an employment visa in Brunei Darussalam:

- The employer must apply to the Department of Labor for a foreign workers' license by submitting an application through an approved employment agency. The application must state the employment position and nationality of the prospective employee. It takes about 14 working days or less for a foreign workers' license to be issued.
- The employer must then enter into an employment contract with the employee, which must be filed with the Department of Labor. The employee may also be required to attend an interview.
- The employer must submit copies of the foreign workers' license, employment contract and employee's passport to the Department of Immigration, together with a security deposit to cover the employee's repatriation expenses. It usually requires one to two weeks for an employment visa to be issued.
- An employment visa is initially granted on a temporary basis, usually for three months, during which the employee must undergo medical tests. The employee must also obtain an

identity card, normally renewable every two years, which is issued by the Department of Immigration.
- On expiration of the initial temporary visa, if the results of the medical tests are satisfactory, an employment visa valid for a two-year period is normally granted.

The applicant may not undertake employment in Brunei Darussalam until the employment visa is granted. He or she is required to be in the country when the application for an employment visa is made with the Department of Immigration.

Self-employment. Self-employed foreign nationals, who are professionals, including doctors, dental surgeons, lawyers, accountants, architects and consulting engineers, may set up practices in Brunei Darussalam. Before applying for an employment visa, however, the professional must apply for a practicing license from the relevant government ministry. Applications are considered on a case-by-case basis.

H. Permanent residence visas

Brunei Darussalam has a restrictive policy on granting visas to foreign nationals wishing to take up permanent residence. Applications are usually turned down unless the foreign individual has a business or is a professional, has sufficient assets in Brunei Darussalam and has resided or been working in the country for at least 20 years, in which case the application may be considered. A foreign individual married to a Brunei Darussalam national may apply for a permanent residence visa under certain conditions.

I. Family and personal considerations

Family members. The spouse and dependent children of a foreign national working in Brunei Darussalam generally are not permitted to engage in any form of remunerated employment in Brunei Darussalam. If they wish to work, they must qualify independently for employment visas.

Student passes are required for dependent children and are processed in Brunei Darussalam. The International School Brunei and Jerudong International School, whose curricula are generally based on the British system, are available for expatriate children.

Driver's permits. Holders of a valid driving license obtained in other countries are usually permitted to drive in Brunei Darussalam for a limited period.

A holder of a foreign driver's license who wishes to obtain a Brunei Darussalam license may apply to the Department of Land Transport for exemption from having to take a full driving test. Full or partial exemption may be granted, depending on how long the applicant has had a valid license and on the country that issued the applicant's license.

If no license is held, a full driving test, which includes both written and practical examinations, must be taken. Applicants are advised to seek professional help from driving schools because the administrative and application procedures may be complicated and the waiting time for a driving test appointment may take up to three months.

Bulgaria

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A. Income tax

Who is liable

Territoriality. Individuals who are tax residents in Bulgaria are subject to income tax on their worldwide income. Individuals who are nonresidents for tax purposes are subject to income tax on their income from a source in Bulgaria.

Definition of tax resident. An individual is considered a tax resident for a calendar tax year if he or she satisfies either of the following conditions:
- On any day in that year, he or she has spent more than 183 days in Bulgaria in the previous 12 months.
- His or her center of vital interests is considered to be in Bulgaria.

Days of entry and departure count as days of presence in Bulgaria.

The center of vital interests is considered to be in Bulgaria if the individual's personal and economic interests are tightly connected to Bulgaria based on actual facts and circumstances such as family residence, real estate owned or place of work.

Tax residence status is determined for the entire tax year, which coincides with the calendar year.

Income subject to tax

Employment income. Employed individuals are subject to income tax on remuneration (money or benefits in kind) paid or provided by or on behalf of an employer. Income derived from employment activities performed in Bulgaria has a Bulgarian source. The following employment income is exempt from tax:
- The amount of per diems received by an outbound employee of a Bulgarian employer that are related to business trips within Bulgaria and abroad up to double the statutory amounts determined by law if the trip does not constitute posting in line with the European Union (EU) rules on posted workers
- Travel and accommodation expenses relating to business trips covered by supporting documentation

- Certain social benefits provided by and taxed at the level of the employer

Employer-provided share units or options are taxed as employment income at the time of the transfer of the shares.

Private use of company assets is also considered employment income and can be reported either at the individual or company level, at the option of the employer. The employer must apply the chosen reporting with respect to all employees and cannot apply different reporting regimes for different employees.

Self-employment and business income. Self-employment and business income is income derived from professional services and business activities, such as the following:
- Income from activity as a sole entrepreneur
- Copyright royalties
- Agricultural income
- Forestry income
- Earnings from other self-employment and non-employment activities

A fixed deduction of 25%, 40% or 60% of gross revenue applies, depending on the type of activity, with the exception of sole entrepreneurs, who may deduct the actual expenses of the business.

Interest income. Interest income is taxable at a rate of 10%. Interest realized by Bulgarian tax residents from bank deposits is subject to withholding tax of 8%.

Directors' fees. Management income, including directors' fees, paid to residents is taxed as employment income. Any deductions that may be applied to residents may be claimed by nonresidents who are residents of EU countries and Norway through the filing of an annual tax return (see Section D).

Other income. A fixed deduction equal to 10% of revenue applies when determining the taxable rental income of residents. Nonresidents who are residents of other EU countries and Norway may apply the same deduction through the filing of an annual tax return (see Section D).

Payments for rights, damages and indemnities to residents in low-tax jurisdictions are subject to withholding tax at a rate of 10%.

Dividends and liquidation proceeds from participations in the profits of Bulgarian entities are considered Bulgarian-source taxable income. Foreign-source dividend income derived by Bulgarian tax residents is also taxable in Bulgaria at a rate of 5%.

Capital gains

Shares. Income derived from the sale of shares and other financial assets is taxable if a gain has been realized. Gains on disposals of securities traded through the Bulgarian or an EU/EEA stock exchange are exempt from tax.

The taxable gain is the positive difference between the total amount of profits realized during the year less the total amount of losses during the year, both determined for each transaction.

Non-monetary contributions to the capital of a company. For non-monetary contributions to the capital of a company, no tax is levied at the moment the contribution is made. However, if the contribution is subsequently sold, followed by a reduction in capital and payment to the shareholder, the realized gain is taxable at the individual level.

Real estate. Bulgarian and EU/EEA tax residents are not subject to tax on a gain derived from the disposal of one principal private residence in a year if the residence has been owned for at least three years. Such residents are also exempt from tax on gains derived from up to two other real estate properties if the properties have been owned for at least five years.

A fixed deduction of 10% of the taxable gain (sales price minus purchase price) on the disposal of real estate applies.

Exempt income. Income from scholarships, pensions derived from compulsory social security schemes in Bulgaria and abroad, alimony and certain insurance payments are not taxable.

Deductions. Individuals may claim deductions only if they have no outstanding public liabilities subject to public enforcement at the time of claiming the deduction.

Donations. Gifts and donations to Bulgarian and similar EU/EEA charitable institutions and other welfare institutions are deductible up to 5% of the annual tax base. A deduction of up to 50% applies to gifts and donations to special funds for children's medical treatment and assisted reproduction.

Child benefits. Bulgarian and EU/EEA tax residents may now deduct BGN200 per child from their annual tax base for up to three minor children. A deduction of BGN2,000 from the annual tax base is also available for taking care of a child with disabilities. Only one of the parents or legal guardians can benefit from these deductions.

Mortgage interest. Interest paid on the first BGN100,000 of a mortgage loan is tax deductible for married couples if all of the following conditions are satisfied:

- The taxpayer or his or her spouse was below the age of 35 when the mortgage agreement was concluded.
- The mortgage loan contract is entered into after the date of the marriage.
- The real estate subject to the mortgage is the only property owned by the family.

This deduction is also available to nonresidents from other EU/EEA countries.

Mandatory social security and health insurance contributions. Social security and health insurance contributions made by individuals to mandatory Bulgarian and EU/EEA systems are deductible for tax purposes. Official documentation from the social security institution must be presented as proof for the paid contributions. The deduction can be applied on a monthly or on an annual basis.

Voluntary social security contributions. Deductions equaling up to 10% of the tax base may be claimed for voluntary pension contributions by individuals. In addition, deductions equaling up to 10% of the tax base may be claimed for voluntary health and life insurance contributions made by individuals to Bulgarian or EU/EEA authorized funds.

Deduction for cashless payments. A deduction of 1% of the tax due (but no more than BGN500) may be claimed by individuals who have received 100% of their income into their bank accounts and have spent at least 80% of it by making cashless payments.

Tax rates. The rate of income tax is a flat 10%, except for dividend income, which is taxed at a rate of 5%, and the income of sole entrepreneurs, which is taxed at a rate of 15%.

B. Inheritance and gift taxes

Inheritance tax is levied on all property located in Bulgaria and is paid by the recipient. Property located outside Bulgaria that is owned by Bulgarian citizens is also subject to inheritance tax. Spouses, parents and more remote ancestors and direct descendants are not subject to inheritance tax. The following flat rates apply for determining the inheritance tax for other heirs:

- For brothers, sisters and their children, the tax rate ranges from 0.4% to 0.8% (determined by the local Municipal Council of the last permanent residence of the deceased) for an inheritance share over BGN250,000
- For other heirs subject to inheritance tax, the tax rate ranges from 3.3% to 6.6% (determined by the local Municipal Council of the last permanent residence of the deceased) for an inheritance share over BGN250,000

Property acquired as a gift is taxable unless the gift is given by a spouse or the gift is made between descendants. The tax base is the value of the property at the moment of transfer determined by the tax authorities or the Municipal Council. The applicable rates vary by location and type of property.

C. Social security

Contributions. Different social security regimes apply to employees and self-employed individuals. Social security contributions payable by self-employed individuals vary depending on the individual's activity.

Individuals performing working activities in Bulgaria are subject to Bulgarian mandatory social security contributions unless an exemption is provided. Labor is divided into three categories, depending on the characteristics of the work performed. Professions involving harmful or risky conditions are included in the first or second category. The following table provides the rates effective from 1 January 2019 for contributions payable by employers and employees with respect to employees in the third labor category (normal work conditions) who were born after 1 January 1960 and work under employment contracts governed by the Labor Code.

	Employer's share (%)	Employee's share (%)	Total (%)
Pension Fund	8.22	6.58	14.8
Illness and Maternity Fund	2.1	1.4	3.5
Accident and Occupational Disease Fund	0.4 to 1.1*	0	0.4 to 1.1
Additional mandatory social insurance for individuals born on or after 1 January 1960	2.8	2.2	5
Unemployment Fund	0.6	0.4	1
Health insurance	4.8	3.2	8

* The percentage depends on the category of basic economic activities into which the company falls.

The monthly social security base is capped at BGN3,000.

Coverage. Employees working in Bulgaria under an employment contract are covered under all of the social security funds, as well as the Pension Fund.

Sole entrepreneurs and freelancers insure themselves by paying contributions on a level of monthly income selected by them of at least BGN560. For these individuals, the annual amount of social security and health insurance contributions is recalculated at the end of the year based on actual annual income received, up to a maximum of BGN36,000. The rate of the contribution is 27.8% or 31.3%, depending on the scope of coverage desired.

Exemption. Exemption from paying social security contributions in Bulgaria may apply under the provisions of EU Regulation 883/2004 or a bilateral social security agreement. Bulgaria has entered into bilateral social security agreements with the following countries.

Albania	Korea (South)	Russian Federation
Bosnia and Herzegovina	Libya	Serbia
Brazil (b)	Moldova	Tunisia
Canada	Montenegro	Turkey (a)
Israel	Morocco (b)	Ukraine
	North Macedonia	

(a) This agreement has a limited scope of applicability.
(b) This agreement has been ratified and is pending entry into force.

D. Tax filing and payment procedures

Payment of tax

Employment income. An advance tax payment on employment income is due on a monthly basis. The employer withholds advance tax from the salary payment and must remit and report it to the tax authorities by the 25th day of the month following the month of payment of the income. A tax rate of 10% is applied to the tax base.

Self-employment and business income. Self-employed individuals must pay advance tax of 10% by the end of the month following the quarter of the earning of the income.

Advance tax of 15% applies to income derived from activities of sole entrepreneurs under the provisions of the Corporate Tax Act.

Directors' fees. Management income is treated as employment income if derived by residents. If nonresidents derive management income with a Bulgarian source, it is subject to 10% withholding tax. Management income earned from a fixed place of business outside Bulgaria is specifically distinguished from employment income.

Rental income. Rental income is subject to a 10% tax. This tax must be withheld and reported on a quarterly basis by the tenant if the tenant is an enterprise or a freelancer. For foreign entities or freelancers who do not have Bulgarian reporting obligations, the reporting must be done by the recipients of the income.

Interest income. Interest income is taxable at 10% on an annual basis. Withholding tax at a rate of 10% applies to nonresidents. Interest on bank deposits is taxable at a rate of 8%.

Dividend income. A 5% withholding tax applies to income from dividends and liquidation distributions received from resident entities.

Capital gains. A tax rate of 10% applies to capital gains, which are reported in annual tax returns for residents and quarterly tax returns for nonresidents.

Harmonization. Nonresidents who are residents of EU countries or Norway may apply the same deductions applicable for residents and claim the refund of the excess tax withheld or paid in advance through the filing of an annual tax return.

Tax returns

Quarterly tax returns. Certain types of income are subject to quarterly tax payment and reporting by both residents and nonresidents.

Annual tax returns. Annual tax returns must be filed and the balance of tax due must be paid by 30 April of the year following the tax year. Extensions are not possible. Effective from 1 January 2019, individuals must file annual tax returns electronically. The submission must be completed on the National Revenue Agency website via a Personal Identification Code. Tax return filing requirements do not apply to individuals who receive only employment income during the year if they have no outstanding tax liabilities and do not use tax relief. Individuals may benefit from this exception even if they have no employer on 31 December 2019 or their employer does not perform an annual reconciliation. Heirs may file a tax return on behalf of the deceased after the statutory deadline but no later than six months following the opening of the estate.

Discount. The Bulgarian income tax law provides for a 5% discount on the balance between the total annual tax liability (but no more than BGN500) and the advance tax payments made throughout the year if the following conditions are satisfied:

- The individual has no other outstanding public liabilities subject to public enforcement.
- The tax return is filed online by 31 March of the following year.
- The tax is paid by 31 March of the following year.

Penalties. Late filings and tax payments result in administrative fines and penalties.

E. Double tax treaties

The double tax treaties recently entered into by Bulgaria closely follow the Organisation for Economic Co-operation and Development (OECD) model treaty. Bulgaria has entered into double tax treaties with the following countries.

Albania
Algeria
Armenia
Austria
Azerbaijan
Bahrain
Belarus
Belgium
Canada
China
Croatia
Cyprus
Czech Republic
Denmark
Egypt
Estonia
Finland
France
Georgia
Germany
Greece
Hungary
India
Indonesia
Iran
Ireland
Israel
Italy
Japan
Jordan
Kazakhstan
Korea (North)
Korea (South)
Kuwait
Latvia
Lebanon
Lithuania
Luxembourg
Malta
Moldova
Mongolia
Morocco
Netherlands
North Macedonia
Norway
Poland
Portugal
Qatar
Romania
Russian Federation
Serbia
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sweden
Switzerland
Syria
Thailand
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan
Vietnam
Yugoslavia*
Zimbabwe

* The treaty applies to Bosnia and Herzegovina, Montenegro and Serbia.

F. Entry and visa requirements

EU nationals, citizens of EEA member states and citizens of Switzerland. EU nationals, citizens of EEA member states and citizens of Switzerland may benefit fully from the right of free movement. They may enter Bulgaria based on a valid identification card or international passport and reside freely in the country. Individuals who intend to spend more than three months in Bulgaria should register with the Bulgarian Immigration Office. A long-term residence certificate is obtained through this registration.

Other nationals enjoying a visa-free regime. Nationals of countries under Annex II of Council Regulation 539/2001, as well as holders of Schengen visas and residence permits issued by Schengen countries, Liechtenstein and Switzerland, are not required to obtain visas. They may stay in Bulgaria for up to 90 days within each 6-month period, counting from the date of the first entry into Bulgaria. These individuals are required to possess valid international passports to enter the country. If they intend to work or engage in self-employment activities in Bulgaria, they are subject to the same regime as citizens of non-preferred countries.

Holders of valid residence cards issued by other EU member states are not subject to visa requirements for Bulgaria.

Citizens of non-preferred countries. Citizens of non-preferred countries (countries whose nationals are not subject to a visa-free regime) need a valid international passport and a Bulgarian visa to enter the country. Citizens of some non-preferred countries may require a Type C visa to travel through the country or an air transit visa to stay in the international transit zone of a Bulgarian airport.

Visas. Visas are issued by the Bulgarian diplomatic and consular offices abroad. The following are the types of visas:
- Type A: air transit visa.
- Type C: short-term visa for a total stay of up to 90 days during a 6-month period beginning from the date of first entry. A Type C visa may be issued for tourist or business purposes. The Type C visa can be a single- or multiple-entry visa.
- Type D: long-term visa for a total stay of up to 180 days. The Type D visa is also a prerequisite for a long-term residence permit. In exceptional cases, a Type D visa may be issued for a period of 360 days, such as for seconded personnel of an employer certified in accordance with the International Investments Act. The Type D visa also allows multiple entries into Bulgaria.

G. Work permits, EU Blue Cards and self-employment

EU nationals, citizens of EEA member states and citizens of Switzerland. EU nationals, citizens of EEA member states and citizens of Switzerland enjoy the right of free movement within the EU. They do not need to obtain a work permit or register with the Employment Agency to work or engage in self-employment activities in Bulgaria.

Individuals enjoying preferential treatment. The following individuals do not need a work permit to work in Bulgaria:
- Permanent or long-term residence permit holders
- Family members of EU, EEA and Swiss nationals
- Individuals granted asylum or humanitarian status
- Individuals to whom the provisions of an international agreement apply

Other nationals. Individuals not enjoying preferential treatment who intend to work in the country under a local employment contract or under the terms of a secondment or intracorporate transfer must obtain a work permit from the Employment Agency.

Amendments to the Labor Code and a new ordinance on assignments introduce new rules on the posting of workers under service provision agreements and as part of intra-corporate transfers. The amendments introduce an obligation for foreign companies posting employees to Bulgaria to notify in advance the Labor Inspectorate of each posting as well as to appoint a representative in Bulgaria.

Applications for work permits are submitted by the Bulgarian entity that would employ or host the third-country nationals. Individuals who obtain work permits are authorized to work only for that employer.

Work permits are issued to foreign nationals who possess proper education, special skills or professional experience, suitable to the position they intend to take. In most cases, the Bulgarian employer must perform a labor market test to establish the lack of Bulgarians and individuals enjoying preferential treatment who are suitable for the position. The market test requirement can be avoided under specific circumstances.

The number of non-EU nationals employed by a company may not exceed 20% (for large enterprises) or 35% (for small and medium-sized enterprises) of the average number of Bulgarian nationals and individuals enjoying preferential treatment that were employed by the company in the preceding year. The ratio of foreign to local employees does not apply in cases of applications for work permits based on secondments or intracorporate transfers.

The term of validity of the standard work permit is up to one year and may be renewed each year (for up to three years). In general, non-EU nationals may not reside in Bulgaria while their work permit application is being processed.

Highly qualified foreign employees can be granted EU Blue Cards subject to prior approval by the Employment Agency. Under the newly adopted amendments to the Bulgarian immigration law, effective from 23 May 2018, a Bulgarian employer is not required to conduct a labor market test to establish the lack of Bulgarians who are suitable for the position. An EU Blue Card allows its holder to work and reside in Bulgaria for up to four years.

As of October 2015, a new facilitated regime was introduced for the obtaining of work permits by highly qualified third-country nationals as part of the procedure for acquiring EU Blue Cards. This regime decreased by half the waiting time for the applicants.

Foreign nationals intending to perform self-employment activities in Bulgaria should apply for a permit before entering the country.

H. Residence certificates and permits

Residence certificates. Residence certificates are issued to EU, EEA and Swiss nationals who intend to reside in Bulgaria for a period exceeding three months. Long-term and permanent residence certificates may be issued.

A long-term residence certificate is issued for a term of up to five years. To obtain a residence certificate, an EU, EEA or Swiss national must present evidence of sufficient funds, accommodation and health insurance. Residence certificates are also granted to such nationals who are employed by a Bulgarian employer or are enrolled in a Bulgarian educational institution. EU, EEA or Swiss nationals who hold a residence certificate may apply for a biometric residence certificate card.

EU, EEA or Swiss nationals may apply for permanent residence certificates if they have resided legally in Bulgaria for longer than five years. The granting of a permanent residence certificate is subject to some additional conditions. The term of a permanent

residence certificate is indefinite, subject to the renewal of the issued identification card each 10 years, similar to the standard process for the renewal of identification documents for Bulgarian citizens.

Residence permits. Residence permits may be issued to non-EU nationals who have entered Bulgaria with a Type D visa.

Prolonged residence permits are generally issued for a stay of up to one year, most often on the basis of employment, study, marriage or a management agreement. Depending on the grounds for application, the non-EU national must present a specific set of documents to the Immigration Office.

Non-EU nationals, who have legally and continuously resided in Bulgaria for the preceding five years, can acquire permanent resident status. Holders of permanent resident status enjoy equal treatment with Bulgarians with respect to access to work and self-employed activities and certain other matters.

Permanent residence permits are issued for an indefinite period. Permission for a permanent stay is also granted to foreign nationals who have a substantial link to Bulgaria, such as the following:

- They have been married to a Bulgarian national for more than five years.
- They are of Bulgarian origin.
- They have made a large investment in the country.

Investors. Long-term and permanent residence permits can be obtained based on investment in Bulgaria. For long-term residence permits, an additional requirement is that the foreigner must settle in Bulgaria. Greater investments must be made to obtain a permanent residence permit without settling in Bulgaria. A family member of a permanent resident based on investment can also obtain a permanent residence permit for the same period as the initial holder's residence. Recent amendments to local legislation provide opportunities for an individual and his or her family members to obtain Bulgarian citizenship based on an investment even though the investor does not have knowledge of Bulgarian and maintains other citizenships.

I. Family and personal considerations

Family members

Family members of EU, EEA or Swiss nationals. Family members of EU, EEA or Swiss nationals who are not citizens of EU member states themselves can benefit from the right of free movement within the EU. They do not need a work permit to begin an employment relationship in Bulgaria. However, they need to register their employment with the Employment Agency. They may enter Bulgaria with an international passport and, if required as a result of their nationality, a visa. They can apply for a long-term residence permit on the grounds of their family relationship with an EU, EEA or Swiss national. The term of validity of a residence permit of a family member depends on the term of residency of the EU, EEA or Swiss national whom the family member is accompanying. However, the term cannot exceed five years.

Family members of non-EU, EEA or Swiss nationals. Family members of non-EU, EEA or Swiss nationals must have separate

permits to reside in Bulgaria. They can apply for a residence permit on completion of a family reunion immigration procedure on the grounds of their family relationship with Bulgarian residence permit holders. The term of validity of their residence permits depends on the term of the residence permits granted to the non-EU, EEA or Swiss nationals whom they are accompanying.

They should apply independently for their own work permits if they wish to take up employment in Bulgaria.

Family members of an EU Blue Card holder can acquire a derivative residence permit for the period of validity of the EU Blue card. Family members of a foreigner with permanent resident status can acquire a Bulgarian residence permit for up to one year with an option for an extension.

Marital property regime. Married couples whose marital relationships are governed by Bulgarian law may choose between a community property regime or separation of assets regime. They may also choose to govern their relationship through a written marriage agreement.

The default regime is community property, under which all property acquired during marriage, except by gift or inheritance, is community property. However, on termination of the marriage each spouse is solely entitled to the property he or she brought to the marriage.

Under the separation of assets regime all property acquired during marriage belongs to the acquirer. On termination of the marriage, one spouse can claim part of the property that the other spouse acquired with his or her assistance.

Forced heirship. Bulgarian succession legislation provides for a "reserved part right" that entitles close relatives (surviving spouse, descendants and parents) to inherit a reserved part of an estate, regardless of the provisions of a will. The rules apply to the estate of a Bulgarian citizen or to property located in Bulgaria.

Driver's permits. Foreign nationals, who reside in Bulgaria and have a valid driver's license issued by EU or EEA member states or Switzerland, may drive legally in Bulgaria. Holders of licenses issued by other states that signed the Vienna Convention for Traffic Rules may drive legally in Bulgaria for up to one year.

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A. Income tax

Who is liable. Cambodian resident and nonresident individuals are subject to Tax on Salary (ToS) on income from their employment activities and withholding tax on certain types of income. Resident individuals are subject to ToS on their worldwide employment income, while nonresident individuals are subject to tax on their Cambodian-source employment income only. For withholding tax rates, see the sections below.

For tax purposes, an individual is considered to be a resident if he or she has his or her residence or his or her principal place of abode in Cambodia or if he or she is present in Cambodia for more than 182 days in any period of 12 months ending in the current tax year.

Income subject to tax

Employment income. The taxation of the various types of employment income is described below.

ToS applies to employment income, which includes salary, remuneration, wages, bonus, overtime, compensation and fringe benefits. Salary from employment activities advances and loans are taxable, except as provided below. However, taxable salary consists of all payments in cash or in kind except payments classified as fringe benefits. Fringe benefits are subject to a separate tax regime called the Tax on Fringe Benefits (ToFB; see *Tax on Fringe Benefits*).

Salary and fringe benefits received in foreign currency are converted to Cambodian riel in calculating taxable income.

The following categories of employment income are exempt from tax:
• Reimbursement of employment-related expenses
• Indemnity for a layoff within the limit provided in the Labor Law

- Additional remuneration with social characteristics as indicated in the Labor Law
- Flat allowance for mission and travel expenses (per diem for field work done by employees)
- Allowances for special uniforms or professional equipment
- Salaries of members of the National Assembly and Senate, and employees of approved diplomatic and international aid organizations

Self-employment and investment income. The following table provides the progressive tax rates for profits realized by individuals and for distributive shares of members of pass-through entities that are not classified as legal persons.

Annual taxable profit		
Exceeding KHR	**Not exceeding KHR**	**Rate %**
0	12,000,000	0
12,000,000	18,000,000	5
18,000,000	102,000,000	10
102,000,000	150,000,000	15
150,000,000	—	20

Currently, no procedure exists for individuals to report income tax on their income. As a result, the tax authority does not collect income tax based on the above table. Tax on individuals' income is collected only through withholding tax.

Withholding tax is imposed on resident individuals at the following rates:
- Royalties and services: 15%
- Interest income: 4% (non-fixed term deposits at domestic banks), 6% (fixed term deposits at domestic banks) and 15% (paid by resident taxpayers except banks)
- Rental income: 10% (except payments received by real estate companies for subleased property)

Withholding tax at a rate of 14% applies to all payments of Cambodian-source income by a resident or permanent establishment of a nonresident to a nonresident.

Capital gains. Cambodia does not have a separate capital gains tax. Any gain on the sale of fixed assets is subject to the tax on income.

Deductions. An allowance for a spouse and minor dependent children in the amount of KHR150,000 per person per month is deductible from taxable salary.

Rates. The employer must withhold ToS from Cambodian residents. ToS is imposed at progressive rates ranging from 0% to 20%. A flat rate of 20% applies to nonresidents. The following table presents the ToS rates imposed on the monthly taxable salary of residents.

Monthly taxable salary		
Exceeding KHR	**Not exceeding KHR**	**Rate %**
0	1,200,000	0
1,200,000	2,000,000	5
2,000,000	8,500,000	10

Monthly taxable salary Exceeding KHR	Not exceeding KHR	Rate %
8,500,000	12,500,000	15
12,500,000	—	20

Tax on Fringe Benefits. The Tax on Fringe Benefits (ToFB) is imposed on taxable fringe benefits provided by an employer, including the providing of, among other items, private use of vehicles, accommodation, food, utilities, household personnel, low-interest loans, discounted sales, educational assistance (except for employment-related training), insurance premiums and pension contributions in excess of the levels provided by the Labor Law.

The ToFB is borne by the beneficiary. Fringe benefits are taxable at a rate of 20% of the total value of the benefit provided. In determining the tax payable, the tax base equals the fair market value of the fringe benefit and any other applicable taxes.

Effective from 6 October 2016, the following allowances received by employees and workers for the performance of their employment activities are not subject to ToFB:

- Travel allowances from home to workplace or factory and from workplace or factory to home, and provision of accommodation or a dormitory in the factory in accordance with the Labor Law
- Food allowances provided to all employees and workers regardless of job classification and function (including overtime meals)
- Contributions to the Social Security Fund within the limit provided under the law (see Section C)
- Life and health insurance premiums provided to all employees regardless of job classification and function
- Infant allowances or nursery expenses as stipulated in the Labor Law
- Severance pay for the termination of a contract or indemnity for a layoff within the limit of the Labor Law

However, to claim the above exemptions, the employer must inform the tax authority about its allowance policy.

B. Other taxes

Net worth, gift, inheritance and estate taxes are not imposed in Cambodia.

C. Social security

The two types of social security schemes in Cambodia are pension and occupational risks. The contribution for the occupational risks scheme consists of an occupational risk contribution (ORC) and a health care contribution (HCC). The occupational risks scheme is currently being applied. However, the pension scheme has not yet been implemented.

The ORC covers work-related accidents, accidents commuting between home and the workplace and other occupational diseases. The HCC covers health problems. All employers must register with the National Social Security Fund and make an ORC of 0.8% and HCC of 2.6% of the monthly average wages of the

employees. The monthly average wage per employee is capped at KHR1,200,000 per month. As a result, the maximum ORC per employee is approximately KHR9,600 (0.8% of KHR1,200,000), and the HCC per employee is approximately KHR31,200 (2.6% of KHR1,200,000).

The ORC and HCC are not refundable.

D. Tax filing and payment procedures

Employees and other individuals are not required to file ToS and withholding tax returns with the tax authority. Employers and withholding agents must withhold ToS and other income taxes from employees and other individuals before making payments. They must file monthly ToS and withholding tax returns and remit the taxes to the tax authority on behalf of employees and other individuals.

If an employer resides outside Cambodia, it can appoint a fiscal representative (a local registered company) in Cambodia to be in charge of withholding the ToS (before making the salary payment to employees) and remitting the ToS to the Cambodian tax authority on its behalf. If no withholding of the ToS is made, the fiscal representative appointed by the foreign employer is held responsible under Cambodian law.

The ToS and withholding tax return must be filed with and the amount of tax must be paid to the tax authority by the 20th day of the following month.

Cambodia does not require the filing of an annual ToS or personal income tax return.

E. Double tax relief and tax treaties

Relief for foreign taxes. A resident person who receives foreign-source salary and who pays taxes according to the foreign tax law receives a tax credit against the ToS if supporting documents are available.

Tax treaties. Cambodia has entered into income tax treaties with Singapore and Thailand, which have been in force since 1 January 2018. It also signed income tax treaties with Brunei Darussalam, China and Vietnam, but these treaties are not yet in force.

F. Entry visas

Foreign nationals of most countries must obtain valid entry visas to enter Cambodia. However, this requirement does not apply to nationals of the member countries of the Association of Southeast Asian Nations (ASEAN) such as Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam.

Cambodia has several types of entry visas, including business (Category E), tourism (Category T) and diplomatic missions (Category A). The duration of a single-entry business visa depends on the nationality of the employee.

Nationals of ASEAN countries may obtain an immigration stamp on arrival. This immigration stamp is valid for 14, 21 or 30 days, depending on the nationality of the employee.

To work in Cambodia, foreign nationals must obtain a multiple-entry business visa. Depending on an employee's nationality, visas may be obtained from the Cambodian embassy in the home country or from an Immigration Department office on arrival in Cambodia.

The following documents are required to be submitted to obtain a visa:
- A copy of the application form
- Original passport with a validity of at least six months
- A copy of the employment contract or offer letter
- Three photographs (4 cm x 6 cm)
- Duty fee

After an individual receives a single-entry business visa to Cambodia, he or she can obtain a multiple-entry business visa or an extension of temporary residency permission for up to 12 months from the Immigration Department of the Ministry of Interior. The following documents are required:
- Original passport with a validity of at least six months
- One photograph (4 cm x 6 cm)
- Supporting documents for residence application that are valid for a minimum of six months (rental contract, employment contract and business license of employer from Ministry of Commerce)
- Duty fee
- Certificate of non-criminal record issued by competent authority of the country of origin
- A copy of the employment contract
- A certified slip for guaranteeing all travel cost with the National Bank of Cambodia, amounting to KHR1,250,000 (approximately USD313)
- Physical presentation of assignee at the Immigration Department of the National Police of the Ministry of Interior
- A health-check certificate issued by a medical doctor of the country of origin (the certified date on the certificate may not be more than three months before the date of submission of the application)
- Work permit (in the case of an extension)

G. Work permits

All foreign nationals who wish to work in Cambodia must obtain work permits from the Cambodian Ministry of Labor. To be eligible for a work permit, a foreigner must have a business visa.

An employer who has established an office and registered with the Ministry of Labor in Cambodia is responsible for processing an application for the employee's work permit. Work permits normally have an initial duration of one year.

The two types of work permits are the temporary work permit and the permanent work permit.

Temporary work permit. Temporary work permits are issued to the following foreigners:
- Staff and management specialists
- Technical staff
- Skilled workers
- Service providers or other laborers

The application for a temporary work permit must be submitted online to the Ministry of Labor with the following required items:
- Passports or an equivalent document with proper visa
- A photograph (4 cm x 6 cm), taken in the front without hat and glasses
- Medical certificate of employee obtained from the Cambodian Medical Department of the Ministry of Labor
- Certified employment contract
- Residency letter
- Annual tax fees for temporary work permit

Permanent work permits. Permanent work permits are issued to the following foreigners:
- Foreign immigrants recognized by the Ministry of Interior
- Foreign investors, spouses and dependents recognized by the Council for the Development of Cambodia

Applications for permanent work permits must be sent to the Ministry of Labor with the following required documents and information:
- Application form
- Resident card or equivalent documents recognizing the individual as an immigrant or investor
- Passport or any equivalent documents with proper visas
- Medical certificate of employee obtained from the Cambodian Medical Department of the Ministry of Labor
- Three photographs (4 cm x 6 cm), taken in the front without hat and glasses
- Annual tax fees for permanent work permit

It takes one to three months to obtain an approval for a work permit.

A work permit must be renewed every 12 months before its expiration. Before March of each year, an application to renew the work permit must be submitted to the Ministry of Labor together with the updated documents regarding the initial work permit submission.

H. Residence permits

Any person who does not have Cambodian nationality is considered to be alien. Aliens may obtain resident cards from the Ministry of Interior. The two types of resident cards for aliens are temporary and permanent.

Temporary resident cards. Temporary resident cards are valid for a period of two years and can be extended every two years. Temporary resident cards are issued for employees performing managerial, technical or specialized services.

The following documents must be submitted to obtain temporary resident cards:
- An application form for a temporary resident card
- Three copies of information slip form
- A copy of passport or any other equivalent document with proper visa
- Three photographs (4 cm x 6 cm)
- A copy of medical certificate from a doctor from the home country

- A copy of a written labor contract
- A copy of social security insurance
- A copy of the receipt of payment of temporary resident card tax

Permanent resident cards. Permanent resident cards are issued to foreign investors and their household members who have authorization to invest in Cambodia from the Council for the Development of Cambodia and to other individuals who are recognized by the Ministry of Interior.

The following documents must be submitted to obtain a permanent resident card:
- An application form for a permanent resident card
- A copy of the Proclamation recognizing the alien as an immigrant alien who is a private investor
- A copy of passport or any other equivalent document with proper visa
- Three photographs (4 cm x 6 cm)
- A certificate from a Cambodian bank that evidences the deposit of a bond required by the Anukret (sub-decree)
- A copy of the receipt of payment of permanent resident card tax

I. Family and personal considerations

Family members. The spouse and dependents of a work permit holder must apply for a single-entry business visa and then multiple-entry business visas, which would enable them to live in Cambodia.

Forced heirship. No forced heirship rules apply in Cambodia.

Driver's licenses. Foreign nationals can use their home-country driver's licenses to drive in Cambodia.

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A. Income tax

Who is liable. Individuals who have their tax domicile located in Cameroon are subject to personal income tax on their worldwide income. Persons who have their tax domicile located outside Cameroon are subject to personal income tax only on their income derived from Cameroon. Cameroonian and foreign nationals who earn income or profits taxable in Cameroon under the terms of an international convention to avoid double taxation are also subject to personal income tax, regardless of whether their tax domicile is located in Cameroon.

An individual is considered to have his or her tax domicile located in Cameroon if he or she meets one of the following conditions:

- He or she has a home or a principal place of residence in Cameroon.
- He or she is engaged in a salaried or non-salaried activity in Cameroon, except when this activity is an accessory activity.
- He or she maintains a "center of interests or business" in Cameroon.
- He or she is a civil servant or state employee working in a foreign country and is exempt from tax in the foreign country.

Income subject to tax. For personal income tax purposes, taxable income consists of total net income from all categories earned by the taxpayer within the tax year, plus the profit from any gainful transactions engaged in by the taxpayer, less an abatement of XAF500,000.

Employment income. For purposes of the personal income tax, employment income includes all cash and noncash remuneration and allowances. Benefits in kind are valued according to the following fixed percentages of gross remuneration received.

Benefit in kind	Rate
Housing	15%
Automobile	10% for each
Domestic servant	5% for each
Electricity	4%

Benefit in kind	Rate
Water	2%
Food	10%

Allowances covering professional expenses and family-related allowances and benefits are specifically exempt. The tax base for employment income consists of gross remuneration and benefits after the 30% deduction for professional expenses (see *Deductions*).

In addition to the personal income tax, national housing contribution fund (CFC) and national employment fund (FNE) taxes are levied on employment income. The tax base for purposes of these taxes is the same as the tax base for personal income tax, except that the 30% deduction may not be claimed.

Self-employment and business income. Self-employed individuals are subject to personal income tax on profits derived from activities in Cameroon. Profits are categorized into the type of activity from which they are derived—commercial, professional and agricultural—and taxable income realized from each activity is calculated separately. Total net income from all categories is then subject to personal income tax under the rules applicable to employed individuals.

Taxable income derived from commercial activities and handicrafts depends on the tax regime of the taxpayer.

Self-employed individuals engaged in commercial activities or handicrafts, except for forestry companies, professional ministerial officers and liberal professions, who have annual turnover, exclusive of tax, of below XAF10 million, are subject to the flat rate taxation or discharge tax assessment system (*régime de l'impôt libératoire*). Individuals under the discharge tax assessment system cannot opt for another tax system but may be reclassified after the recalculation of their turnover.

Self-employed individuals engaged in commercial activities or handicrafts with annual turnover, exclusive of tax, of at least XAF10 but less than XAF50 million are subject to the simplified tax system *(régime simplifié)* except for passenger transporters, gambling companies and entertainment companies. Nonetheless, taxpayers realizing an annual turnover of at least XAF30 million can opt for the simplified tax system by filing a request with the competent head of the tax center, before 1 February of the tax year. This option is irrevocable for a three-year period. Their taxable income equals the difference between revenue and expenses required for operations.

Self-employed individuals engaged in commercial activities or handicrafts who have annual turnover, exclusive of tax, of XAF50 million or more are subject to the actual earnings tax system, and their tax is calculated in the same manner as company tax.

Self-employed intermediaries and agents are subject to the tax applicable to the categories of commercial activities or handicrafts to which their activities relate. The tax is withheld at source by the payers of the commissions.

Except for individuals engaged in the liberal professions who are also subject to the actual earnings tax system, taxable income derived from professional activities is the difference between income received and expenses paid during the tax year and is computed on a cash basis.

Profits from agricultural activities of farmers, tenant farmers and sharecroppers are included in taxable income. In general, taxable income is determined in the same manner as income derived from commercial activities.

Investment income. Investment income is subject to withholding tax at a rate of 16.5%, which includes a 10% surtax, known as the additional council tax. Special rules apply to capital gains (see *Capital gains*).

The following types of interest income are exempt from personal income tax:
- Interest accruing on negotiable securities with respect to loans issued by the state, regional and local authorities
- Interest accruing on savings accounts containing deposits of not more than XAF10 million
- Interest on savings accounts for housing purposes
- Interest on home loan accounts
- Interest on cash notes

Income derived from the rental of real property is subject to a 15% withholding tax if the rent is paid by government bodies and public establishments, corporate bodies or self-employed individuals assessed under the actual earnings or simplified systems. Rent paid to enterprises assessed under the actual earnings system and depending solely on a Specialised Management Unit (Large Size Taxpayer Unit [DGE] or Medium Size Taxpayer Unit [CIME]) is not subject to this withholding tax. These units are subject to the Directorate General of Taxation (DGI).

Directors' fees. Directors' fees are treated as dividend income, not as employment income. They are subject to withholding tax at a rate of 16.5% (including 10% council surtax). The tax must be withheld by the payer company and remitted to the Treasury office where the establishment's headquarters is located within 15 days after the act resulting in the liability.

Capital gains. Capital gains derived from the sale of real property by individuals are subject to personal income tax at a flat rate of 10%, which is withheld by the notary in charge of executing the deed of conveyance. If the last real property transfer is made by direct registration, the value used as the basis for the determination of the capital gains is the value declared in the deed of the parties. The Circular for the application of the 2017 Finance Law defines direct registration as the procedure of recognition of title over national land. In addition, the expenses that are deductible for the determination of the tax base are calculated on the basis of whether the taxpayer maintains an accounting.

Gains derived from the sale of shares are subject to personal income tax as income from securities and taxed at the standard rate of 16.5% (including 10% additional council tax).

The tax on capital gains derived from the transfer of certain fixed assets may be deferred if the gains are reinvested.

Tax treatment of exceptional income. Exceptional income is income that is not likely to be collected annually by an employee and that exceeds the average net income received by the taxpayer in the last three years (for example, additional gratuities and the portion of severance pay exceeding that provided by the labor code and collective agreements). The 2018 Finance Act introduced an obligation for employers to disclose the elements of exceptional income for the calculation of personal income tax.

The computation of personal income tax on exceptional income involves the following steps:
- Calculation of personal income tax on ordinary income by application of the progressive scale (a).
- Calculation of personal income tax on ordinary income plus one-quarter of exceptional income (b).
- Determination of the additional contribution on the exceptional income by subtracting the personal income tax on the exceptional income from the personal income tax on the ordinary income increased (b-a). The result is then multiplied by four (c).
- The addition of the supplement to the personal income tax on the ordinary income obtained (c + a).

This can be done solely at the employee's express request. The employer is required to file with its tax center all the elements used as a basis for calculating the personal income tax on exceptional income. These elements must be attached to the tax return filed by the employer for the month of payment of the exceptional income.

Deductions

Employment deductions. The following expenses are deductible in determining employment income:
- An amount equal to 30% of the gross remuneration and benefits received
- Pension plan contributions
- Insurance premiums paid for the spouse and children

Business deductions. Deductible expenses for commercial, professional and agricultural activities are similar. They include the following items:
- Costs of materials and inventories
- All expenses incurred to conduct the activity (including personnel expenses, certain taxes, rental and leasing expenses, and finance charges)
- Depreciation expenses
- Provisions for losses and expenses

Payments to persons located in tax havens. All expenses and remuneration that are recorded by natural persons or legal entities resident or established in Cameroon and linked to transactions with natural persons or legal entities resident or established in territories or states qualified as tax havens under Cameroon law are not deductible in determining personal income tax in Cameroon. However, amounts paid for the purchase of goods that are required for production in the country of production and that

have been cleared at customs, as well as remuneration for services rendered in relation to such production, are deductible.

Rates. The following are the personal income tax rates.

Taxable income Exceeding XAF	Not exceeding XAF	Rate %
0	2,000,000	10
2,000,000	3,000,000	15
3,000,000	5,000,000	25
5,000,000	—	35

A 10% surtax, known as additional council tax, is levied on the amount of personal income tax.

Contributions to the CFC are payable on employment income at a rate of 1% for employees and 1.5% for the employers.

Contributions to the FNE are withheld from employment income at a rate of 1%.

Audiovisual tax is imposed, with a maximum tax of XAF13,000. Local Development Tax is imposed, with a maximum of XAF2,500.

Nonresident individuals normally are taxed on Cameroon-source income only; tax is generally withheld from payments. The applicable rates depend on the nature of the payments, as shown in the following table.

Type of payments	Rate
Employment income and income from commercial activities carried out in Cameroon	Ordinary rates of personal income tax
Dividends, interest and directors' fees	16.5% (includes 10% additional council tax)
Special income, such as royalties and fees for technical services and professional activities	Special income tax (TSR) at a rate of 15% (subject to the provisions of international tax treaties)

B. Inheritance and gift taxes

For deceased Cameroon residents, estate tax is levied on worldwide personal property, real estate situated in Cameroon and intangible property located outside Cameroon. For nonresidents, only personal property and real estate located in Cameroon are subject to estate tax.

The rates of estate tax vary from 0% to 10%, depending on the value of the net assets. The tax may be reduced, depending on the relationship between the recipient and the deceased.

Claims from the administration with respect to inheritance tax lapse after 30 years.

All deeds that transfer real estate or business assets located in Cameroon, and all gift deeds executed in Cameroon, are subject to gift tax. The rates range from 5% to 20%, depending on the relationship between the recipient and the donor.

C. Social security

Social security contributions are calculated at the following rates on the basis of remuneration paid, including benefits in kind. Contributions of employees are withheld monthly by the employer.

Description	Rate (%)
Family allowances, paid by the employer on salary up to XAF9 million a year	7.0
Retirement pension on salary up to XAF9 million a year; paid by	
Employer	4.2
Employees	4.2
Industrial accidents, varies depending on the employees' activities (level of risk); paid by the employer	1.75 to 5.0

Cameroon has entered into a social security totalization agreement with France to eliminate double taxation.

D. Tax filing and payment procedures

The tax year is the calendar year.

Individuals are required to file an annual tax return by 15 March of the year following the tax year if they earned income other than salaries and income from securities. Otherwise, they are not required to file a tax return.

Personal income tax on employment income must be withheld monthly by employers in accordance with a scale established by the tax administration and paid to the Treasury by the 15th day of the following month. Personal income tax on income from securities is withheld at source.

An individual must pay personal income tax for commercial, handicraft, professional, and agricultural activities to the tax office in accordance with the tax system applicable to the individual (see Section A).

Persons subject to the discharge tax assessment system are exempt from personal income tax and income tax and continue to pay their tax either quarterly or in full by 15 April of the year following the tax year.

Individuals subject to the simplified tax system must remit a down payment or installment each month. The payments must equal 5.5% of the turnover realized during each month. Individuals subject to the actual earnings system must make a monthly down payment equaling 2.2% of the turnover realized during each month. These standard installments include the 10% additional council tax and must be paid no later than the 15th day of the following month. The balance of the tax must be paid in a single payment by 15 March of the year following the tax year.

Effective from 1 January 2018, all individual enterprises falling under the specialized management units are obligated to declare personal income tax. Before 1 January 2018, this obligation was limited to individual establishments belonging to DGEs. It now applies to all individual establishments, regardless of the specialized management unit to which they belong (CIME and

Specialized Tax Center for Liberal Professions [Centre Spécialisé des Impôts des Professions Libérales, or CSIPLI]).

An individual holding is not defined by law. However, it can be interpreted as being applicable to individual enterprises operated by natural persons that are not constituted as legal entities (for example, traders, artisans or farmers). The tax regime for these individual enterprises is based on the aggregate turnover of all establishments of such enterprises.

Individual enterprises that have several establishments and do not belong to any specialized management unit are also subject to this obligation.

Effective from 1 January 2019, employers falling under a specialized management unit and operating several establishments are required to declare and remit the taxes withheld from the salaries paid to their employees exclusively at the tax collector of the place of their registered office's tax center.

E. Double tax relief and tax treaties

In general, no credit for foreign taxes is available in the absence of a treaty. Cameroon has entered into double tax treaties with Canada, France, South Africa and Tunisia. It has also entered into the Central African Economic and Customs Union (CEMAC/UDEAC) treaty, along with the Central African Republic, Chad, Congo, Equatorial Guinea and Gabon.

A foreign tax credit equal to the tax paid in the other treaty country is generally available. For example, the CEMAC/UDEAC treaty provides the following relief:

- Commercial profits are taxable in the treaty country where a foreign firm performs its activities through a permanent establishment.
- Dividends are taxable in the country of source, but interest and royalties are taxable in the beneficiary's country of residence.
- Employment income is taxed in the treaty country where the activity is performed.

Under the treaties entered into with Canada, France, South Africa and Tunisia, withholding taxes may be levied on interest and royalties in addition to income taxes in the beneficiary's country. The rates of withholding are generally reduced, and the withholding tax may be offset against the tax payable in the beneficiary's country of residence.

F. Temporary entry visas

All foreign nationals wishing to enter Cameroon must have passports or other valid travel documents to obtain entry visas. When applying for a temporary entry visa, an individual must present a valid passport, a certificate of accommodation and payment of XAF60,000. Cameroon does not have a specific quota system for the issuance of visas. Several types of temporary entry visas are described in the following paragraphs.

Tourist visas are granted to foreign nationals who intend to travel in Cameroon. They are issued by diplomatic embassies or Cameroon consulates abroad. Tourist visas are valid for 30 days, are not

renewable and permit an unlimited number of entries into the country.

Business visas are granted to foreign nationals coming to Cameroon to take up technical, industrial or commercial positions. They are valid for one year, are non-renewable and permit multiple entries into the country.

Student visas are issued to foreign nationals coming to Cameroon to pursue studies. They are valid for six months. Students must obtain residence permits valid for the length of stay (see Section H).

Temporary visas are granted to foreign nationals coming to Cameroon for all other purposes (for example, for family visits). They are valid for three months, are non-renewable and permit an unlimited number of entries into the country.

Transit visas are issued to foreign nationals passing through the country en route to other destinations. They are valid for five days and permit an unlimited number of entries into the country.

Entry visas may not be transferred from one category to another. However, their validity may be extended in the case of a force majeure and on the express authorization of the Delegate-General for National Security.

G. Work permits and self-employment

Work permits are valid for two years and are renewable for an unlimited number of times; the renewed permit is valid for two years. Expatriates may obtain work permits in Cameroon.

Following the submission of the necessary documentation, work permits are processed in approximately four to six weeks.

A foreign national may be self-employed if he or she obtains a residence permit. No minimum amount of capital is necessary to be self-employed.

H. Residence permits and residence cards

In general, foreign nationals must obtain residence permits to obtain residence status. These permits are valid for two years and are renewable for the same period. To obtain the residence permit, the foreigner should have a long-term visa of six months. It is possible to obtain a temporary visa or a business visa by having a residence permit authorized in Cameroon.

Foreign nationals wishing to work in Cameroon must obtain residence cards, which, unlike residence permits, always include work permits. Residence cards are valid for 10 years and are renewable for unlimited periods.

To obtain a residence card, foreign nationals must present a valid passport and an international certificate of vaccination at the port of entry.

In certain cases, one or more copies of the following items and information must also be presented at the port of entry to receive a residence card:

- The work contract
- Authorization of entry and stay delivered by the Delegate-General for National Security
- Date of commencement of the stay
- Residence permit issued by the Delegate-General for National Security
- A ministerial agreement
- Proof of intention to repatriate

I. Family and personal considerations

Family members. Under Cameroon law, the working spouses of expatriates are obligated to have entry visas. Generally, it is advised that spouses wishing to work file jointly with the expatriates for work permits.

Independent children of foreign nationals should obtain personal residence permits; dependent children residing with their parents in Cameroon must obtain authorized entry visas and residence permits.

Marital property regime. Cameroon's elective community property regime applies only to Cameroonian nationals. Non-Cameroonian nationals who are married in Cameroon or who establish a marital domicile in Cameroon are not subject to Cameroon's marital property regime.

Forced heirship. Forced heirship rules in Cameroon apply only to Cameroonian nationals.

Driver's permits. Foreign nationals may drive legally in Cameroon if they exchange their home country driver's licenses for Cameroon licenses. No prior examinations are required to exchange the home country driver's license.

In the absence of a home country driver's license, a foreign national may obtain a Cameroon driver's license by filing an application with the Ministry of Transport, taking a written examination and taking a practical driving test.

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The tax rates and other information for 2019 provided in this chapter are based on known and proposed rates as of 1 July 2019.

A. Income tax

Who is liable. The major determinant of Canadian income tax liability is an individual's residence status. An individual resident in Canada is taxable on worldwide income. Nonresidents are taxed on Canadian-source income only.

The tax statutes do not contain a specific definition of "residence." Accordingly, the residence of an individual is determined by such matters as the location of dwelling places, spouse, dependents, personal property, economic interests and social ties. However, a nonresident individual who stays temporarily in Canada for 183 days or longer in a calendar year is deemed to be a resident of Canada for the entire year, unless he or she is determined to have nonresident status under a tax treaty. This provision applies only to an individual who would otherwise be considered a nonresident, and not to an individual who purposely takes up residence in Canada or to an existing resident who ceases to be a resident after moving away from Canada. These latter individuals may be treated as part-year residents.

In certain situations, an individual may move from Canada to another country and retain enough ties to continue to be considered a Canadian resident for domestic tax purposes. At the same time, this individual may be considered a nonresident of Canada for tax treaty purposes. Individuals who become treaty nonresidents of Canada after 24 February 1998 are deemed to be nonresident in Canada for domestic tax purposes as well.

In the year that an individual becomes a Canadian resident, that individual is considered a part-year resident, and is subject to tax in Canada on worldwide income for the portion of the year he or she is resident in Canada. A part-year resident is also subject to Canadian tax on any Canadian-source income received during the nonresident period.

Income subject to tax. The taxation of various types of income is discussed below.

Employment income. Income from employment includes salaries, wages, directors' fees and most benefits received from employment. Some examples of taxable benefits are low-interest loans, the use of company-owned automobiles, subsidized or free personal living expenses and stock option benefits (see *Taxation of employer-provided stock options*). Among the few nontaxable benefits are employers' contributions to certain employer-sponsored retirement savings plans, including registered Canadian pension plans and deferred profit-sharing plans.

Reasonable education allowances provided by an employer to its relocated employee with respect to the employee's children who live away from home to attend school on a full-time basis are not taxable for income and social security tax purposes if a school suitable for the child, offering instruction primarily in the official language of Canada that is primarily used by the employee, is not available in the location where the employee is required to live as a result of his or her employment. The school must be the closest one that satisfies both of the following conditions:

- It has suitable boarding facilities.
- The language primarily used for instruction is an official language of Canada, and is the official language of Canada primarily used by the employee.

A Salary Deferral Arrangement (SDA) includes most situations in which the following two circumstances exist.

- An employee has the right to receive an amount after the end of the year instead of salaries or wages for that year or a prior year.
- One of the principal purposes of the arrangement is to postpone the payment of Canadian tax.

Consequently, foreign deferred compensation plans may be subject to Canadian tax under the SDA rules. If the SDA rules apply, the amount of salary deferred in the year and any interest earned on amounts previously deferred are subject to Canadian tax on a current basis.

An exception applies to certain amounts that were deferred under a plan established primarily for the benefit of nonresidents with respect to services rendered in a country other than Canada. Amounts deferred before an employee becomes resident in Canada, or deferred in the first 36 months of Canadian residence, are not subject to Canadian tax if the employee was a member of the plan before moving to Canada, and if the deferred amount relates to services rendered while the employee was a nonresident of Canada (or during the first 36 months of Canadian residence). Amounts deferred after an employee becomes resident in Canada that are not taxed on a current basis are usually taxed when received. Consequently, other than in the case of the above exception, an amount deferred after an

employee becomes resident in Canada is taxed in the year earned, while any interest or other amount accruing on the amounts deferred before moving to Canada is not taxable unless received while a resident of Canada.

Self-employment income. The computation of an individual's income from a business or property is similar to that for a corporation, with business income generally computed using the accrual method of accounting.

Income derived from a partnership is allocated among the partners in accordance with either the partnership agreement or, in the absence of such an agreement, the governing partnership law. Deductions and credits also flow through to the individual partners. Special rules limit the amount of business or property losses that may be claimed by a limited partner of a limited partnership.

Directors' fees. Directors' fees derived from Canada or a foreign country are taxable to a Canadian resident as employment income. Tax treaties signed by Canada generally do not allow a resident of Canada to be exempt from tax on directors' fees received from a foreign (nonresident) company or to otherwise receive favorable tax treatment.

For a nonresident, directors' fees are considered to be earned where the services of the director are rendered. Therefore, fees for services rendered at a specific board meeting in Canada are taxable in Canada. If a fee is related to services rendered both in and outside Canada, it may be possible to prorate the fee in proportion to the number of days that the director spent in Canada during the year. However, no specific guidelines for such allocations are provided.

Under certain tax treaties, directors' fees are considered similar to compensation from regular employment. If the conditions exempting a nonresident from Canadian taxes on compensation from regular employment are met, the directors' fees are exempt.

Investment income. Interest income may be reported by an individual using the cash basis (when received), the receivable basis (when due) or the accrual basis (as earned during the year) on investments if the investment is held for less than 12 months. Whichever method is selected, it must be applied to an investment consistently. However, for most investments held for a period of more than 12 months, accrued interest must be included in income annually. The bonus or premium paid on the maturity of certain investments, such as treasury bills, strip bonds or other discounted obligations, must be reported as interest income.

Dividends received by individuals resident in Canada from taxable Canadian corporations are given special treatment to recognize corporate taxes already paid on the accumulated income used as the source for the dividend distribution. These dividends are classified as "eligible dividends" or "ineligible dividends."

An "eligible dividend" is a taxable dividend paid to a person resident in Canada by a corporation resident in Canada and designated by the corporation at the time of payment to be an "eligible dividend."

For eligible dividends, 138% of the actual amount received is included in income, and a credit against federal tax is allowed in an amount approximately equal to 20.73% of the cash amount of the dividend. For other taxable dividends from Canadian corporations ("ineligible dividends"), 115% of the actual amount received is included in income, and a credit against federal tax is allowed in an amount approximately equal to 10.38% of the cash amount of the dividend. For many Canadian-controlled private corporations and their shareholders, the result of this gross-up and dividend tax credit procedure is that the combined corporate tax on the original income and the net personal tax on the dividend is approximately equal to the tax that would have been paid on the original income had it been received directly by the individual rather than passed through the corporation.

Royalties and rental income are taxed as ordinary income. In computing a loss from the rental of real estate or leasing of other property, allowable depreciation generally is limited to the net income determined before deducting depreciation. Therefore, the depreciation claimed by an individual may not create or increase a rental loss.

Beginning in 2009, all residents of Canada age 18 or older may contribute to a tax-free savings account (TFSA). No tax deduction is allowed for the contributions, but the investment earnings are not subject to tax. For 2019 and subsequent years, the annual TFSA limit is CAD6,000.

Passive income derived by nonresidents. Nonresidents with sources of income from Canada other than employment or business income generally are subject to a withholding tax of 25% of gross income received. Examples of income subject to withholding tax are rental income, royalties, dividends, trust income and pensions. The payer must withhold and remit the appropriate amount of tax and must file the required returns. For the recipient, withholding taxes generally are final taxes, and tax returns are not required for income subject to withholding. However, nonresidents receiving real estate rentals or timber royalties may choose to file a tax return and be taxed in Canada on the net rental or timber royalty income at the same tax rates that apply to Canadian residents (that is, at marginal rates on net income rather than at withholding tax rates on gross income). Nonresidents receiving certain pension and benefit income may elect to be taxed on such income at the same incremental tax rates as Canadian residents, rather than at the withholding tax rate.

Most arm's-length interest payments to nonresidents are exempt from Canadian withholding tax.

Canada's double tax treaties generally reduce withholding taxes to 15% or less on most types of passive income paid to nonresidents.

Other sources of income. Other amounts that must be included in income are receipts from superannuation or pension plans and amounts paid from Canadian Registered Retirement Savings Plans. Eligible pension income can be split between spouses for tax reporting purposes. Under this measure, if spouses have taxable income in different income tax brackets, overall tax may be

reduced by moving income from the higher-rate taxpayer to the lower-rate taxpayer.

In general, amounts received as a result of severance pay in recognition of long service at retirement, and spousal support payments (deductible to the payer, subject to certain limitations) are also includible in income. Child support payments pursuant to agreements or court orders made on or after 1 May 1997 are neither taxable to the recipient nor deductible by the payer. Payments made pursuant to agreements or court orders made before 1 May 1997, continue to be taxable to the recipient and deductible by the payer. However, the new rules may apply if the amount of child support payable under the agreement is changed.

Taxation of employer-provided stock options. Individuals are not taxed when the employer grants stock options. In general, tax consequences arise when the employee exercises the options.

Under the longstanding view of the Canada Revenue Agency on determining the location of services to which a stock option benefit relates, the benefit was generally considered to be attributable to services rendered in the year of grant, unless compelling evidence existed to suggest that some other period was more appropriate. However, for stock options exercised after 2012, the Canada Revenue Agency applies the principles set out in the Organisation for Economic Co-operation and Development (OECD) model to allocate a stock option benefit for purposes of the Income Tax Act, unless an income tax treaty specifically applies.

Under these principles, the process of determining the amount of a stock option benefit that is derived from employment exercised in a source country is to be carried out by examining all relevant facts and circumstances, including any underlying contracts, applicable to a specific situation. In particular, a stock option benefit is apportioned to each source country based on the number of days of employment exercised in that country over the total number of days in the period during which the employment services from which the stock option is derived are exercised. In making this determination, a stock option benefit is generally presumed to relate to the period of employment that is required as a condition for the employee to acquire the right to exercise the option (that is, the vesting period). In addition, a stock option benefit is generally presumed not to relate to past services, unless evidence indicates that past services are relevant in the particular circumstances.

The fifth protocol to the Canada-United States income tax treaty introduced a sourcing method for options based on where days are worked in the period between grant and exercise. This change is effective for stock options exercised on or after 1 January 2009.

The amount of the taxable benefit equals the difference between the value of the shares at the time the shares are acquired and the exercise price paid. The shares have a cost basis equal to the fair market value of the shares at the time of acquisition, provided the employee does not hold identical shares of the issuer at that time.

The employee may be entitled to a deduction equal to 50% of the taxable benefit (25% for Quebec tax and 50% if the public corporation has a significant presence in Quebec) if the option price is at least equal to the fair market value of the shares on the date of grant, if the shares are prescribed shares and if certain other conditions are met. The effect of this deduction is taxation of the benefit at tax rates applicable to taxable capital gains. The 2019 Federal Budget proposes to limit the 50% stock option deduction to an annual cap of CAD200,000 at the time of grant, based on the fair market value of the underlying shares except in the case of options granted by "start-ups and rapidly growing Canadian businesses." To date, draft legislation outlining these proposals has not been released.

The Canadian stock option rules apply to both shares and to units of mutual fund trusts.

If the employee is a resident of Canada at the time that the shares are sold, any gain is subject to the regular capital gains rules. If the employee ceases to be a Canadian resident prior to the sale of the shares, then he or she is subject to the deemed disposition rules at departure (see *Capital gains and losses*).

An automatic deferral of tax to the year of disposition of the shares is provided with respect to the option benefit for shares of Canadian-controlled private companies acquired through stock options.

Capital gains and losses. Fifty percent of the year's capital gains are included in taxable income, to the extent that the amount exceeds 50% of capital losses for the year. This includes capital gains on real estate and personal property, regardless of whether used in a trade or business, and on shares held for personal investment. Special rules apply to determine the nature of the gain or loss on the sale of depreciable property.

The adjusted cost basis of identical shares must be averaged for the purpose of determining the capital gain or loss on a disposition of such shares if the individual has acquired shares of a particular corporation at different dates.

The specific identification method is used to calculate the adjusted cost basis of shares that are acquired through the exercise of a stock option and that are disposed of within 30 days after the acquisition of the shares.

Capital gains derived from the sale of a principal residence are generally exempt from tax. Capital losses incurred on the sale of a principal residence may not be used to reduce income for the year. In tax years before 2016, the reporting of the sale of a principal residence on a tax return was not required if the entire gain was eliminated as a result of the principal residence exemption. However, beginning in the 2016 tax year, the sale of a principal residence must be reported on a tax return in order to claim the principal residence exemption.

In general, capital losses from personal-use assets are not allowed.

Gains derived from the sale of qualifying farm property, qualifying fishing property or shares of small business corporations (see

below) qualify for a lifetime capital gain exemption. However, the amount of this exemption is reduced by any amounts claimed in prior years under the CAD100,000 lifetime capital gain exemption that was eliminated in 1994.

Qualifying farm property. Farmers are eligible for a lifetime exemption equal to CAD1 million on the sale of qualified farm property, which includes farmland, shares of a family farm corporation or an interest in a family farm partnership. The available exemption is reduced by the amount of any exemption claimed on the disposition of any other capital property during the tax year or in preceding years.

Qualifying fishing property. Fishers are eligible for a lifetime exemption equal to CAD1 million on the sale of qualified fishing property, which includes real or immovable property or a fishing vessel used in a fishing business in Canada, shares of a family fishing corporation or an interest in a family fishing partnership. The available exemption is reduced by the amount of any exemption claimed on the disposition of any other capital property during the tax year or in preceding years. The exemption is effective for dispositions of qualified fishing property after 2 May 2006.

Shares of a small business corporation. Capital gains realized on the disposition of shares of a small business corporation qualify for a lifetime CAD866,912 capital gains exemption, provided that certain criteria are met. This exemption amount is reduced by any portion of a gain eligible for the exemptions described in the preceding paragraphs.

The use of this exemption may be restricted in a particular year because of cumulative net investment loss (CNIL) rules. Essentially, an individual's CNIL is the excess of his or her post-1987 investment expenses over investment income for those years. To the extent that an individual has a CNIL balance, the capital gains for the year that are eligible for the exemption are reduced.

An individual using the various capital gains exemptions may be subject to minimum tax.

For capital gains realized on the disposition of an eligible small business investment, individuals are permitted a tax-free rollover if the proceeds of the disposition are used to make other eligible small business investments. The amount of gain deferred is proportional to the amount reinvested.

Capital losses. Except for allowable business investment losses and capital losses realized in the year of death, capital losses not utilized in the year realized are deductible only against net capital gains realized in another year. Unused capital losses may be carried back to any of the three preceding years or may be carried forward indefinitely.

Allowable business investment losses (ABILs), a special type of capital loss, are deductible against any other source of income in the year incurred. Any unused ABIL realized in a particular year is converted into a business loss and is subject to the business loss carryover rules described in *Relief for losses*. If an unused portion of the ABIL remains at the end of the 10 years following the

year when it was realized, the loss converts back into a capital loss and may be carried forward indefinitely.

Ceasing Canadian residency. An individual who ceases Canadian residency is generally deemed to have disposed of all assets, including taxable Canadian property, and excluding real property located in Canada, capital property or inventory used in carrying on a business in Canada, certain pension rights and unexercised employee stock options, at fair market value on the date that residency is terminated. The deemed disposition rule is commonly referred to as "departure tax."

The following special tax rules and exceptions apply to individuals entering or leaving Canada with respect to the calculation of capital gains or losses and the general deemed disposition rule:

- The departure tax provision is modified for an individual who was not resident in Canada for more than 60 months during the 120-month period preceding departure. Property owned by such an individual when he or she became resident, or property inherited since that time, is not subject to the deemed disposition rule.
- Nonresidents who return to Canada after emigrating may elect to reverse the tax effects of the deemed dispositions of the assets that are still held regardless of how long they were nonresidents.
- Emigrating taxpayers who are subject to the deemed disposition rules may post security for the departure tax instead of paying such tax by the balance-due date for the year of departure. An individual is not required to provide security for an amount of departure tax that is equal to or less than the taxes payable on the first CAD100,000 of capital gains resulting from the deemed dispositions.

Deductions

Deductible expenses. Few deductions are allowed in computing income from employment. Among the deductible items are employee contributions to a registered pension plan (up to a certain maximum amount), travel and certain other expenses of commission employees, certain travel expenses of other employees, and union or professional dues.

Employers must generally withhold income tax, government pension contributions and unemployment insurance premiums from remuneration paid to employees, and must remit those amounts to the tax authorities for credit to the employees' accounts.

Interest may be claimed as a deduction in the year it is paid or when it becomes payable, depending on the taxpayer's normal practice, as long as the money is borrowed for the purpose of earning income. Other costs, including investment counseling fees and accounting costs (but not tax return preparation fees), are deductible. Personal interest, including interest on mortgages or charge accounts, is not deductible.

Other deductions include contributions to registered retirement savings plans (an individual retirement income plan), payments for alimony, expenses for certain moves within Canada and certain childcare expenses.

Federal personal credits and allowances. A resident individual is allowed to deduct several federal personal tax credits in computing the amount of basic federal tax for the year. Personal tax credits include a basic personal credit, a spousal credit subject to thresholds for spousal income, an employment credit, a disabled dependent's credit, an age credit, a disability credit, and education and tuition fee credits. An employee's contributions to the Canada/Quebec pension plan and to employment insurance/the Quebec parental insurance plan are also eligible for tax credit treatment.

Charitable donations (up to 75% of net income) are eligible for a federal tax credit of 15% on the first CAD200 and a federal tax credit of 29% for donations in excess of CAD200. A 33% tax credit is available to the extent that the individual has income greater than CAD200,000. The unused portion of the donation credit may be carried forward for up to five years. Qualifying first-time donors may receive an additional federal tax credit of 25% on the first CAD1,000 of monetary donations. Similarly, medical expenses in excess of the lesser of CAD2,352 or 3% of net income are eligible for a federal tax credit equal to 15% of the excess. An individual is eligible for a federal tax credit of up to CAD300 on the first CAD2,000 of qualifying pension income.

Various other credits are available, including credits determined with reference to employment income, public transit costs and adoption expenses. The federal credit amounts mentioned above are based on known and proposed amounts as of 1 July 2019. The credit amounts are indexed annually for inflation.

In general, the Canada Child Benefit (CCB) is a tax-free monthly payment program that provides a maximum annual benefit of up to CAD6,496 per child under the age of 6 and CAD5,481 per child aged 6 through 17. These benefit amounts are reduced (phased out) if adjusted family net income exceeds CAD30,450.

Provincial tax credits. Several provinces provide provincial tax credits against taxes otherwise payable for certain groups of taxpayers. The credits are available to taxpayers with low incomes and are calculated by reference to rental or other occupancy costs.

Business deductions. Interest and other charges incurred to acquire business assets or investment property generally may be deducted. Limitations apply to the deduction of automobile and home office expenses. Deductions for business meals and entertainment expenses are limited to 50% of actual expenses.

Rates

Federal/provincial tax authorities. The federal government, as well as the provinces and territories, impose income taxes on resident individuals. However, only the province of Quebec collects its own individual income tax and requires filing a separate return. The federal government collects the tax on behalf of all other provinces and territories, which means that only one combined return must be filed.

The calculation of an individual's tax payable is a two-step process. An individual's federal income tax for a given year is calculated on taxable income using a single graduated rate schedule.

From this amount, allowable federal personal tax credits (see *Federal personal credits and allowances*) and the dividend tax credit are deducted. The net result is the individual's basic federal tax payable.

Income tax is generally paid to one of the provinces or territories based on the individual's residency on the last day of the year. All of the provinces and territories calculate tax by applying their graduated tax rates to taxable income. A separate calculation of taxable income, which is similar to the calculation of federal taxable income, is required. However, the treatment of certain items may differ.

Federal tax rates. Canada has five tax brackets for federal income tax purposes. These brackets are indexed annually by the inflation rate for the period from 1 October to 30 September of the previous year. The federal tax brackets and rates for 2019 shown below are based on known and proposed amounts as of 1 July 2019.

Taxable income		Tax on lower amount	Rate on excess
Exceeding CAD	Not exceeding CAD	CAD	%
0	47,630	0	15
47,631	95,259	7,145	20.5
95,260	147,667	16,908	26
147,668	210,371	30,535	29
210,372	—	48,719	33

Top marginal combined rates. The following table summarizes the top marginal combined federal and provincial/territorial tax rates in 2019 for an individual residing in various provinces and territories.

	Top marginal combined rate (a)			
	Ordinary income %	Eligible dividends %	Non-eligible dividends (b) %	Capital gains (c) %
Alberta	48.00	31.71	42.47	24.00
British Columbia	49.80	31.44	44.64	24.90
Manitoba	50.40	37.78	46.67	25.20
New Brunswick	53.30	33.51	47.75	26.65
Newfoundland and Labrador	51.30	42.61	44.59	25.65
Northwest Territories	47.05	28.33	36.82	23.53
Nova Scotia	54.00	41.58	48.28	27.00
Nunavut	44.50	33.08	37.79	22.25
Ontario	53.53	39.34	47.40	26.76
Prince Edward Island	51.37	34.22	45.22	25.69
Quebec	53.31	39.99	46.25	26.65
Saskatchewan	47.50	29.64	40.37	23.75
Yukon	48.00	28.93	42.17	24.00
Nonresident	48.84	—	—	—

(a) The rates shown are the maximum combined federal and provincial/territorial marginal tax rates, including surtaxes. The rates are based on known and proposed amounts as of 1 July 2019.

(b) The rates apply to the actual amount of taxable dividends received by individuals from taxable Canadian corporations.

(c) Only 50% of capital gains is included in taxable income (see *Capital gains and losses*). Consequently, total capital gains are effectively taxed at 50% of the ordinary tax rates.

Minimum income tax. To ensure that high-income taxpayers pay a certain level of tax, an alternative minimum tax applies. Under its provisions, individuals are required to recalculate taxable income, without deducting certain items that are otherwise deductible in the regular tax calculation. In recalculating taxable income, a blanket CAD40,000 exemption is permitted. Individuals pay the greater of the regular tax or the minimum tax. If the minimum tax exceeds the regular tax, the excess amount may be carried forward for seven years. The carryforward amount may be used to reduce regular tax to the extent that regular tax exceeds minimum tax.

Relief for losses. In general, business losses not utilized in the year incurred may be deducted from taxable income earned in the 3 years preceding the year of loss or in the 20 years following the year of loss.

B. Other taxes

Estate and gift taxes. Canadian succession law does not include an estate or gift tax. However, provincial probate fees may apply at rates that vary depending on the province.

In the year of death, the income of a deceased taxpayer includes income on an accrual basis from all sources up to the date of death, including accrued capital gains and losses. Various provisions alleviate hardship caused by the taxation of income and capital gains on an accrual basis at death. Among these provisions are the options to file a separate tax return for certain types of income and to tax the beneficiaries on certain transferred amounts. Special tax-free rollover provisions are available for property transferred to the Canadian-resident spouse of the deceased or to a qualifying trust for the benefit of the spouse, and for transfers of farm property to a child of the deceased.

Foreign home buyer's taxes. The provinces of British Columbia and Ontario have implemented foreign home buyer's taxes that apply to non-Canadian citizens and nonpermanent residents of Canada. The tax is levied on the value of the property being acquired at a rate of 20% in British Colombia and 15% in Ontario.

Furthermore, in British Columbia, the Speculation and Vacancy Tax has been implemented with respect to certain properties located in certain urban centers. For Canadian citizens or permanent residents of Canada who are not members of a satellite family, the tax rate is 0.5% of the property's assessed value. The tax rate for foreign owners and satellite families is 2% of the property's assessed value. A satellite family is defined as persons who declare less than 50% of their total combined household income for the year on a Canadian income tax return. This could apply even if an individual is a Canadian citizen or British Columbia resident. Certain exemptions exist.

C. Social security

Contributions. Individuals employed in Canada and their employers must each make Canada Pension Plan (CPP) contributions at

a rate of 5.1% on salaries, which includes the 0.15% enhanced CPP contribution. Contributions to the Québec Pension Plan, when applicable, are made at a rate of 5.4%. For 2019, the maximum amount of earnings subject to CPP contributions is CAD57,400, with a basic exemption of CAD3,500. This results in a maximum annual CPP contribution for employers and employees of CAD2,748.90 each. Self-employed individuals must pay both portions for a maximum annual contribution of CAD5,497.80. Quebec Pension Plan contributions are subject to the same thresholds, resulting in maximum employers' and employees' contributions of CAD2,991.45 and self-employed individuals' contributions of CAD5,982.90.

Employment insurance premiums are also payable. For 2019, an employee's required employment insurance premiums are calculated at a rate of 1.62% on the maximum annual amount of insurable earnings of CAD53,100. This results in a maximum annual premium of CAD860.22. Employers must make contributions equal to 1.4 times the amount of the employee's premiums, up to CAD1,204.31. The federal employment insurance premiums for Quebec residents are lower. The premium rates are 1.3% for employees and 1.82% for employers. Quebec has lower rates because Quebec residents also participate in the Quebec parental insurance plan. For 2019, an employee's required premiums under the Quebec parental insurance plan are calculated at a rate of 0.526% on the maximum annual amount of insurable earnings of CAD76,500. This results in a maximum annual premium of CAD402.39 for the Quebec parental insurance plan. Employers must make contributions equal to 1.4 times the amount of the employee's premiums, up to a maximum of CAD563.04.

Beginning in 2012, if employees are at least 65 but under 70 and work while receiving government pension amounts, employees must continue to make contributions to the plan unless they file an election not to contribute. Also, if employees are under 65 and work while receiving a CPP retirement pension, both the employee and the employer must make government pension plan contributions. While contributing during this period, the number of years of low or zero earnings are automatically dropped from the calculation of CPP retirement pension distributions.

Coverage. The following table shows the maximum monthly amounts of the listed CPP benefits for 2019 (the Quebec pension plan provides similar benefits).

Benefit	Amount (CAD)
Retirement	1,154.58
Disability	1,362.30
Survivor with disability	1,362.30

The maximum amounts are paid to a person at 65 years of age. The pension amount is reduced if a person retires before reaching 65 years of age and is increased if the person delays taking the pension until the age of 70.

Canadian resident individuals or employers may have to contribute to health care plans operated by the provinces. Most hospital bills and physicians' fees, including those for drugs and dental care in some provinces, are covered by these plans.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Canada has entered into totalization agreements with the countries listed below (as of 1 July 2019). The agreements usually apply for a maximum of two to five years.

Antigua and Barbuda
Australia
Austria
Barbados
Belgium
Brazil
Bulgaria
Chile
China
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Estonia
Finland
France
Germany
Greece
Grenada
Guernsey and Jersey
Hungary
Iceland
India
Ireland
Israel (a)
Italy
Jamaica
Japan
Korea (South)
Latvia
Lithuania
Luxembourg
Malta
Mexico
Morocco
Netherlands
New Zealand
North Macedonia
Norway
Peru
Philippines
Poland
Portugal
Romania
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Serbia
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Trinidad and Tobago
Turkey
United Kingdom (a)(b)
United States
Uruguay

(a) A limited interim agreement, which is in force, deals only with contributions and does not cover benefits.
(b) Consolidated arrangements permit residents of the United Kingdom to use their periods of residence in Canada as if they were periods of contribution to the United Kingdom.

The province of Quebec has separate totalization agreements. As a result, it does not follow the agreements listed above.

D. Tax filing and payment procedures

Married persons are taxed separately, rather than jointly, on all types of income. Therefore, spouses must file separate tax returns.

Individuals must file tax returns if they owe tax or if they are specifically requested to do so by the tax authorities. In addition, because of the capital gains exemption rules (see Section A), all individuals with capital gains or losses must file income tax returns, regardless of whether tax is owed for the year.

Nonresident individuals generally must file Canadian income tax returns if they earn employment or business income (including resource income, which is generally oil, gas and mineral rights) in Canada or if they have capital gains from dispositions of "taxable Canadian property" (TCP), which includes the following:

- Real estate in Canada
- Property used in carrying on a business in Canada
- Shares of a Canadian resident or nonresident corporation not listed on a designated stock exchange, capital interests in trusts, income interests in nonresident trusts (other than units of mutual fund trusts) or interests in partnerships, if at any time during the 60-month period before the disposition, more than 50% of the

fair market value of these shares or interests was derived directly or indirectly from real or immovable property located in Canada, Canadian resource property, timber resource property or options on or interests in any of these properties (or from any combination of these properties)
- Shares of a Canadian resident or nonresident corporation listed on a designated stock exchange, shares of mutual fund trust corporations or units of mutual fund trusts, if at any time during the 60-month period before the disposition, 25% or more of the issued shares of the corporation or units of the mutual fund trust was owned by nonresident and related parties and more than 50% of the fair market value of the shares or units of the mutual fund trust was derived directly or indirectly from real or immovable property located in Canada, Canadian resource property, timber resource property or options on or interests in any of these properties (or from any combination of these properties)
- Income interests in trusts resident in Canada

Canada's double tax treaties may modify or exempt nonresidents from the above tax provisions. However, in general, Canadian nonresident tax withholding is required unless a payroll waiver is obtained or unless the employer becomes certified under a new certification process implemented in 2016.

The tax year for individuals in Canada is the calendar year. Annual income tax returns must generally be filed on or before 30 April of the year following the tax year. The filing due date is extended to 15 June for individuals earning self-employment or business income. This extended due date also applies to these individuals' spouses. No other extension of time to file income tax returns is available in Canada.

Any unpaid income taxes are due on or before 30 April of the year following the tax year, regardless of the due date of the individual's return. Penalties are levied if any tax due is not paid on time, and interest is charged on unpaid taxes.

Individuals may be required to make quarterly installment payments if the difference between tax payable and the amount withheld at source is greater than CAD3,000 (for Quebec residents, CAD1,800 of federal tax payable after federal withholding) in both the current year and either of the two preceding years. The amount of the quarterly installments is based on the lesser of the liability calculated by the tax authorities on installment notices, the liability for the preceding year or the liability projected for the current year after deduction of withholdings.

Taxpayers coming to or departing from Canada during a tax year are taxed on their worldwide income for the portion of the year in which they are residents of Canada. They are entitled to the same deductions and tax credits for the period of residency as a full-time resident with the exception of personal credits, which are prorated for the number of days during the year in which they are resident in Canada.

E. Double tax relief and tax treaties

Foreign tax relief. Foreign taxes paid are generally allowed as credits. If an individual receives foreign-source income that has

been subject to foreign tax, foreign tax credit relief may be provided in Canada to reduce the effects of double taxation. The foreign tax credit is computed on a country-by-country basis and may be taken only to the extent of Canadian tax payable on the net foreign income from the country. Separate foreign tax credits are computed for business income and nonbusiness income. The nonbusiness foreign tax credit allowed on income derived from property, other than real property, is further limited to 15% of gross foreign income from property.

To the extent that foreign taxes paid on foreign nonbusiness income are not credited against Canadian federal tax, the individual may deduct the excess amount in computing income derived from property. The individual also has the option of deducting from property income any foreign nonbusiness income taxes paid, rather than applying the amount for foreign tax credit purposes.

Unused foreign business tax credits may be carried back 3 years and forward 10 years. Unused foreign nonbusiness tax credits are not eligible for carryover.

Provincial foreign tax credit relief for nonbusiness foreign income taxes is also provided. The provincial tax credit is generally limited to the lesser of the provincial taxes payable on the income and any foreign tax paid exceeding the amount of tax allowed as a credit and deduction for federal income tax purposes.

Double tax treaties. Canada has negotiated double tax treaties with most major industrialized nations and many developing nations. All treaties negotiated after 1971 generally follow the provisions of the model treaty developed by the OECD. Many treaties currently in force were negotiated prior to 1972 and may vary significantly from the OECD model treaty.

Double tax treaties have been entered into with the following jurisdictions as of 1 July 2019.

Algeria
Argentina
Armenia
Australia
Austria
Azerbaijan
Bangladesh
Barbados
Belgium
Brazil
Bulgaria
Cameroon
Chile
China Mainland (c)
Colombia
Côte d'Ivoire
Croatia
Cyprus
Czech Republic
Denmark
Dominican Republic
Ecuador
Iceland
India
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kazakhstan
Kenya
Korea (South)
Kuwait
Kyrgyzstan
Latvia
Lebanon (a)
Lithuania
Luxembourg
Madagascar (a)
Malaysia (b)
Malta
Mexico
Moldova
Peru
Philippines
Poland
Portugal
Romania
Russian Federation
Senegal
Serbia
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland (b)
Taiwan (a)
Tanzania
Thailand
Trinidad and Tobago
Tunisia
Turkey

Egypt	Mongolia	Ukraine
Estonia	Morocco	United Arab Emirates
Finland	Namibia (a)	United Kingdom
France	Netherlands (b)	United States
Gabon	New Zealand	Uzbekistan
Germany	Nigeria	Venezuela
Greece	Norway	Vietnam
Guyana	Oman	Zambia
Hong Kong SAR	Pakistan	Zimbabwe
Hungary	Papua New Guinea	

(a) This treaty has been signed, but it is not yet in force.
(b) This treaty is under negotiation or renegotiation.
(c) This treaty does not apply to the Hong Kong Special Administrative Region (SAR); a separate treaty with the Hong Kong SAR is in force.

F. Temporary permits

Entry visas. Unless he or she is a citizen of a visa-exempt country, an individual who is not a citizen or permanent resident of Canada and who wishes to enter the country as a tourist, business visitor, student or foreign worker must obtain a Temporary Resident Visa before entering Canada. Applications may be submitted online or through a Visa Application Centre.

Electronic travel authorization. A foreign national who is exempt from the above requirement to possess a travel entry visa (for example, most citizens of a European Union country, Australia and Japan) must first obtain an electronic travel authorization (eTA) before departing for Canada when arriving by air for visitor, temporary work or study purposes. An eTA is normally valid for five years or for the duration of the traveler's passport, whichever is shorter. The application and approval process is normally very fast for most travelers through the Immigration, Refugees and Citizenship Canada website, but must be completed and approved before departure in order for the airline to allow the traveler to board the aircraft. It is recommended that a traveler apply for his or her eTA as soon as possible in advance of travel to Canada to avoid having to reschedule travel in the event of a delay in processing. US citizens are exempt from the eTA requirement and can travel to Canada without a visa or eTA.

Biometrics. Canada expanded the requirement for biometrics for most foreign nationals traveling to Canada. Applicants for visitor visas, study or work permits or permanent residence in Canada subject to the biometric requirements are required to provide their fingerprints and photographs. In most cases, biometrics only need to be provided once every 10 years. US citizens are exempt from the requirement as well as children under the age of 14 years and those over the age of 79 years. Current visa, study and work permit holders already in Canada are exempt until the in-Canada service for providing biometrics is established in 2020. Visa-exempt nationals may also be able to provide biometrics at one of eight major Canadian airports where fingerprint verification will be conducted at inspection kiosks.

Tourists. An individual wishing to enter Canada as a tourist must generally first secure a Temporary Resident Visa from a consulate outside Canada or, in the case of visa-exempt foreign nationals, an eTA (see *Electronic travel authorization*). US citizens are exempt

from the eTA and Temporary Resident Visa requirement. Visitors are generally admitted to Canada for periods of up to six months after the original date of entry. An application for an extension may be submitted from within Canada, depending on the circumstances.

Business visitors. An individual wishing to enter Canada as a business visitor generally must first secure a Temporary Resident Visa or, in the case of visa-exempt foreign nationals, an eTA (see *Electronic travel authorization*). US citizens are exempt from the visa and eTA requirement. A foreign national may enter Canada as a business visitor, without obtaining a work permit, in certain limited instances. In general, these instances are limited to foreign nationals engaging in international business activities in Canada, without directly entering the Canadian labor market or providing services to a Canadian entity. Common circumstances in which a foreign national may enter Canada as a business visitor include the following:

- Foreign nationals attending business meetings or conferences
- Foreign nationals seeking to purchase Canadian goods or services or receiving training and familiarization with such goods or services
- Foreign nationals giving or receiving training with a Canadian parent or subsidiary of the corporation that employs the foreign national abroad
- Foreign national sales representatives who come to Canada to sell goods (or services) manufactured outside Canada, if they do not sell to the general public

G. Work permits

With few exceptions, most individuals providing services in Canada's labor market require a work permit, regardless of duration of stay or source of income. Admission to Canada is generally granted for a specific purpose and is time-limited. All foreign nationals seeking entry to Canada must ensure that they have the appropriate status for their intended activities and length of stay.

The federal government, through Service Canada and Employment and Social Development Canada, is responsible for ensuring that the Canadian labor market is not negatively affected by the employment of foreign nationals in place of Canadian citizens or permanent residents. Unless exempted, a foreign worker may apply to Immigration, Refugees, Citizenship Canada (IRCC) for a work permit only after Service Canada has provided a Labor Market Impact Assessment (Confirmation) (LMIA; see *Labor Market Impact Assessment*) to the employer that a job may be offered to a foreign worker. However, in several occupations and circumstances, an employer may be exempt from the requirement to obtain an LMIA and the qualifying employee may apply directly for a work permit (see *Exempt categories*).

Labor Market Impact Assessment. In general, unless a foreign national meets the criteria for an exemption, a LMIA is required before the foreign national can apply for a work permit (see *Exempt categories*). In general, the LMIA process requires the employer to demonstrate to Service Canada that a job offer to a foreign worker is likely to have a positive or neutral impact on the

Canadian labor market. In reaching its opinion, Service Canada considers a number of factors, including the efforts made by the employer to recruit Canadians for the position, whether the work will result in direct job creation or retention for Canadians, and whether the work will result in the creation or transfer of skills and knowledge for the benefit of Canadians.

In addition, Service Canada assesses the genuineness of a job offer, the ability to transition the job to a Canadian in the future, its consistency with the terms of applicable federal-provincial/territorial agreements, whether the foreign worker will be paid a prevailing wage in Canada, and the employer's past history of compliance with the conditions of previous job offers to foreign nationals.

After Service Canada is satisfied that the above criteria are met, it issues a positive LMIA confirming the job offer to the foreign worker, who must then submit an application for a work permit online, through a visa office or at a port of entry, if eligible to apply upon arrival in Canada.

Work permit applications must be submitted before expiration of the LMIA and are issued for a specific time period, which coincides with the recommended duration stated in the LMIA, usually between one to three years. A work permit extension may be applied for through an IRCC processing center in Canada with the support of a new LMIA or proof of eligibility for an LMIA exemption. A transition plan is required for most high-skilled positions, outlining how the role will be transitioned to a Canadian citizen or permanent resident. If a foreign worker is contemplating a longer stay, he or she should consider obtaining Canadian permanent resident status.

Foreign workers employed in lower-skilled and lower-wage occupations have greater restrictions on their ability to work in Canada or apply for permanent residence.

Global Talent Stream. The Global Talent Stream, which is a subset of the Temporary Foreign Worker Program, allows innovative firms in Canada a more streamlined process to hire highly skilled foreign talent when Canadians are not available. As part of the application process, employers are either referred by a designated partner organization or they are eligible to hire highly skilled workers for one of the occupations listed on the Global Talent Occupations List. A labor market benefits plan is required instead of formal public recruitment and a transition plan.

Exempt categories. Canadian immigration legislation and policy outlines the circumstances under which a work permit may be issued without an LMIA. Exempt categories include work that will result in significant economic, social or cultural benefits for Canada, international treaty-based permits and other occupation-specific exemptions.

The most common LMIA-exempt categories are discussed below.

Free trade agreement professionals. The North American Free Trade Agreement provides a special opportunity for US and Mexican citizens to secure a Canadian work permit without obtaining an LMIA. Applicants with certain education and skill

levels may accept job offers from Canadian employers in listed professions. For certain professions, licensing in Canada may also be required. Listed professions include, among others, accountants, architects, economists, engineers, hotel managers, lawyers, librarians, management consultants and scientists. Canada has also entered into free trade agreements with Chile, Colombia, Korea (South) and Peru, which provide similar benefits to professionals of those countries. The Canada-European Union (EU) Comprehensive Economic and Trade Agreement, which includes mobility provisions for key personnel, contractual service providers and short-term business visitors, has also been implemented. The most recent agreement is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which came into effect in December 2018. This agreement applies to citizens of the signatory parties as well as permanent residents of Australia and New Zealand.

Students. Full-time international students currently studying at a designated post-secondary institution are eligible to work on or off campus for up to 20 hours a week during school terms and full time during scheduled study breaks.

The married or common-law spouse of a foreign student who wishes to work in Canada while the student is attending a full-time course at a designated post-secondary institution is eligible for an unrestricted permit for a period concurrent with the student's study permit.

A foreign student who has graduated from a designated post-secondary educational program in Canada of at least one year can apply for an unrestricted work permit for a period of one to three years, based on the length of his or her program of study.

International Experience Class. Canada has entered into reciprocal agreements with several countries to facilitate international work experience for youths. Depending on the country of citizenship, work permits may be issued under one of the following three programs:

- Working holiday
- Young professional
- Co-op/internship

Program availability may be subject to quotas and age restrictions.

Canada has reciprocal agreements with many jurisdictions, including Australia, Japan, Sweden and the United Kingdom.

Intracompany transferees. The most commonly relied on LMIA confirmation-exempt category is for intracompany transferees. The exemption for intracompany transferees is designed to facilitate the transfer of "executive," "senior or functional managerial" and "specialized knowledge" personnel from companies affiliated with those established in Canada. The applicant must be employed by the foreign related company for at least one year in the three years preceding the transfer, and must come to Canada to take a similar role in a "senior management," "executive" or "specialized knowledge" position.

Spousal work permits. Spouses, including common-law and same-sex partners, who are in Canada accompanying their skilled foreign workers or student spouses ordinarily qualify for work permits themselves under the spousal work permit program. These work permits are "open" work permits, which are unrestricted in terms of employer, occupation and location of employment. Individuals seeking to work in child care, medical or teaching fields may require the completion of medicals in advance. Spousal permits are typically valid for a period concurrent with the foreign national spouse's status in Canada or the period of validity of the spouse's passport, whichever is shorter.

Global Skills Strategy. In June 2017, the Canadian federal government launched the Global Skills Strategy (GSS) to support faster access to high-skilled talent in Canada and to help Canadian businesses support the creation of jobs for Canadians. The program includes a multipronged approach including faster consular processing times (two weeks) for high-skilled work permit applications (National Occupation Classification Skill Level 0 and A occupations), establishment of a dedicated service channel for referred companies looking to make significant job-creation investments in Canada, introduction of a simplified process to allow the entry of short-term, highly skilled workers for a limited duration of up to 30 days within a 12-month period, and a more consistent service standard for LMIA applications for high-skilled, in-demand positions supported by a labor market benefits plan.

H. Permanent residence status

The following descriptions apply to permanent residence outside the province of Quebec. Individuals intending to settle in Quebec should consult with Quebec-based professionals to obtain relevant information.

Express Entry. Express Entry refers to the intake management system used by IRCC to invite potential economic immigrants to apply for permanent residence to Canada. Potential immigrants who meet the criteria for one or more of the permanent residence streams including the Federal Skilled Worker Program (FSWP), Canadian Experience Class (CEC) or certain Provincial Nominee Programs (PNP) are required to submit an online profile using the Express Entry system. Individuals are then assessed a Comprehensive Ranking Score (CRS) based on several factors including the following:

- Age
- Education
- Language ability in English and/or French
- Previous work experience

Potential applicants are then entered into the "Express Entry Pool." Draws are held periodically (usually every three to four weeks) and those with the highest CRS scores are invited to submit a permanent residence application. Only those with an invitation to apply are eligible to proceed with an application. Applicants will then have 60 days to complete a full application online, including the completion of medicals, obtaining police clearances and providing required support documentation. The majority of applications are processed within six to eight months following submission of the full application.

Federal Skilled Worker Program. The Federal Skilled Worker Program (FSWP) is based on a points-based assessment system, which requires applicants to meet a minimum points threshold, based on the following:

- Age
- Education
- Work experience
- Adaptability to Canada factors

To qualify for immigration under the FSWP, an applicant must be assessed at least 67 out of a possible 100 points.

At a minimum, the applicant must have at least one year of work experience in a skilled occupation, demonstrate that he or she meets the minimum language proficiency requirements in French or English, and have his or her foreign educational credentials formally assessed.

The applicant must also demonstrate that he or she meets the minimum language proficiency requirements in French or English.

Canadian Experience Class. The Canadian Experience Class (CEC) recognizes that certain individuals have the qualities to make a successful transition from temporary to permanent residence and can contribute to the Canadian economy. It is a simplified program that allows certain high skilled temporary foreign workers to remain permanently in Canada and apply for permanent residence from within Canada. To be eligible under the CEC, the applicant must be proficient in English and/or French and must have obtained at least 12 months of full-time (or an equal amount of part-time) skilled work experience in Canada in the three years before the application is made.

CEC applicants must also submit the results of a designated third-party English or French language proficiency assessment to meet language proficiency requirements.

Provincial nominee programs. Under agreements between the provincial and federal governments, provinces are able to nominate candidates for permanent residence in Canada if the applicant has the intention to settle and establish themselves in a particular province. Program criteria differ between provinces but the overriding principle is that applicants have skills or resources in demand in the particular province, that they have a job offer from an employer in the province, and that the applicants intend to reside permanently in such province. Some provinces also have programs for immigrant entrepreneurs. It is recommended that potential applicants consult with an authorized Canadian immigration representative to confirm eligibility criteria for specific provincial streams and whether applications are currently being accepted (there are limited numbers of nominations available each year).

I. Family and personal considerations

Family members. The legally married spouse or common-law partner and any dependent children (under the age of 22 years and who do not have a partner/spouse) of a holder of a Canadian work permit in a high-skilled occupation may seek to enter and reside in Canada for a term concurrent with the principal holder's

work permit. These family members are usually issued Visitor Records, if required, to document their status as accompanying family members. Study Permits for minor children are not required to attend primary and secondary schools unless the children require Temporary Resident Visas to enter Canada. Attendance at a post-secondary institution requires a letter of acceptance from that institution prior to the issuance of the Study Permit. Study Permits are not required if the student is enrolled in a short-term program in Canada of six months or less.

Married spouses and common-law partners, including same-sex couples, may be eligible for work permits if their spouse/partner is in Canada on a work permit or a study permit. An applicant for a spousal work permit may be eligible for an "open" work permit (unrestricted in terms of occupation, location or employer) if the applicant's spouse is performing work that is at a management level, is a professional occupation, or is a technical or skilled trade, and the work permit is valid for a term of at least six months.

Driver's permits. Foreign nationals may drive temporarily in Canada using driver's licenses from their home countries. Because each Canadian province issues driver's licenses independently, rules for foreigners vary. In general, foreign nationals have 60 days from the time of their arrival in Canada to obtain a Canadian driver's license. Depending on the province, an eye examination and a driving examination may be required. Insurance coverage requirements should also be reviewed.

Cape Verde

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The personal income tax rules described in this chapter reflect the current legislation and are expected to be in force until 31 December 2019.

A. Income tax

Who is liable. Residents of Cape Verde are subject to personal income tax (Imposto sobre o Rendimento das Pessoas Singulares, or IRPS) on their worldwide income. Nonresidents are subject to IRPS on income arising in Cape Verde.

An individual is considered resident in Cape Verde if he or she meets any of the following conditions:

- He or she stays in Cape Verde for more than 183 days in any 12-month period.
- On 31 December, he or she has a dwelling in Cape Verde that suggests habitual residence in Cape Verde.
- He or she exercises abroad public functions or commissions for the Republic of Cape Verde.
- On 31 December, he or she is a crew member of a ship or aircraft at the service of an entity having its residency, head office or place of effective management in Cape Verde that has been resident in Cape Verde in the past five years.

Income subject to tax. The taxation of various types of income is described below.

Employment and pension income. IRPS is imposed on the income received by employed individuals, which includes all payments related to work. It is also imposed on all types of pensions. Some exemptions are available, particularly for termination payments and pensions up to CVE960,000.

Business and professional income. Business and professional income includes all income from professional activities and

commissions and profits from a trade received by individuals. Business and professional income may be subject to one of the following two regimes:

- Simplified regime for micro and small companies: turnover subject to a special rate of 4%
- Organized bookkeeping regime: net profit subject to the standard tax rates listed in *Rates*

Income may be taxed under the simplified regime if the taxpayer does not choose to use, and is not required to use, organized bookkeeping and if the annual gross business and professional income of the taxpayer did not exceed CVE10 million in the preceding year.

Directors' fees. Directors' fees are taxed in the same manner as employment income.

Rental income. Rental income is subject to withholding tax at a rate of 10%. Taxpayers that maintain or should maintain organized bookkeeping may opt for rental income to be included in taxable income computed in the tax return. In this case, the withholding tax is treated as a payment on account of the final annual income tax. Expenses incurred on the maintenance and repair of the property may be deductible up to 30% of the gross rental income. For subleases, the difference between the rental income received and the rental income paid is not allowed as a deduction.

Investment income. Interest derived from public company bonds and state bonds and dividends are subject to withholding tax at a rate of 10%. An exemption applies to dividends received by resident individuals from resident companies or nonresident companies in Cape Verde subject to and not exempt from corporate income tax (Imposto sobre o Rendimento das Pessoas Colectivas, or IRPC). Dividends received by nonresident individuals from resident companies subject to and not exempt from IRPC are exempt from IRPS.

In general, other gross investment income is subject to a final withholding tax of 20%.

Other income. A flat rate of 20% applies to gains from gambling, lotteries, betting and prizes awarded in sweepstakes or contests.

Capital gains and losses. Capital gains derived by individual taxpayers from the disposal of immovable property, intellectual property or shareholdings are subject to a flat rate of 1%.

In 2018, an exemption was introduced for gains realized by nonresident individuals in Cape Verde from the disposal of shares and other securities.

Exemption for outbound expatriates working abroad. An exemption for outbound expatriates may apply under the Tax Benefits Code of Cape Verde. The exemption relates to income received by individuals performing management functions for companies carrying out investment projects established under a specific regime. It applies if the individuals qualify as residents for the first time in five years.

Special regime for non-habitual residents. A special regime applies to individuals who become tax residents of Cape Verde and have not been taxed as such in any of the previous five years. Non-habitual resident status applies for up to 10 years, and requires the taxpayer to be registered as a non-habitual resident with the tax authorities. The main features of this regime are summarized below.

Employment income, pensions and business or professional income derived from high value-added activities of a scientific, artistic or technical nature are taxed at a flat rate of 10% on net income.

Foreign-source income, such as employment income, income from certain business or professional activities (as mentioned above), income from copyrights, industrial property rights or transfer of know-how, investment income, rental income and capital gains, is exempt from tax in Cape Verde if such income is effectively taxed (for employment income) or may be taxed (for the other types of income) in either of the following countries:

- A tax treaty country, in accordance with the terms of the treaty
- A non-tax treaty country, in accordance with the Organisation for Economic Co-operation and Development (OECD) Model Tax Convention rules, provided that the country is not a territory considered a tax haven (not applicable to employment income) and that the income cannot be deemed sourced in Cape Verde under domestic tax law

Foreign-source pension income is exempt from tax in Cape Verde if such income is taxed in a tax treaty country or is not deemed sourced in Cape Verde under domestic tax law.

In general, income benefiting from the exemption method is considered to determine the tax rate applicable to the remaining income (except employment and business or professional income subject to the 10% rate mentioned above, which are taxed at special flat rates). Taxpayers may opt to apply the credit method (rather than the exemption method) to this income.

Deductions

Personal deductions and allowances. Personal allowances are granted in the form of credits (see *Credits*).

Business and professional deductions. Professionals and individuals carrying on a business may be taxed under the simplified regime for micro and small companies or the organized bookkeeping regime (see *Business and professional income*).

The organized bookkeeping regime provides for the deduction of activity-related expenses. Taxable income is calculated using the IRPC rules, subject to the following limitations contained in the IRPS Code:

- Travel and accommodation expenses are only deductible up to 10% of total revenue.
- If a professional's house is partially used as an office, the professional may deduct certain expenses, including rent, electricity, water and telephone costs, and depreciation, up to 50% of the total amount of expenses incurred.

- Amounts booked as per diem allowances, kilometer allowances, meal allowances and other remuneration allowances are not deductible.

Rates. The following personal income tax rates apply for 2019.

Taxable income Exceeding CVE	Not exceeding CVE	Rate %
0	960,000	16.5
960,000	1,800,000	23.1
1,800,000	—	27.5

Taxable income up to CVE220,000 is exempt from tax. The CVE220,000 is subtracted from the amount taxable. As a result, the 16.5% rate applies to income between CVE220,000 and CVE960,000.

For purposes of assessment of the personal income tax liability on capital gains arising from the disposal of wealth goods, the following amounts are considered unjustified patrimonial increases and are taxable.

Evidence of wealth	Income to be considered
Acquisition of immovable property in an amount greater than CVE15 million	25% of the acquisition price
Passenger vehicles acquired for a price above CVE5 million	50% of the acquisition price in the register year (the calendar year in which the first certificate of register of the vehicle is issued)
Loans granted amounting to at least CVE2,500,000 in a year	30% of the annual amount

Withholding taxes. Tax on income listed in the following table is withheld at source.

Type of taxable income	Withholding tax rates Residents %	Nonresidents %
Employment income	— (a)	— (a)
Business and professional income	15	15
Royalties	20	20 (b)
Bank deposit interest	20	20 (b)
Interest derived from public company bonds and state bonds	10	10 (b)
Dividends	0/10 (c)	10 (b)(d)
Income from the use or concession of equipment	10	10 (b)
Rentals	10	10
Pensions	— (a)	— (a)
Other investment income	20	20

(a) Withholding taxes are imposed at progressive rates according to the levels of income.
(b) This is a final withholding tax; income need not be declared.
(c) An exemption applies to dividends received from resident companies or nonresident companies in Cape Verde subject to and not exempt from IRPC.
(d) An exemption applies to dividends received from resident companies subject to and not exempt from IRPC.

Credits. For 2019, individuals may credit the following amounts against their tax liability:
- CVE5,000 for each dependent not subject to IRPS, each dependent under declared permanent incapacity and for each ascendant who lives with the taxpayer and does not receive income above the minimum social security retirement pension (the credit is subject to an annual cap of CVE25,000)
- 10% of documented medical expenses of the taxpayer or a member of the household (the credit is subject to an annual cap of CVE25,000)
- 10% of alimony payments (the credit is subject to an annual cap of CVE25,000)
- 10% of expenses incurred on the rental of the taxpayer residence (the credit is subject to an annual cap of CVE12,500)
- 10% of interest on certain loans and debts incurred for the acquisition or improvement of the taxpayer residence (the credit is subject to an annual cap of CVE12,500)
- 10% of education expenses of the taxpayer or a member of the household up to 24 years old (the credit is subject to an annual cap of CVE12,500)
- Advance personal income tax payments and taxes withheld at source

B. Other taxes

Inheritance and gift taxes. Inheritance and gift taxes were eliminated, effective from April 1999.

Property tax. Property tax is levied on the property value at a flat rate of 1.5%. It is payable by the owners or users of the property, regardless of whether they reside in Cape Verde.

Property tax is due in the following circumstances:
- Annually, as a real estate tax
- On the act of transfer, in case of acquisition of real estate
- At the moment of disposal, in case of qualifying capital gains

Real estate registration acts may benefit from the following tax incentives:
- Notarial and private deeds with respect to the transfer of real estate are exempt from stamp duty for two years. This exemption also applies to notarial and private deeds that aim to legalize real estate transfer transactions if certain conditions are met.
- Legalization of the ownership of immovable property acquired by 31 December 2016 is exempt from real estate tax for two years from the moment when the deed is registered in the land register.

Touristic contribution. For 2019, the tourist contribution established in 2013 remains in force. Accordingly, every overnight stay in a tourist establishment incurs a cost of CVE220 per occupant for a maximum of 10 nights. Children under 16 years old are not subject to this contribution.

C. Social security

Contributions. Social security contributions are payable on all salaries, wages, bonuses, subsidies and other regular income, excluding some allowances and transport subsidies. Effective from 26 July 2017, the employer rate is 16%, and the employee

rate is 8.5%. An employer must deduct an employee's contribution and pay the total amount by the 15th day of the following month.

Self-employed individuals engaged in a business or professional activity are subject to a special regime for social security contributions. Their contributions are calculated on a base preselected by the individual. The following are the contribution rates for self-employed individuals:
• 11% for the restricted social security regime
• 19.5% for the extended social security regime

Employment incentive. Companies or individuals (with organized accounts) who hire young employees up to 35 years old for their first employment relationship for a minimum term of one year are exempt from the mandatory employer social security contributions if certain conditions are met.

Totalization agreements. To provide relief from double social security contributions and to assure benefit coverage, Cape Verde has entered into totalization agreements. Under social security agreements, foreigners who work up to two years in Cape Verde and who contribute to a compulsory social security scheme in their country of origin may not be subject to Cape Verdean social security contributions.

Cape Verde has entered into social security agreements with the following jurisdictions.

France	Luxembourg	Portugal
Italy	Netherlands	Spain

A social security agreement is being negotiated with Senegal.

Cape Verde has also signed a community of Portuguese-language countries multilateral social security agreement with the following jurisdictions, which is not yet in force.

Brazil	Portugal	São Tomé and Príncipe
Mozambique		

Angola, Equatorial Guinea, Guinea-Bissau and Timor-Leste have not yet signed the multilateral agreement.

D. Tax filing and payment procedures

The tax year in Cape Verde is the calendar year. Residents, as well as nonresidents who have filing obligations, with only employment income or pension income must file their personal income tax returns by the end of March. Residents, as well as nonresidents who have filing obligations, with other income must file their returns by the end of May. Any balance of tax due or excess tax paid is payable or refundable when the Cape Verdean tax authorities issue the respective tax assessment.

Resident and nonresident individuals must use Form MOD 112 to self-assess the personal income tax. The tax return must be submitted electronically.

E. Double tax relief and tax treaties

Residents who receive foreign-source income are entitled to a tax credit equal to the lower of the foreign tax paid or the Cape

Verdean tax payable on such income (after the respective credits). The credit applies to income derived from treaty and non-treaty countries.

Cape Verde has entered into double tax treaties with the Macau Special Administrative Region and Portugal. Cape Verde has signed double tax treaties with Guinea-Bissau, Mauritius, Senegal and Spain, which are not yet in force.

Income tax treaties are under negotiation with Angola, Brazil, Equatorial Guinea, Luxembourg, Morocco, Seychelles and Singapore.

Cayman Islands

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A. Income tax

The Cayman Islands government does not tax the income or capital gains of resident or nonresident individuals.

B. Social security

No welfare or social security taxes are imposed. No deductions or contributions are required for any other government-sponsored programs. Medical insurance is mandatory for all private employees in the Cayman Islands. Employees must contribute a minimum of 5% of their earnings to a mandatory pension plan up to KYD87,000 except for foreign workers who have completed less than nine months of their employment contracts.

C. Business licenses

Unless exempt, every person or company carrying on a trade or business in the Cayman Islands must have a business license for each location where the trade or business is conducted. The cost of the annual license depends on the type and location of the business and on the number and type of employees. The license fee is payable every year, and the application for renewal must be made at least 28 days before the anniversary of the grant of the license.

Companies carrying on a trade or business in the Cayman Islands that are not 60% owned and controlled by Caymanians also need a license under the Local Companies (Control) Law. This license normally has a 12-year term.

D. Double tax treaties

The Cayman Islands have not entered into any double tax treaties.

E. Entry into the Cayman Islands

Visitors, other than prohibited immigrants, wishing to enter the Cayman Islands are normally permitted to enter and remain initially for up to one month. Frequent short-term visitors and persons who have other close connections to the Cayman Islands may be granted permission for entries lasting up to six months.

Applications for extensions to these permitted visitations must be made within that period to the Chief Immigration Officer.

Before a visitor may enter the Cayman Islands, a valid passport or other document establishing the identity and nationality of the visitor is required. In addition, visas are required for nationals of all jurisdictions other than the following jurisdictions.

Andorra
Antigua and Barbuda
Argentina
Australia
Austria
Bahamas
Bahrain
Barbados
Belgium
Belize
Botswana
Brazil
Brunei Darussalam
Bulgaria
Canada
Chile
China Mainland (a)
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark (including associated territories)
Dominica
Ecuador
Estonia
Eswatini
Fiji
Finland
France (including overseas *collectivites* and communities)
Germany
Greece
Grenada
Guyana
Hong Kong (Special Administrative Region) (b)
Hungary
Iceland
Ireland
Israel
Italy
Japan
Kenya
Kiribati
Kuwait
Latvia
Lesotho
Liechtenstein
Lithuania
Luxembourg
Malawi
Malaysia
Maldives
Malta
Mauritius
Mexico
Monaco
Mozambique
Namibia
Nauru
Netherlands (including associated territories)
New Zealand (including associated states and overseas territories)
Norway (including associated territories)
Oman
Panama
Papua New Guinea
Peru
Poland
Portugal
Romania
St. Christopher and Nevis
St. Lucia
St. Vincent and the Grenadines
Samoa
San Marino
Seychelles
Singapore
Slovak Republic
Slovenia
Solomon Islands
South Africa
Spain
Sweden
Switzerland
Taiwan (provided that the individual holds an ordinary passport that includes personal identification numbers issued by the Ministry of Foreign Affairs in Taiwan)
Tanzania
Tonga
Trinidad and Tobago
Tuvalu
United Kingdom (including Crown Dependencies and British overseas territories) (c)
United States (including associated territories)
Vanuatu
Venezuela
Zambia

(a) Only those Chinese nationals holding a Hong Kong Special Administrative Region (SAR) passport do not need an entry visa to enter the Cayman Islands.
(b) The individual must hold a Hong Kong SAR passport.

(c) The visa exemption does not apply to nationals of the following British Commonwealth countries.

Bangladesh	India	Sierra Leone
Cameroon	Jamaica	Sri Lanka
Gambia	Nigeria	Uganda
Ghana	Pakistan	

Each person arriving in the Cayman Islands is required to produce for inspection by an immigration officer a passport or other valid document establishing his or her identity and nationality or place of permanent residence. This should be valid beyond the date of their return ticket. Proof of citizenship or residence may be established by producing photo identification together with a certified copy of a birth certificate, or a naturalization certificate.

Persons from certain jurisdictions are also required to possess a valid visa for the Cayman Islands.

Nationals of China and Jamaica, who possess a valid visa from Canada, the United Kingdom or the United States, can visit the Cayman Islands if arriving directly from the country for which that visa was issued. Persons taking advantage of the waiver of the visa requirement above are permitted to enter and remain in the Cayman Islands for a period not exceeding 30 days.

A visitor must possess a passport or other appropriate documentation that is valid beyond the date of his or her return ticket. However, this documentation does not necessarily have to be valid for over six months if this is longer than the length of stay.

A visitor must also possess a paid-up return ticket or tickets entitling the visitor and his or her dependents, if any, to travel to their next destination outside the Cayman Islands. A visitor may also be required to satisfy the immigration officer that he or she has sufficient funds to maintain himself or herself and his or her dependents during the period of their stay in the Cayman Islands.

The law also states that persons may be refused entry if they fail to satisfy officials that they will be admitted to another country after their stay. In such circumstances, to enter the Cayman Islands, these persons would need a passport or valid travel document.

Any resident of the United States who arrives in the Cayman Islands directly or is in transit and who produces a valid US Alien Registration Card may be permitted to enter and remain in the Cayman Islands for up to 30 days. This concession enables some individuals who otherwise would need to obtain Cayman Islands visas before their journeys to travel to the Cayman Islands without visas.

Foreign nationals, including tourists, who are granted permission to enter and reside in the Cayman Islands are not permitted to engage in any form of employment, or to carry on or offer to carry on any financial, professional, trade or business activity without valid work permits. An exception is made for individuals who have been granted permanent residence (see Section G).

If a prospective employee is not a national of an English-speaking country and they are already in the Cayman Islands, he or she is required to come to the Department of Immigration

Headquarters to take an English test. If a prospective employee is not yet in the Cayman Islands, he or she is required to take an English test on arrival at the Department of Immigration Headquarters. If an individual is found not to possess sufficient knowledge of the English language, he or she will be refused entry or, if resident in the Cayman Islands, may have his or her permission to remain or work permit revoked.

F. Work permits

General. The Cayman Islands' immigration policy gives employment precedence to those who hold Caymanian status, but recognizes that the continuing expansion of the economy often entails the recruitment of skilled individuals from overseas.

An employer who is unable to find a Caymanian with the necessary qualifications to fill a vacancy may apply for a work permit to bring in a qualified non-Caymanian. Non-Caymanians wishing to work in the Cayman Islands must have job offers from local employers who must apply for work permits.

The applications are handled by the Chief Immigration Officer, the Work Permit Board, which is appointed by the government to control the entry, residence and employment of non-Caymanians (the Chief Immigration Officer is a non-voting member of the Work Permit Board), or the Business Staffing Plan Board (see below). Work permits are normally issued for a specific occupation with a specific employer. The relevant board may set conditions or limitations on granting a permit.

Before an application is made to the relevant board, the vacant position must be advertised every six months in the local press for a minimum of two issues for two consecutive weeks and must indicate a full and accurate job description, remuneration, benefits and identity of the employer. Certain categories of workers are exempt from the advertising requirement, including individuals married to Caymanians, domestic helpers, various unskilled laborers in construction, agriculture and other specified industries, and self-employed individuals.

The following actions are required by a foreign national seeking employment:

- Obtain, complete and return to the employer the work permit application form, together with evidence of qualifications and experience.
- Enclose one full-faced, passport-size photograph.
- Obtain a police clearance certificate from the applicant's home district or last place of residence, issued within six months before the date of application. For applicants from the United Kingdom and other jurisdictions where the police do not readily issue clearance certificates, an affidavit of no convictions, sworn before a notary public, may be submitted.
- Obtain a medical certificate of good health, completed on the board's prescribed form.
- Provide notarized copies of any professional certifications or credentials to support the applicant's qualification for the position.
- If the applicant's dependents are also seeking to reside in the Cayman Islands as part of the work permit application, provide certified copies of the marriage certificate for the spouse and

birth certificates for the dependent children. A police clearance certificate and completed medical exam are also required for the spouse and dependent children over the age of 18.

Companies licensed to carry on business in the Cayman Islands may also submit a detailed business plan outlining their staffing requirements for the next three to five years, including identifying the number of Caymanians employed, plans for training and promotion programs and increasing the number of Caymanians on staff, and the demands for foreign expertise and personnel over that period. These business plans are reviewed by the Business Staffing Plan Board and, if accepted, provide a fast track to identify the permit sought as within the categories of the plan.

The following individuals do not require work permits and are exempt from the requirement to pay a nonrefundable registration fee or work permit dependent fee:

- Caymanians
- Holders of permanent residence with the right to work
- Holders of a Residency and Employment Rights Certificate
- Holders of a Visitor's Work Visa
- Ministers of religion and teachers
- Spouse of a Caymanian
- Persons working for a nonprofit cultural, educational or charitable body
- Surviving spouse of a Caymanian who has not married a non-Caymanian
- Exempt Cubans
- Cayman Islands Monetary Authority employees
- Employees of the Cayman Islands Civil Service
- UK government employees working in the Cayman Islands
- Consular officers and staff
- Accredited representatives or agents of a government of a British Commonwealth country
- Members of the British armed forces
- Members of crews of visiting vessels and aircraft
- A person who is the beneficial owner of up to two units of property and is lawfully present in the Cayman Islands to facilitate rental or lease arrangements with respect to such units and whose spouse does not own, operate or have an interest in those units
- Other persons declared by the Governor-in-Cabinet to be exempt from work permit requirements
- Other persons declared to be exempt under the provisions of the Immigration Law

Work permits are granted for employment with a specific employer and may not be transferred. With respect to entities with multiple subsidiaries, it is possible to demonstrate that such multiple employers share the permit related to the application. After an application is accepted, changes may be made under exceptional circumstances. Inappropriate variances from a permit that the Immigration Board considers abusive may result in the immediate termination of the work permit or non-renewal of the work permit on its expiration.

Temporary work permits allow foreign nationals to enter the Cayman Islands for specified temporary employment. A temporary work permit may be issued for all occupations for periods of

up to six months at the discretion of the Chief Immigration Officer. A temporary work permit may not be extended or renewed unless it was issued for an initial period of less than six months. Applications for temporary or short-term permits are made to the Chief Immigration Officer.

Fees. Employers must pay an annual fee for a work permit for each non-Caymanian person working in the Cayman Islands. The fees vary from USD183 for domestic, manual and unskilled workers to USD39,512.20 for partners, managing directors and chief executive officers of organizations. Spouses of persons with Caymanian status must apply for residency with employment rights before they are allowed to work in the Cayman Islands (see Section G). An annual supplemental fee also applies for each dependent who requests to reside in the Cayman Islands as part of the employee's application. The fee varies from USD305 for domestic, manual and unskilled workers to USD610 per dependent for all other workers. Application filing fees range from USD85.36 to USD1,219.51.

On the initial grant of a work permit, employers are also required to pay a nonrefundable fee of USD244 per person as a guarantee for the repatriation of expatriate employees and their dependents.

Term limits. The initial term for a work permit may be up to three years, or up to five years with respect to permits for domestic helpers, doctors, teachers, nurses, ministers of religion or workers filling positions authorized by the employer's business staffing plan. The maximum total time for which an annual work permit may be granted and renewed for an individual is nine years, unless the employee is designated as a key employee (see below). On expiration of the nine-year term limit, the person is required to leave the Cayman Islands for a minimum period of one year. After the end of this one-year period, the employer may apply for another annual work permit for the individual and the term-limit period begins again.

Employers may apply to have a person designated a key employee. Persons approved as key employees are granted an additional two years to their work permit. After the end of the additional period, the person may apply for residency with a right to work as detailed in Section G. The employer must demonstrate that the person has specific skills or experience that is vital to the employer's business and is not available within the Cayman Islands.

G. Residence permits

Residence permits with a right to work. An individual designated as a key employee who has resided in the Cayman Islands on a work permit for a continuous period of eight years may apply for the right to reside and work permanently in the Cayman Islands. The permit is known as a Residency with Employment Rights Certificate. Spouses of persons possessing Caymanian status are also required to hold a Residency with Employment Rights Certificate to work in the Cayman Islands.

Applicants, other than spouses of Caymanians, are considered on a points system that takes into consideration factors contained in

the Guidance for Points System, which is issued by the Immigration Board.

The applicant is required to pass a written examination on the history and culture of the Cayman Islands. A nonrefundable application fee of USD1,219.51 is payable. On approval, the applicant is required to pay a fee. The minimum amount of this fee is USD595.24 for spouses of Caymanians, and domestic, unskilled and manual workers, and the maximum amount of the fee is up to USD15,243.90, based on the applicant's income. The permanent residence holder is responsible for paying the annual fee each year, but he or she can make an arrangement with the employer to do so.

Effective from 25 October 2013, the Immigration Board is no longer granting any new key employee status. However, any previous key employee grantees can still apply after they meet the term limit requirements.

Permission to engage in gainful occupation is normally restricted to a specified occupation, but not to a specified employer.

Residence permits for persons of independent means. Government policy encourages people of good reputation and financial standing who make substantial investment in the Cayman Islands to become permanent residents of independent means. Anyone wishing to reside in the Cayman Islands without engaging in employment may apply to the Chief Immigration Officer. To qualify, applicants must normally be able to financially support themselves and any dependents with a continuous source of annual income in the amount of at least USD147,000, without having to engage in any form of employment in the Cayman Islands. In addition, they must be able to make an investment in a home or a local enterprise of at least USD1,200,000.

To apply for an initial residence permit, an applicant must submit the following:

- Application form completed in full, together with a cover letter and an application fee of USD610. A separate application is not required for accompanying dependents.
- Police clearance certificate. This certificate, obtained from the applicant's home district or last place of residence, should cover the last 10 years. A certificate must be submitted for each accompanying dependent older than 18 years of age.
- A medical certificate of health for each family member and evidence of health insurance.
- Three written references from persons, not related to the applicant, who have known the applicant for several years.
- Full-faced, passport-size photographs for the applicant and each dependent.
- Evidence of financial status and local investment. A statement of financial position and statement of income demonstrating the applicant's ability to support himself or herself without engaging in employment in the Cayman Islands is required. These statements must be accompanied by such independent evidence as bank statements and tax returns and be certified by an independent accountant. This information is treated in strict confidence.

A separate application is not necessary for an accompanying spouse or for children younger than 18 years of age.

The application for permanent residence is reviewed by the Chief Immigration Officer, who may refuse, defer or grant the application either unconditionally or subject to conditions or restrictions. At this stage, the Chief Immigration Officer takes into account whether the applicant has made an investment and is living in the Cayman Islands. Evidence of ownership of a home with a value of at least USD2,439,024.39 is helpful.

If the application is successful and if the fee of USD24,390.24 is paid, the person is granted a Residency Certificate for Persons of Independent Means. The certificate, which is valid for 25 years and is renewable thereafter at the discretion of the Chief Immigration Officer, entitles the person to reside in the Cayman Islands without the right to work.

Persons of independent means have the option of applying for three other types of residency, subject to meeting the relevant requirements. These types of residency are described below.

Residency Certificate (Substantial Business Presence). Persons who invest in or are employed in a senior management capacity within an approved category of business may apply for a Residency Certificate (Substantial Business Presence). This category is open to persons already resident in the Cayman Islands and persons wishing to become resident. Applicants who meet the eligibility criteria and are of good character and health are issued a Residency Certificate (Substantial Business Presence), which is valid for 25 years and is renewable thereafter. The certificate entitles them to reside in the Cayman Islands and to work in the business in which they have invested or are employed in a senior management capacity.

Certificate of Direct Investment. Persons who are 18 years of age or older and who satisfy the requirements of the law may apply to the Chief Immigration Officer for the right to reside in the Cayman Islands as a high net worth investor. If this application is successful, the applicant is granted a Certificate of Direct Investment. This certificate is valid for 25 years and is renewable thereafter at the discretion of the Chief Immigration Officer. This certificate also entitles the applicant to reside in the Cayman Islands with the right to work in the businesses in which he or she holds an investment.

Certificate of Permanent Residency for Persons of Independent Means. The Certificate of Permanent Residency for Persons of Independent Means affords the holder residency for life. The holder of a Certificate of Permanent Residency for Persons of Independent Means or his or her spouse may apply to the Caymanian Status and Permanent Residency Board for a variation of his or her certificate to allow the right to work for any employer in a particular occupation or occupations specified by the board.

H. Family and personal considerations

Family members. Except in exceptional circumstances and at the discretion of the Immigration Board, a work permit holder may not bring more than three dependents to the Cayman Islands.

Unskilled workers are rarely permitted to have any dependents accompany or join them in the Cayman Islands.

Driver's permits. Foreign nationals may drive legally in the Cayman Islands with their home-country driver's licenses for up to three months. After three months, they must obtain Cayman Islands driver's licenses.

The Cayman Islands does not have driver's license reciprocity with other jurisdictions. To obtain a driver's license in the Cayman Islands, an applicant must take written and physical exams. Holders of foreign driver's licenses from certain jurisdictions that have agreements with the Cayman Islands are exempt from the examination requirements.

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A. Income tax

Who is liable. An individual is considered resident in Chad in the following cases:
- He or she is present in Chad more than 183 days during a fiscal year.
- He or she has a permanent home in Chad as an owner, usufructuary or tenant.
- His or her main economic resources are from Chadian sources.

Income subject to tax

Employment income. Individuals are subject to income tax on employment earnings in the following circumstances:
- They are resident during the time of employment, regardless of whether their duties are performed in Chad or whether the employer is located in Chad.
- For nonresidents, their employers are resident or have a permanent establishment in Chad and the activities are performed in Chad.

It is irrelevant where an employment contract is signed or remuneration is paid.

Employment income includes directors' fees and almost all cash and non-cash payments, allowances and benefits arising from employment. Taxable benefits arising from employment include the following:
- Housing. The taxable benefit from employer-provided housing corresponds to 20% of employment income or to the rent value paid by the employer, whichever is less.
- Motor vehicles. The value of the benefit of an employer-provided motor vehicle is 10% of employment income including any part of the benefit that is paid in cash by the employer.
- Water and electricity. The taxable benefit equals 8% of employment income.
- Housekeeping and servants. The taxable benefit equals 4% of employment income.

- Caretaking. The taxable amount equals 5% of employment income.
- Gas supplied by the employer. The taxable benefit equals 2% of employment income.
- Telephone. The taxable benefit equals 3% of employment income.
- Food. The taxable benefit equals 15% of employment income, with a maximum of XAF75,000 per month.

Specific exemptions include the following:
- All pensions.
- Special allowances granted to employees with respect to charges and expenses relating to their function, provided that the amount of such allowances does not exceed 15% of the gross salary including these allowances.
- Family allowances paid by the employer. The amount of the exemption for such allowances is limited to XAF5,000 per child per month.
- Unemployment allowances.
- Scholarship allowances.
- Severance pay allocated within the framework of a social plan or voluntary departure.
- Death benefit.
- For non-citizens recruited outside Chad and their families, the cost of passage with respect to joining the company, annual leave and departure.
- Transportation allowances paid to all employees. The nontaxable portion cannot exceed 30% of the basic salary for the month.
- Gratuities paid to employees who receive Labour medals (awards granted to employees for their seniority or the exceptional quality of their services).
- Employer-provided stock options if the company's stock options are granted to all employees.
- Additional payments made by the company that allow employees to acquire the company's shares.

Self-employment and business income. All income accrued in or derived from Chad is subject to income tax. For a resident, this includes profits from a business carried on both inside and outside Chad.

Business income includes income derived from a trade, profession or vocation, as well as from manufacturing or other related operations. A partnership is transparent for tax purposes, with the individual partners taxed on their shares of partnership profits.

Individuals are liable to personal income tax under three tax regimes, depending on their annual earnings. These regimes are described below.

Individuals with annual revenue equal to or less than XAF50 million are subject to a discharge tax regime. The amount of discharge tax is determined according to the nature and consistency of the business carried out by the individual. The discharge tax is considered a final payment of tax, and the taxpayer is exempt from any other income tax.

Individuals with annual revenue higher than XAF50 million but not more than XAF500 million are subject to income tax under the simplified taxation regime. Income tax due from individuals

under the simplified tax regime is determined by the same method as under the normal tax regime, which is described below.

Individuals with annual revenue higher than XAF500 million are subject to income tax under the normal tax regime. Under this regime, business profits and losses are determined using normal commercial methods, matching expenses with income from similar activities and using the accrual method of accounting.

All individuals who are self-employed and unincorporated businesses must have a 31 December year-end.

Directors' fees. Directors' fees paid to resident and nonresident directors are subject to a 20% withholding tax. Other income received by a director is taxable under the appropriate rules. For example, a director receiving a salary from an effective employment relationship with the company is subject to payroll taxes with respect to the portion of his or her income corresponding to the salary.

Investment income. Dividends and interest income from investments in Chad are subject to a final withholding tax in the year received. For residents, the tax rate is 20% on dividends and interest. For nonresidents, the tax rates are 20% on dividends and 25% on interest.

The following are the principal types of exempt investment income:

- Interest derived from savings accounts held with agricultural banks or associations
- Interest derived from Treasury bills with up to five years of maturity
- Interest derived from savings accounts held with cooperatives, up to XAF5 million
- Interest derived from home ownership savings plans
- Interest derived from savings accounts held with the Post Office Savings Bank, up to XAF5 million
- Interest derived from deposit notes with an interest rate of up to 6% held with financial institutions

Rental profits are aggregated with profits from other sources and taxed at the rates set forth in *Rates*.

Winnings from betting and gaming. Payments relating to winnings from betting and gaming in Chad are subject to a final withholding tax in the year received. The applicable tax rates are 20% for residents and 25% for nonresidents.

Capital gains. Capital gains derived from transfers, exchanges, sharing, compulsory purchases, capital subscriptions or company settlements with respect to movable or non-movable assets are subject to a final withholding tax at a rate of 20%.

Deductions and reliefs. Individuals not resident in Chad for tax purposes are not entitled to any deductions or credits.

In computing taxable income, resident individuals may deduct interest on borrowings to finance investments in property.

Rates. Progressive income tax rates are applied to resident and nonresident individuals' annual taxable income categorized as revenues from work (including employment income and self-employment or business income). The following are the rates.

Taxable income Exceeding XAF	Not exceeding XAF	Rate %
0	800,000	0
800,000	2,500,000	10
2,500,000	7,500,000	20
7,500,000	—	30

Tax is withheld from payments to nonresidents at the following rates.

Income category	Rate (%)
Dividends	20
Interest	25
Management and professional fees, training fees, royalties and performance fees	25
Rental of movable property	20
Use of other property	25
Pensions and retirement annuities	0
Telecommunication service fees	25

These rates normally constitute the final liability for Chadian income tax.

Relief for losses. From 1 January 2018, revenues are categorized into the following two categories:
- Revenues from work
- Revenues from capital

Revenues from work includes the following:
- Income derived from industrial, agricultural and commercial activities
- Noncommercial profits
- Revenue from employment activities

Revenues from capital includes the following:
- Income derived from buildings and land without buildings
- Capital gains
- Investment income

Tax-adjusted profits and losses from the sources specified above must be calculated for each category separately.

Losses may be carried forward to offset future profits from the same specified source without monetary limits. They may be used in the income year in which they arise and in the following three years, or five years for revenue from land. Losses may not be carried back.

B. Other taxes

Tax on buildings. The rates of the tax on buildings are 10% in Ndjamena and 8% in other towns. The tax base is 8% of the value of the building, after a deduction of 50% in consideration of maintenance fees.

Tax on unbuilt property. The rates of the tax on unbuilt property are 21% in Ndjamena and 20% in other towns. The tax rate applies to a portion of the rental value of the property. The rental value equals 10% of the estimated market value of the property.

Tax on rental premise. Fixed income tax rates are applied to monthly rent paid. The rates vary depending on whether the landlord (an individual) is a resident or a nonresident. The rates are 15% for residents and 20% for nonresidents.

C. Social security

The only social security tax levied in Chad is the National Social Insurance Fund (NSIF) tax. The NSIF is a statutory savings scheme that provides for retirement, professional injury risks and family allowances. Local and foreign employees must register with the NSIF. Employees must contribute to the NSIF at a rate of 3.5% of gross salary, including all earnings in cash or in kind, up to XAF500,000 per month. Employers must contribute at a rate of 16.5% of gross salary, up to XAF500,000 per month. The employer is responsible for payment to the NSIF of both the employer and the employee contributions.

Chad has not entered into any bilateral or multilateral convention to prevent double taxation from a social security perspective. However, Chad is a member of the Inter-African Conference of Social Welfare (Conférence Interafricaine de la Prévoyance Sociale, or CIPRES), which has the exclusive objective of improving the management of social security within African countries.

D. Tax filing and payment procedures

Employee withholding. Tax is withheld from employees' income on a monthly basis. The employer must file a monthly wage withholding declaration provided by the tax authorities. The tax declaration must be sent, together with the tax payment, to the tax authorities by the 15th day of the month following the month of payment to the employees.

Installment tax. Individuals must make an installment payment by the 15th day of each month, based on the turnover of the preceding month. However, individuals whose income consists only of employment income and income from movable capital that is taxed at source are not required to pay installment tax.

Final return. Resident individuals are required to file a self-assessment return by 1 March following the end of the preceding calendar year.

Employers must file an annual statement of salaries by 31 January following the end of the preceding year.

Married couples. Married couples, children and persons in charge may be taxed separately, regardless of whether each have their own revenues.

The taxable revenues of one member of a married couple under the community property regime is based on the part allocated to each in the community. If the repartition for each member is not possible, each is taxed based on a half portion of the community property.

E. Double tax relief and tax treaties

Chad has only entered into the Central Africa Economic and Monetary Union (Communauté Economique et Monétaire de l'Afrique Centrale, or CEMAC) double tax treaty, dated 13 December 1986, together with Cameroon, Central African Republic, Congo (Republic of), Equatorial Guinea and Gabon.

F. Temporary visas and passes

All visitors other than nationals from CEMAC and the Community of Sahel-Saharan States (Communauté des Etats Sahélo-Sahariens, or CEN-SAD) must obtain visas to enter Chad. CEMAC includes only the countries listed in Section E, while CEN-SAD comprises Benin, Burkina Faso, Central African Republic, Chad, Comoros, Côte d'Ivoire, Djibouti, Egypt, Eritrea, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Libya, Mali, Morocco, Mauritania, Niger, Nigeria, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Togo and Tunisia.

A resident permit is mandatory for all visitors, including those from CEMAC and CEN-SAD countries, after a stay of three consecutive months in Chad. The resident permit expires one year after its delivery date.

Visas are obtained from the Chadian embassy or from the Emigration and Immigration Directorate (Direction de l'Emigration et l'Immigration) for visitors from areas that do not have a Chadian embassy. Foreign nationals wishing to visit Chad should confirm the entry requirements before departing from their home countries.

Temporary visas are usually granted without delay. They are issued for a maximum period of three months and are not renewable. A foreign national wishing to stay in Chad for longer than three months must obtain a long-stay visa.

The following types of temporary visas are issued:

- Transit visa, which is issued to individuals on transit and is valid for a maximum of 15 days. A fee of approximately USD70 is payable on application.
- Ordinary or single-entry visa, which is issued to visitors, including tourists, making single trips to Chad for a maximum of three months. A fee of approximately USD100 is payable on application.
- Multiple-entry visa, which is issued to foreign nationals, such as businesspersons, expecting to make several trips to Chad. The multiple-entry visa may be a short-term visa with a maximum stay of three months in Chad or a long-term visa with a maximum of one year in practice. A fee of USD100 is payable on application.
- Diplomatic visa, which is issued free of charge to holders of diplomatic passports on official business.
- Official or service visa, which is issued free of charge to holders of official or service passports on official visits.

G. Work permits and self-employment

Work permits must be obtained before beginning work in Chad. Employers obtain the permits on behalf of foreign workers. Only

one type of work permit is available in Chad. Employers are required to justify employing a foreign national instead of a Chadian. If the foreign national changes employment, his or her new employer is responsible for obtaining a new work permit.

A foreign national wishing to carry out business in Chad must make a declaration to the immigration authorities before the startup of the business. In some limited cases, a foreign national must obtain required licenses and registrations and must have sufficient capital or resources for investment.

H. Residence permits

Foreign nationals wishing to reside in Chad must have a resident permit. A resident permit is valid for a maximum of one year from the delivery date. This permit is renewable for an unlimited number of times for up to one year at a time.

The Chadian National Immigration Office issues resident permits. The application process takes one to two weeks.

I. Family and personal considerations

Vaccinations. Individuals entering Chad must have international immunization certificates.

Family members. Family members of resident permit holders are entitled to resident permits. Dependents wishing to take up employment must obtain separate work and resident permits.

Marital property regime. Chadian law provides for a community property regime or a similar marital property regime, as well as for a separate property regime.

Driver's permits. Holders of international or CEMAC driver's licenses may drive in Chad without any further formality. They may also obtain Chadian driver's licenses on application. Holders of driver's licenses other than the CEMAC or international licenses are required to obtain Chadian driver's licenses. A formal examination is required.

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A. Income tax

Who is liable. All individuals domiciled or resident in Chile are subject to personal income tax on their worldwide income. However, during their first three years of residence, foreign nationals are subject to tax on Chilean-source income only. Nonresidents are taxed on Chilean-source income only.

Income earned for services rendered in Chile or for activities performed in the country is considered to be Chilean-source income, regardless of where it is paid.

A person present in Chile for longer than six months in one calendar year or for longer than a total of six months within two consecutive tax years is considered a resident of Chile.

Domicile is defined as residence in a particular place with the intention of staying there. The intention is proved through facts and circumstances, such as employment within the country or moving one's family into the country.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable employment income includes any kind of remuneration received under an employment contract, including entertainment expenses. However, board and lodging provided to workers for the employer's convenience are exempt from tax. Family allowance payments and social security benefits established by law, as well as severance payments within certain limitations, are not included in taxable income.

Scholarships provided by employers to their employees or their employees' children are not taxable, but the latter has a tax deduction cap for the employer.

Self-employment income. Personal income tax, which is imposed at progressive rates ranging from 0% to 35%, must be paid on income withdrawn from business enterprises. The business enterprises are subject to the First Category Tax. The rate of this tax is 25% or 27% for 2019, depending on the corporate tax regime. However, individuals who are subject to personal income tax at progressive rates ranging from 0% to 35% receive a credit equal to the amount of the First Category Tax paid on the income by the enterprise.

Effective from 1 January 2017, this regime was replaced by two alternative regimes. The first regime is the attributed income regime under which a partner or individual entrepreneur is taxable on the profits accrued by the company in the corresponding commercial year. Under this regime, the rule providing for tax deferral until income is withdrawn can be eliminated, and the taxation can be triggered on accrual. Under the attributed income regime, the individual can be subject to personal income tax with a credit against the First Category Tax paid by the enterprise. This regime applies only to companies whose shares are directly owned by individuals. The other regime is the semi-integrated regime, which is the default regime. Under this regime, the taxable event can be deferred until the income is withdrawn or distributed, but the First Category Tax credit against the final tax is limited to 65% of the corporate tax.

Income earned by professionals and independent workers, minus deductions for actual or deemed expenses, is also subject to personal income tax, which is imposed annually at progressive rates ranging from 0% to 35%.

Income and expenses are subject to a monetary correction based on the change in the Consumer Price Index (inflation index) between the month prior to the collection or disbursement and the month preceding the financial year-end.

Individuals and small partnerships engaged in agriculture, mining, land transportation and certain other activities are entitled to special tax benefits for small taxpayers, which includes paying tax on deemed income if gross income does not exceed a specified amount.

Investment income. Shareholders receiving dividends from Chilean corporations are entitled to a total or partial credit of the First Category Tax paid by the corporation. The dividends are then aggregated with other non-compensation income and taxed as personal income, along with interest derived from the following sources:

- Demand deposits or time deposits in cash
- Bonds, debentures or other debt instruments, unless otherwise provided by international agreement

Income derived from rentals and royalties is included in taxable income and is subject to personal income tax.

Directors' fees. Directors' fees are taxed in the same manner as professional income, without deduction of actual or deemed expenses.

Taxation of employer-provided stock options. Since 1 January 2017, the grant of stock options is taxable for the beneficiary, regardless of the taxation that may be applied on the exercise of the option or the subsequent sale of the shares.

Capital gains. Capital gains derived from sales of personal property, including automobiles and household furniture, not used in connection with a trade or business, are exempt from tax. Since 1 January 2017, capital gains derived from sales of personal property are taxable income if the amount of the capital gain exceeds UF8,000. The UF is an inflation-indexed unit expressed in Chilean pesos that varies according to the consumer price index.

Gains derived from transfers of personal property and real property used in a trade or business are treated as ordinary income and are subject to tax at the regular rates (see *Rates*).

Capital gains arising from the sale of shares are subject to the general tax regime. However, for residents complying with certain requirements, the tax paid can be allocated to the number of years during which the shares were held by the owner, up to a maximum of 10 years. Alternatively, the taxpayer may choose to pay a 10% flat rate on the amount of the capital gains.

Deductions

Personal deductions and allowances. Individuals may deduct from their taxable income their social security contributions paid, up to certain limits. Subject to certain limitations, amounts invested in pension or insurance funds may be fully deductible from taxable income. Mortgage interest paid may be deducted from the tax base, subject to certain limitations.

In addition, child education expenses incurred during the year are eligible for a tax credit against personal taxes if the parents' total yearly income does not exceed UF792 (approximately USD32,582) The maximum annual tax credit per child is equal to approximately USD181.

Business deductions. Deductible expenses consist of expenses necessary to produce taxable income.

Instead of accounting for actual expenses, individual professionals and independent workers may take a standard deduction equivalent to 30% of gross income, limited to 15 Annual Tax Units (ATUs, see *Rates*).

Rates

Employment income. Personal income tax is levied on a progressive scale. The income brackets are adjusted monthly in accordance with the consumer price index variation expressed through a unit called a Monthly Taxable Unit (MTU). An MTU is equivalent to approximately USD72. The Annual Taxable Unit (ATU) is equal to one Monthly Taxable Unit multiplied by 12.

The following table presents the personal income tax brackets and corresponding rates.

Taxable income Exceeding MTU	Not exceeding MTU	Rate %
0	13.5	0
13.5	30	4
30	50	8
50	70	13.5
70	90	23
90	120	30.4
120	—	35

Employment income taxpayers may voluntarily file an annual tax return to recalculate the monthly taxes paid on an annual basis.

Self-employment and business income. Tax is calculated on an annual basis rather than the monthly basis used by dependent employees. The brackets and rates are the same as those indicated above, except that the MTU is replaced by the ATU, which is equivalent to 12 MTUs for the month of December or approximately USD865.

For 2019, sole proprietors are subject to the First Category Tax at a rate of 25% or 27% (depending on the corporate tax regime assumed by them), on accrued income in the same manner as corporations or partnerships. This amount is then credited against the personal income tax of the proprietor when profits are withdrawn from the enterprise if the profits are not reinvested in the same or another local enterprise. If they elect to be taxed as commercial entities, professional partnerships are subject to First Category Tax.

Certain self-employed taxpayers are subject to provisional tax at a rate of 10% of gross fees or receipts. In certain cases, the provisional tax is withheld by the payer and credited against the final tax. This applies to independent workers, professionals and individuals in professional partnerships who are not subject to the 27% First Category Tax.

Nonresidents. Individuals working in Chile for periods not exceeding six months in a year or for a total of six months within two consecutive tax years are considered nonresidents. However, a person may be treated as a resident from the first day of his or her stay in Chile if evidence of an intention to establish a domicile in Chile exists.

Nonresidents are subject to an Additional Tax on their Chilean-source income, which is income earned for services rendered in Chile or activities performed in the country, at flat rates of 15%, 20% or 35%.

The rate is generally 15% for remuneration paid for technical or engineering work or for professional or technical services rendered under certain conditions in Chile or abroad. However, the 15% rate is increased to 20% if the payments are made to a related entity or to a resident in a country listed as a tax haven.

The rate is 20% for fees or salaries for scientific, cultural or sports activities. The tax rate for other types of services is 35%.

The Additional Tax may also be imposed on nonresidents receiving payment of remuneration from Chile for services rendered

abroad. The general tax rate is 35%, with special rates of 15% or 20% imposed under the conditions described above.

Dividend income of nonresidents generally is subject to tax at a rate of 35%, with a credit for corporate tax paid. Profits from Foreign Capital Investment Funds, however, are subject only to a 10% withholding tax when repatriated, with no credit.

Interest and remuneration for certain services are generally subject to a 35% withholding tax. The tax rate for directors' fees is also 35%. Royalties are subject to withholding tax at a rate of 30%.

Relief for losses. Business losses of a self-employed person must first be carried back. To the extent the loss exceeds profits from prior years, the unused portion of the loss may be carried forward indefinitely.

Individuals who are not self-employed or engaged in their own business may offset investment losses against investment profits in the same year.

B. Estate and gift tax

Estate and gift tax is a unified tax, assessed in accordance with rates and brackets expressed in ATUs (see Section A). Residents are subject to estate and gift tax on worldwide assets. Nonresidents are subject to estate and gift tax on assets located in Chile only. Estate tax paid abroad may be credited against Chilean tax.

A zero rate applies to the first 50 ATUs transferred from an estate to close relatives, including a spouse or children. Only five ATUs are subject to the zero rate if assets are transferred to other beneficiaries. The following tax rates apply after deduction of the exempt amount.

Taxable amount		
Exceeding ATU	Not exceeding ATU	Rate %
0	80	1
80	160	2.5
160	320	5
320	480	7.5
480	640	10
640	800	15
800	1,200	20
1,200	—	25

C. Social security

Employers pay a basic contribution of 0.91% and an additional contribution ranging from 0% to 3.4% on payroll to cover work accident insurance for employment activities considered risky. As a result of the application of a new coverage for permits in case of child illness, the employer should add a 0.02% contribution to the 0.91% contribution indicated above.

In addition, employers must pay a 1.53% contribution for each employee to cover death and disability insurance. These contributions are paid on salaries up to a maximum of UF79.2 for 2019 (for details regarding the UF, see Section A). This amount is adjusted on a yearly basis.

Social security contributions covering health care institutions and pension funds are paid by employees at a maximum basic rate of approximately 18.4% (7% for health care institutions, 10% for pension funds and the Pension Funds Administrator commission of approximately 0.77% to 1.44%) on salaries up to a maximum of UF79.2 for 2019 (approximately USD3,260). The applicable wage ceiling is adjusted annually.

The contributions described above are withheld and remitted by employers on a monthly basis. In addition, employees may contribute voluntarily in excess of the ceiling to individual pension funds or health insurance. Voluntary contributions are entitled to the same tax benefits as required contributions, within certain limits.

Another mandatory social security contribution relates to unemployment insurance, which is financed by employers, employees and the government. For employees hired indefinitely, the contribution rates are 2.4% for employers and 0.6% for employees, with a salary ceiling of UF118.9 for 2019 (approximately USD4,890) per month. This amount is also adjusted on an annual basis. For fixed-term employees, the contribution is 3%, which is borne entirely by the employer.

To provide relief from paying double social security contributions and to assure benefit coverage, Chile exempts foreign nationals from paying social security contributions in Chile if they are technical or professional employees covered under a similar social security system in their home country. However, this exemption does not apply to unemployment insurance, work accident insurance and coverage for permits in case of child illness (“Sanna” fund).

Beginning with the 2019 tax year, independent workers are required to contribute to the Chilean pension system, on an annual basis. It is mandatory for independent workers whose annual income exceeds four monthly minimum incomes (USD1,766), with a cap equal to 12 times the social security cap of UF79.2 (USD38,420).

It also applies to independent workers who receive dependent income simultaneously during a year, within the above caps, and to individuals who are currently receiving a partial disability pension while continuing to work as independent workers.

Independent workers must contribute for the following coverages in the same percentages applicable to dependent employees:
- Pension
- Health insurance (private or public)
- Unemployment insurance
- Disability insurance
- Work accident insurance
- “Sanna” fund

D. Tax filing and payment procedures

Taxes withheld by employers must be paid by the 12th day of each month for the preceding month’s payroll.

Spouses are taxed separately on their personal income.

Annual income tax returns must be filed in April for income received in the preceding calendar year. Tax withheld or paid monthly is credited against tax due. Any tax owed must be paid when filing the tax return. Balances in the taxpayers' favor are refunded in May.

Certain self-employed taxpayers, including independent workers, professionals and professional partnerships, must pay provisional monthly tax at a rate of 10% of gross monthly fees or receipts. The provisional tax is credited against final tax. Enterprises that pay fees to professionals or independent workers must withhold 10% from gross fees. The withholding is treated as a provisional payment by the taxpayer. Taxes withheld by payers of fees are credited against the provisional monthly payments.

E. Double tax relief and tax treaties

Chile has entered into double tax treaties based on the Organisation for Economic Co-operation and Development (OECD) model convention with the following countries.

Argentina	Ecuador	Peru
Australia	France	Poland
Austria	Ireland	Portugal
Belgium	Italy	Russian Federation
Brazil	Japan	South Africa
Canada	Korea (South)	Spain
China	Malaysia	Sweden
Colombia	Mexico	Switzerland
Croatia	New Zealand	Thailand
Czech Republic	Norway	United Kingdom
Denmark	Paraguay	

Chile has also signed double tax treaties with the United States and Uruguay, which are not yet in effect.

F. Tourist visas

Most foreign nationals from countries with which Chile has consular relations do not need to obtain entry visas before entering Chile. However, citizens of certain countries need to obtain a tourist visa in advance through the Chilean Consulate in their home country to be able to enter Chile. A list of these citizens is provided by the Foreign Affairs Chilean Office.

Tourist permits are generally issued on arrival by the International Police to individuals who intend to visit Chile for business, family, health, recreational or sporting activities and who have no intention of immigrating or conducting remunerated activities. Tourist permits are valid for 90 days and are renewable for an additional 90 days.

G. Work visas and self-employment

Expatriates who wish to engage in remunerated activities in Chile must apply for a visa or residence permit that entitles him or her to work. The most common of these are the provisional work permits for tourists, subject-to-employment-contract visas and temporary visas. Although the visas may be obtained after the expatriate has entered the country or through a Chilean consulate abroad before his or her arrival, the provisional work permits for

tourists can only be obtained after the expatriate has entered Chile.

Subject-to-employment-contract visas are valid for up to two years and are renewable indefinitely for additional two-year periods. After two years in Chile under this visa, the employee may apply for a permanent residence status. Temporary visas are granted for up to one year, and may be renewed one time for an additional year. After the expiration of the renewal period, the expatriate must apply for permanent residence status or leave the country.

Foreign nationals may start businesses in Chile if they comply with all legal requirements. Companies may be headed by foreign nationals if such nationals are residents or domiciled in Chile for tax purposes.

The above visas imply residency and permission to work.

H. Residence visas

The following types of residence visas are issued:
- Officials: members of the consular and diplomatic corps
- Temporary: gives the expatriate the right to work or perform other legal remunerated activities in Chile, and may be granted to individuals who have relatives in Chile or who intend to make investments that are considered advantageous for Chile
- Subject-to-employment-contract: valid for up to two years, and may be renewed for an additional two-year period
- Student: valid for up to one year and may be renewed for additional one-year periods, as many times as necessary
- Political refugee: issued to foreign nationals who intend to establish permanent residence in Chile
- Permanent residence: an indefinite visa that gives the expatriate the same rights as an ordinary Chilean national, except for the rights to vote and seek public office

In general, foreign nationals must file all or some of the following documents when applying for visas and permits:
- An application form
- Passport and documents proving current visa status
- Documents that prove professional status
- Documents that prove marital status
- Birth certificates
- Documents that support the activities an applicant will develop in the country, such as a labor contract or documents that prove that the applicant has been accepted in a college or educational institution
- A certificate proving that the applicant has no criminal record
- A health certificate
- Police record (required to apply for permanent residence)

However, the appropriate authorities have the discretion to request different or additional documents if these are deemed necessary for the approval of the visa.

The Chilean government created the following new types of residence visas for specified citizens and circumstances:
- New immigration visa required for entrance and residence for citizens of Haiti
- New temporary visa to search for labor opportunities

- New temporary visas for international or national orientation for foreign students and professionals based on their specific study degree and academic situation
- New humanitarian visa for family reunion for citizens of Haiti
- New democratic responsibility visa for citizens of Venezuela

I. Family and personal considerations

Family members. Family members of a working foreign national do not need separate visas to reside in Chile, and children of a foreign national do not need student visas to attend schools in Chile. However, they have to apply for a dependent visa. A separate work visa must be obtained by any family member of a working foreign national who intends to work legally in Chile.

Driver's permits. Foreign nationals may not drive legally in Chile using their home country driver's licenses. However, they may legally drive in Chile with an international license while the license is in force. Chile has driver's license reciprocity with a few countries. To obtain a Chilean driver's license, a foreign national must take a basic written exam, a technical exam, a basic practical driving test and a basic medical exam.

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This chapter relates to the mainland China tax jurisdiction, referred to as "China" within this chapter.

A. Income tax

Who is liable. China residents are generally subject to tax on their China-source and non-China-source income. Nonresidents are subject to tax on their China-source income only.

Effective from 1 January 2019, China residents include the following persons:

- Individuals who have their domicile in China
- Individuals who do not have their domicile in China, but reside in China for 183 days or more in a tax year

For employment income, non-China-domiciled individuals who are China tax residents for no more than six consecutive years are subject to China individual income tax (IIT) on income earned

from services rendered in China and on income earned from services rendered outside China but paid or borne by the individual's China employer.

China-domiciled individuals are subject to China IIT on their worldwide income. Non-China-domiciled individuals who have been a China resident for more than six consecutive years and who had no absence from China for more than 30 consecutive days in any of the six consecutive years are subject to China IIT on their worldwide income, regardless of the mode of payment and place of payment of the income.

Income subject to tax. The taxation of various types of income that are common to foreign expatriates is described below. For China residents, employment income, labor services income, copyright income and royalties should be aggregated in a tax year as consolidated income.

Employment income. The types of taxable compensation under the China IIT law include, but are not limited to, wages and salaries, foreign service or hardship allowances, cost of living and automobile allowances, tax reimbursements, bonuses and equity compensation. The form of the individual income may be cash, physical objects, securities and economic interests in any other form.

Nontaxable compensation for expatriate employees includes housing rental, home leave (limited to twice a year for employee only), relocation or moving, meals and laundry, language training and children's education in China, provided such items are paid directly or reimbursed by the employer on the presentation of official tax invoices.

The annual bonus can be treated as a separate one-month salary for tax purposes. Effective from 1 January 2019, for China residents, the applicable marginal tax rate can be determined based on 1/12 of the annual bonus, while for nonresidents, the annual bonus or several-month bonus may be divided evenly into six installments and each installment is taxed using the monthly tax rates. This calculation method can be used by each individual only once in a calendar year. For China residents, bonuses other than the annual bonus must be treated as a part of monthly salary income and are taxed based on the aggregated amount of monthly income. For China residents, the favorable tax treatment on the annual bonus will not be available from January 2022.

Self-employment income. Taxable income includes compensation for independent personal services performed in China, bonus payments and income specified as taxable by the Ministry of Finance.

Investment income. Interest, dividends and other investment income from China sources are subject to tax at a flat 20% rate, with no deductions allowed.

Dividends, interest, royalties and rental income received by nonresident foreign nationals from China sources are normally subject to a 10% withholding tax under most double tax treaties entered into by China on the approval of the local tax authorities in charge.

Dividends paid by foreign-investment enterprises to foreign nationals in China are exempt from China IIT.

Directors' fees. Directors' fees are considered income from independent personal services and are taxed as income derived from labor services. However, directors' fees paid to a company director are taxed as "wages and salaries" if he or she is an employee of that company or a related company. If the director is not also an employee of the company, his or her directors' fees may be taxed under the "labor service" category.

If directors' fees are taxed under the "labor service" category, the tax liability is computed by applying the rules outlined for income from independent personal services. If directors' fees are taxed as "wages and salaries," they must be included in the salary for the month of receipt of the fees and are subject to the progressive tax rates ranging from 3% to 45%.

Enterprise annuities. Under a tax circular that took effect on 1 January 2014, deferred taxation is provided to qualified annuity plans that are set up by enterprises in accordance with Chinese annuity regulations. Both employer and employee contributions are not subject to IIT at the time of contribution if certain conditions are met.

Tax deferral. Effective from 1 May 2018, the Chinese government launched IIT deferral on commercial pensions in pilot areas including Fujian Province, Shanghai and the Suzhou Industrial Park Zone. Under the trial program, individual contributions (capped at 6% of monthly salary or CNY1,000 a month, whichever is lower) to qualified commercial pension plans can be deducted from taxable income when filing IIT returns.

Temporary relief. Under a temporary measure, for dividends and profit sharing derived by individuals from domestic listed companies, only 50% of the income is chargeable to IIT if the stockholding period is longer than one month but no more than one year, and 100% of the income is exempt from IIT if the stockholding period exceeds one year. Also, interest income derived by individuals from domestic banking institutions on deposits is temporarily exempt from IIT.

Exempt income. The following types of income are exempt from tax:

- Monetary awards granted by provincial People's Governments, State Council ministries and commissions, units of the People's Liberation Army at army level or above, or by foreign or international organizations for achievement in fields, such as science, education, technology, culture, public health, sport and environmental protection
- Interest on state treasury bonds and state-issued financial bonds and national debt obligations
- Subsidies and allowances paid in accordance with the centralized State Council
- Welfare benefits, disability pensions and relief payments
- Insurance indemnities
- Military severance pay and demobilization pay
- Resettlement allowances, severance pay, retirement pay, retirement pensions and cost-of-living subsidies of personnel who have left their jobs on a permanent basis to rest and recuperate,

and subsidies distributed to cadres and workers, in accordance with centralized state regulations
- Income of diplomatic representatives, consulate officials and other personnel of foreign embassies and consulates in China who enjoy tax exemptions in accordance with the relevant Chinese laws
- Tax-exempt income stipulated in international conventions
- Tax-exempt income approved by the finance department of the State Council

Capital gains. After deducting costs and related expenses, income derived from the sale or transfer of movable or immovable property in China is taxed at a flat 20% rate.

Capital gains derived from transfers of shares listed on China stock exchanges in the secondary market are temporarily exempt from China IIT.

Foreign individuals are subject to a 20% tax on gains derived from the sale of equity in a foreign-investment enterprise in China (for example, an equity joint venture).

The applicable tax rate may be reduced for individuals who are residents of treaty countries.

Taxation of employer-provided stock options. Taxable income is recognized on the date an employee exercises an employer-provided stock option. For foreign nationals, stock option income attributable to China employment is considered China-source income.

If the stock option is taxable, the amount of taxable income is the difference between the fair market value of the stock on the exercise date and the exercise price. For stock options of publicly listed companies, the taxable income may be reported in the month of exercise as stand-alone employment-related income, which is subject to IIT at progressive rates ranging from 3% to 45%. Effective from 1 January 2019, annual tax rates can be applied to the taxable income for China residents while for non-residents, the taxable income can be divided evenly into six installments and each installment is taxed using the monthly tax rates (this treatment is referred to below as the "favorable tax treatment"). This favorable tax treatment is applied only when a tax registration of the stock option plan has been performed with the in-charge tax bureau. In addition, all exercises of stock options in the same calendar year must be aggregated for the calculation of China IIT.

The above favorable tax treatment applies to employees of publicly listed companies (including branches) and their subsidiaries that are at least 30% owned by the listed companies. For companies indirectly held by listed companies, the ownership percentage is determined by multiplying the respective shareholder percentage at each level of ownership. If a listed company holds over 50% of the first-tier subsidiary's shares, the ownership percentage is calculated as 100%.

To apply the favorable tax treatment, the company must complete tax registration for the stock option plan with the in-charge local tax authority.

Effective from 1 September 2016, if equity incentives (that is, stock options, restricted stocks and stock rewards) granted to employees by unlisted domestic companies meet certain criteria, an employee of the domestic company can defer taxation until the equity is sold.

If the above types of favorable tax treatment do not apply, the taxable income derived from the stock option is aggregated with regular taxable monthly employment income in the month of exercise and subject to the marginal rate of the employee.

Deductions

Deductible expenses. A China resident can enjoy a CNY60,000 deduction each year in computing his or her net taxable consolidated income, which is an aggregate of employment income, labor services income, copyright income and royalties. A nonresident foreign employee can enjoy a deduction of CNY5,000 per month on his or her employment income. Qualified charitable donations are also deductible.

Employees, self-employed individuals and individual partners of partnerships can claim a deduction for their contributions to qualified commercial health insurance schemes from taxable income. The deduction is capped at CNY2,400 per year (that is, CNY200 per month).

For foreign expatriates, overseas social security contributions made by individuals are not deductible.

If an employer is responsible for paying the employee's China income tax liabilities, the employee's taxable income is grossed up by the amount of the payment. Any hypothetical tax, which is an amount withheld by the employer as full or partial compensation for satisfying the employee's China tax liability, is normally allowed as a deduction in computing the employee's net taxable income.

Personal deductions and allowances. Effective from 1 January 2019, China residents are eligible for the following specific additional tax deductions, if applicable.

Specific additional tax deductions	CNY
Children education	1,000 per month per qualified child
Continued education	
Academic education	400 per month
Continued education for skilled professional or technical personnel	3,600 per year
Medical expenses for serious illness	Expense above 15,000, capped at 80,000 per year
Housing loan interest	1,000 per month
Housing rent	800/1,100/1,500 per month, depending on the category of the city
Caring for the elderly	
Single child	2,000 per month
Non-single child	Not exceeding 1,000 per month

However, foreign employees who are China residents cannot enjoy the nontaxable benefits, such as housing and children education, and the above specific additional tax deductions at the same time. They can elect to only enjoy one of them. The nontaxable benefits of housing, children education and language training will be unavailable to foreign employees from January 2022, and foreign employees will only be able to enjoy the children education, housing rent or housing loan interest and continued education deductions mentioned above.

On the approval of the local tax bureau, employees who do not have their domicile in China and who have job responsibilities both within and outside China may be allowed to report income on a time-apportionment basis. The employment income may be prorated based on the number of days the employee stays in China. To qualify, an employee needs to provide supporting documentation.

No distinction is made between married and single taxpayers.

Business deductions. Independent personal services income and royalties can have a deduction of 20% of income.

Rental or leasing income can have a deduction of CNY800 or 20% of income, whichever is higher.

A taxpayer may claim a deduction for reasonable repair fees from rental income, limited to CNY800 per month, on the presentation of official invoices and the approval of the local tax authorities in charge.

Rates. Effective from 1 January 2019, employment income is accumulated for purposes of calculating monthly tax liabilities for China residents. Income tax for resident individuals is computed on a monthly basis by applying the progressive annual tax rates shown below to employment income under a cumulative pre-withholding method.

For China residents, labor services income, royalties and copyright income can have a deduction of 20% of income, and copyright income can have a further 30% deduction of income.

Employment income, labor services income and royalties must be aggregated as consolidated income and the following progressive annual tax rates are applied to compute the annual tax liability.

	Annual tax rates		
Taxable income CNY	**Tax rate %**	**Tax due CNY**	**Cumulative tax due CNY**
First 36,000	3	1,080	1,080
Next 108,000	10	10,800	11,880
Next 156,000	20	31,200	43,080
Next 120,000	25	30,000	73,080
Next 240,000	30	72,000	145,080
Next 300,000	35	105,000	250,080
Above 960,000	45	—	—

Income tax for nonresident individuals is computed on a monthly basis by applying the progressive monthly tax rates shown below for employment income, labor services income, royalties and copyright income.

For nonresident foreign nationals, labor services income, royalties and copyright income can have a deduction of 20% of income and copyright income can have a further 30% deduction of income. They are subject to tax at the following progressive monthly tax rates to compute monthly tax liability.

	Monthly tax rates		
Taxable income CNY	**Tax rate %**	**Tax due CNY**	**Cumulative tax due CNY**
First 3,000	3	90	90
Next 9,000	10	900	990
Next 13,000	20	2,600	3,590
Next 10,000	25	2,500	6,090
Next 20,000	30	6,000	12,090
Next 25,000	35	8,750	20,840
Above 80,000	45	—	—

Rental or leasing income is subject to tax at a flat rate of 20%.

Relief for losses. Except for individual proprietorship enterprises and individual equity partnership enterprises, no measures exist for the carryover of losses.

Nonresidents. Individuals who do not have their domicile in China and who stay in China for less than 183 days in a calendar year are considered nonresidents and are subject to IIT under different rules, as described below.

Resident for 90 days or less. Individuals who reside in China continuously or intermittently for not more than 90 days during a calendar year are treated in the following manner:

- An expatriate is exempt from IIT if the salary is paid and borne by an overseas employer.
- Employment income paid or borne by the employer's establishment in China is subject to IIT to the extent that the income is attributable to services actually performed in China. For these purposes, an establishment includes a representative office and a permanent establishment that a foreign entity has or constitutes in China.
- Normally, the employment income paid or borne by the employer's establishment in China is apportioned to China and non-China services in accordance with the actual number of days the expatriate resides in China.

Residents for more than 90 days but less than 183 days. Individuals who reside in China for more than 90 days, but less than 183 days in a year, are treated in the following manner:

- The expatriate is subject to IIT on employment income derived from services actually performed in China.
- Employment income attributable to services performed outside China is exempt from IIT. Normally, the employment income is apportioned to China and non-China services in accordance with the actual number of days the expatriate resides in China.

Notwithstanding the above, special treatment may be available for a foreign individual who serves in the senior management of a Chinese entity or for an individual who is a resident of a jurisdiction that has signed a tax treaty with China.

Income paid and borne by an employer outside China with respect to these individuals is taxed in one of the following ways:

- The income is exempt from individual income tax if the individual resides in China for not more than 90 days during a calendar year (or for tax treaty expatriates, not more than 183 days during a calendar year or any 12-month period, depending on the relevant tax treaty terms).
- The income is subject to individual income tax if the period of residency in China extends more than 90 days during a calendar year (or for tax treaty expatriates, more than 183 days during a calendar year or any 12-month period, depending on the terms of the relevant tax treaty), to the extent that the income is attributable to services performed in China.

Registration requirement. To claim the treaty entitlement provided under relevant tax treaties to nonresident individuals, such as for dependent services income, these individuals must submit the required documents to the tax authorities for confirmation.

B. Other taxes

Net worth tax. No net worth tax is levied in China.

Estate and gift taxes. No estate and gift taxes are levied in China.

C. Social security

Chinese nationals employed by China entities are subject to the social security (that is, must participate in the social security system) in China. Under the new China Social Security Law, which took effect on 1 July 2011, foreign nationals working in China must also participate in the China social security system. The Ministry of Human Resources and Social Security in China released interim measures for the participation of foreign nationals employed in China in China social insurances on 6 September 2011. These interim measures took effect on 15 October 2011. Under the interim measures, foreigners who have obtained a China Permanent Residence Certificate, Work Permit, Foreign Expert Certificate or Certificate of Permanent Foreign Correspondent are required to contribute to Chinese social security schemes. They must participate in basic pension schemes, basic medical insurance, work-related injury insurance, maternity insurance and unemployment insurance. Hong Kong SAR, Macau SAR and Taiwan residents working in China are allowed to participate in the China housing provident fund, effective from 28 November 2017. Chinese employers are required to perform social security registration for foreign employees within 30 days after the employees obtain a work permit and withhold the required contributions on a monthly basis.

Special rules apply to foreigners from certain countries or territories. Under the totalization agreements with Germany and Korea (South), if German and Korean employees do not contribute to their home country's pension and unemployment insurance during their employment in China, they should contribute to pension and unemployment insurance in China. A totalization agreement with Denmark took effect on 14 May 2014. Under the totalization agreement, Danish employees who are required to participate in Danish pension schemes can be exempt from the contributions to pension insurance in China. Also, under rules that took effect on 1 October 2005, employees from the Hong Kong SAR, the

Macau SAR and Taiwan who have entered into local labor contracts in China can contribute into the China social security system.

Social security tax rates vary among cities. Employers and employees are subject to social security taxes at an average rate of 25% and 11% of gross income, respectively. For this purpose, the amount of gross income is capped at three times the average salary in the city for the preceding year as published by the local government.

China has entered into totalization agreements with the following jurisdictions.

Canada	Germany	Netherlands
Demark	Japan*	Spain
Finland	Korea (South)	Switzerland
France*	Luxembourg	

* The totalization agreements with France and Japan had not yet entered into force as of the time of writing.

D. Tax filing and payment procedures

The tax year is the calendar year. Spouses are taxed separately, not jointly, on all types of income.

Foreigners must register with the local tax bureau or, if individuals are engaged in offshore oil and gas exploration activities, with the local offshore oil tax bureau.

Foreigners subject to China IIT may need to complete a tax registration form and provide an employer's certification stating the amount of their compensation, along with copies of relevant passport pages to verify their date of arrival.

Although the recipient of income is responsible for payment of income tax, it is generally collected through a withholding system under which the payer is the withholding agent.

A withholding agent must notify its supervising tax authorities of the basic personal details regarding all individuals to whom it has paid taxable income. Required personal details for payees include name, personal identification number, position, residential address, telephone number and correspondence address. Additional information may be required if the income recipients are not employees of the withholding agent, investors, equity owners, or nonresidents of China. However, payers of dividends and interest are required only to file a set of simplified information with respect to the recipients. The withholding agent must submit the above information in the month following the month of payment of taxable income to an individual, regardless of the availability of deductions or concessions that may be offset against the income. The withholding agent must also notify the tax authorities of any subsequent changes. If the withholding agent fails to withhold the tax and file the monthly tax returns with its governing local tax bureau for its employees and income recipients, the tax authorities may impose a penalty of 50% to 300% of the tax due on the withholding agent.

All taxpayers, including those earning China-source income but not covered by the withholding system, and employees who are paid outside China must file monthly income tax returns and pay the relevant tax to the local tax bureau. The returns must be filed within 15 days after month-end.

Chinese residents with foreign-source income must file annual reconciliation tax returns and pay tax due between 1 March to 30 June of the following year. Foreign taxes paid on this income are allowed as a tax credit, up to the amount of China IIT levied on the same income.

Individuals who are taxpayers are required to register and file annual reconciliation tax returns between 1 March to 30 June with a tax bureau in charge if any of the following circumstances apply:

- An individual receives consolidated income in two or more locations and the balance of annual consolidated income less specific tax deductions (that is, statutory social security and housing fund contributions by the individual) exceeds CNY60,000.
- An individual receives labor services income, royalties or copyright income and the balance of the annual consolidated income less specific tax deductions exceeds CNY60,000.
- The prepaid tax amount is less than the actual tax liability in a tax year.
- The individual needs to apply for a tax refund.

Late payment of tax is subject to a daily interest charge of 0.05%. A penalty of up to five times the amount of unpaid tax may be levied for tax evasion or refusal to pay tax.

E. Double tax relief and tax treaties

An individual subject to China IIT on worldwide income may claim a foreign tax credit if he or she has paid tax in a foreign jurisdiction or region. The credit is limited to the China tax payable computed on the same income based on China tax law.

China has entered into double tax treaties with the following jurisdictions.

Albania
Algeria
Angola*
Argentina*
Armenia
Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Barbados
Belarus
Belgium
Botswana*
Brazil
Brunei Darussalam
Bulgaria
Cambodia*
Iceland
India
Indonesia
Iran
Ireland
Israel
Italy
Jamaica
Japan
Kazakhstan
Kenya*
Korea (South)
Kuwait
Kyrgyzstan
Laos
Latvia
Lithuania
Luxembourg
Portugal
Qatar
Romania
Russian Federation
Saudi Arabia
Serbia
Seychelles
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Syria

Canada
Chile
Congo (Republic)*
Croatia
Cuba
Cyprus
Czech Republic
Denmark
Ecuador
Egypt
Estonia
Ethiopia
Finland
France
Gabon*
Georgia
Germany
Greece
Hong Kong SAR
Hungary
Macau SAR
Malaysia
Malta
Mauritius
Mexico
Moldova
Mongolia
Morocco
Nepal
Netherlands
New Zealand
Nigeria
North Macedonia
Norway
Oman
Pakistan
Papua New Guinea
Philippines
Poland
Taiwan*
Tajikistan
Thailand
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Uganda*
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan
Venezuela
Vietnam
Yugoslavia
Zambia
Zimbabwe

* At the time of writing, the double tax treaties with these jurisdictions have not yet entered into force.

Under the treaties, remuneration derived from employment in China is generally exempt from China IIT if all of the following conditions are met:

- The recipient is present in China for a period or periods not exceeding 183 days in the calendar year, or in a 12-month period for certain countries.
- The remuneration is paid by, or on behalf of, an employer that is not resident in China.
- The remuneration is not borne by a permanent establishment or a fixed base maintained by the employer in China.

Under many of the treaties, income derived from independent professional services or other independent services is exempt from China IIT if the recipient meets both of the following conditions:

- The recipient does not have a fixed base regularly available to him or her in China for the purpose of performing the services.
- The recipient is present in China for a period or periods not exceeding 183 days in the relevant calendar year, or in a 12-month period for certain countries.

F. Types of visas

All foreign nationals entering, leaving, passing through or residing in China must obtain the relevant visas from the relevant Chinese authorities, which include the Chinese diplomatic missions, consulates and other representatives in foreign countries and the Ministry of Public Security, the Ministry of Foreign Affairs or local designated authorities within China.

Depending on the status and type of passport held by a foreign national, a diplomatic, courtesy, business or ordinary visa may be issued.

Ordinary visas are designated by letters that correspond to the purposes of the individuals' visits. The following are selected letter designations:

- D: Issued to a person who plans to reside permanently in China
- Z: Issued to a person who will work in China
- X: Issued to a person who enters China for long-term (X1) or short-term (X2) study purposes
- F: Issued to a person who has been invited to visit China on a temporary basis for the following purposes:
  - — Scientific, educational, cultural, health and athletic exchanges
  - — Short-term visits and fact-finding
  - — Other noncommercial activities
- M: Issued to a person who performs business or trade activities for a short period
- R: Issued to a person who is considered by the Chinese governments to be a senior-level talent and/or professional in short supply in China
- Q: Issued to a person for visiting family who is either a Chinese national or foreign national with permanent residency status in China for long-term (Q1) or short-term (Q2) purposes
- S: Issued to a dependent of a foreigner who resides in China because of work and study for long-term (S1) and short-term (S2) purposes
- J: Issued to foreign journalists or media staff of foreign news organizations in China for long-term (J1) or short-term (J2) purposes
- G: Issued to a person who passes through China in transit
- L: Issued to a person who enters China for tourist purposes

G. Steps for obtaining visas

Foreign nationals who wish to enter China should apply for visas at a Chinese diplomatic mission or consulate or with other representatives in foreign countries authorized by the Ministry of Foreign Affairs. The following documents are required when applying for a visa:

- A valid passport or an equivalent certificate of identification. The passport must have a period of validity of at least six months before expiration and at least one blank visa page left in it.
- A completed visa application form with one recent passport-size photograph.
- Other relevant documents that vary according to the type of visa for which the foreign national is applying. The following are the relevant documents:
  - — D: A permanent residence confirmation form, for which the applicant or an entrusted relative applies to the entry-and-exit department of the public security bureau in the city or county where the applicant intends to reside
  - — Z: A work permit notification letter or a short-term work certificate (for short-term employment), for which the sponsor employer in China applies to the provincial or municipal Expert Bureau
  - — X: JW201 form or JW202 form (Application Form for Overseas Students to China) issued by the receiving unit or the relevant department in charge, Admission Notice and medical report for foreigners
  - — F: An invitation letter from the inviting unit or person
  - — M: A visa notification letter from an authorized unit (that is, a commercial or trade partner in China)

— R: Special approval documents from the designated government authorities in China
— Q: An invitation letter from the family members together with supporting documents proving the relationship between the applicant and family members in China and permanent residency status of the family members in China
— S: An invitation letter from the family members together with supporting documents proving the relationship between the applicant and family members in China
— J: An invitation letter issued by the Information Department of the Ministry of Foreign Affairs of China and an official letter issued by the media organization
— G: A valid visa for the country (region) to which the applicant intends to travel next and an onward ticket
— L: A certificate or letter issued by the receiving tour agency of China and a round trip ticket

When applying for an entry visa, if a foreign national intends to take up permanent residence or stay in China on a long-term basis, he or she may be required to present a notarized medical report issued by a public health and medical unit designated by the Chinese embassy in the foreign national's home country, or issued by any authorized health and medical unit in China. The medical report must remain valid for six months from the date of issuance. A non-criminal report issued by the police or public security or judicial authorities from the foreign national's home country is also required for a permanent resident or long-term work authorization permit application in China, and this report needs to be authenticated by the Chinese embassy in the home country.

Under the following special circumstances, an application for a visa may be made at any designated entry point authorized by the Ministry of Public Security (landing visa):

- The foreign person is invited, because of a late confirmation on the part of the Chinese party, to attend a trade fair in China.
- The foreign national is invited to submit a bid or to formally sign an economic or trade contract.
- The foreign national, pursuant to an agreement, visits China to conduct inspection of import or export products or for contract verification and acceptance.
- The foreign national is invited to perform equipment installation or to undertake emergency repairs.
- The foreign national is requested by a Chinese party to come to China for a settlement of claims.
- The foreign national is invited to visit China to provide scientific and technical consulting services.
- The foreign national is an additional or substitute member of a group that has already been issued visas.
- The foreign national comes to China to visit a seriously ill person or to arrange funeral matters.
- The foreign national is in direct transit but, for unavoidable reasons, cannot leave China within 24 hours.
- The foreign national is invited to China but is unable to apply in time to the aforementioned Chinese organizations abroad, and he or she holds a document issued by the designated authorities indicating he or she is approved to apply for a visa at the port of entry.

The landing visa application may be accepted by, among others, Beijing, Chengdu, Chongqing, Dalian, Fuzhou, Guangzhou (Baiyun airport), Guilin, Haikou, Hangzhou, Jinan, Kunming, Nanjing, Qingdao, Sanya, Shanghai, Shenzhen (Luohu and Shekou), Tianjin, Weihai, Xiamen, Xi'an, Yantai and Zhuhai (Gongbei).

H. Visa exemptions

Citizens of Brunei Darussalam, Japan and Singapore who enter China for tourist or business purposes, or to visit friends, need not apply for a China visa if their stay in China is less than 15 days beginning from the date of entry.

Changsha, Chongqing, Guilin, Ha'erbin and Xi'an have implemented a 72-hour Visa-free Transit Policy for foreign visitors with valid third-country visas who plan to travel to the third destinations from the airports of these cities. Foreign visitors who hold passports issued by certain countries on the 72-hour Visa-free Transit Policy List (total of 53 jurisdictions) need to stay in the relevant cities within 72 hours of their travel and can apply for a temporary stay in the respective cities without applying for a Chinese visa at the Exit and Entry Frontier Inspections of the airports.

Beijing (Capital airport, Beijing West Railway Port), Chengdu (Chengdu Shuangliu International Airport), Dalian (Dalian Zhoushuizi International Airport), Guangzhou (Guangzhou Baiyun Airport), Hangzhou (Xiaoshan International Airport), Kunming (Kunming Changshui International Airport), Jieyang (Jieyang Chaoshan International Airport), Nanjing (Lukou International Airport), Qinhuangdao (Qinhuangdao Harbor Port), Qingdao (Qingdao Liuting International Airport), Shanghai (Shanghai Pudong International Airport, Shanghai Hongqiao International Airport, Shanghai International Passenger Transport Center, Shanghai Railway Port and Wusong International Cruise Terminal), Shenzhen (Shenzhen Bao'an International Airport), Shenyang (Shenyang Taoxian International Airport), Shijiazhuang (Shijiazhuang Zhengding International Airport), Tianjin (Tianjin Binhai International Airport, Tianjin International Cruise Home Port), Wuhan (Wuhan Tianhe International Airport) and Xiamen (Xiamen Gaoqi International Airport) have implemented a 144-hour Visa-free Transit Policy for foreign visitors with valid third-country visas who plan to travel to the third destination from the transport center of these cities.

Citizens of the following 53 jurisdictions are under the Transit Visa Exemption Program.

Albania
Argentina
Australia
Austria
Belarus
Belgium
Bosnia and Herzegovina
Brazil
Brunei Darussalam
Bulgaria
France
Germany
Greece
Hungary
Iceland
Ireland
Italy
Japan
Korea (South)
Latvia
Lithuania
Poland
Portugal
Qatar
Romania
Russian Federation
Serbia
Singapore
Slovak Republic
Slovenia
Spain

Canada
Chile
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
Luxembourg
Malta
Mexico
Monaco
Montenegro
Netherlands
New Zealand
North Macedonia
Sweden
Switzerland
Ukraine
United Arab Emirates
United Kingdom
United States

I. Residence permits

Foreign nationals may obtain residence permits from the local Public Security Bureau. The term of the resident permit varies from three months to five years, depending on the purpose of residence. The renewed permit is normally valid for three months to five years.

Foreign nationals holding residence visas (including D, J1, S1, Q1, X1 and Z visas) must apply for their resident permit with the local Public Security Bureau within 30 days after their entry.

Foreign nationals holding entry visas are required to register with the local police and obtain a Registration Form of Temporary Residence within 24 hours after their arrival.

J. Short-term employment

Foreign nationals who perform one of the following activities in China for less than 90 days are considered to have short-term employment in China and are required to obtain a short-term work certificate:

- Technical, scientific research, management, consulting and similar activities, or support or works with respect to such activities, for a cooperative entity in China
- Conducting training as requested by a sports association in China (including coaches and athletes)
- Film production (including advertisements and documentaries)
- Fashion shows (including car models, print advertisements and other activities)
- Foreign commercial performances or shows
- Others activities as determined by the Human Resources and Social Security Department

Foreigners who are considered to have short-term employment in China must go through the following procedures with the required documents before they can carry out the approved activities in China:

- Application for employment license and work certificate
- Application for Single-Entry Z Visa
- Application for work-type residence permit (for staying in China over 30 days but less than 90 days)

Foreign nationals who are considered to have short-term employment in China generally need to obtain an employment license and work certificate from the provincial or municipal labor authorities. For foreigners who will conduct foreign cultural performances or shows in China, the organizing unit will need to obtain approval from the local Cultural Bureau. Foreigners who expect to work in China for less than 30 days can reside and work in China based on the valid period indicated on the work certificate and Single-Entry Z Visa.

Foreigners who will work in China for more than 30 days but less than 90 days should apply for a "90 days" work-type residence permit from the local Public Security Bureau.

K. Family and personal considerations

Family members. Family members of a working expatriate do not automatically receive the S visa and residence permit and must apply for it independently. These applications are completed after the expatriate obtains a work authorization in China or they are completed together with the expatriate's visa and residence permit applications.

Subject to the decision of the local government and schools, children of working expatriates may be required to obtain student visas to attend schools in China.

Marital property regime. No community property or other similar marital property regime is in effect in China.

Forced heirship. Forced heirship rules do not apply in China.

Driver's permits. China has driver's license reciprocity with Belgium. Foreign nationals from other countries may not drive legally in China with their home country driver's licenses, but they may take written exams and exchange their driver's licenses for Chinese licenses.

Colombia

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The official exchange rate is USD1 = COP3,264 as of June 2019.

A. Income tax

Who is liable. Residents are subject to tax on their worldwide income. Nonresidents are subject to tax on their Colombian-source income only. Foreigners are considered residents for tax purposes if they remain in Colombia for more than 183 continuous or discontinuous days during a consecutive 365-day period. Colombian citizens are also deemed to be tax residents if they meet additional conditions.

Colombian-source income includes employment income attributable to services rendered in Colombia, regardless of where the payment is made.

Income subject to tax. Law 1943 of 2018 established three categories of taxable income (income baskets), reductions and tax rates for such baskets. The following are the income baskets:

- General basket (includes employment income, non-employment income and capital income related to financial interest and rental income)
- Pensions
- Dividends

The taxation of various types of income is described below.

Employment income. Employment income is classified to be in the work income basket. It includes salaries, wages, bonuses, benefits in kind and any other income derived from services rendered by an individual.

Law No. 1111 of 27 December 2006 created the Tax Unit Value (Unidad de Valor Tributario, or UVT) as a value measurement to adjust the amounts of taxes and other obligations contained in the laws administered by the Colombian tax authority (Dirección de Impuestos y Aduanas Nacionales, or DIAN). The UVT is COP34,270 for 2019.

Contributions to the mandatory health and pension systems decrease taxable income. Twenty-five percent of employment income is exempt up to UVT240 per month.

Exemptions and deductions applicable to employees are capped at 40% of gross income less contributions to the mandatory social security system. In any case, deductions and exemptions cannot exceed the annual amount of UVT5,040.

Self-employment income. Self-employment income is usually considered to be in the general basket. Taxable self-employment and business income equals gross income less contributions to mandatory health and pension systems and business expenses applied according to the tax law.

Twenty-five percent of employment income is exempt up to UVT240 per month. Exemptions and deductions applicable to employees are capped to 40% of gross income less contributions to the mandatory social security system. In any case, deductions and exemptions cannot exceed the annual amount of UVT5,040.

Capital gains. Capital gains are taxed at a fixed rate of 10%. This rate is applied separately from the ordinary income. In determining the amount of capital gains, the acquisition costs of shares and real estate are calculated in Colombian pesos and adjusted for inflation, regardless of whether the asset is used in a trade or business.

Pensions. Pensions include pensions for retirement, disability, survivors and employment risks, as well as refunds of pension savings plans and pension substitution indemnities. Mandatory contributions to the health system and a tax exemption up to UVT12,000 decrease taxable income.

Investment income. Investment income is classified in the general basket together with non-labor income and employment income. Applicable exemptions and deductions are capped to 40% of net income (including the employment and non-labor income) and cannot exceed the annual amount of UVT5,040.

Directors' fees. Directors' fees are classified in the work income basket. Contributions to mandatory health and pension systems decrease taxable income. Twenty-five percent of employment income is exempt up to UVT240 per month. Exemptions and deductions applicable to employees are capped to 40% of gross income less contributions to mandatory social security system. In any case, deductions and exemptions cannot exceed the annual amount of UVT5,040.

Capital gains. Capital gains are taxed at a fixed rate of 10%. This rate is applied separately from the ordinary income. In determining the amount of capital gains, the acquisition costs of shares and real estate are calculated in Colombian pesos and adjusted

for inflation, regardless of whether the asset is used in a trade or business.

Taxable income reductions. Specific reductions and benefits are applicable for each basket income. The main items are described below.

Employment income. Mandatory contributions to the health and pension systems decrease taxable income. Twenty-five percent of employment income is exempt up to UVT240 per month. Exemptions and deductions applicable to employees are capped at 40% of gross income less contributions to the mandatory social security system. In any case, deductions and exemptions cannot exceed the annual amount of UVT5,040 (COP167,106,000).

Deductions include economic dependents, payments to private health enterprises, interest and payments on loans for the acquisition of a taxpayer's house. Exemptions are related to voluntary contributions deposited in a Colombian pension fund and deposits in AFC Accounts (for housing construction promotion) opened in local commercial banks.

Under Colombian law, the following are dependents:
- An employee's children who are under 18 years old
- An employee's children who are 18 years or older and under 23 years old and who are studying in institutions certified by the appropriate official authority in Colombia or abroad, provided that the employee pays the education fees
- An employee's children who are 23 years old or older and whose dependence is related to physical or psychological factors, as certified by the appropriate official authority in Colombia or abroad
- An employee's spouse and parents who depend on the employee financially and who receive income in an amount of less than UVT260, as certified by a Colombian certified public accountant
- An employee's spouse and parents whose dependence is related to physical or psychological factors, as certified by the appropriate official authority in Colombia or abroad

Capital income. Gross capital income (financial interest, royalties and rental income) can be reduced by applicable expenses that meet general requirements applicable to deductions (for example, property tax and interest paid on the acquisition of real property). Exemptions and deductions are capped at 10% of gross income. In any case, deductions and exemptions cannot exceed the annual amount of UVT5,040, including the total exemptions and deductions of the general basket.

Monthly tax rates. The following table sets forth the marginal withholding tax rates applicable to monthly employment income derived by residents in the 2019 tax year.

Income		Marginal rate	Tax calculation
Exceeding UVT	Not exceeding UVT	%	
0	87	0	0
87	145	19	(Taxable employment income expressed in UVT – UVT87) x 19%

Income Exceeding UVT	Income Not exceeding UVT	Marginal rate %	Tax calculation
145	335	28	(Taxable employment income expressed in UVT – UVT145) x 28% + UVT11
335	640	33	(Taxable employment income expressed in UVT – UVT335) x 33% + UVT640
640	945	35	(Taxable employment income expressed in UVT – UVT640) x 35% + UVT165
945	2,300	37	(Taxable employment income expressed in UVT – UVT945) x 37% + UVT272
2,300	—	39	(Taxable employment income expressed in UVT – UVT2,300) x 39% + UVT773

The base for applying withholding tax on employment income is 75% of such income after the subtraction of the mandatory and voluntary contributions to pension funds, deposits in AFC Accounts and the other deductions described above. This 25% exemption is limited to a monthly amount of UVT240. Deductions and exemptions cannot exceed 40% of the amount of the income less the mandatory contributions to the health and pension system and cannot exceed UVT5,040.

The income tax withholding rate for nonresident individuals is 20% on gross income.

Annual tax rates. Effective from 2019, the applicable annual income tax rates depend on the category of income.

The following are the applicable rates for residents on income reported in the general basket and pensions.

Income Exceeding UVT	Income Not exceeding UVT	Marginal rate %	Tax calculation
0	1,090	0	0
1,090	1,700	19	(Taxable income in UVT – UVT1,090) x 19%
1,700	4,100	28	(Taxable income in UVT – UVT1,700) x 28% + UVT116
4,100	8,670	33	(Taxable income in UVT – UVT4,100) x 33% + UVT788
8,670	18,970	35	(Taxable income in UVT – UVT8,670) x 35% + UVT2,296
18,970	31,000	37	(Taxable income in UVT – UVT18,970)

Income Exceeding UVT	Income Not exceeding UVT	Marginal rate %	Tax calculation
31,000	—	39	x 37% + UVT5,901 (Taxable income in UVT – UVT31,000) x 39% + UVT10,352

Dividends distributed by a Colombian company are taxed depending on the year in which the distributing company obtained the profits out of which the dividends are paid. The general rules are discussed below.

Dividends that are distributed out of profits generated before the 2017 tax year are generally considered to be non-taxable, unless the Colombian company did not pay taxes on the profits (for example, as a result of the application of a certain tax benefit or because of some book-to-tax differences). In this case, the dividend distribution to an individual is taxed at a 33% rate (for 2019), regardless of whether the individual shareholder is a Colombian resident or a nonresident.

Dividends distributed to individual residents out of profits generated in the 2017 tax year and subsequent tax years that were taxed at the level of the distributing company are subject to rates from 0% to 15% depending of the level of the income received. The following is a table of the rates.

Dividends Exceeding UVT	Dividends Not exceeding UVT	Rate %	Tax calculation
0	300	0	0
300	—	15	(Dividends in UVT – UVT300) x 15%

If the dividend distribution is made to a nonresident individual, the dividend tax rate is 7.5%.

Dividends distributed out of profits that were not subject to tax at the level of the distributing company are taxed at a rate of 33% (for 2019), regardless whether the recipient of the dividend is an individual resident in Colombia or a nonresident, plus the dividend tax (0% to 15% in accordance with the table above for residents, or 7.5% for nonresidents). In this case the dividend tax should be applied to the amount of the dividends, reduced by the 33% tax (for 2019).

B. Estate and gift tax

For the 2019 tax year, the first UVT1,200 received as a gift or inheritance by spouses and legal heirs is exempt from tax. For inheritances or legacies received by individuals other than the legitimate heirs and spouse, as well as for donations, the exempt amount of the "capital gain" is 20% of the value received. A "capital gain" is unexpected income or profit from an extraordinary event, such as an extraordinary sale or winning a lottery or a raffle. An inheritance or legacy is deemed to be a "capital gain" if it is received by individuals other than the legal inheritors.

C. Social security

Employers and employees are subject to the following monthly social security contributions (calculated as percentages of salaries).

Contribution	Employer (%)	Employee (%)
Health (a)	8.5	4.0
Pensions (b)	12.0	4.0
Additional contribution (c)	—	1 to 2 (d)
Labor risks	0.348 to 8.7 (e)	—

(a) Contributions to the health scheme are mandatory for all employees. Under Law 1607 of 2012, effective from 1 January 2014, companies that file income tax returns are exempted from paying the 8.5% health contribution for employees who earn less than 10 monthly legal minimum salaries per month. One monthly legal minimum salary equals COP828,116 for 2019. In addition, Law 1819 of 2016 established the possibility that consortiums, free-trade zones and joint ventures that have not signed legal stability agreements, as well as trusts acting as employers, can be exempted from paying the 8.5% health contribution with respect to the payroll of employees who earn less than 10 monthly legal minimum salaries.

(b) According to the second paragraph of Article 15 of Law 100 of 1993, the pension system is voluntary for foreign employees if they remain covered under a pension scheme abroad. However, it is important to analyze on a case-by-case basis the situation of each foreign employee to determine whether it would be beneficial to enroll the foreign employee in the General Pension System.

(c) An additional 1% contribution for pensions must be paid by employees who earn at least four monthly legal minimum salaries (COP3,312,464) per month.

(d) Contributions to the Solidarity Pension Fund are at a rate of 1%, which is increased by 0.2%, 0.4%, 0.6%, 0.8% or 1%, depending on the total amount of the salary (from 16 to 25 monthly minimum legal salaries).

(e) The contribution for labor risks ranges between 0.348% and 8.7% of the employee's salary. It varies according to the insured risk, which is based on the type of activity carried out by the employee.

The base on which these contributions are calculated is limited to the equivalent of 25 monthly legal minimum salaries (COP20,702,900) per month.

In addition to the above, employers must pay monthly payroll taxes equal to 9% of the salaries paid to their employees. These taxes are distributed in the following percentages among the following entities:

- Family Compensation Funds: 4%
- Colombian Family Welfare Institute (ICBF): 3%
- National Learning Service (SENA): 2%

The base for the 9% contribution is not limited to 25 times the monthly legal minimum salaries.

For payroll tax calculation purposes, employers must consider only the payments for salary and paid rest days and exclude extralegal benefits, aids and fringe benefits.

Companies that file income tax returns, consortiums and free trade zones, and joint ventures that have not signed legal stability agreements, as well as trusts acting as employers, are exempted from paying the payroll taxes that are allocable to the ICBF and the SENA with respect to the payroll of employees who earn less than 10 monthly legal minimum salaries. They continue to be obligated to pay payroll taxes designated to the Family Compensation Funds for these employees (4%).

For social security purposes, non-salary payments are excluded from social security contributions, up to 40% of the employee's total remuneration. If these non-salary payments exceed the 40% limit, the difference is subject to social security contributions (Law 1393 of 2010). This 40% limit does not apply for payroll taxes.

If the employee earns an integral salary (all-inclusive salary), social security contributions and payroll taxes are calculated based on 70% of such salary, because the remaining 30% is deemed to be a fringe-benefit factor included in this type of salary and accordingly is not included in the base for the above-mentioned payments. However, this labor rule does not apply to the calculation of the income tax withholding. For income tax withholding purposes, the base is 100% of the salary, regardless of the type of salary (ordinary or all-inclusive).

D. Tax filing and payment procedures

The tax year is the calendar year.

Each year, the Colombian government establishes deadlines for filing income tax returns through the issuance of an Official Decree. The tax-filing dates for individuals are between August and October of each year, according to the last two digits of the Colombian tax identification number.

Income tax liability on local employment income is generally satisfied by employers' withholding of tax based on gross salary. However, income tax returns for 2019 must be filed by employees or self-employed professionals if their gross assets exceed UVT4,500 or if their annual gross income exceeds UVT1,400. Nonresidents do not need to file tax returns if tax is withheld from all income received during the year at nonresident tax rates. If nonresidents receive income from which tax is not withheld, they must file tax returns and meet the filing deadlines. The annual tax rate for nonresidents required to file a return is 35%.

Individuals who are required to file tax returns must calculate and pay advance tax for the following tax year in accordance with the applicable rules under specific circumstances.

Married individuals are taxed separately, not jointly, on all types of income.

Report of assets held abroad. The report of assets held abroad is a tax obligation for resident individuals that entered into force as of 2015. Individuals must submit a report listing assets held outside Colombia, the value of the assets and the jurisdictions in which they are located.

E. Double tax relief and tax treaties

Colombian national taxpayers who receive foreign-source income subject to income tax in the country of origin may apply a tax credit for the foreign tax paid to the Colombian income tax, up to the amount of Colombian tax payable on the same income. Foreigners may not claim the credit, unless they have one or more years of tax residence in Colombia.

Colombia has entered into double tax treaties with Canada, Chile, the Czech Republic, India, Korea (South), Mexico,

Portugal, Spain, Switzerland and the Andean Community member countries (Bolivia, Ecuador and Peru).

F. Entry visas

Effective from 26 May 2015, Decree 1067 of 2015 unifies all immigration rules in Colombia. Under this decree, foreigners who wish to work or carry on business in Colombia must apply for an appropriate visa. Resolution 6045 of 2 August 2017 establishes the immigration requirements for each type of visa, replacing former Resolution 5512 of 4 September 2015.

The Ministry of Foreign Affairs or consular offices abroad may grant any type of visa. However, citizens of restricted jurisdictions (for example, China Mainland and India) must have a visa to enter Colombia. Visas can be requested personally, electronically or through a representative.

Under Resolution 10535 of 14 December 2018, the following are the unrestricted jurisdictions (nationalities).

Albania
Andorra
Antigua and Barbuda
Argentina
Australia
Austria
Azerbaijan
Bahamas
Barbados
Belgium
Belize
Bhutan
Bolivia
Bosnia and Herzegovina
Brazil
Brunei Darussalam
Bulgaria
Canada
Chile
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Dominican Republic
Ecuador
El Salvador
Estonia
Fiji
Finland
France
Georgia
Germany
Greece
Grenada
Guatemala
Guyana
Honduras
Hungary
Iceland
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Kazakhstan
Korea (South)
Latvia
Liechtenstein
Lithuania
Luxembourg
Malta
Marshall Islands
Mexico
Micronesia
Moldova
Monaco
Montenegro
Netherlands
New Zealand
Norway
Palau
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Poland
Portugal
Qatar
Romania
Russian Federation
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Samoa
San Marino
Singapore
Slovak Republic
Slovenia
Solomon Islands
Spain
Suriname
Sweden
Switzerland
Trinidad and Tobago
Turkey
United Arab Emirates
United Kingdom
United States
Uruguay
Vatican City
Venezuela

Under Resolution 10535 of 14 December 2018, citizens of the Hong Kong Special Administrative Region (SAR), the Sovereign

Military Order of Malta, Nicaragua belonging to the South and North Caribbean Coast Autonomous Regions, and Taiwan also do not need an entry visa.

Citizens from Cambodia, India, China Mainland, Myanmar, Nicaragua excluding its South and North Caribbean Coast Autonomous Regions, Thailand, and Vietnam may enter Colombia with an entry permit if they comply with one of the following requirements:
- They hold a residence permit in a member state of the Schengen area or in the United States.
- They hold a visa from the Schengen area or the United States with a validity of at least six months at the moment of the arrival to Colombia.

Regarding Nicaraguan citizens, they may enter Colombia with an entry permit under the same conditions mentioned above if they hold a visa or residence permit from Canada.

Foreigners holding a permanent residence permit of a member state of the Pacific Alliance regional integration mechanism, may enter Colombia with an entry permit.

Resolution 6045 of 2 August 2017, entered into force in December 2017, contains a new regulation regarding visas, replacing Resolution 5512 of 4 September 2015, and Resolution 532 of 2 February 2015.

G. Type of visas

Visitor ("V" type) Visa. A Visitor Visa is granted to a foreigner who wants to visit Colombia several times or remain temporarily there without establishing himself or herself in Colombia. The validity of this visa can extend up to two years.

The following are the classifications for Visitor Visas:
- Transit
- Tourism
- Business visits
- Academic exchanges and non-formal studies
- Medical treatment
- Legal proceedings
- Crew member
- Conferences
- Internships
- Volunteering
- Audiovisual production
- Journalistic coverage
- Temporary services or technical assistance
- Internal corporate transfer
- Foreign commercial representative officer
- Vacation-work program
- Courtesy

The most common subcategories of the Visitor Visas are described below.

Visitor Visa for temporary services. The Visitor Visa for temporary services is issued to the foreigners who wish to enter the country in order to provide temporary services such as specialized technical assistance, with or without an employment

contract. The validity of this visa is 180 days, with multiple entries. An individual can request a visa for a shorter period if his or her activity in Colombia will be for a shorter period. It can be renewable. The relatives of a holder of this type of visa may apply for a beneficiary visa.

Companies that sponsor this kind of visa must notify the Special Administrative Unit Migration Colombia (Unidad Administrativa Especial Migración Colombia [“Migración Colombia”]) of the initiation and termination of activities through the Foreigners’ Information and Report System (Sistema de Información y Reporte de Extranjeros, or SIRE) within 15 calendar days after the beginning or termination of the activity. SIRE is an online platform, which was created by Migración Colombia to facilitate the reporting of foreigners generating benefits for Colombian companies, hotels and education entities. Every Colombian company, hotel or education entity that accepts a foreigner generating benefits in any form (including under a work contract) must report to Migración Colombia the initiation and termination dates of the foreigner’s activities. In addition, the employer must pay for the foreigner and his or her family’s travel expenses back to their home country or their last residence within 30 days after the end of his or her professional activities. If the foreigner decides not to use this benefit from the Colombian company, this company must report to Migración Colombia that the foreigner decided not to make use of such benefit. This must be reported within five working days after his or her departure.

Visitor Visa for business purposes. The Visitor Visa for business purposes is granted to a foreigner who intends to enter Colombia to conduct trade and business, promote economic exchange, make investments and create business. This visa is valid for up to three years with multiple entries, but the holder of this type of visa can stay only up to 180 continuous or discontinuous days per year in Colombia. An individual can request a visa for a shorter period if his or her activity in Colombia will be for a shorter period. The individual’s activities cannot generate the payment of wages in Colombia. It can be renewable. The relatives of a holder of this type of visa may not apply for a beneficiary visa.

Migrant (“M” type) Visa. A Migrant Visa is granted to a foreigner who enters Colombia with the intention of establishing himself or herself there and does not fulfill the conditions to apply for a Resident Visa (see *Resident [“R” Type] Visa*). The validity of this visa can extend up to three years.

The following are the subcategories for Migrant Visas:
- Colombian national spouse
- Father of Colombian national by adoption
- MERCOSUR (Mercado Común del Sur; English translation is Common Market of the South) Agreement
- Refugee
- Employee
- Businessperson
- Independent
- Religious
- Student
- Real estate investor
- Retired or renter
- Cases not foreseen

The most common subcategories of Migrant Visas are described below.

Migrant Visa for Work. The Migrant Visa for work may be granted to a foreigner who intends to enter Colombia under an employment relationship or civil contract to provide services to an individual or a corporation established in Colombia or to arts, sports or cultural groups entering Colombia for the purpose of providing public performances.

For regulated professions (for example, engineering, accounting and business administration), foreigners must request special permits or licenses from the competent Professional Councils to exercise their professions in Colombia. To obtain these permits, they must provide their diplomas, legalized or *apostilled* with an official translation to Spanish.

Noncompliance with the requirement to obtain the special permits or licenses to develop regulated professions may result in the imposition of penalties by the Migración Colombia authority. Decree 834 of 2013 (confirmed in Decree 1067 of 2015) eliminated the requirement of presenting the special permits or licenses to the Visas Office of the Ministry of Foreign Affairs in order to obtain this visa. However, the permit or licenses must be submitted when the employer or contractor notifies the Migración Colombia offices of the initiation of activities.

This type of visa is granted for the entire term of the contractual relationship. Therefore, the validity of the visa depends on this relationship, and its duration cannot exceed three years. It can be renewable. It allows multiple entries and the engagement in study activities by the holder.

The visa is canceled if the foreigner leaves Colombia for more than 180 consecutive days. The foreigner can stay in Colombia for the entire term of the visa. The relatives of a holder of this visa may apply for a beneficiary visa.

Contractors and employers of foreigners must notify Migración Colombia of the beginning and ending of activities through SIRE within 15 calendar days after the beginning or ending of the activities.

In addition, the employer must to pay for the foreigner and his or her family's travel expenses back to their country or their last residence within 30 days after the end of his or her professional activities. If the foreigner decides not to use this benefit from the Colombian company, this company must report to Migración Colombia that the foreigner decided not to make use of such benefits. This needs to be reported within five working days after his or her departure.

Migrant Visa – MERCOSUR Agreement. A Migrant Visa – MERCOSUR Agreement visa is valid for three years. Based on the criteria of reciprocity, the only individuals who can apply for this visa are citizens of Argentina, Bolivia, Brazil, Chile, Ecuador, Paraguay, Peru and Uruguay. The holder of this visa can perform any legal activity in Colombia, including activities under an employment relationship or civil contract to provide services to an individual or a corporation established in Colombia. After two years of holding this visa, it is possible to request the

Resident ("R" type) Visa. It allows multiple entries, but it is not renewable. The relatives of a holder of this visa may apply for a beneficiary visa.

For regulated professions (for example, engineering, accounting and business administration), foreigners must request special permits or licenses from the competent Professional Council to exercise their professions in Colombia. To obtain the permits or licenses, the foreigners must provide their diplomas legalized or *apostilled* with an official Spanish translation.

Resident ("R" type) Visa. A Resident Visa will be granted to a foreigner who wants to enter and/or remain in Colombia to establish himself or herself permanently in Colombia or establish his or her domicile in Colombia. This visa is granted for five years. A foreigner who holds a Resident Visa and leaves Colombia for two or more continuous years loses his or her visa. A foreigner can stay in Colombia for the entire term of the visa. A Resident Visa holder can perform any legal activity, including activities under an employment relationship or civil contract to provide services to an individual or corporation domiciled in Colombia. The relatives of a holder of this visa may apply for a beneficiary visa.

A Resident Visa is granted to the following types of foreigners:
- Father of a Colombian national
- In accordance with Law 43 of 1993, an individual who was a Colombian citizen by adoption or by birth and who has been abroad and renounced his or her Colombian citizenship (the duration for the individual's visa is undefined)
- A foreigner who has been a holder of a Migrant type of visa for the 4th through 11th classifications (see *Migrant ["M" type] Visa*) for a minimum of five continuous and uninterrupted years
- A foreigner who has been a holder of a Migrant Visa for the first through third classifications (see *Migrant ["M" type] Visa*) for a minimum of two continuous and uninterrupted years
- An adult foreigner (more than 18 years old) who has been the beneficiary of a Resident Visa holder for at least five continuous and uninterrupted years
- In his or her capacity as a foreign investor, a foreigner who has registered with Colombia's central bank an amount exceeding 650 monthly legal minimum wages

H. Foreign Identification Card

Visa registration and a Foreign Identification Card request are mandatory for visas with a validity of longer than three months. The Foreign Identification Card is the document of identification in Colombia. It is needed to open bank accounts or to become affiliated with the social security system.

I. Report of Initiation/Finalization of Activities to SIRE and the Unique Registry of Foreign Workers

A Colombian company must file a Report of Initiation/Finalization of Activities with SIRE within 15 calendar days after a foreigner's initiation/finalization of activities in Colombia. This report must be done by the Colombian company for each foreigner coming to Colombia, regardless of the type of visa or permit.

Also, if the foreigner has a work or civil contract a Colombian company, it is mandatory to report the contract initiation/finalization to the Colombian Ministry of Work through the Unique Registry of Foreign Workers (Registro Único de Trabajadores Extranjeros en Colombia, or RUTEC) within 30 calendar days after the event.

J. Exercise of a regulated profession

A foreigner who intends to engage in a regulated profession such as engineering, medicine or economics in Colombia must present a professional permit granted by the competent authority in addition to the visa.

K. Family members

The Ministry of Foreign Affairs or consular offices abroad issue visas for family members to the applicant's spouse, parents and children under 25 years old who depend economically on the holder of the visa. A son or daughter who is 25 years or older and has a disability may apply for the beneficiary visa. These visas have the same duration as the applicant's visa. Visas for family members authorize the holders to carry out home and study activities only. The principal requirement to obtain the beneficiary visa is to present the birth or marriage certificate that proves the link with the visa holder, granted and *apostilled* with a validity of no more than three months.

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A. Income tax

Who is liable. Individual income taxes are imposed on remuneration paid to an individual by a third party, regardless of whether the individual is engaged under a service agreement with the third party.

Territoriality. Individual income taxes are imposed only on Democratic Republic of Congo (DRC)-source income.

Definition of resident. An individual is considered to be resident in the DRC if any of the following circumstances exist:

- An individual regardless of his or her nationality has established in the DRC a real home, effectively and continuously.
- An individual has in the DRC his or her domicile, family, main activity, business headquarters or business.
- The DRC is the usual place from where the individual's assets and wealth are principally managed.

Income subject to tax. The taxation of various categories of income is described below.

Employment income. Individuals are subject to payroll tax (Impôt professionnel sur les rémunérations, or IPR) at progressive rates on employment income, including payments to administrators and

managers. The total amount of IPR payable cannot exceed 30% of taxable revenue. The tax base for IPR includes the following:

- Salary and wages
- Allowances that do not correspond to the reimbursement of professional expenses
- Bonuses and other indemnities
- Payments made by the employer in the case of breach of contract (notice allowance), excluding damages
- Benefits in kind at their real value, except for the following:
  - — Legal family allowances (only extra-legal amount is taxable)
  - — Housing allowance, provided the amount of the allowance is limited to 30% of gross salary
  - — Transport allowance, provided that the amount of the allowance does not exceed the limit imposed per day
  - — Medical care, provided that the amount is not overstated

Reimbursements of professional expenses are exempt if all of the following conditions are satisfied:

- They are used in accordance with their nature. The tax administration may require evidence of such use.
- They are not overstated in terms of the employee concerned.
- They relate to the activity of the company.

Investment income. Investment income consists of dividends and other income derived from shares, stock options, debentures or bonds issued by companies resident in the DRC. Investment income is subject to a 20% withholding tax (Impôt Mobilier) in the DRC, subject to the provisions of a double tax treaty.

Business and self-employment income. Business and self-employment salary income is subject to IPR at progressive rates, with a maximum rate of 30%.

Directors' fees. Directors' fees paid by public limited liability companies registered in the DRC are subject to IPR at progressive rates, with a maximum rate of 30%.

Taxation of employer-provided stock options. Stock options provided to employees in the DRC are part of the tax base subject to IPR.

Capital gains and losses. Under the DRC tax law, only capital gains and losses realized by persons subject to corporate tax are taxable or deductible.

Exempt income. The following types of income are not taxable to individuals in the DRC:

- Pension contributions by law
- Housing allowance, for a value not exceeding 30% of gross salary
- Transport allowance provided that the amount of the allowance does not exceed the legal limit per day
- Telephone charges (professional use)
- Home leave for assignee and family
- Business trips
- Medical charges

Deductions. Expenses incurred by an individual for medical care for the individual and his or her family are deductible.

Individuals may deduct the following contributions effectively paid to pension funds:

- Contributions by the taxpayer under a pension scheme that is mandatory as a result of an engagement of the employer or a requirement in the work agreement
- Direct contributions to obtain a pension or insurance

Individuals may not claim any other deductions.

Rates. IPR is imposed at progressive tax rates ranging from 0% to 40%. However, the total amount of IPR cannot be higher than 30% of taxable revenue. The following are the IPR rates for annual income.

Annual taxable income		
Exceeding CDF	Not exceeding CDF	Tax rate %
0	1,944,000	0
1,944,000	21,600,000	15
21,600,000	43,200,000	30
43,200,000	—	40

The amount of IPR is reduced by an amount of 2% per dependent (limited to nine dependents).

Relief for losses. Individual taxpayers may not claim relief from losses.

Expatriates. Entities employing expatriates must pay a special payroll tax on expatriates (Impôt Exceptionnel sur les Rémunérations, or IER) at a rate of 25%. Companies operating under the Mining Code are subject to a reduced IER rate of 12.5% for the first 10 years and 25% for the following years.

IER applies only to income paid to expatriates who are subject to tax in the DRC. Nonresident individuals whose income is not taxable in the DRC because they are in the DRC under a technical services agreement are not subject to IER.

B. Other taxes

Property tax. Property tax is imposed on real property such as buildings and grounds. The owner of the property is liable for the tax.

The property tax rate varies depending on the nature of the item and the rank of the locality. The owner must sign an annual declaration, which must state all taxable items, to the tax authorities.

Inheritance, estate and gift taxes. The DRC does not impose inheritance, estate or gift taxes.

Tax on vehicles. The tax on vehicles is imposed on all types of vehicles used in the DRC. Owners of vehicles are liable for the tax.

The rate of the tax on vehicles varies each year and depends on the nature of vehicle and the province. The owners of the vehicles must buy road tax discs (annual license tags) when the tax authorities sell them.

C. Social security

Contributions. Employers and employees must make monthly contributions to the Social Security National Institute (Institut National Sécurité Sociale, or INSS). The following are the rates of the contributions, which are applied to employee wages:
• Employers: 13%
• Employees: 5%

Companies are required to register all employees with the INSS and remit both employer and employee contributions.

Employers are also subject to monthly contributions to the National Institute for Professional Preparation (Institut National de Préparation Professionnelle, or INPP). The following are the contribution rates:
• Private companies with 1 to 50 employees: 3%
• Private companies with 51 to 300 employees: 2%
• Private companies with more than 300 employees: 1%

Employers must also pay a National Employment contribution (ONEM) at a rate of 0.2%.

Totalization agreements. The DRC has not entered into any totalization agreements.

D. Tax filing and payment procedures

IPR, IER and ONEM must be remitted before the 15th day of the month following the month of payment of the salaries.

Taxpayers registered with the Tax Center for Large Scale Companies (Direction des Grandes Entreprises, or DGE) must file a single return and make a single payment for the IPR, IER, INSS, INPP and ONEM by the 15th day of the month following the month of payment of the salaries.

Tax on movable assets is due before the 15th day of the month following the month of the payment.

E. Double taxation relief and tax treaties

The DRC has entered into double tax treaties with Belgium and South Africa.

F. Temporary visas

The General Direction of Migration issues temporary work visas. To obtain a temporary work visa, the following documents must be submitted to the Direction:
• Work contract of the expatriate
• Proof of identity of the expatriate
• Identification picture
• Completed form provided by the Direction together with the contract between the DRC company and the foreign company

G. Work visas and permits

To obtain a work permit, an authorization for a work card from the Labor Ministry is required. The process used to obtain temporary work visas also applies to work visas and work permits. This process also applies to establishment visas and multiple-entry visas.

H. Residence cards

The Provincial Home Affairs Ministry issues residence cards to expatriates working for DRC companies. These cards have a duration of two years.

I. Family and personal considerations

Work visas for family members. Dependents of expatriates working in the DRC with a legal work visa must obtain an establishment visa. Under the law, dependents are the spouse and children under the age of 18 of the expatriate working in DRC. However, if a person in the family wants to work in the DRC, he or she must comply with the requirements mentioned in Section G.

Marital property regime. The community property regime applies to the property of spouses, but only to property acquired during the marriage. Property acquired before the marriage is considered the separate property of the respective spouses. Each spouse remains the owner of their separate property.

Driver's permits. In practice, foreign driver's licenses may be not used in the DRC.

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A. Income tax

Who is liable. Residents are subject to tax on worldwide income. Nonresident employees who work in the Republic of Congo more than two weeks a year are subject to tax on a lump-sum salary, regardless of where their employers are resident. Under the double tax treaties between the Republic of Congo and France and Italy, nonresident employees become taxable in the Republic of Congo after 183 days.

Definition of resident. Individuals are considered resident if they meet either of the following conditions:

- They have a dwelling in the Republic of Congo, either as owners or as tenants with leases for at least one year, or they otherwise maintain their principal residence in the Republic of Congo.
- They stay in the Republic of Congo for more than six months.

Income subject to tax

Employment income. Taxable employment income includes all compensation, allowances and benefits in kind.

Investment income. Dividend and interest income from investments in the Republic of Congo are included in taxable income. Residents are also taxed on foreign investment income.

A withholding tax, called the tax on movable assets, is levied on dividends at a rate of 15%, on directors' fees at a rate of 17%, and on bonds and debentures at a rate of 20%. After the income is included in taxable income, the tax on movable assets withheld is deducted from general income tax due.

Self-employment and business income. Self-employed individuals are subject to tax on income from commercial, agricultural and professional activities. Taxable income consists of total income from all categories.

Taxable income from commercial and agricultural activities includes all receipts, advances, interest and gains directly related to the activities. It is calculated on an accrual basis, with a possible option for a deemed-profits system if turnover does not exceed a certain amount. Capital gains derived from sales of fixed business assets may be exempt if reinvested.

Taxable income from professional activities is determined on a cash basis. Taxable income equals the difference between amounts received and expenses paid during the calendar year, including gains or losses from the sale of professional assets.

Directors' fees. Compensation paid to directors is treated as investment income and is subject to income tax. Taxes withheld by the payer may be credited by the recipient against general income tax payable.

Taxation of employer-provided stock options. Congolese law does not specifically address the taxation of employer-provided stock options.

Capital gains. Capital gains are taxed at ordinary income rates.

The taxable portion of gains from the disposal of real property is the difference between the sale price and the revalued purchase price. For developed land, the gain is taxed at a rate of 5% for ownership in excess of 10 years. For undeveloped land, the gain is taxed at a rate of 7% for ownership in excess of 10 years.

Gains derived from sales of shares are generally exempt from tax. However, one-third of the gain is taxed if, during the five preceding years, the seller, together with his or her ascendants, descendants and spouse, held more than 25% of the capital stock of the company and if any of these individuals served as managers or directors in the company at any time during the five-year period.

Deductions

Deductible expenses. To determine taxable income, the following items are deducted:

- A 20% deduction from the personal income tax base.
- Pension plan contributions, limited to 6% of gross compensation.
- Social security contributions.
- Interest on loans for which the taxpayer is liable, restricted to the first six annual payments of loans related to the construction or acquisition of a principal apartment building. The deductible amount is limited to XAF1 million.
- Alimony paid pursuant to a judicial decision.
- Family allowances, limited to XAF5,000 per child.

- Medical expenses paid by the taxpayer and dependents, not exceeding 10% of net income up to a maximum of XAF200,000. Prosthesis and pharmaceutical expenses are excluded.
- Special allowances to cover professional expenses (for example, transport allowances), limited to 15% of taxable income.
- One plane ticket per year for the individual and his or her family.
- Dismissal allowances.
- Retirement allowances.

Personal deductions and allowances. The family coefficient rules described in *Rates* are used instead of a schedule of personal allowances and deductions.

Business deductions. All expenses necessary to carry on a professional activity are deductible. Deductible expenses for commercial and agricultural activities include the following:
- Expenses necessary to carry on the activity, such as personnel and rental expenses
- Depreciation
- Provisions for losses and expenses
- Interest on loans from shareholders
- Certain taxes, including business tax, license fees and tax on wages

Rates. Tax is levied at progressive rates, up to a maximum rate of 40%. Income is taxed under a family coefficient system, which adjusts the amount of income subject to the progressive tax rate table according to the number of family members. Under this system, taxable income is divided by the number of family allowances to which the taxpayer is entitled. The amount calculated corresponds to the income per allowance. Tax is then computed for one allowance and multiplied by the number of family allowances. No more than 6.5 allowances may be taken. The following allowances are available.

Type of allowance	Number of allowances
Single, divorced or widowed individual with no children	1
Married with no children, single or divorced with one child	2
Widowed or married with one child	2.5
Each additional child	0.5

The following table presents the tax rates that apply to income for one allowance.

Taxable income		
Exceeding XAF	Not exceeding XAF	Rate %
0	464,000	1
464,000	1,000,000	10
1,000,000	3,000,000	25
3,000,000	—	40

Relief for losses. Losses in one category may be deducted from income in other categories. If income from all categories does not fully offset the loss, the remaining loss may be carried forward for three years.

Nonresidents. Nonresidents are subject to withholding tax at a rate of 20% on payments for work or services carried out in the Republic of Congo. This rate does not apply to French residents under the France-Republic of Congo tax treaty. The withholding rate is 20% for royalties derived by nonresidents, except residents of France, for whom the rate is 15%.

B. Other taxes

Property tax. An occupancy tax for premises for residential use is imposed. The following are the rates:
- Center: XAF60,000
- Periphery: XAF12,000

The tax is due by 20 April of each year.

The occupancy tax is withheld at source by the employer at a rate of XAF1,000 per month for the periphery and XAF5,000 per month for the center.

Inheritance and gift tax. If a deceased person or donor was a resident of the Republic of Congo, inheritance or gift tax is payable on worldwide net assets, unless otherwise provided by applicable tax treaties. Resident foreigners and nonresidents are subject to inheritance and gift tax only on assets located in the Republic of Congo.

Inheritance and gift tax rates vary, depending on the relationship between the recipient and the deceased or donor and on the value of the gift or inheritance. The rates range from 0% to 18%.

C. Social security

Contributions. Social security contributions are withheld monthly by employers. The tax base includes all compensation, benefits and allowances.

The following contributions are required and are paid by the employer, with the exception of the pension contribution, which is paid by the employer and the employee.

Description	Rate (%)
On monthly salary, up to XAF600,000	
Family allowances	10.035
Accidents and illnesses due to professional activity	2.25
Pension contributions on monthly salary up to XAF1,200,000; paid by	
Employer	8
Employee	4

Coverage. The social security system includes the following branches:
- A family benefits branch, which provides maternity benefits
- An occupational risk branch, which provides benefits for work injury or occupational disease
- A branch of pensions for responsible service, which provides benefits relating to old age, invalidity and death

Totalization agreement. To provide relief from double social security taxes and to assure benefit coverage, the Republic of Congo

has entered into a totalization agreement with France. Under this agreement, French employees on a secondment (short assignment with a duration of one year) are exempt from social security taxes for one year. An exceptional extension for one year may be granted in response to a request addressed to the relevant authorities.

The Republic of Congo has signed a social security treaty with other member countries of the Common African and Mauritian Organization (Organisation Commune Africaine et Mauricienne, or OCAM), which are Benin, Burkina Faso, Central African Republic, Côte d'Ivoire, Gabon, Mauritius, Niger, Rwanda, Senegal and Togo. The application of this treaty is subject to the rule of reciprocity.

D. Tax filing and payment procedures

The tax year is the calendar year. Under the law, individuals must file general income tax returns between 10 April and 20 April following the end of the tax year. An extension to between 10 May and 20 May is provided for self-employed individuals required to file balance sheets. Self-employed individuals must file separate returns between 10 May and 20 May for income derived from commercial and agricultural activities. Although tax on employment is withheld monthly by employers, employees must file annual income tax returns.

Individuals engaged in commercial, professional or agricultural activities must make two prepayments, each equal to one-third of the tax paid the previous year. The balance is payable on receipt of a tax assessment.

Married persons are taxed jointly or separately, at the taxpayer's election, on employment income.

E. Double tax relief and tax treaties

No foreign tax credit is available unless a double tax treaty provides otherwise. However, taxes withheld in a foreign country are deductible for determining taxable income in the Republic of Congo.

The Republic of Congo has entered into double tax treaties with France, Italy and Mauritius and with other member countries of the Central African Economic and Monetary Community (Communaute Economique et Monetaire d'Afrique Centrale, or CEMAC), including Cameroon, Central African Republic, Chad, Equatorial Guinea and Gabon.

The following relief is available under the CEMAC treaty:

- Commercial profits are taxable in the treaty country where a foreign firm performs its activities through a permanent establishment.
- Dividends are taxable in the country of source.
- Interest is taxable in the country of residence of the beneficiary.
- Royalties are taxable in the country of residence of the beneficiary.
- Employment income is taxable in the treaty country where the activity is performed.

F. Temporary visas

Foreigners who have expired visas, who want to enter the country for the first time, or who have visas that were canceled when they left the country, must apply for 15-day visas at a Congolese embassy or consulate before entering the Republic of Congo. During this 15-day period, the foreigner can apply for a three-month visa. This visa may be obtained from the General Director of Immigration in Brazzaville or from the department director of immigration in Pointe-Noire.

To obtain a three-month visa, an applicant must submit the following documents:
- Receipt for the temporary work permit
- Valid passport
- Four identity pictures
- Employer testimony

G. Work visas and/or permits

A nonresident also needs a temporary work permit to work legally in the Republic of Congo. To obtain a temporary work permit, the applicant must submit the following documents:
- Valid passport
- Two identity pictures
- Copy of the entry visa
- An information form
- A job analysis

For workers, an attestation of employment or an acknowledgement of receipt of the request for employment must be added to the permit application file.

H. Residence visas (and/or permits)

Temporary residence permit. A temporary residence permit (*carte de résident temporaire*) is the same as a one-year visa. It is valid for one year, and is granted exclusively by the General Director of Immigration Services in Brazzaville.

To obtain a temporary residence permit, the applicant must submit, in addition to the documents required for a temporary permit, the following documents:
- A duty stamp of XAF5,000
- A valid passport or substitute document, with a visa if the foreigner is a national of a country that has not signed an immigration treaty with the Republic of Congo
- Four photographs of the applicant
- An international vaccination book
- A receipt for payment of a deposit guaranteeing repatriation (for applicants who are neither citizens of the CEMAC countries nor of the Democratic Republic of the Congo)
- A work contract signed by the Congolese Minister of Labor if the applicant is a salaried employee, a certificate of inscription in a school or university if the applicant is a student, or a commercial agreement if the applicant is an independent worker

I. Family and personal considerations

Marital property regime. The following marital property regimes apply in the Republic of Congo:

- Community property
- Division of property
- Conventional community

The community property regime is the default regime and applies automatically if a couple does not specifically choose another regime.

The choice of marital regime is made when the marriage is solemnized. The marital property regime may not be changed during the first two years of the marriage. After two years, changes are allowed only if the rules under the original regime conflict with the family's interests. Changing regimes must be official and accepted by the authorities.

The Republic of Congo's marital property regimes apply to married couples who solemnize their marriage in the Republic of Congo or to couples who solemnize their marriage abroad but under Congolese laws. The regimes do not apply to couples who establish a permanent domicile in the Republic of Congo if they were married under foreign laws. The community property claims purport to survive a permanent move to a non-community property country.

Forced heirship. Forced heirship rules do not apply in the Republic of Congo.

Driver's permits. Foreign nationals can use the international driving license for six months in the Republic of Congo, and then they must obtain a local permit.

Costa Rica

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This chapter has not been updated since 1 July 2018.

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A. Income tax

Who is liable. Resident and nonresident individuals, regardless of their nationality, are taxed on their income earned in Costa Rica. Foreign-source income is not taxed.

Individuals are considered resident if they have lived in Costa Rica for more than six consecutive months during a taxable year. However, the tax authorities may apply a shorter term for employed individuals.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Monthly income in excess of CRC799,000 is taxable, including salary, pensions, bonuses, premiums, commissions and allowances (for example, housing and educational allowances). Payments made to board members, other executives and counselors not included in the payroll are subject to a 15% withholding tax.

Self-employment and business income. Income derived from self-employment or from a trade or business is subject to taxation.

Investment income. Dividends paid or credited by local companies to resident and nonresident individuals are subject to a 15% withholding tax. If dividends are paid by publicly traded companies registered on the Costa Rican stock exchange on shares acquired through the stock market, the withholding tax rate is

reduced to 5%. Interest paid abroad is generally taxed at a rate of 15%. Interest paid to foreign banks that are part of a Costa Rican financial group or conglomerate regulated by the Costa Rican Financial System (CONASIFF) is subject to a withholding tax rate of 5.5% during the first year, 9% during the second year, 13% during the third year and 15% beginning in the fourth year. In addition, interest paid to multilateral development banks and other institutions of multilateral or bilateral development and to other not-for-profit entities that are not subject to tax is exempt from the withholding tax. Royalties from franchises, technical advice payments and similar payments are subject to a 25% withholding tax.

Directors' fees. Directors' fees paid to resident and nonresident individuals are subject to a 15% withholding tax.

Capital gains. Capital gains are taxable and capital losses deductible only if derived from the sale of depreciable assets or from the sale of non-depreciable assets in the ordinary course of business. Occasional (infrequent) sales of non-depreciable assets are not subject to tax.

Deductions

Personal deductions and allowances. Annual tax credits are allowed in the amounts of CRC18,000 for each dependent child and CRC26,880 for a spouse. The spouse tax credit may be taken by either the husband or the wife, but not by both.

Business deductions. All costs and expenses that are necessary to generate taxable income and protect investments are deductible.

Rates. Employment income is taxable at the following rates applicable from 1 October 2017 to 30 September 2018.

Annual taxable income CRC	Tax rate %	Tax due CRC	Cumulative tax due CRC
First 9,588,000	0	0	0
Next 4,800,000	10	480,000	480,000
Above 14,388,000	15	—	—

Fringe benefits and salary in kind are subject to a 15% withholding tax.

Self-employment and business income are taxable at the following rates applicable from 1 October 2017 to 30 September 2018.

Annual taxable income CRC	Tax rate %	Tax due CRC	Cumulative tax due CRC
First 3,549,000	0	0	0
Next 1,750,000	10	175,000	175,000
Next 3,541,000	15	531,150	706,150
Next 8,876,000	20	1,775,200	2,481,350
Above 17,716,000	25	—	—

Withholding tax is levied on nonresidents at a rate of 15% on salaries, other remuneration, pensions, commissions, directors' fees and other similar items.

Relief for losses. Self-employed individuals may not carry their losses forward or back.

B. Estate and gift taxes

Costa Rica does not impose estate or gift taxes. However, estates may be taxed as ordinary taxpayers if they derive income before the distribution of assets to beneficiaries.

C. Social security

Social security contributions are levied on salaries, at a rate of 26.33% for the employer and 10.34% (effective from 1 January 2018) for the employee. Contributions are computed based on an employee's gross compensation, with no deductions allowed.

D. Tax filing and payment procedures

Employers are responsible for withholding income taxes and social security contributions from employees' salaries on a monthly basis. Employees are not required to file an annual income tax return if their only source of income is employment compensation. Nonresidents are not required to file tax returns if they are only subject to income tax withholding at source.

The ordinary fiscal year runs from 1 October to 30 September. Returns must be filed, and any tax liabilities due must be paid, no later than 15 December. However, in certain specific circumstances, taxpayers may elect to file using a calendar tax year (1 January to 31 December). Self-employed individuals and individuals with a trade or business must make advance quarterly tax payments.

E. Double tax relief and tax treaties

Costa Rica has entered into double tax treaties with Spain and Germany, effective from 1 January 2010 and 1 January 2017, respectively. Costa Rica has signed a double tax treaty with Mexico (12 April 2014).

Costa Rica has entered into bilateral tax information exchange agreements with Argentina, Australia, Canada, France, Mexico, the Netherlands, Norway and the United States. Also, the Congress has approved such agreements with Denmark, Faroe Islands, Finland, Greenland, Iceland and Sweden. It is negotiating such agreements with Guernsey, India, Indonesia, Italy, Japan, Korea (South) and South Africa.

F. Temporary visas

Depending on their country of citizenship, individuals may be required to apply for and obtain an entry visa before traveling to Costa Rica. A Costa Rican consulate overseas grants the visa. The immigration authorities have established a list of countries for which an entry visa is required before entering Costa Rica. The requirements for obtaining a visa often vary. Therefore, it is necessary to check the entry visa requirements on a case-by-case basis.

G. Work visas (and/or permits)

The government of Costa Rica grants a work authorization to foreign employees who have special knowledge or experience in a certain field. The granting of a work authorization is subject to certain rules that must be checked on a case-by-case basis because the rules may vary. The main criterion applied by the

Ministry of Labor is that persons in the local work force cannot be displaced by the hiring of foreigners. Consequently, it may not be possible to obtain a work permit for foreigners in certain occupations unless the employer is a company registered and recognized by the immigration authorities.

H. Residence visas (and/or permits)

The government of Costa Rica may grant migratory statuses that allow foreigners to reside in the country. These include the following:

- Science status
- Athletes
- Journalists
- Workers
- Businesspersons
- Investors
- Retired individuals
- Religious status
- Certain family relatives

The request must be submitted and processed by the immigration authorities in Costa Rica. The application requirements may vary. Therefore, they should be checked on a case-by-case basis.

I. Family and personal considerations

Family members. Spouses of foreigners who are granted work permits do not automatically receive the same treatment as the original permit holder and must apply for an independent visa or work permit. However, they can apply as a dependent of the main applicant.

Children of expatriates may use the granted migratory status of their parents to attend schools in Costa Rica.

Marital property regime. Assets obtained by any means, except by donation, after the commencement of the marriage are considered to be marital property.

Forced heirship. If an individual dies without leaving a will, the beneficiaries of his or her assets and patrimony according to the law are descendants, ascendants, spouse and collaterals (certain other relatives). The priority order is set by the Civil Code according to a series of different combinations. The amounts needed to satisfy maintenance and other obligations of the deceased are removed from the decedent's estate before the estate is divided between the beneficiaries.

Driver's permits. A foreigner may drive legally in Costa Rica using his or her home country driver's license for the duration of his or her tourist visa. After the tourist visa expires and before obtaining a migratory status, the foreigner is not allowed to drive. After the migratory status is approved, the resident must obtain a Costa Rica driver's license in order to drive.

Côte d'Ivoire

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A. Income tax

Who is liable. Individuals resident in Côte d'Ivoire for tax purposes are subject to tax on their worldwide income from all sources. Individuals who are not resident in Côte d'Ivoire are subject to tax on their Côte d'Ivoire-source income only.

All of the worldwide income earned by individuals resident in Côte d'Ivoire is subject to General Income Tax at progressive tax rates.

In addition to the General Income Tax, certain types of income are subject to an additional tax regime.

Employment income is also subject to the following two tax regimes:
- National Contribution
- Tax on Salaries

Self-employment income is also subject to the Tax on Non-business Income.

A person is considered resident in Côte d'Ivoire for tax purposes if he or she satisfies either of the following conditions:
- The person's usual residence is a dwelling in Côte d'Ivoire, either as an owner or a tenant with a lease of at least one year, or his or her principal place of residence is in Côte d'Ivoire.
- The person is an employee who, during periods of absence from Côte d'Ivoire, continues to be paid by the employer for which he or she works while in Côte d'Ivoire. The rule is the same for any person who transfers his or her place of residence to Côte d'Ivoire during the year.

A holder of a tourist visa or a short-stay visa is deemed to be a nonresident until one of the preceding conditions is fulfilled.

Tax base for income subject to tax

Employment income. The tax base for employment income for purposes of the National Contribution and the Tax on Salaries equals 80% of all remuneration, allowances and benefits.

The tax base for employment income for purposes of General Income Tax equals 80% of all remuneration, allowances and

benefits minus the National Contribution and Tax on Salaries paid.

Benefits in kind, including housing, furniture, energy, water, food and domestic help, are deemed to have a certain value, depending on the benefit. Allowances covering professional expenses (limited to 1/10 of total remuneration) and family allowances are specifically exempt.

Self-employment income. For purpose of the Tax on Non-business Income, the tax base for self-employment income equals the net income from commercial, agricultural and professional activities. The net income is determined after deducting all of the allowable expenses from gross income.

Commercial and agricultural income includes receipts, advances and profits from all relevant sources during the fiscal year, determined under the accrual method.

Professional income equals the difference between income accrued and expenses paid during the fiscal year.

The tax base for self-employment income for purposes of General Income Tax equals 80% of net self-employment income. Any Tax on Non-business Income paid is applied as a credit against the General Income Tax payable on self-employment income.

Nonresident individuals earning a professional (service) income in Côte d'Ivoire are subject to a withholding tax at a flat rate of 20% (this rate may be reduced by a tax treaty).

Investment income. Investment income is subject to both Special Tax on Investment Income (Impôt sur les Revenus des Valeurs Mobilières (IRVM) and General Income Tax.

Dividends and interest income are subject to the IRVM if the payer is resident in Côte d'Ivoire. Certain types of interest are taxable if the beneficiary is resident in Côte d'Ivoire, regardless of the residence of the payer.

The IRVM on investment income is withheld by the payer at the following rates:
- 2%, 10% or 15% for dividends
- 1% to 18% for interest income
- 15% for rental income after a 50% rebate

Directors' fees are treated as investment income and are subject to the IRVM and the General Income Tax. The IRVM is withheld by the paying company at a rate of 15%.

The net amount of investment income is aggregated with other income in determining General Income Tax, which is imposed at the rates set forth in *Rates*.

Dividends, interest income and directors' fees paid to nonresidents are subject to General Income Tax. Any IRVM paid on the dividends, interest or director's fees is applied as a credit against General Income Tax paid on these types of income. The tax is withheld at source at a rate of 20% from royalties paid from Côte d'Ivoire to nonresidents. If a tax treaty applies, the rate varies

from 0% to 10%. No General Income Tax is imposed on these royalties.

Taxation of employer-provided stock options. Employer-provided stock options are not subject to tax at the time of grant but may be taxed at the time of exercise. The difference between the fair market value of the stock at the time of exercise and the strike price is added to the employee's monthly compensation for purposes of calculating tax on salary and wages.

Capital gains. One-third of the gain in excess of XOF100,000 derived from the sale of shares is subject to General Income Tax if, during the previous five years, the seller, together with his or her ascendants, descendants and spouse, held more than 25% of the capital stock of the company and if any of those individuals held a post as administrator or manager in the company at any time during the five-year period. Otherwise, tax is not levied on gains from the sale of shares. Gains from the sale of real property are not taxable, unless they are included in commercial, agricultural or professional profits or the sale is by a partnership.

Deductions

Deductible expenses. Individuals are entitled to deduct the following items:

- Interest on loans and debts.
- Alimony payments.
- Life insurance premiums, within certain limits.
- Donations to sports associations and scientific research organizations, within certain limits.
- The General Income Tax itself. A schedule from the tax administration is used for the direct calculation of the tax.

Personal allowances. Allowances are described in *Rates*.

Business deductions. Expenses deductible for purposes of Non-business Tax on commercial, professional and agricultural income are those expenses necessary to carry out the activity, including the following:

- Costs of material and stock, as well as additional costs, including freight
- Personnel expenses, including salaries, allowances, benefits, and social and fiscal contributions relating to employment
- Interest on loans
- Depreciation
- Provisions for losses and expenses
- The business license duty, payroll taxes and taxes on goods, services and transactions (all taxes accrued and due during the fiscal year)

Rates

National Contribution. The rates of the National Contribution range from 0% to 10%. These rates are applied to 80% of the gross salary.

Tax on Salaries. The Tax on Salaries is imposed at a rate of 1.5%, which is applied to 80% of the gross income.

Tax on Non-business Income. Tax on Non-business Income is imposed at a rate of 20% on income derived from commercial, professional and agricultural activities.

Withholding tax is imposed at a rate of 20% on income earned by nonresidents from their professional activities or on royalties received from Côte d'Ivoire.

General Income Tax. General Income Tax is levied at progressive rates, up to a maximum of 60% for wage income and 36% for other types of income.

Income is taxed under a family coefficient system, which adjusts the amount of income subject to the progressive tax rate table according to the number of family members. Taxable income is divided by the applicable number of family allowances, and the final tax liability is calculated by multiplying the tax computed for one allowance by the number of allowances claimed. No more than five allowances may be taken. The following allowances are available.

Type of allowance	Number of allowances
Single, divorced or widowed individuals with no children	1
Married individuals with no children, single or divorced individuals with one child	2
Each additional child	0.5

The notion of paternal power is eliminated. Females now have the same number of allowances as males.

The following tax rates apply to wage income.

Taxable income per allowance Exceeding XOF	Taxable income per allowance Not exceeding XOF	Tax on lower amount XOF	Rate on excess %
300,000	525,000	0	10
525,000	900,000	22,500	15
900,000	1,350,000	78,750	20
1,350,000	2,250,000	168,750	25
2,250,000	3,750,000	393,750	35
3,750,000	7,500,000	918,750	45
7,500,000	—	2,606,250	60

The following tax rates apply to other types of income.

Taxable income per allowance Exceeding XOF	Taxable income per allowance Not exceeding XOF	Tax on lower amount XOF	Rate on excess %
1,000	2,200,000	0	2
2,200,000	3,600,000	42,000	10
3,600,000	5,200,000	182,000	15
5,200,000	7,200,000	422,000	20
7,200,000	9,600,000	822,000	24
9,600,000	12,600,000	1,398,000	26
12,600,000	20,000,000	2,178,000	29
20,000,000	30,000,000	4,324,000	32
30,000,000	40,000,000	7,524,000	34
40,000,000	50,000,000	10,924,000	35
50,000,000	—	14,424,000	36

No General Income Tax is due on income realized by nonresidents who engage in professional activities or who receive payments of royalties from Côte d'Ivoire.

B. Social security

The social security system covers all people employed in Côte d'Ivoire. Employers with employees performing services in Côte d'Ivoire must register with the Côte d'Ivoire social security organization. Employers withhold contributions from employees' remuneration monthly (quarterly if the employer has fewer than 20 employees). The following table sets forth the contribution rates.

Description	Rate (%)
On annual salary (and benefits in kind valued on a deemed basis), up to XOF840,000; paid by the employer	
Family allowances	5.75
Industrial accident insurance contributions	2 to 5
Pension contributions on annual salary (and benefits in kind valued on a deemed basis), up to XOF19,767,780; paid by	
Employer	7.7
Employee	6.3

Non-professional illness and unemployment are not covered under social security in Côte d'Ivoire.

Each temporary resident who is allowed to work in Côte d'Ivoire must contribute to the system, with the exception of certain French nationals. French employees sent by their employers to work in Côte d'Ivoire continue to contribute to the French social security system if they are in Côte d'Ivoire for a specific job and for a period not exceeding two years, holidays included.

Coverage of foreign residents who contribute to the system is available only in Côte d'Ivoire and may not be extended to their home countries, except for French workers.

To provide relief from double social security taxes and to assure benefit coverage, Côte d'Ivoire has entered into a totalization agreement with France.

C. Tax filing and payment procedures

The tax year in Côte d'Ivoire for purposes of General Income Tax is the calendar year. The financial year for income derived from a professional, commercial or agricultural activity is also the calendar year.

Income from a financial year ending with or within the tax year is reported in the General Income Tax return. Individuals must file General Income Tax returns by 1 May. Employees whose proportional tax and General Income Tax are withheld at source by employers need not file returns, unless they have other income in specified amounts in addition to their salary, or receive income from more than one employer.

The tax return filing requirement for individuals is suspended until 31 December 2018.

Married persons are taxed separately on employment income and jointly on all other types of income. The income of children up to 21 years of age (27 for students) is also included in joint returns, but minor children may be taxed separately if the head of the household so elects. Married persons may file separately only if they are legally separated or if one spouse is not resident in the household.

For self-employed persons, prepayments of General Income Tax are due by 15 April, 15 June and 15 September following the end of the tax year. Each payment must equal one-third of the total tax paid the previous year. The remaining amount is payable when the taxpayer receives a tax assessment after the administration examines the return.

Depending on the amount of their business income, individuals with commercial or agricultural income must file their proportional tax returns by end of May. Self-employed individuals must pay their proportional tax in three installments. The first is due by 20 April, the second by 20 June and the third by 20 September. Each of these payments must equal one-third of the total tax due for the year.

D. Double tax relief and tax treaties

In the absence of treaty relief, foreign taxes paid may be deducted from the related income if the individual is subject to General Income Tax on worldwide income.

Côte d'Ivoire has entered into double tax treaties with Belgium, Canada, France, Germany, Italy, Morocco, Norway, Portugal, Switzerland, Tunisia, Turkey and the United Kingdom. In addition, Côte d'Ivoire has signed the West African Economic and Monetary Union (Union Economique et Monétaire Ouest Africaine, or UEMOA) tax treaty together with Benin, Burkina Faso, Guinea-Bissau, Mali, Niger, Senegal and Togo. With respect to these countries, this tax treaty envisages the abrogation of the following tax treaties:

- The Economic Community of West African States (Communauté Economique des États de l'Afrique de l'Ouest, or CEAO) tax treaty (together with Benin, Burkina Faso, Mali, Mauritania, Senegal and Togo).
- The Common African and Mauritian Organization (Organisation Commune Africaine et Mauricienne, or OCAM). The OCAM organization has been dissolved. However, Côte d'Ivoire's tax administration has continued to honor the provisions of the tax treaty, which was signed by Benin, Burkina Faso, Central African Republic, Congo (Republic of), Côte d'Ivoire, Gabon, Mauritius, Niger, Rwanda, Senegal and Togo.

The CEAO and OCAM tax treaties no longer apply in Côte d'Ivoire.

Under the treaties, commercial profits are taxable in the treaty country where a foreign firm performs its activities through a permanent establishment. In addition, employment income is taxed in the treaty country where the activity is performed, except in the case of a short assignment.

E. Temporary visas

Nationals of foreign countries must obtain visas to enter Côte d'Ivoire, except for nationals of CEAO countries and countries that have signed an agreement with Côte d'Ivoire. Nationals of the following countries, among others, must obtain a visa to enter Côte d'Ivoire:
- France
- Germany
- Norway
- South Africa
- United Kingdom
- United States

Côte d'Ivoire does not have a quota system for immigration. Côte d'Ivoire visa regulations are currently being studied by the Ministry of Foreign Affairs.

Tourist visas, issued in the foreign national's home country by Côte d'Ivoire embassies or consulates, are granted for recreational purposes. Application for a tourist visa requires submission of the following items:
- Passport
- A duty stamp, the amount of which depends on the country of origin of the foreign national
- Travel ticket

Short-stay visas (visas on arrival), which are issued by the Ministry of Security, are available for stays in Côte d'Ivoire of less than three months. Short-stay visas do not grant their bearers the right to work in Côte d'Ivoire. To apply for a short-stay visa, the following items must be submitted:
- A copy of the applicant's passport
- Administrative fees (the amount is set by the Côte d'Ivoire embassy located in the home country of the applicant)
- A typed application addressed to the Director of the National Police
- An identification sheet completed by the applicant

Tourist visas and short-stay visas allow their holders to attend meetings and establish business contacts but do not permit them to undertake employment.

A new procedure for the entry visa is known as the E-visa. An expatriate can enter Côte d'Ivoire by obtaining a visa in the airport on his or her arrival in Côte d'Ivoire.

The visa request must be done online, at the Ivorian consulate or at the national security directorate.

F. Work permits and self-employment

Work permits allow individuals to work in Côte d'Ivoire. Côte d'Ivoire does not impose restrictions on foreign nationals establishing businesses in the country. Foreign nationals may head foreign companies and subsidiaries.

Under Article 11.1 of Ivorian Labor Code, employers that need manpower must provide an offer to the Côte d'Ivoire Labor Office (Agence Emploi Jeunes; the national labor agency) located at the Ministry of Labor, stating the position and job description. This must also be published in a national newspaper

or communicated through another method. In the past, this was not required in practice, because of administrative tolerance. However, since 2015, the new Labor Code has made this requirement mandatory.

A work permit is required by law if the assignment is for more than three months.

The employer should apply for a work permit on behalf of the expatriate at the Côte d'Ivoire Labor Office.

Processing times are generally three weeks from the date of submission of all necessary documents.

The work permit must be obtained before the beginning of the expatriate's activity in Côte d'Ivoire.

A work card must be obtained within three months after the beginning of employment. The employer should apply for a work card on behalf of the expatriate at the Côte d'Ivoire Labor Office. The following are the required documents:

- Expatriate's assignment contract in Côte d'Ivoire (which will be used for the preparation of the standard Côte d'Ivoire Labor Office contract).
- The expatriate's criminal record (police certificate).
- The expatriate's *curriculum vitae.*
- A current medical report (delivered by a local or foreign physician).
- An identification card or a copy of the expatriate's passport.
- Two identification pictures.
- An expatriate employment contract approved by the Côte d'Ivoire Labor Office. To obtain the Côte d'Ivoire Labor Office's approval, the employee must produce four copies of the employment contract written on special forms, a medical certificate issued by an accredited doctor and a report of any criminal record dated no earlier than three months before the date of the application.

Applicants for Côte d'Ivoire Labor Office's approval are subject to variable fees. These fees depend on the applicant's home country, the position to which he or she is appointed and the type of employment contract.

G. Residence permits

Foreign nationals must obtain residence permits that allow them to live in Côte d'Ivoire.

Under a decree issued by the President of Côte d'Ivoire in 2008, nationals from the 15 member countries of the Economic Community of West African States (ECOWAS) are no longer required to obtain residence permits. Nevertheless, they remain subject to the procedures regarding employment in Côte d'Ivoire (see below).

The Ministry of Security issues residence permits, which are valid for five years and renewable for additional one-year periods.

Residence permits are required for all foreign nationals over 16 years of age who are staying longer than three months in Côte

d'Ivoire. A residence permit allows its bearer to transfer his or her permanent residence to Côte d'Ivoire.

A residence permit is the only permit that allows a foreign national to live in Côte d'Ivoire. A foreign national may not work until he or she obtains a residence permit; however, a foreign national who has sent his or her application to the Ministry of Security for a residence permit is immediately issued a receipt that serves as a temporary residence permit until the actual permit is delivered. Consequently, the foreign national may begin to work as soon as he or she receives this receipt. Holders of residence permits may change employers.

Application for a residence permit requires submission of the following items:
- A copy of the applicant's passport
- A copy of the entry visa
- A copy of the entry stamp
- A residence certificate of less than six months
- The foreign national's criminal record
- A birth certificate
- Two identification pictures on white background
- The residence permit fees, which are XOF300,000 for non-ECOWAS nationals, XOF150,000 for French nationals and XOF35,000 for members of religious orders sent to Côte d'Ivoire to perform their vocation and cooperants (specialists sent by a country to Côte d'Ivoire to contribute to its development in any line of business)

To obtain a residence permit, applicants who will be employed in Côte d'Ivoire must also submit a worker's certificate filed by the employer.

Applicants for residence permits who are self-employed or sole proprietors must file a copy of the statutes of the company, a copy of the registration with the Trade Register, a copy of the commencement of business with the tax administration and a copy of the certificate of non-liability of taxes.

Spouses of applicants for residence permits must present a cohabitation certificate or a wedding certificate.

Applicants who are students must present attestations of attendance at school.

An exit visa allows the resident foreign national to leave and re-enter Côte d'Ivoire. Applicants for exit visas must present the following items:
- A typed application addressed to the Director of the National Police
- A copy of the residence permit
- An exit visa application
- Two photos
- A duty stamp in the amount of XOF20,000

H. Family and personal considerations

Family members. Family members of foreign executives are granted no special privileges with respect to the right to work in Côte d'Ivoire. For residence permit requirements, see Section G.

Marital property regime. Couples who marry in Côte d'Ivoire may elect a community property or separate property regime to apply to their marital property. Community property is the default regime. A couple married abroad is subject to the laws of the country where the marriage was solemnized.

Forced heirship. Under the forced heirship rules in effect in Côte d'Ivoire, children or grandchildren and the surviving spouse are entitled to inherit the following:
- Three-quarters for children and grandchildren
- One-quarter for the surviving spouse

If there is no surviving spouse, the estate is divided among the surviving children and grandchildren.

If no children or grandchildren survive, half of the estate is dedicated to the father and mother of the deceased, the other half is dedicated to the surviving spouse. If there is no surviving spouse, one-half is dedicated to the father and mother of the deceased, the other half is dedicated to the brothers and sisters. If there is no father, mother, brothers and sisters, the succession is dedicated to the other ascendants until the sixth degree.

Driver's permits. Foreign nationals may not drive legally in Côte d'Ivoire using their home country driver's licenses. Côte d'Ivoire does not have driver's license reciprocity with other countries.

To obtain a driver's license in Côte d'Ivoire, a foreign national already possessing a driver's license from his or her home country may apply for an Ivorian driver's license (*permis de conduire ivoirien*), which requires the temporary surrender of the home-country driver's license.

A foreign national who does not possess a driver's license from his or her home country must take a written exam and a practical exam.

An applicant for an Ivorian driver's license must present the following items:
- Original and photocopy of the home-country driver's license, accompanied by a certificate of authenticity issued by the home-country embassy
- Original and photocopy of the applicant's residence permit
- Administration fees of XOF88,500

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A. Income tax

Who is liable. Residents are subject to income tax in Croatia on their worldwide income. Nonresidents are subject to income tax on their Croatian-source income only.

A resident taxpayer is an individual who has a permanent or temporary place of residence in Croatia. A nonresident taxpayer is an individual who does not have a permanent or temporary place of residence in Croatia but derives Croatian-source income that is subject to tax in Croatia.

An individual is considered to have a place of permanent residency if he or she owns a place of abode or has one at his or her disposal for an uninterrupted period of 183 days. An individual does not need to stay in the place of abode to meet the 183-day threshold. If an individual stays in Croatia for at least 183 days, he or she is considered to have a temporary place of residence in Croatia. In both cases, the 183-day period may span more than one calendar year.

An individual who is single and has permanent residence in Croatia and abroad is deemed to have permanent residence in the country from which he or she mostly travels to his or her place of work. For an individual who has family, Croatian local law prescribes that he or she has permanent residence in the country where his or her family has permanent residence.

Income subject to tax. Residents are subject to income tax on the following types of income:
• Income from employment
• Income from self-employment
• Income from capital
• Income from property and property rights
• Other income

Nonresidents are subject to tax on the same types of income as residents. However, they are taxed only on income sourced in Croatia. Nonresident performers (artists, entertainers, athletes)

are not required to pay personal income tax if the fee for their performance is paid to a foreign legal entity and subject to withholding tax in line with the corporate income tax law.

The taxation of various types of income is described below.

Employment income. Employment income includes receipts in cash or in kind provided by employers under current, past and future employment relationships. Employers may make certain types of payments that are free of tax to employees. These include voluntary pension insurance premiums, reimbursements of business trip expenses, daily allowances, Christmas bonuses, severance payments and similar payments, all up to certain prescribed amounts. Employment income is subject to tax at the rates set forth in *Rates*.

Self-employment and business income. Individuals performing small business activities (sole trader activities) in their own name and at their own risk are subject to income tax on income derived from these activities, which is known as income from self-employment. Business income is subject to tax at the rates set forth in *Rates*.

Under certain conditions, self-employment and business income can be taxed under the rules applicable for corporate taxation (at the corporate tax rate of 12% or 18%, depending on the circumstances).

In principle, all income attributable to business, including gains from the sale of property used in a business, is subject to income tax.

Capital income. Interest income received from bank savings, securities, investment funds and loans is subject to a 12% withholding tax (plus city tax). The following types of interest are exempt from tax:

- Penalty interest
- Interest based on court rulings and resolutions rendered by local or regional authorities
- Interest derived from positive balance on giro, current and foreign-currency accounts
- Bank interest up to 0.5% per year
- Bond interest
- Yields from life insurance and voluntary pension funds

Dividends (and profit shares) are subject to a 12% withholding tax (plus city tax). Dividends paid out from profits realized in the period from 1 January 2001 through 31 December 2004 and from 1 March 2012 onward are taxable. Dividends that are used to increase share capital are not taxable.

Income from property and property rights. Income from leasing of immovable and movable property is taxed at a rate of 12% (plus city tax), after a deduction of 30%, representing notional expenses.

Income from property rights and the disposal of property is taxed at a rate of 24% (plus city tax). However, capital gains derived from the sale of real estate are not taxable if the real estate meets either of the following conditions:

- It was held more than two years.
- It was used by the owner or dependent family members for lodging.

If a person sells more than three real estate or property rights in a five-year period, income from sale of real estate or property rights is taxed at a rate of 24% (plus city tax). The expenses incurred are deductible for tax purposes.

Other income. Other income includes all types of income that cannot be included in one of the above categories, such as directors' fees. Other income is taxed at a prepayment rate of 24% (plus city tax), without the right to deduct personal allowances. Exceptionally, other income is taxed at a rate of 54% (plus city tax) in the event of tax audit findings of unreported income and 36% (plus city tax) in the event of the claiming back of pension contributions paid in excess of the annual limit.

Capital gains and losses. Capital gains derived from the sale of financial property acquired in or after 2016 are subject to tax at a rate of 12% (plus city tax). Realized capital losses may offset realized capital gains in the same year. Certain exceptions apply (for example, capital gains are not subject to tax if the financial property is held for at least two years).

Deductions

Deductible expenses. Compulsory social contributions payable by an individual on a specified type of income are deductible in determining taxable income. Personal expenses incurred to produce income from employment are not deductible.

Personal allowances. Resident and nonresident taxpayers may claim a basic personal allowance of HRK3,800 per month. Resident taxpayers may also increase personal allowances by the following:

- HRK1,750 for a dependent spouse and ascendants
- HRK1,750 for the first dependent child, HRK2,500 for the second, HRK3,500 for the third, HRK4,750 for the fourth, and HRK6,250 for the fifth
- HRK1,000 or HRK3,750 (depending on circumstances) for a dependent invalid child or other family member or for an invalid taxpayer

Nonresident taxpayers who are residents of the European Union (EU) can claim increased personal allowances in the same manner as residents if their total Croatian-source income accounts for at least 90% of their total annual income.

To be considered a dependent family member, the individual's annual earnings may not exceed HRK15,000. A dependent family member is not required to live in the same household as the taxpayer.

Resident taxpayers may also claim deductions for donations made in Croatia up to the amount of 2% of income earned in the preceding year.

Business deductions. All business-related expenses are deductible from gross income for self-employed taxpayers who keep business books. Living or personal expenses are not deductible. Fifty percent of business entertainment costs and 50% of

business car costs are not deductible. Per diem allowances and travel costs are not taxable up to certain amounts specified by the tax regulations.

Rates. Personal income tax on employment income is levied at the following progressive rates (however, see the next paragraph).

Taxable income HRK	Tax rate %	Tax due HRK	Cumulative tax due HRK
First 360,000	24	86,400	86,400
Above 360,000	36	—	—

The above rates apply to employment income and other income that is included by default in the annual tax return.

Income tax is increased by municipal surcharges (city taxes) ranging from 0% to 18%, which are levied on personal income tax by local governments. The highest rate of 18% applies in Zagreb.

Relief for losses. Tax losses may be carried forward for five years. Nonresidents may carry forward only losses incurred in Croatia. Losses may not be carried back.

B. Other taxes

Wealth tax. Croatia does not levy wealth tax on net property. However, tax is levied on certain types of property, including vacation houses (up to a maximum tax of HRK15 per square meter per year), cars (up to a maximum tax of HRK1,500 per year), motorbikes (up to a maximum tax of HRK1,200 per year), and boats and yachts (up to a maximum tax of HRK5,000 per year).

Estate and gift taxes. A tax is imposed on movable and immovable property, including cash, monetary claims and securities received by inheritance or donation at a rate of 4% on the fair market value of the property transferred. Certain transfers of property are tax-exempt, depending on the relationship between the transferee and the transferor and on the type of property. In addition, transfers of movable property are exempt if the fair market value of the property is less than HRK50,000 or if the transfer is subject to VAT.

C. Social security

Contributions. Employment income is subject to health and social security contributions at rates of 17.2% for employers (uncapped) and 20% for employees (partially capped).

Social security contributions consist of the following elements.

	Employer rate %	Employee rate %
Old-age pension	—	20
Health insurance	16.5	—

Other income is subject to a health care contribution at a rate of 7.5% for payers and 10% for recipients.

Capital income, income from insurance and income from property and property rights are generally not subject to health and social security contributions.

Coverage. An employee who pays social security contributions in Croatia is entitled to benefits, such as health insurance for the employee and dependent family members, disability and professional illness insurance, unemployment allowances, retirement benefits and other benefits.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Croatia has entered into totalization agreements with the following jurisdictions.

Australia	Canada	Quebec
Bosnia and Herzegovina	Montenegro	Serbia
	North Macedonia	Turkey

In the EU, special rules contained in the regulation on the coordination of social security systems apply (EU Regulation 883/2004). These rules also apply to Iceland, Lichtenstein, Norway and Switzerland.

D. Tax filing and payment procedures

Personal income taxes are generally payable through withholding. However, for income received directly from abroad, the tax reporting and tax payment obligation arises within 30 days of receiving the income and rests with the individual taxpayer.

Croatian annual tax returns are generally filed by the end of February of the year following the year in which the income is earned. Under new rules introduced in 2017, annual taxes are assessed only with respect to employment income and other income. The tax authorities normally issue the annual assessment based on data on income and taxes reported in their IT tool during the year. This simplified procedure may not apply to individuals in a complex tax position or in cross-border arrangements.

Individuals who earn self-employment income from ongoing business activities must pay advance tax monthly in an amount determined by the tax authorities. The balance of tax due is payable or refundable after the official assessment of annual personal income tax. The payer of self-employment income must withhold and pay personal income tax and contributions with respect to such income.

Nonresidents receiving Croatian-source income may need to register with the tax office. For nonresidents employed by resident employers, the employer is responsible for tax withholding and reporting requirements. Residents and nonresidents who work in Croatia for a nonresident employer and are being paid from abroad must file monthly tax returns and pay advances of personal income tax within 30 days after the income is received. The same rule applies to any other income received directly from abroad (dividends, foreign pensions and other income).

E. Tax treaties

Croatia has entered into double tax treaties with the following countries.

Albania	India	Oman
Armenia	Indonesia	Poland
Austria	Iran	Portugal

Azerbaijan
Belarus
Belgium
Bosnia and Herzegovina
Bulgaria
Canada
Chile
China
Czech Republic
Denmark
Estonia
France
Georgia
Germany
Greece
Hungary
Iceland
Ireland
Israel
Italy
Jordan
Korea (South)
Kosovo
Kuwait
Latvia
Lithuania
Luxembourg
Malaysia
Malta
Mauritius
Moldova
Montenegro
Morocco
Netherlands
North Macedonia
Qatar
Romania
Russian Federation
San Marino
Serbia
Slovak Republic
Slovenia
South Africa
Spain
Switzerland
Syria
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom

Croatia has adopted double tax treaties entered into by the former Yugoslavia with the following countries.

Finland
Norway
Sweden

F. Travel visas

Whether a foreign national must have a travel visa to enter Croatia depends on the individual's country of origin. Travel visas are issued for tourist, business, personal or other purposes. The period of the stay of a foreign national with a travel visa varies according to the type of visa.

G. Permits for stay and work

Under the Act on Foreign Nationals, a foreign national must obtain a permit for stay and work if he or she enters into an employment relationship with a Croatian employer or if he or she is assigned to a Croatian company that is related to the individual's foreign employer.

In general, permits for stay and work for employment with Croatian employers are subject to annual quotas. Quotas are determined by the Croatian government on the basis of the opinion of the Croatian Institute of Employment. Intercompany transfers or employment of "key personnel" are not subject to quotas. Specific requirements are prescribed for employment of non-EU citizens under a "key personnel" function (share capital exceeding HRK100,000, employment of at least three Croatian citizens and gross salary above the average).

The Ministry of Internal Affairs issues permits for stay and work, which are usually granted for a period of one or two years. However, foreigners who have obtained permanent residence in Croatia do not need to obtain a permit for work. Employers are fined if their foreign employees do not possess valid permits for stay and work.

Because Croatia joined the EU on 1 July 2013, EU nationals and individuals with permanent stay in EU countries are no longer required to obtain a work permit in Croatia. They are required only to register their stay in Croatia. However, for some citizens

of EU countries that introduced transitional measures regarding Croatia, because of reciprocity applied by Croatia, immigration requirements remain the same as those for non-EU nationals. The stated transitional measures apply only for Austria from July 2018. However, if individuals from Austria have a valid A1 certificate for the entire period of their assignment in Croatia, a work permit is not required and the individuals need only to register their stay in Croatia, the same as other EU citizens.

H. Residence permits

Under the Act on Foreign Nationals, foreign nationals must obtain residence permits for temporary residence or permanent residence. EU citizens may obtain a residence card, but it is not required.

Registration. Foreign nationals who stay in Croatia up to 90 days (with a travel visa, or without one if not required) must register at the local police station within 48 hours after their arrival in Croatia. This period is increased to eight days for EU nationals. If the foreign national stays in a hotel, the hotel must complete the registration. Each change of residence must also be registered.

Foreign nationals with temporary residence in Croatia must register their place of residence or change of address at the local police station within three days after their arrival in Croatia or their change of address.

Foreign nationals with permanent residence in Croatia must register their place of residence or their change of address at the local police station within eight days.

Temporary residence. The temporary residence permit is issued for purposes of work, education, joining the family or other purposes determined by law. It must be obtained if the foreign national intends to stay in Croatia for a period longer than 90 days or for the purposes mentioned above.

Temporary residence is limited to stays of up to one or two years, with the possibility of extension, depending on specific circumstances.

Temporary residence permits are issued by Croatian diplomatic missions or consulates or by the Croatian Ministry of Internal Affairs for foreign nationals who do not need a travel visa to enter Croatia.

Permanent residence. Permanent residence is granted to foreigners who held temporary residence permits for five years without interruption before filing the request for permanent residence. Knowledge of the Croatian language is one of the requirements for non-EU nationals.

The Ministry of Internal Affairs must approve permanent residence.

I. Family and personal considerations

Family members of foreign nationals working in Croatia must apply separately for permits for stay and work (if they intend to work in Croatia). If they are EU citizens from a country with

which Croatia does not apply transitional measures, only a stay permit needs to be obtained. A temporary residence permit for the purpose of joining the family is approved for a foreign national who is a close family member with respect to the following individuals:

- A Croatian national
- A foreign national who has been granted permanent residency
- A foreign national who has a temporary residence permit

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On 10 October 2010, the country Netherlands Antilles, which consisted of five island territories in the Caribbean Sea (Bonaire, Curaçao, Saba, Sint Eustatius and Sint Maarten), was dissolved. On dissolution of the Netherlands Antilles, the islands of Bonaire, Sint Eustatius and Saba (BES-Islands) became part of the Netherlands as extraordinary overseas municipalities. Curaçao and Sint Maarten have both become autonomous countries within the Kingdom of the Netherlands. The former Netherlands Antilles tax laws remain applicable to Curaçao, with the understanding that references in the laws to "the Netherlands Antilles" should now be read "Curaçao." A tax reform in Curaçao is effective from 1 January 2012. This is the first step in a more extensive tax reform planned for upcoming years. The following chapter provides information on taxation in Curaçao only. Chapters on the BES-Islands and Sint Maarten appear in this guide.

A. Income tax

Who is liable. Residents are taxable on their worldwide income. Nonresidents are taxable only on income derived from certain Curaçao sources. A resident individual who receives income, wherever earned, is subject to income tax in Curaçao.

Residence is determined based on an individual's domicile (the availability of a permanent home) and physical presence, and on the location of an individual's vital personal and economic interests.

Income subject to tax. The following types of income are taxed in Curaçao:
- Employment income
- Self-employment and business income
- Income from immovable property and the rights to which they are subject (rental income)
- Income from movable assets (dividend and interest income)
- Income from periodic allowances, including payments received from private foundations

Employment income. Taxable employment income consists of employment income, including directors' fees, less itemized and standard deductions and allowances (see *Deductions*), pension premiums and social security contributions, whether paid or withheld.

Effective from 1 January 2015, a deemed salary was introduced for employees who have a substantial share interest in their employer. These employees must report an annual minimum salary. The applicable minimum salary depends on, among other items, the revenue of the company and the salary of other employees. The minimum salary is treated similarly to ordinary employment income and is taxed at the rates set forth in *Rates*. In addition, the minimum salary is subject to withholding of wage tax and social security premiums. The deemed salary does not apply to certain entities, such as tax-exempt companies or Curaçao investment companies (see next paragraph), entities that have opted for transparent status, insurance companies, companies applying the export facility and E-zone companies.

Effective from 1 July 2018, changes to the Curaçao tax law have been adopted. These changes include, among others, the following:

- The introduction of the Curacao investment company, which replaces the tax-exempt company
- The discontinuation of the export facility

However, existing entities enjoying the former tax facilities were able to do so until 31 December 2018 (with the exception of profits derived from intangible assets, which are considered nonqualifying as defined in the Curaçao tax law).

A nonresident individual receiving income from current or former employment carried on in Curaçao is subject to income tax and social security contributions in Curaçao. Wage tax and social security contributions are withheld from an individual's earnings.

A nonresident who is employed by a Curaçao public entity is subject to tax on income, even if the employment is carried on outside Curaçao.

A nonresident individual receiving income as a managing or supervisory director of a company established in Curaçao is subject to income tax and, in principle, social security contributions in Curaçao. Nonresidents may not claim the standard tax credit (see *Personal tax credits*).

Temporary workers and interns are specifically subject to wage tax.

Self-employment and business income. Residents are subject to tax on their worldwide self-employment and business income, as well as on income derived from a profession. Nonresidents are taxed on income derived from a profession practiced in Curaçao.

Annual profits derived from a business must be calculated in accordance with sound business practices that are applied consistently. Taxable income is determined by subtracting the deductions and personal allowances specified in *Deductions* from annual profits.

A nonresident individual earning income from activities carried on in Curaçao through a permanent establishment or a permanent representative is subject to income tax in Curaçao. Profits of a permanent establishment are calculated in the same manner as profits of resident taxpayers.

Income from periodic allowances. Resident individuals are subject to tax on their worldwide periodic allowances, including old-age pensions (not related to previous employment), alimony payments and disability allowances. In general, periodic allowances are taxable if the allowances exceed their purchase price and if the purchase price has not (nor could have) been deducted from Curaçao income or was considered to be a component of Curaçao income. Periodic allowances received from private foundations or trusts are subject to income tax. Only the distributions that exceed the contributions to the private foundation are taxed.

Income from immovable property. Sixty-five percent of the income from real estate (rental income), grounds, mines and waters is taxed at the income tax rates set forth in *Rates*. Income derived from a person's residence is not taxed as income from immovable property. Interest paid on mortgage loans for the acquisition or the restoration of immovable property can be deducted from taxable income.

Nonresident individuals are taxed on rental income derived from real estate located in Curaçao or from the rights to such property.

Income from movable assets. Income from movable assets, such as dividend and interest income and non-periodic payments from private foundations and trusts, is subject to a reduced flat tax rate of 19.5%. A special flat tax rate of 8.5% applies to interest received from local financial institutions. Financial institutions withhold the income tax from the interest payments. These interest payments are not subject to social security premiums. For investments in foreign portfolio investment companies and investments in Curaçao investment companies, a fictitious yield at a rate of 4% must be reported annually based on the fair market value of the investments at the beginning of the calendar year. The fair market value of the investments is increased by the amount of the dividends distributed during the preceding calendar year. The retained earnings originating from a period during which the relevant entity did not qualify as a Curaçao exempt company or a foreign portfolio investment company are excluded from this measure.

Nonresident individuals are taxed on interest income derived from debt obligations if the principal amount of the obligation is secured by mortgaged real estate located in Curaçao.

No withholding taxes are levied on dividends, interest and royalties earned by nonresidents.

Income from substantial share interests. An interest of at least 5% in the issued share capital of a company, a right to acquire such interest and a corresponding profit-sharing right qualifies as a substantial share interest.

Resident individuals are taxed on dividend income and capital gains derived from substantial share interests at a fixed rate of

19.5%. In principle, nonresident individuals are taxed on dividend income and capital gains derived from substantial share interests in companies that are resident in Curaçao if the nonresident individuals were residents of Curaçao at some time during the 10 years preceding the receipt of the dividends or the realization of the capital gains. In the event of immigration to Curaçao, a "step-up" facility is available to determine the cost of a substantial share interest. In the event of emigration from Curaçao, the tax authorities may issue an income tax assessment on the difference between the fair market value of the shares on emigration and the fair market value on establishing residency or acquiring the substantial share interest. However, this tax assessment need not be paid if certain conditions are met. If the taxpayer emigrates within eight years after establishing residency, this income tax on emigration may not be imposed if the substantial share interest is held in a nonresident company.

Capital gains. Capital gains are generally exempt from tax. However, in the following circumstances, residents may be subject to income tax on capital gains at the indicated rates.

Type of income	Rate (%)
Capital gains realized on the disposal of business assets and on the disposal of other assets if qualified as income from independently performed activities	Up to 46.5
Capital gains on the liquidation of a company	17 to 34
Repurchase of shares by the company in excess of the average paid-up capital (non-substantial share interest)	19.5
Capital gains derived from the sale of a substantial share interest in a company	19.5

Nonresidents may be subject to income tax on capital gains derived from the disposal of business assets or of shares in a Curaçao resident corporation if the shares constitute a substantial share interest and if certain other conditions are met.

Deductions

Deductible expenses. A resident taxpayer is entitled to more deductible items than a nonresident taxpayer. A fixed deduction of ANG500 may be deducted from employment income. Alternatively, actual employment-related expenses incurred may be fully deducted to the extent that the expenses exceed ANG1,000 annually.

Residents may claim the following personal deductions:
- Alimony payments to a former spouse
- Mortgage interest paid that is related to the taxpayer's dwelling (limited to ANG27,500 annually)
- Maintenance expenses related to a taxpayer's dwelling that qualifies as a protected monument
- Interest paid on consumer loans (limited to ANG2,500, or ANG5,000 if married, annually)
- Life insurance premiums that entitle taxpayers to annuity payments (up to a maximum of 10% of the income or ANG3,000, annually)

- Pension premiums paid by an employee
- The General Old Age Pension Ordinance (AOV)/General Widows and Orphans Ordinance (AWW) premiums paid by an employee (see Section C)
- Qualifying donations in excess of certain threshold amounts
- Repayments of the principal amounts, interest and costs related to student loans up to ANG10,000 per year for a maximum of 10 years

Residents may deduct the following extraordinary expenses (thresholds applicable):
- Financial support to children exceeding 27 years of age and other relatives not capable of providing for themselves
- Medical expenses, educational expenses and support for up to second-degree relatives, if they meet certain threshold amounts

Deductions that may be claimed by nonresidents include the following:
- Employment expenses
- Qualifying donations in excess of certain threshold amounts

Business deductions. In general, business expenses are fully deductible. However, the deduction of certain expenses is limited. Restrictions on deductions for self-employed persons are described below.

Costs of donations, promotional gifts, courses, conferences, seminars, symposiums are 100% tax-deductible. However, the travel expenses related to these expenses are 80% tax deductible.

Costs incurred for food, and beverages are 80% tax deductible.

The above two restrictions do not apply if the main purpose of the business is to deliver such goods or services.

An investment allowance of 10% is granted for acquisitions of or improvements to fixed assets in the year of investment. This allowance applies only if the investment amounts to more than ANG5,000 in the year of investment.

The depreciation on buildings is limited as of 1 January 2016. Buildings can be depreciated to 50% of the value of the building, as assessed for real estate tax. For buildings that have been depreciated by 1 January 2016 for less than three years, the limit applies as of the fourth year. No recapture is required for buildings that have already been depreciated to an amount that exceeds the above limit.

Personal tax credits. The following personal tax credits may be subtracted by a resident taxpayer from actual income tax due for the 2019 fiscal year:
- Standard tax credit: ANG2,222
- Sole earner tax credit: ANG1,395
- Senior tax credit: ANG1,052
- Child tax credit per child: varies between ANG75 and ANG743, depending on the children's age, residence and education

Pensioners and retirees. Pensioners who request and obtain the *penshonado* status can opt to be taxed at an income tax rate of 10% on all foreign-source income or they can declare a fixed income of ANG500,000 per year as foreign income. This fixed income is taxed at the progressive income tax rates (see *Rates*).

The *penshonado* status can be obtained if certain conditions are met, including the following:

- The applicant must not have been a resident of Curaçao for the past five years.
- The applicant must at least be 50 years of age.
- The applicant must apply for the *penshonado* status within two months of his or her registration in Curaçao.
- The applicant must acquire a house or Protected Monument for personal use with a value of at least ANG450,000 within 18 months of his or her registration in Curaçao, or lease all or part of a Protected Monument with a value of at least ANG450,000 at the start of the lease. If a Protected Monument is acquired, the applicant may lease the Protected Monument to third parties up to four months per year.

Expatriate facility. Individuals that meet certain criteria can request the application of the expatriate facility. To acquire the expatriate status, an individual must meet the following conditions:

- The applicant must not have been a resident of Curaçao for the past five years.
- The applicant must have completed his or her education at the college or university level with a diploma and at least five years of relevant working experience at the required level.
- The applicant must receive annual remuneration from his or her employer of at least ANG150,000.
- The applicant must possess skills that are scarce in Curaçao.

The employer must file the application. In principle, the expatriate status applies with retroactive effect to the beginning of the employment if the application is filed within three months after the beginning of the employment.

An employee with the expatriate status can receive limited amounts of fringe benefits tax-free, such as wages in kind, travel expenses, hotel expenses and expenses with respect to means of transportation and relocation. The remainder of the compensation paid to the expatriate by the employer is taxed at the progressive income tax rates (see *Rates*). In addition, a net employment contract can be entered into with the expatriate, and the wage tax should then not be grossed up as an additional benefit received from employment.

Rates. Resident and nonresident individuals are subject to income tax at the same progressive rates. The following are the individual income tax rates and tax brackets for the 2019 fiscal year.

Taxable amount		Tax on lower amount	Rate on excess
Exceeding ANG	Not exceeding ANG	ANG	%
0	30,643	0	9.75
30,643	40,858	2,988	15.00
40,858	61,287	4,520	23.00
61,287	86,823	9,219	30.00
86,823	127,681	16,879	37.50
127,681	—	32,201	46.50

Relief for losses. Individual taxpayers may carry losses forward for five years.

B. Inheritance and gift taxes

Inheritance and gift tax is levied on all property bequeathed or donated by an individual who is a resident or deemed to be a resident of Curaçao at the time of death or donation. For individuals who are nonresidents at the time of death or donation, inheritance and gift tax is levied on real estate located in Curaçao only. The tax is payable by the heir or the recipient of the gift, regardless of his or her place of residence.

Inheritance and gift tax rates range from 2% to 24% of the value of the taxable estate or the donation, less deductions. The rates vary, depending on the applicable exemptions and the relationship of the recipient to the deceased or the donor. In general, the following rates apply.

Relationship of recipient	Rate (%)
Spouse, spousal equivalent, child or grandchild	2 to 6
Brother or sister (in law)	4 to 12
Parent or grandparent	3 to 9
Niece, nephew or grandchild of a brother or sister	6 to 18
Other	8 to 24

Notwithstanding the above, the tax rate is 25% for a donation from a resident to a private foundation or trust.

C. Social security contributions

All resident individuals must pay social security contributions. The contributions provide benefits under the AOV, the General Widows and Orphans Ordinance (AWW) and the General Insurance Extraordinary Sickness Ordinance (AVBZ). The Basic Illness Insurance (BVZ), which was amended 1 November 2014, partially replaces the old Illness Insurance (ZV). The ZV continues to exist in a significantly amended form. The ZV now requires the employer to contribute at a rate of 1.9% for employees with an annual income not exceeding the threshold ANG67,548, as determined by the Social Security Bank.

In principle, all Curaçao residents fall within the scope of the BVZ. However, in certain cases, an exemption may be requested (for example, for individuals who are privately insured for medical expenses with an insurance company that provides worldwide coverage and individuals who need a temporary residency permit to be admitted to Curaçao). Nonresidents are not subject to BVZ.

The BVZ mainly consists of the following two components:

- Income-based premium: 13.6% (pensioners, 6.5%), payable by employers at a rate of 9.3% and employees at a rate of 4.3%, up to income of ANG150,000
- Own-risk premium: ANG1 per prescription line

The total AOV/AWW contributions payable annually are 16% of earnings. In 2019, for AOV/AWW, employers contribute 9.5% of salary, up to a certain maximum amount of contributions per year (ANG9,500 for 2019) and employees contribute 6.5% of salary, up to a certain maximum amount of contributions per year (ANG6,500 for 2019). The maximum AOV premium income is ANG100,000. However, if the individual insured under the AOV has income exceeding ANG100,000 per year, an additional premium contribution of 1% is payable by the individual on an income in excess of

ANG100,000. In principle, nonresidents are not subject to AOV/AWW.

For AVBZ, the following are the contributions:
- Employers: 0.5% of salary
- Employees: 1.5% of salary
- Self-employed persons: 2% of earnings
- Pensioners: 1.5% of pension income

The rates of contributions for AVBZ are applied to taxable income, up to a maximum amount (ANG477,412.33 for 2019). Only nonresidents who earn income from employment and are subject to wage tax in Curaçao are subject to AVBZ.

The rate of required disability insurance (OV) contributions for employees and self-employed individuals varies between 0.5% and 5%, depending on the applicable risk category. The contribution is fully payable by the employer. OV contributions are due on salaries up to a certain maximum amount (ANG5,629 per month for 2019).

Only nonresidents earning income from employment in Curaçao are covered by OV and ZV. Employers must pay the premiums for the employees.

In addition, employers must pay a severance contribution (*cessantia*) fee of ANG40 (2019 amount) per employee per year. Only nonresidents earning income from employment are subject to the *cessantia*.

D. Tax filing and payment procedures

Because the wage tax is a pre-levy to the income tax, employers must file wage withholding tax returns on a monthly basis. The wage tax return must be filed before the 16th day of the month following the month in which the salaries are paid to employees. For most employees, wage withholding tax is the final tax. The personal income tax returns for the calendar year must be filed within two months after the issuance of the tax return forms, unless extensions for filing are obtained. Any additional income tax to be paid is normally due within two months after the date of the final assessment.

Filing income tax return together with spouse. If both spouses earn income, married persons are taxed separately on the following types of income:
- Employment income
- Self-employment and business income
- Certain periodic allowances, including old-age pensions, alimony and disability allowances

Investment income, including rental income, dividends and interest on bonds, is included in the taxable income of the spouse who has the higher individual income or, if both spouses earn the same amount of individual income, in the taxable income of the older spouse. Personal deductions must be claimed by the spouse with the higher individual income, or if both spouses earn the same amount of individual income, by the older spouse.

Social security payments. Social security contributions are withheld by the employer and are declared in the wage tax returns.

Individuals receiving other types of income must pay social security contributions within two months after the date of the assessment.

Filing inheritance tax returns. An inheritance tax return must be filed within six months after the date of death. A gift tax return must be filed within three months after the gift is made. Both inheritance and gift tax must be paid within two months after the date of assessment.

E. Double tax relief and tax treaties

Curaçao has entered into double tax treaties with the Netherlands (including the BES-Islands) and Norway. The double tax treaty with the Netherlands entered into force on 1 December 2015. The Tax Regulation for the Kingdom of the Netherlands remains in force between Curaçao and Aruba and Curaçao and Sint Maarten. Curaçao's double tax treaties apply to taxes on income, capital, inheritances and gifts. If no double tax treaty applies, in general, the Tax Office allows a deduction of foreign taxes paid as expenses from taxable income.

Double tax treaties with Cuba, Jamaica, Malta, Qatar and the Seychelles have been signed, but they have not yet entered into force.

Negotiations for a double tax treaty with Venezuela are ongoing.

Curaçao has entered into tax information exchange agreements with the following jurisdictions.

Antigua and Barbuda	Colombia*	St. Kitts and Nevis
Argentina	Denmark	St. Lucia
Australia	Faroe Islands	St. Vincent and the Grenadines
Bermuda	Finland	Spain
British Virgin Islands*	France	Sweden
Canada	Greenland	United Kingdom
Cayman Islands	Iceland	United States
	Mexico	
	New Zealand	

* This treaty has not yet entered into force.

Effective from September 2015, Curaçao, in principle, automatically exchanges information with the United States based on an intergovernmental agreement with the United States regarding the Foreign Account Tax Compliance Act.

As of 2018, Curaçao automatically exchanges information under the Common Reporting Standard.

The Kingdom of the Netherlands has entered into many bilateral investment treaties that also apply to Curaçao.

Curaçao also signed the Organisation for Economic Co-operation and Development Convention on Mutual Administrative Assistance in Tax Matters.

F. Residency and working permits

In general, foreign individuals who wish to reside and work in Curaçao need residency and working permits. The conditions for

obtaining such permits depend on the nationality of the individual. Special provisions apply to individuals holding a Dutch passport and individuals holding a US passport.

Wealthy individuals (Investors) who meet certain conditions are granted through a simplified procedure a residency permit known as an Investors Permit. The permit allows an Investor a legal stay in Curaçao of, in principle, up to three or five years, depending on the amount of investment.

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A. Income tax

Who is liable. Residents are taxed on their worldwide profits or other benefits from a business, profits or other benefits from an office or employment, dividends, interest or discounts, pensions and any rental income arising from immovable property. Nonresidents are taxed only on their Cyprus-source income from employment exercised in Cyprus, a permanent establishment in Cyprus, rental of immovable property located in Cyprus and pensions from employment exercised in Cyprus.

An individual is resident in Cyprus if he or she is present in Cyprus for an aggregate of more than 183 days in any calendar year.

The definition of tax resident also includes an individual who does not stay in any other state for one or more periods exceeding in aggregate 183 days in the same tax year and who is not considered a resident for tax purposes in any other state in the same tax year, provided that the individual meets all of the following criteria:

- He or she stays in Cyprus for at least 60 days in the tax year.
- He or she exercises any business in Cyprus and/or is employed in Cyprus and/or holds an office for a person tax resident in Cyprus at any time during the tax year.
- He or she maintains a permanent residence in Cyprus that is owned or rented by him or her.

Income subject to tax. The taxation of various types of income is described below.

Employment income. For an individual tax resident of Cyprus, tax is levied on all gains or profits from any office or employment exercised in Cyprus or abroad. Foreign-source income from employment is not taxed if the recipient spends at least 90 days in any calendar year outside Cyprus. This is known as the "90-day rule."

For an individual who is a non-tax resident of Cyprus, tax is levied on gains or profits from any office or employment exercised in Cyprus only.

Taxable income from employment includes the estimated value of any accommodation and other allowances from employment, whether paid in cash or in kind (for example, the private use of a saloon car [a sedan]).

Tax is levied on the benefit in kind related to loans or other financial facilities granted to an individual (either tax resident or non-tax resident), director or shareholder (including the spouse and relatives up to the second degree of kindred). Such benefit is assessed as being equal to 9% per annum, calculated on the monthly balance of the loan or financial facility outstanding, less any actual interest charged.

Nonresidents of Cyprus who take up employment in Cyprus may deduct the lower of 20% of their salary or EUR8,550. This deduction applies for a period of five years beginning from 1 January of the year following the year of beginning of employment (provided the employment began during or after 2012). This deduction applies to tax years up to 2020.

Nonresidents of Cyprus who take up employment in Cyprus after 1 January 2012 and have remuneration of more than EUR100,000 may be allowed a 50% deduction from their employment income. This deduction applies for the first 10 years of employment. The 50% deduction is not available to individuals who began their employment on or after 1 January 2015 and meet one of the following conditions:

- They were tax residents of Cyprus for a period of three of the five years preceding the year of beginning of employment.
- They were tax residents of Cyprus in the year preceding the year of beginning of employment.

The Tax Department allows only one of the above two deductions.

Self-employment and business income. Residents are subject to income tax on self-employment income. Nonresidents are subject to income tax on self-employment income received from sources in Cyprus.

Gross income derived from Cyprus by nonresident professionals, artists, athletes and entertainers is subject to 10% final withholding tax.

Investment income. Dividends and interest received are exempt from income tax.

Dividends received by resident individuals who are considered to be domiciled in Cyprus are subject to a Defence Fund tax at a rate of 17%. Interest received by resident individuals who are considered to be domiciled in Cyprus is subject to a Defence Fund tax at a rate of 30%.

Profit from the sale of securities is exempt from income tax both for individuals and legal persons (also, see *Capital Gains*).

Pensions received by residents for employment exercised outside Cyprus may be taxed at a special tax rate of 5% for amounts exceeding EUR3,420.

Withholding tax is not imposed on dividends and interest paid to nonresidents. Royalties and premiums derived from Cyprus by nonresidents from sources within Cyprus are subject to a 10% withholding tax. Income received by nonresidents from film rentals is subject to a 5% withholding tax. Withholding taxes on income paid to nonresidents are final taxes.

Directors' fees. Directors' fees are considered compensation and are taxed in the same manner as income from employment.

Capital gains. Capital Gains Tax is imposed at a rate of 20% on profits from the disposal of the following:
- Immovable property located in Cyprus
- Shares of companies that own immovable property located in Cyprus
- Shares of companies that either directly or indirectly participate in a company or companies that own immovable property located in Cyprus if at least 50% of the market value of such shares is derived from the relevant property

The disposal of shares listed on a recognized stock exchange is exempt from Capital Gains Tax.

Trading profits derived from disposal of shares of companies that directly or indirectly own immovable property in Cyprus are subject to Capital Gains Tax if such profits are exempt under the Income Tax Law.

For the disposal of shares of companies that directly or indirectly own immovable property in Cyprus, the disposal proceeds subject to Capital Gains Tax are restricted to the market value of the immovable property owned directly or indirectly by the company whose shares are sold.

For a disposal between related parties, the disposal proceeds subject to CGT are determined by reference to the market value of the property sold at the date of disposal.

An exemption from Capital Gains Tax is granted with respect to gains from the disposal of immovable property acquired between 17 July 2015 and 31 December 2016 if all of the following conditions are satisfied:
- The property consists of land, buildings or land and buildings.
- The property is acquired from an independent third party.
- The property is not acquired through an exchange of property or through a donation or gift.

The gain is the difference between the sale proceeds and the original cost of the property, adjusted for increases in the cost-of-living index. No other assets are subject to capital gains tax.

The following lifetime exemptions from tax on capital gains derived from property sales are available to individuals.

Type of property	Amount of exemption EUR
Ordinary property	17,086
Agricultural land	25,629
Private residence	85,430

Deductions

Deductible expenses. The range of deductible expenses allowed in Cyprus is limited. Membership fees for trade and professional organizations (if membership is mandatory), and documented donations to approved charitable institutions are fully deductible.

Personal deductions and allowances. The following are the principal deductions and allowances permitted.

Deduction or allowance	Allowable amount
Contributions to social insurance and other approved funds	Various
Life insurance premiums paid (certain restrictions exist)	Various

Business deductions. All expenses incurred wholly and exclusively in the production of taxable income are deductible. In addition, the following allowances are given for depreciation and amortization:

- Plant and machinery: A straight-line allowance of 10% a year is given on most capital expenditure, except expenditure on certain automobiles. The allowance is increased to 20% for additions in 2012 through 2018.
- Industrial buildings: A straight-line allowance of 4% a year is available for industrial buildings. This allowance is increased to 7% for additions in 2012 through 2018.
- Disposal of assets: On the disposal of assets other than buildings, if the sales proceeds are less than the remaining depreciable base, a further allowance is granted, up to the difference. If sale proceeds exceed the depreciable base, the excess (up to the amount of allowances received) is included in taxable income.

Rates. Income derived by Cyprus residents, other than capital gains income, is taxed at the following rates.

Taxable income EUR	Tax rate %	Tax due EUR	Cumulative tax due EUR
0 to 19,500	0	0	0
19,500 to 28,000	20	1,700	1,700
28,000 to 36,300	25	2,075	3,775
36,300 to 60,000	30	7,110	10,885
Over 60,000	35	—	—

Spouses are taxed separately, not jointly, on all types of income.

Employment and business income received by nonresidents, as well as rental income, is taxed at the rates that apply to residents.

Relief for losses. Operating losses may be carried forward for five years from the end of the year of assessment.

B. Other taxes

Estate and gift taxes. Cyprus does not impose estate tax or gift tax.

Special contribution for employees, self-employed individuals and pensioners in the private sector. The Special Contribution for the Employees, Self Employed and Pensioners in the Private Sector Law has been abolished as of the 2017 tax year.

C. Social security

Under the Cypriot Social Insurance Scheme, contributions to the Social Insurance Fund are made monthly on the gross emoluments of each employee. As of 1 January 2019, employers and employees must make equal social security contributions at a rate of 8.3% on monthly compensation up to the maximum monthly insurable amount, which is currently EUR4,554 (yearly maximum insurable amount of EUR54,648). The employer is responsible for payment of both contributions.

Self-employed individuals must contribute to the social security scheme at a rate of 15.6% on monthly income. Minimum and maximum monthly incomes of self-employed individuals are classified according to the type of business, profession or vocation.

Foreign nationals working in Cyprus must contribute to the Cyprus social security system unless either of the following applies:

- They can claim exemption according to bilateral agreements entered into by Cyprus (applicable for employees working in Cyprus for periods of approximately up to three years). Normally, coverage for one to two years is permitted. However, the two-year period can be extended if the competent institutions of the two countries give their consent. Cyprus has entered into bilateral agreements with Australia, Austria, Canada, the Czech Republic, Egypt, Greece, the Netherlands, Quebec, Serbia, the Slovak Republic, Switzerland, Syria and the United Kingdom.
- They are nationals of the European Union (EU), European Economic Area (EEA) or Switzerland who are in Cyprus on secondment. Normally, coverage for up to two years is permitted. However, this two-year period can be extended if the competent institutions of the two countries give their consent.

The bilateral agreements that Cyprus has concluded with EU member states have been replaced by the EU regulations.

D. General Healthcare System

The General Healthcare System (GHS) is applicable as of 1 March 2019 (Phase A). Based on the provisions of the GHS law, employers must withhold from their employees' salaries relevant contributions and remit these together with their contributions to the social insurance department. In addition, the law provides that persons who are making interest, dividend or rental payments to individuals are also obliged (conditionally) to make a withholding with respect to GHS contributions and remit these contributions to the Tax Department. GHS contributions are

made at the following rates, which are to be increased in Phase B (as of 1 March 2020).

	1 March 2019 to 29 February 2020	1 March 2020 onward
Every employee on his or her emoluments	1.70%	2.65%
Every employer on his or her employee's emoluments	1.85%	2.90%
Every self-employed person on his or her emoluments	2.55%	4.00%
Every pensioner on his or her pension income	1.70%	2.65%
Every person who holds or exercises an office, on his or her emoluments	1.70%	2.65%
Any legal or physical person or the Republic of Cyprus who is responsible for paying the emoluments of an officer, on the emoluments of the officer	1.85%	2.90%
A person earning income such as rental, dividend and interest income	1.70%	2.65%
The consolidated fund of the Republic of Cyprus on the emoluments and pensions of the persons referred to in the first, second, third and fifth items above	1.65%	4.70%

E. Tax filing and payment procedures

The tax year in Cyprus is the calendar year.

Each individual who is considered to be an employee and has taxable income must notify the Commissioner of Income Tax through the electronic submission of a tax return no later than 31 July of the year following the tax year.

Employment income is taxed on a Pay-As-You-Earn (PAYE) basis. The employer withholds PAYE from employees' salaries on a monthly basis.

Each individual who is considered to be self-employed but has no obligation to submit audited financial statements (on the basis that the individual has turnover of less than EUR70,000), must file electronically a personal tax return by 30 September of the year following the tax year. The final personal tax of an individual must be settled by 30 June of the year following the tax year.

Self-employed individuals preparing audited financial statements must submit electronically their personal tax return within 15 months after the end of the tax year (that is, the 2017 tax return should be filed electronically by 31 March 2019). The final tax for self-employed individuals preparing audited financial statements is due by 1 August of the year following the tax year.

Overdue tax is subject to interest at a rate of 2% per year (rate applicable as of 1 January 2019). In addition, any person failing to pay the tax due by the payment due date is liable to a monetary charge of 5% on the tax due date. An additional monetary charge of 5% is imposed on the tax due if the tax due is not settled within two months from the deadline for payment of the relevant tax liability.

Resident and nonresident individuals whose gross income does not exceed EUR19,500 are not required to file tax returns.

F. Double tax relief and tax treaties

Residents are entitled to a credit for foreign taxes paid, up to the amount of Cyprus tax payable on the same income, regardless of whether a tax treaty applies.

Cyprus has entered into double tax treaties with the following countries.

Armenia
Austria
Bahrain
Barbados
Belarus
Bulgaria
Belgium
Bosnia and Herzegovina
Canada
China
Czech Republic
Denmark
Egypt
Estonia
Ethiopia
Finland
France
Georgia
Germany
Greece
Guernsey
Hungary
Iceland
India
Iran
Ireland
Italy
Jersey
Kuwait
Latvia
Lebanon
Lithuania
Luxembourg (c)
Malta
Mauritius
Moldova
Montenegro
Norway
Poland
Portugal
Qatar
Romania
Russian Federation
San Marino
Serbia
Seychelles
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sweden
Switzerland
Syria
Thailand
Ukraine
USSR (a)
United Arab Emirates
United Kingdom
United States
Yugoslavia (b)

(a) Cyprus honors the USSR treaty with respect to republics of the Commonwealth of Independent States (CIS).
(b) Cyprus generally honors the treaty with the former Yugoslavia.
(c) This treaty will be effective from 1 January 2019.

These agreements usually allow expatriates to obtain credits against taxes levied in the country where the taxpayer resides. In general, the taxpayer pays no more than the higher of the two rates.

G. Visas

Visas are not required for citizens of an EU member state, Iceland, Liechtenstein, Norway or Switzerland. EU nationals may enter Cyprus with their national identity card if it contains a photo identification.

Citizens of countries on a list of countries do not need a visa for a stay of up to 90 days if they are bona fide visitors and if Cyprus has entered into bilateral agreements with the citizens' countries.

The categories of visas are discussed below.

Short-stay or travel visas (multiple-entry visas). Short-stay or travel visas (multiple-entry visas) allow aliens who seek entry to Cyprus for reasons other than immigration to enter once or several times. The duration of each visit may not exceed three months in any half-year, beginning from the date of first entry. In general, this visa may be issued once or several times. For aliens who need to travel frequently to Cyprus, such as for business, short-stay visas may be issued for several visits if the total length of these visits does not exceed three months in any half-year.

Airport transit visas. Airport transit visas are required for aliens of certain countries. They allow these aliens to pass through the international transit area of Cypriot airports without actually entering the national territory of Cyprus, during a stop-over or transfer between two stages of an international flight. The requirement to have this visa is an exception to the general right to travel without a visa through Cyprus. Nationals from Afghanistan, Bangladesh, Congo, Eritrea, Ethiopia, Ghana, Iran, Iraq, Nigeria, Pakistan, Somalia, Sri Lanka and Turkey are required to possess an airport transit visa. Citizens of these countries are exempt from the airport transit visa requirement if they are holders of residence permits of an EU or EEA member, Andorra, Canada, Japan, Monaco, San Marino or the United States.

Group visas. Group visas are transit visas or visas limited to a maximum stay of 30 days that may be attached to a group passport unless the national law provides otherwise. They may be issued to groups of aliens formed prior to the decision to travel, provided that the members of the group enter, stay and leave Cyprus as a group. Group visas may be issued to groups of between 5 and 50 people.

H. Employment in Cyprus

Non-EU nationals. Non-EU nationals (third-country nationals) can work and reside in Cyprus if they register and obtain the required permits. Eligible companies of foreign interests (International Business Companies, or IBCs) can register with the Civil Registry and Migration Department (CRMD) and follow a simplified procedure for employing third-country nationals in Cyprus.

Companies of foreign interests can qualify as IBCs and accordingly apply for residence and employment permits for third-country national employees if it can be proved that the majority of the company's ultimate shareholders are foreigners and if certain other conditions are met.

Non-EU nationals with a monthly gross salary exceeding EUR1,936 per month who intend to work for an approved IBC can easily obtain a temporary resident permit allowing them to work in Cyprus for an initial period of up to two years that can be further extended.

For individuals who may become employees of IBCs with a monthly gross salary below EUR1,936 or may become employees of non-IBCs, an additional step in the process is required. They must obtain the consent of the labor office because such employees are considered to be unskilled labor and it has to be

proved that the company cannot find properly qualified employees for that position who are Cypriots or EU residents residing in Cyprus. This may be a lengthy process with an uncertain outcome depending on the specific job description. After the required documentation is submitted and the approval of the labor office is obtained, the same process for other third-country nationals is followed. The labor office usually provides its approval for one year, which can be extended or renewed up to a maximum of four years, but certain categories of employment such as agricultural laborers or cooks can be renewed without being subject to the maximum years' limitation.

For individuals intending to be employed in Cyprus who need a visa to enter the country, an entry permit can be issued instead of a visa after the submission of the required documents. Within three months after the date of issuance of the entry permit, the employees must submit the remaining documents so that the CRMD can issue the residency card.

Temporary residence and work permits are issued approximately two to three weeks after the foreign national submits the required documents (this only applies for employees under the IBC regime; for employees under general employment procedures, the examination period can take up to four months). After the registration is completed, the employee is given a temporary residence permit, which is now in the form of a plastic card. The employee can travel in and out of Cyprus for the duration of the permit, provided that he or she is not outside Cyprus for a continuous period exceeding three months. If the employee is absent from Cyprus for more than three continuous months, the permit is canceled.

Intra-corporate transfers. An intra-corporate transfer is considered to be a temporary secondment for occupational or training purposes of a third-country national who, at the time of application for an intra-corporate transferee permit, meets all of the following criteria:

- He or she does not reside in an EU member state.
- He or she is transferred from an undertaking established in a non-EU member state to an entity belonging to the undertaking or to the same group of undertakings that is established in an EU member state.
- He or she is bound by a work contract prior to and during the transfer and has the right to mobility between host entities established in one or several second EU member states.

The procedures for entry, stay and work in Cyprus in the context of an intra-corporate transfer depend on whether Cyprus is the first or second EU member state.

In general, the application for an intra-corporate transferee permit must be submitted to the authorities of the EU member state where the first stay takes place. If the first stay is not the longest, the application must be submitted to the authorities of the EU member state where the longest overall stay is to take place during the transfer (first EU Member State).

The application for an entry permit is submitted when the assignee is abroad by the company in Cyprus (employer) at the central offices of the Civil Registry and Migration Department in Nicosia.

If the application is approved, an intra-corporate transferee residence permit is issued for the assignee, which is in a card format. Depending on the merits of each individual case, the maximum duration of the permit can be the following:

- Manager: three years or equal to the duration of the transfer, if shorter
- Specialist: three years or equal to the duration of the transfer, if shorter
- Trainee Employee: one year or equal to the duration of the transfer, if shorter

The inter-corporate transferee permit entitles the assignee to work in any company in Cyprus belonging to the same group of companies. On the permit, the main employer is indicated.

The procedures for the entry, residence and work permit when Cyprus is considered as the second member state (that is, when the assignee will reside and work in Cyprus for a shorter period than in another EU member state) depend on the duration of the transfer. For the mobility to be possible, the assignee must hold a valid intra-corporate transferee permit issued by the first EU member state, covering the entire duration of the mobility.

If the mobility does not exceed 90 days within a period of 180 days, it is a short-term mobility. In this case, no permit is issued by the Cypriot authorities and the assignee having the intra-corporate transfer permit issued by the first EU member state may reside and work in Cyprus, if the conditions of the legislation are met. During the short-term mobility, the assignee can work in any company in Cyprus belonging to the same group of companies.

If the transfer of the assignee relates to a period exceeding 90 days, it is considered to be long-term mobility. In this case, the assignee must apply for and obtain a long-term mobility permit (card format) from Cyprus and meet the provisions of the legislation. The application for a long-term mobility permit may be submitted when the assignee is abroad or when he or she is in Cyprus for short-term mobility. It is submitted by the company in Cyprus (employer) at the central offices of the Civil Registry and Migration Department. The long-term mobility permit entitles the assignee to work for any company in Cyprus belonging to the same group of companies. The main employer in Cyprus appears on the permit.

EU nationals. Nationals from EU member states have the right to enter Cyprus with a valid EU passport or identification card without having to register on arrival. If they wish to stay for more than three months or begin employment, they must apply at the CRMD for the issuance of registration certificate (yellow slip) within one month after the expiration of the three-month period.

EU citizens and their family members who are also citizens of an EU member state can apply for the issuance of a permanent residence certificate after a five-year period of uninterrupted legal residence in Cyprus.

I. Family and personal considerations

Family members. For dependents of the employee of an IBC, an additional application form (MFR1) needs to be completed and

filed for their registration under the family reunification section. In addition, the dependents of the employee may apply for employment in Cyprus but the procedure regarding the approval from the labor office (see Section G) needs to be followed. In this case, the approval from the labor office may be obtained more easily because the person who applies is dependent of an employee of an IBC.

For dependents of employees of non-IBCs, they may enter and reside in Cyprus as visitors. The family reunification section does not apply.

Driver's permits. Foreign nationals may drive legally in Cyprus with their home country driver's license for one year unless they are resident in Cyprus, in which case they must exchange their driver's license for a Cyprus driver's license. To obtain a Cyprus driver's license, applicants must take an oral exam on traffic laws and a practical driving test.

Cyprus has driver's license reciprocity with most other countries.

Czech Republic

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The exchange rate is EUR1 = CZK25.510.

A. Income tax

Who is liable. Czech residents are subject to tax on their worldwide income. Nonresidents are subject to tax on Czech-source income only. There is no special regime applicable to Czech tax nonresidents. However, Czech nonresidents may not qualify for certain tax-deductible items and tax reliefs.

The term "resident" includes any person residing in the Czech Republic for at least 183 days within a calendar year or having a residence (permanent home) in the Czech Republic. Employment income received by a nonresident whose employment activity in the Czech Republic does not exceed 183 days during any 12 successive calendar-month period is exempt from tax in the Czech Republic if it is paid by a foreign entity without a permanent establishment in the Czech Republic and if no economic employment exists in the Czech Republic.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Employment income includes salaries, wages, bonuses, other compensation of a similar nature and most benefits in kind. Employment income also includes fees paid to directors of private companies, shareholders of private limited companies and limited partners of limited partnerships for work

performed for the company or partnership, regardless of whether their position with the entity is one of authority.

The tax base for employment income equals the sum of the gross income of the employee and the employer's portion of mandatory Czech social security and health insurance contributions (so-called "super gross" income) for employees affiliated with the Czech social security and health insurance system. For employees who are affiliated with the Swiss, European Union (EU) and European Economic Area (EEA) member states mandatory social security and health insurance schemes, the actual mandatory employer's contributions in the home country are used instead of Czech employer's contribution rates to calculate the tax base. For other employees not affiliated with the Czech social security and health insurance scheme, the tax base for employment income equals the sum of gross income of the employee and the employer's portion of deemed mandatory Czech social security and/or health insurance contributions.

Individuals assigned by a foreign employer to the Czech Republic who continue to be employed and paid by the foreign employer, and who perform work for and under the instruction of a Czech resident individual or legal entity (the so-called "economic employer"), are deemed to be employed by the Czech resident individual or legal entity, and their employment income is subject to monthly payroll tax withholding.

Self-employment and business income. Taxable self-employment and business income consists of income from business activities and professional services, less deductible expenses. Authors, lecturers, athletes and artists are considered providers of professional services. Net income from business activities and professional services is subject to tax with other income at the rates set forth in *Rates*.

Investment income. Czech-source interest income derived from personal investments is subject to a 15% final withholding tax. However, if the source of the interest income is part of the individual's business activities, the interest income is taxed in the individual's tax return. Other investment income, including dividends and limited partners' shares of partnership profits, is subject to a 15% final withholding tax. Nonrecurring income (for example, arbitration awards) is generally taxed with other ordinary income at the rates set forth in *Rates*.

A 35% final withholding tax applies to the abovementioned types of income (other than income from lease-purchase contracts) subject to final withholding tax for tax residents of countries that have not entered into a valid double tax treaty or treaty on exchange of information with the Czech Republic.

Dividend and interest income derived by a resident from foreign sources is taxed in the individual's tax return.

For the rates applicable to certain types of income of nonresidents, see *Rates*.

Rental income. Income derived from the rental of immovable and movable assets is taxed in the annual tax return together with other types of income at the rates set forth in *Rates*.

Capital gains and losses. Capital gains derived from the sale of property acquired for the purpose of resale or exchange for profit are taxed as ordinary income at the rates set forth in *Rates*. Capital gains realized from the sale of real estate or personal property not acquired for resale are generally exempt from income tax if the minimum required holding period is met. The minimum required holding periods are 12 months for automobiles, 2 years for a primary residence and 5 years for other immovable property. Other holding periods apply to other types of personal property.

Effective from 2014, income from sale of securities is exempt from personal income tax if the total gross income from the sale of securities (without taking into account costs or deductions) does not exceed CZK100,000 in a calendar year. In addition, if the gross income from the sale of securities exceeds CZK100,000 on an annual basis, income from the sale of securities is exempt from tax if the securities have been held for a period of more than three years. This rule applies to securities acquired after 31 December 2013. For securities acquired on or before that date, the prior rule applies. Under the prior rule, income from the sale of securities is exempt from tax if the securities have been held for a period of more than 6 months and if the individual had a direct share of less than 5% in the company in the 24-month period preceding the sale.

In general, capital losses derived from the sale of securities cannot be carried forward, and they can be offset only against gains derived from the sale of other securities during the same tax period. The same rule applies to movable assets or immovable property. As a result, gains derived from the sales of such assets can be offset only against losses derived from the sales of the same types of assets.

Taxation of employer-provided stock options. No specific law in the Czech Republic addresses the tax treatment of stock options.

In general, employer-provided stock options do not result in a taxable event until the option is exercised if the following conditions are met:

- The exercise price equals the fair market value of the underlying stock at the date of grant.
- The option is not transferable.
- The option is subject to a suspensive condition and is capable of lapsing before it vests (for example, if the option holder ceases to be an employee).

However, this treatment is not a settled matter, particularly whether the taxable event occurs at grant, vesting or exercise. Readers are encouraged to consult with professional advisors on this matter. The taxation of stock options must be examined on a case-by-case basis.

The difference between the exercise price and the fair market value of the stock at the date of exercise is generally taxed as employment income at the exercise date, at the same tax rate applicable to other employment income. Capital gains derived from the sale of shares by an individual are taxed as described in *Capital gains and losses*. If the capital gains are not exempt from

income tax, the excess of the sale proceeds over the exercise price is taxable, at the rate set forth in *Rates*, in the year of disposal.

Business deductions. In general, expenses and costs are considered to be deductible for tax purposes if they are incurred to generate, assure and maintain taxable income. In addition, the law explicitly provides that certain expenses are deductible (for example, depreciation) and that certain expenses are not deductible (for example, representation expenses).

Instead of deducting actual expenses, taxpayers engaged in certain business activities may choose to deduct a percentage of gross revenues as lump-sum costs. The percentage of lump-sum costs varies depending on the individual's business activity, as indicated in the following table.

Activity	Deductible rate (%)
Agriculture, forestry, fishing, farming and craft	80
Trade license income	60
Licensing intellectual property rights (inventions and copyrights), sole proprietorships and other business income	40
Rental	30

The lump-sum costs for the activities listed above are limited to the following amounts:
- 80% deductible rate: CZK1,600,000
- 60% deductible rate: CZK1,200,000
- 40% deductible rate: CZK800,000
- 30% deductible rate: CZK600,000

Rates. Taxable income of residents and nonresidents, other than income subject to withholding tax, is taxed at a flat rate of 15%. For employment income, the 15% tax rate is applied to super gross income (see *Income subject to tax*). As such, the effective tax rate typically exceeds 15%.

Royalties and fees for professional services, such as directors' fees and payments under management or consultancy agreements, derived by nonresidents are subject to a 15% withholding tax (for directors, the super gross income concept applies). Nonresidents' rental income is subject to a 5% final withholding tax on lease-purchase contracts and to a 15% final withholding tax on other rental income of movable property. These rates may be reduced under applicable tax treaties.

Solidarity surcharge. A solidarity surcharge of 7% applies to annual income from employment and net income from self-employment (business activities) exceeding 48 times the monthly average salary (CZK1,569,552). Employers also must consider the solidarity surcharge in their monthly payroll calculations. On a monthly basis, the solidarity surcharge of 7% applies to employment income exceeding CZK130,796 in 2019. Employees whose income is subject to the solidarity surcharge on an annual basis (because their income exceeds CZK1,569,552) must file an annual tax return. Solidarity surcharge is considered a part of personal income tax and is covered by applicable double tax treaties.

Tax reliefs. Czech tax residents may subtract tax reliefs from their annual tax liability. The amounts of these reliefs for 2019 are described below.

The annual personal tax relief is CZK24,840. In addition, tax relief of CZK24,840 is granted for a spouse living in the same household with the taxpayer, unless the spouse's annual income exceeds CZK68,000.

Additional personal tax relief of CZK2,520 is granted for partially disabled persons and of CZK5,040 for totally disabled persons.

Tax relief of CZK15,204 is granted for the first dependent child. If an individual has more children, the tax relief on the second child is CZK19,404, and the tax relief for the third and each additional child is CZK24,204.

The tax reliefs, except for the personal tax relief, are available to Czech tax residents. Also, these are available to tax residents of EU countries, Iceland and Norway if their Czech-source income accounts for at least 90% of their total annual income. To apply the tax reliefs, Czech tax nonresidents must submit the official confirmation of the worldwide income provided by the foreign tax authorities.

Relief for losses. Losses incurred in self-employment or rental activities may be carried forward for five years.

B. Inheritance and gift taxes

Effective from 2014, inheritance and gift taxes are incorporated in the income tax; that is, the same basic rules apply to the taxation of gifts. In general, Czech residents are subject to tax on their worldwide gifts, and nonresidents are subject to tax on Czech-source gifts only.

The following groups of gifts are exempt from tax:
- Gifts received from lineal relatives, a spouse, minor relatives, such as brothers and sisters, lineal relatives of a spouse, children's spouses, nieces, uncles and aunts
- Gifts received from persons who lived with the transferor longer than one year in one household
- Property of a beneficiary that has been allocated to a trust fund by any of the persons mentioned above
- Gifts received occasionally up to the amount of CZK15,000 per year

All taxpayers are exempt from inheritance tax.

C. Social security

Contributions. Social security and health insurance contributions are paid by both the employer and the employee on employment income at the following rates.

	Employer %	Employee %	Total %
Social security			
Old-age pension	21.5	6.5	28
Sickness	2.1	—	2.1

	Employer %	Employee %	Total %
Unemployment	1.2	—	1.2
Health insurance	9.0	4.5	13.5

The maximum assessment base for health insurance contributions was canceled, effective from 2013. The second pension insurance pillar was canceled, effective from 2016.

The maximum assessment base for social security contributions equals 48 times the monthly average salary. For 2019, the maximum annual assessment base for social security contributions is CZK1,569,552. Income above the limit is not subject to social security contributions, with certain exceptions for situations in which the individual has multiple employers during the year. In such circumstances, the maximum assessment base applies to each employer separately. However, the employee remains subject to one maximum assessment base.

EU social security legislation and totalization agreements. As a member state of the EU, the Czech Republic is bound by the EU Social Security Regulations (currently applicable to all member states of the EEA and Switzerland) and other EU law. In addition, to prevent double social security taxation and to assure benefit coverage, the Czech Republic has entered into totalization agreements with several non-EU jurisdictions, including Albania, Australia, Bosnia and Herzegovina, Canada, Chile, India, Israel, Japan, Korea (South), Moldova, Montenegro, North Macedonia, Quebec, the Russian Federation, Serbia, Tunisia, Turkey, Ukraine and the United States.

D. Tax filing and payment procedures

The tax year for individuals is the calendar year. Individual tax returns must be filed by 1 April of the following year. Extensions may be granted until 1 July. By additional application, the deadline may be extended to 1 November for Czech tax resident individuals who must include foreign-source income in their Czech tax return. The tax is due by the deadline for filing the tax return.

Czech employers must withhold monthly payroll tax advances from all compensation paid to their legal or deemed (economic) employees.

Joint taxation of married couples is not available in the Czech Republic.

Effective from 2015, individuals must submit a notification of tax-exempt income exceeding CZK5 million received after 1 January 2015 to the Czech tax authorities. Such income must be reported to the tax authorities by the deadline for filing the tax return. Fines of up to 15% of the tax-exempt income can be levied for failing to meet the obligation. Individuals who are not required to file a tax return must also file this notification.

E. Double tax relief and tax treaties

The Czech Republic has entered into double tax treaties with the following jurisdictions.

Albania
Armenia
Australia
Austria
Azerbaijan
Bahrain
Barbados
Belarus
Belgium
Bosnia and Herzegovina
Bulgaria
Canada
Chile
China Mainland
Colombia
Croatia
Cyprus
Denmark
Egypt
Estonia
Ethiopia
Finland
France
Georgia
Hong Kong SAR
Hungary
Iceland
India
Indonesia
Iran
Ireland
Israel
Jordan
Kazakhstan
Korea (North)
Korea (South)
Kuwait
Latvia
Lebanon
Liechtenstein
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Moldova
Mongolia
Morocco
New Zealand
North Macedonia
Norway
Pakistan
Panama
Philippines
Poland
Portugal
Romania
Russian Federation
Saudi Arabia
Serbia and Montenegro
Singapore
Slovak Republic
Slovenia
South Africa
Switzerland
Syria
Tajikistan
Thailand
Turkey
Turkmenistan*
Ukraine
United Arab Emirates
United States
Uzbekistan
Venezuela
Vietnam

* This treaty is effective from 1 January 2019.

The Czech Republic also honors the double tax treaties of the former Czechoslovakia with the following countries.

Brazil
Germany
Greece
Italy
Japan
Netherlands
Nigeria
Spain
Sri Lanka
Sweden
Tunisia
United Kingdom

F. Immigration requirements

Foreigners coming from EU and non-EU countries must satisfy immigration obligations.

Non-EU nationals. Foreign nationals residing in the countries for which a visa is not required can enter the Czech Republic without a visa and stay in the Czech Republic (and the other Schengen countries) for up to 90 days during a 180-day period. The 90-day period is counted from the first day of entry into the Schengen area.

This possibility to stay in the Czech Republic without a visa does not apply to non-EU nationals who work or perform other economic activities in the Czech Republic. These individuals need a proper type of work or entrepreneur visa unless they meet certain criteria to avoid this obligation.

For all non-EU nationals, a longer stay than 90 days in a 180-day period is possible only with a long-term visa or relevant residence permit (see *Long-term visa and Employee Card* below and *ICT* and *Blue Card* in Section G). A visa or residence permit is

issued for a single purpose, such as for business, studies or employment. A foreign national working in the Czech Republic without a visa or residence permit and/or relevant work permit may be subject to deportation, and significant fines can be assessed on Czech companies if the foreign national performs work without the respective permit.

Long-term visa and Employee Card. A long-term visa for a stay exceeding 90 days is issued based on an application filed at a Czech embassy or consulate abroad. The process usually takes up to three months.

The long-term visa can be issued for a period of up to one year. If the purpose of the visit remains the same, the stay in the Czech Republic may be extended. The visa is then replaced by a residence permit that can be issued for a period of up to two years and may be renewed repeatedly.

Since 2014, non-EU nationals intending to work in the Czech Republic may apply for an Employee Card, which is granted by the Czech Ministry of Interior.

The Employee Card has two forms. The dual version combines a work permit and residence permit and is intended for all non-EU nationals employed by a Czech entity. The non-dual version of the Employee Card needs to be supported by the work permit granted by the Czech Labour Office and is intended mainly for the assigned non-EU individuals without an employment contract with a Czech entity. The government processing can take up to six months. However, this overall processing time may be prolonged if available appointments are lacking for employee card application filings at the Czech embassy or consulate abroad. The Employee Card in both forms can be valid for up to two years and can be further extended in the Czech Republic.

Health insurance requirements. For short-term stays (up to 90 days), foreigners must arrange travel health insurance to cover any medical costs and expenses that might arise in connection with emergency health treatment, repatriation or death during their stay in EU member states. The insurance must be valid throughout the territory of the member states and cover the entire period of the person's intended stay or transit. The minimum coverage is EUR30,000 per insured event without any co-insurance or co-payment.

Foreigners must also present a document proving their health insurance coverage when they apply for or collect their short-term visa.

For stays longer than 90 days, foreigners must prove that they have travel health insurance covering treatment related to an accident or sudden illness in the Czech Republic (for example, hospital room, doctor's fees, medication, ambulance, medical evacuation and accidental death), including the cost of transfer of a diseased person or the remains of a deceased person to his or her home country. The insurance policy may not exclude coverage for injuries and damage caused by the applicant's intentional acts, injuries and damage caused by fault or contributory fault on the part of the applicant, and injuries and damage caused by the consumption of alcoholic, narcotic and psychotropic substances by the applicant.

The minimum coverage is EUR60,000 per insured event without any co-insurance or co-payment.

Travel medical insurance may be purchased from the following:
- An insurance company licensed to sell such insurance in the Czech Republic
- An insurance company licensed to sell such insurance in any other EU member state or in any contracting party to the EEA agreement
- An insurance company licensed to sell such insurance in the country that has issued the applicant's travel document or in the applicant's country of residence

The proof of travel medical insurance must be accompanied by a certified Czech translation of the insurance policy and general insurance terms and conditions, proving the existence of travel medical insurance, the scope of coverage, the amount of coverage and the absence of co-insurance or co-payment. The applicant may be asked to present proof of insurance covering the entire period of stay in the Czech Republic. The confirmation of health insurance is required when picking up the long-term visa.

When applying for extension of the long-term visa, foreign nationals must prove that their health insurance covers comprehensive health care, including, for example, preventive care and that the health insurance was purchased from an insurance company licensed to provide such insurance in the Czech Republic.

On commencement of work in the Czech Republic, foreign nationals with a local employment agreement with a Czech company must be registered with the Czech public health insurance scheme; their coverage equals that of the Czech nationals. As such, the need for commercial health insurance may be avoided or limited. The obligation to register with the public health insurance scheme may also apply for some assignment cases. A detailed case-by-case assessment is advisable.

Registration of non-EU nationals after arrival in the Czech Republic. Non-EU nationals need to be registered with the Czech Foreigner's Police within three working days after their arrival in the Czech Republic (unless they stay in a hotel and the registration is processed automatically by the hotel). Individuals who will work in the Czech Republic need to visit the Czech Ministry of Interior instead to provide their biometric data that will be used for issuance of their Employee Card (see Section G). Non-EU nationals working in the Czech Republic need to be also registered at the Czech Labour Office on their first working day at the latest.

EU nationals. No visas or work permits are required for the EU nationals.

EU nationals need to be registered at the Labour Office by a company for which they perform their work on their first working day at the latest. In addition, they must process their registration with the Czech Foreigner's Police within 30 days after their arrival (if not processed via a hotel). A residence permit is not mandatory but is recommended if the EU national intends to stay and/or work in the Czech Republic for a period exceeding three months, because it is usually needed for car registration,

obtaining a parking permit, closing a contract with a phone provider, buying property in the Czech Republic and other transactions. EU nationals must be covered by health insurance during their stay in the Czech Republic. An EU Health Insurance Card satisfies this requirement.

Family members of EU nationals from third countries are subject to a preferable treatment (compared with other non-EU nationals) if they accompany or follow the EU national residing in the Czech Republic. Registration at the Foreigner's Police and mandatory application for a temporary residence permit apply to them.

Business visitors. In general, a non-EU national who is in the Czech Republic on a short-term (few days) business trip is not required to have a work permit or Employee Card. Non-EU nationals from countries with a free visa regime are not required to obtain a visa to travel to the Czech Republic. Non-EU nationals from countries with a visa requirement need to apply for the business type of visa to be able to enter the Czech Republic.

Students. Students from non-EU countries intending to study in the Czech Republic for a period exceeding 90 days may apply for a long-term study visa. Students from non-EU countries with the visa-entry obligation may need a study visa for a short-term study stay under 90 days. Non-EU students intending to work in the Czech Republic do not need to obtain work permits if they are studying or have completed studies at a Czech high school, university or artists' school accredited in the Czech Republic.

Trainees. Since 2014, a special regime applies to non-EU national trainees assigned to the Czech Republic. These individuals may apply for the same immigration permits as the standard assignees or undertake a simplified immigration procedure. This simplified procedure avoids the obligation to apply for a work permit or Employee Card if the trainees' work in the Czech Republic will not exceed six months and the substance of the work will be experience and training for their future career in a "home country company." Before the assignment of trainees, the Czech company may qualify for the simplified procedure by filing a special request and meeting certain conditions.

Termination of the stay. The termination of work in the Czech Republic for both EU nationals and non-EU nationals must be reported to the Labour Office. In addition, non-EU nationals must inform the Ministry of Interior about the termination of their stay and return the relevant residence permit (if applicable).

G. Work permits, Employee Cards, intra-corporate transfers, Blue Cards and self-employment

Local employees. A company intending to employ a non-EU national in the Czech Republic must register a job position with the Czech Labour Office. This registration is public, and the Czech Labour Office has 30 days to fill the position with a Czech or other EU national. If no appropriate candidate is found in the Czech Republic or in other EU countries, the position is registered in the official database for Employee Cards and a non-EU national can apply for it by filing an application at the Czech

embassy or consulate in his or her country of residence. The application for the Employee Card must be supported by the local employment contract or agreement on the future contract between the applicant and the Czech company. This contract must meet certain criteria relating to a working schedule and level of salary.

If the Ministry of Interior approves the application, the Czech embassy or consulate issues a special visa to the applicant to allow him or her to enter the Czech Republic and register with the Czech Ministry of Interior. On the finalization of this process, the non-EU national obtains the Employee Card in the form of a plastic biometric residence permit.

Assigned individuals. Assigned individuals (individuals who do not have a local employment contract) are required to apply for a work permit in the Czech Republic. After the work permit application is filed with the respective Labour Office, they are allowed to apply for the non-dual Employee Card. A Czech company must inform the Czech Labour Office about the assignment of a non-EU national to the Czech Republic. No testing of the Czech or EU labor market is required. On the collection of the work permit (to be delivered with the Employee Card application) and approval of the Employee Card application, the process of entering the Czech Republic and collecting the Employee Card is the same as in the case of local employment.

The following assigned individuals (and some others) are exempt from the work permit obligation and need apply only for the non-dual Employee Card:

- A holder of a Czech permanent residence permit
- A foreigner who undertakes or completes studies at a high school or university accredited in the Czech Republic
- A foreigner seconded to provide services in the Czech Republic on behalf of his or her employer with a seat in an EU country
- A third-country citizen who is accompanied by his or her close family member (spouse, child or parent) from an EU country
- A dependent of a non-EU national who is working in the Czech Republic based on a residence permit provided that the dependent holds a valid residence permit

Nevertheless, the Czech company must register these individuals at the Czech Labour Office, and the individuals are always required to obtain a relevant visa or residence permit.

Intra-corporate transfers. Since 2017, foreign workers seconded to the Czech Republic based on intra-corporate transfers (ICTs) may apply for an ICT Card, which may be obtained for a period of one year for trainees and three years for specialists and managers. Because of the relative inconvenience of ICT (restricted duration of card validity, condition of at least six months' prior employment with the seconding enterprise and complexity of the documentation to be submitted), employers may choose to continue to use the "old" process of legalizing a working stay for assigned non-EU nationals, which is the obtaining a work permit and an employee card.

Blue Card. A Blue Card is intended for the non-EU nationals with high qualifications who want to work in positions that are not covered by Czech or EU nationals.

Czech companies need to register positions available under the Blue Card procedure in the Blue Card register.

A Blue Card is a combination of a work permit and a residence permit in one document and allows the recipient to reside in the Czech Republic and work in a job for which the Blue Card is issued.

A Blue Card is issued to workers with high professional or university education who have already agreed on an employment contract with a Czech company. The contract must have a duration of at least one year and meet certain other criteria.

A Blue Card is valid for the duration of the agreed employment contract plus three months.

The Blue Card is issued for a maximum period of two years. The application for a Blue Card must be submitted to the relevant embassy or consulate of the Czech Republic. The process is very similar to the dual Employee Card regime; the overall processing time is the same.

In comparison to the dual Employee Card, a Blue Card may ease the relocation of its holder to other EU member countries.

H. Self-employed individuals

Self-employed individuals must have trade licenses to perform self-employment activities in the Czech Republic. In addition, non-EU nationals must obtain an entrepreneur type of visa.

To acquire this license, the individual must apply at the appropriate trade license office.

The entire immigration process takes approximately five months after all the required documents are submitted.

I. Family members

Non-EU national dependents of a long-term visa, Employee Card, ICT or Blue Card holder may stay in the Czech Republic based on a granted short-term or long-term visa or a residence permit for reunion purposes. The long-term visa and residence permit may be further extended in the Czech Republic.

The visa or residence permit applications of the family members can be filed together with the main applicant (employee) with the Czech embassy or consulate abroad and is valid only for the validity period of the visa or residence permit of the main visa holder.

All family members need to have required health insurance coverage (these are the same requirements specified in Section F).

Denmark

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A. Income tax

Who is liable. Residents in Denmark are subject to Danish tax on their worldwide income. Nonresidents are taxed on Danish-source income, including the following:

- Income from a permanent establishment in Denmark
- Salary related to work performed in Denmark
- Directors' fees
- Income from real property in Denmark
- Dividends
- Royalties

Individuals are generally considered to be resident if they permanently reside or are present in Denmark for more than six months.

Denmark applies a rather strict interpretation for determining Danish-source income in connection with the hire-out of labor if individuals legally employed abroad are being, in fact, regarded as working for and on behalf of a Danish employer. As a result, individuals normally not covered by the ordinary tax regimes may be subject to tax liability, and reporting, withholding and registration may be required. This matter, as well as taxation under the hydrocarbon tax legislation, is not covered by this guide.

Income subject to tax. Income is divided into personal income and net capital income. Accordingly, taxable income consists of personal income plus or less net capital income or loss and less allowable deductions.

Employment income. Personal income from employment consists of wages, salaries, directors' fees, pensions, allowances and fringe benefits. In principle, all benefits in kind are taxable at their fair market value. However, the values assigned to the personal use of a company car, company phone and certain other benefits is determined according to special tables.

School fees paid by employers on behalf of their employees, such as international school fees, are deemed to be salary income and taxed accordingly.

A special tax regime applies to expatriates employed by a Danish resident employer. Salary income is taxed at a flat rate of 32.84%, including the 8% labor market tax, for one or more periods up to a total of 84 months.

To qualify for the special tax regime, the individual cannot have been tax resident or otherwise tax liable to Denmark on salary or similar income or business income within the last 10 years. In addition, the individual cannot have had a controlling influence in the employing company five years before or during the employment. Additional criteria apply.

Two alternatives exist for individuals to qualify for the special expatriate tax regime. Under the first alternative, the individuals' cash salary must be at least DKK66,600 per month (2019). Under the second alternative, the individual must be acknowledged as a scientist or researcher by the Danish Council for Independent Research. No minimum salary requirement applies for the second alternative.

After the 84-month period, the expatriate is taxed according to ordinary income tax rules. Income other than salary earned during the use of the special regime is subject to tax at the normal progressive tax rates.

Self-employment or business income. Business or self-employment income is taxed as ordinary income (personal income) for the business owner. Expenses are deductible to the extent they are incurred to obtain, secure or maintain business income.

Persons with business income may choose to tax this income under the Business Tax Act. Under these rules, taxable income from a trade and industry, including income from partnerships, is assessed in accordance with the principles used for companies, including rules for depreciation and write-offs.

Investment income. Net capital income includes interest income (less interest expenses), taxable gains on securities, rental income and other investment income. It is generally subject to tax as ordinary income. Dividends and capital gains on the sale of shares are taxed separately at 27% or 42%, depending on the level of income. Royalties received by residents are taxed as personal income. Royalties received by nonresidents are subject to a 22% withholding tax.

Dividends are subject to a 27% withholding tax. If total dividend income exceeds DKK54,000 (DKK108,000) for married couples), residents are subject to a supplementary 15% tax.

Taxation of employer-provided stock options. Gains realized by an employee on the exercise of an option obtained under an employer-provided stock option plan are taxable. No tax is due at the time of vesting. In general, the gains are subject to the highest marginal rate of income tax, which is 52.05% in 2019. The gains are subject to labor market tax at a rate of 8%.

Capital gains and losses. Capital gains tax is levied on individuals at rates of up to 42%.

Gains derived from the disposal of bonds are generally taxable, and losses are deductible.

Gains derived from the disposal of shares are taxable as share income at a maximum rate of 42%. On departure from Denmark, certain shareholders are deemed for tax purposes to have disposed of their shares at the fair market value and are taxed on the deemed gain. If a shareholder applies for an extension and does not pay the exit tax, the shareholder may obtain a refund of the difference between the tax on the deemed gain and the tax on any subsequent lesser gain actually realized. The tax on the deemed gain applies only to individuals who have been subject to unlimited tax liability for one or more periods, totaling 7 years within the 10 years before departure.

Gains derived from the disposal of residential property are not taxable if the owner occupied the property and if certain other conditions are met. Gains derived from the disposal of other real property are taxable as capital income.

Deductions

Deductible expenses. Contributions to pension schemes with limited annuities are deductible up to an annual maximum of DKK71,500 (2019), while contributions to certain employer-administered life annuity schemes are fully deductible.

Interest paid on all types of debt is deductible from capital income. If this results in a negative amount, approximately 25% to 33% (2019) of the negative amount may be offset against tax payable on other income.

Items that may be deducted from taxable income include, among others, the following:
- Commuting costs to and from work (special rates)
- Fees paid to labor unions and unemployment insurance
- Child support and spouse support or alimony payments

Personal deductions and allowances. Each taxpayer is permitted the following:
- A personal allowance of DKK46,200 (2019)
- A supplementary allowance for salaried employees of 10.1% of salary income, up to a maximum amount of DKK37,200 (2019)
- A job deduction for salaried employees of 3.75% of the salary income above DKK191,600 (2019), up to a maximum deduction of DKK2,100 (2019)

All of the above are applied automatically during the tax calculation process. A further allowance may apply for single parents. A personal allowance not used by one person may be transferred to the spouse. This does not apply to individuals taxed under the special expatriate tax regime.

Rates. For 2019, income tax is levied on residents at the marginal rates shown in the table below. Dividends are taxed separately (see *Investment income*).

An 8% mandatory labor market tax is imposed on all salary income. Income taxes are calculated on the income after labor market tax and the following shows the approximate total marginal income and labor market tax rates applicable for 2019.

Taxable income DKK	Tax rate %	Tax due DKK	Cumulative tax due DKK
First 50,217	8	4,000	4,000
Next 507,844	42	213,295	217,295
Over 558,061	56	—	—

The above rates are estimates based on the average municipality tax rates and do not reflect the voluntary church tax.

Nonresidents. The tax rates applicable to residents also generally apply to nonresidents.

Relief for losses. Trading losses and interest expenses may be offset against other income and taxable gains. Tax losses may be carried forward for an unlimited number of years, but carrybacks are not allowed. Losses from certain types of passive partnership interests, such as a business with more than 10 nonworking owners, may be offset only against income from the same business.

B. Other taxes

Home-ownership tax. Home-ownership tax applies to homes or vacation houses in Denmark. The tax also applies to properties located abroad that are owned by Danish tax residents. However, home-ownership tax is not imposed if the property is rented out. The tax rate is 1% of the public value of the property up to DKK3,040,000, and 3% of the value exceeding DKK3,040,000. Similar tax paid abroad on foreign property may be credited.

Inheritance tax. Assets inherited by a spouse or registered partner (see Section G) are not subject to inheritance tax.

Inheritance tax at a rate of 15% is levied on the total value of estates exceeding DKK295,300 (2019). No additional tax is levied for beneficiaries closely related to the deceased (for example, cohabiters, descendants, stepchildren and their descendants, parents, sons- and daughters-in-law, and divorced spouses). For other beneficiaries, an additional tax at a rate of 25% is levied. Further conditions apply to the calculation.

Inheritance tax applies to estates of nonresidents only if the estate includes property located in Denmark or if a Danish probate court administers the estate.

Denmark has entered into estate tax treaties with Finland, Germany, Iceland, Italy, Norway, Sweden, Switzerland and the United States.

Gift tax. Gifts to a spouse or registered partner are not subject to tax.

Gift tax at a rate of 15% is levied on gifts to the following:
- Lineal descendants
- Stepchildren and their descendants
- Sons-in-law and daughters-in-law
- The spouse of a deceased child or stepchild
- Individuals residing with the donor two years before the event
- Foster children (if certain conditions are met)
- Parents

Additional gift tax at a rate of 25% is levied on gifts to stepparents and grandparents. Gifts to less closely related persons and to unrelated persons are subject to ordinary income tax, not gift tax.

Gifts of up to DKK65,700 (2019) a year may be donated free of gift tax to the following:
- Descendants
- The spouse of a deceased child or stepchild
- Individuals residing with the donor two years before the event
- Foster children (if certain conditions are met)
- Parents
- Stepparents
- Grandparents

An annual tax-exempt gift of up to DKK23,000 (2019) may be made to sons- and daughters-in-law.

Nonresidents are subject to gift tax if the donor or donee is a Danish resident or if the gift is Danish real estate.

C. Social security

Contributions. The monthly contribution to the Danish Supplementary Pension Scheme (ATP) for 2019 is DKK284, of which 1/3 is borne by the employee through payroll withholding. The annual cost of insurance depends on the nature of the business and other factors. For a white-collar employee, this may be approximately DKK15,000.

Other mandatory contributions for coverage in Denmark do not apply.

Totalization agreements. To provide relief from paying double social security contributions and to assure benefit coverage, Denmark has entered into totalization agreements, which usually apply for periods up to 36 months, with the following jurisdictions.

Australia	Greenland	North Macedonia
Bosnia and Herzegovina	Iceland	Norway
Canada*	India	Pakistan
Chile	Israel	Philippines
China	Korea (South)	Serbia
European Union (EU) member states	Liechtenstein	Switzerland
Faroe Islands	Montenegro	Turkey
	Morocco	United States
	New Zealand	

* Including Quebec

D. Tax filing and payment procedures

The Danish tax year is the calendar year. Before each tax year, an advance income assessment must be made for each taxpayer. Advance tax is paid through deductions (withholding) from employment income. In addition, if self-employment income or net capital income rises to a certain level, advance tax is paid through prepayments claimed from the individual by the authorities in 10 installments over the tax year, based on the advance assessment.

After each tax year, taxpayers must file tax returns no later than 1 July of the following year. Any overpaid tax is refunded by the

tax authorities when the final tax assessment notice is issued. Underpaid tax, including interest, up to DKK20,944 (2018) is carried forward to the following year while the remainder is due in three installments in September, October and November. Married persons must file separate tax returns. In the tax calculations, certain deductions may be transferred between the spouses.

Voluntary payment of tax may be made during the fiscal year and until 1 July of the following fiscal year in order to save interest on underpaid tax.

E. Double tax relief and tax treaties

If a Danish resident taxpayer receives income from abroad, tax relief may be provided either through a foreign tax credit or by exemption with progression. Relief is provided in accordance with either a tax treaty or Danish domestic law.

Danish law grants a foreign tax credit for income taxes paid abroad. The credit may not exceed the lesser of the income tax paid abroad or the Danish tax payable on the same income. Domestic Danish law also contains an exemption with progression that applies to salary income for work performed outside Denmark during working periods exceeding six months. Further conditions must be met. The rule applies only to individuals who are tax residents in Denmark according to domestic law (that is, fully taxable) while working abroad.

Denmark has entered into double tax treaties with the following jurisdictions.

Argentina
Australia
Austria
Azerbaijan (e)
Bangladesh
Belgium
Bermuda
Brazil
British Virgin Islands (d)
Bulgaria
Canada
Cayman Islands
Chile
China Mainland (b)
Croatia
Cyprus
Czech Republic
Egypt
Estonia
Faroe Islands
Finland
Georgia
Germany
Ghana
Greece
Greenland
Guernsey
Hungary
Iceland
India
Indonesia
Ireland
Isle of Man
Israel (c)
Italy
Jamaica
Japan
Jersey
Jordan (d)
Kenya
Korea (South)
Kuwait
Latvia
Lebanon
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Montenegro
Morocco
Netherlands
New Zealand
North Macedonia
Norway
Philippines
Poland
Portugal
Romania
Russian Federation
Serbia
Singapore
Slovak Republic
Slovenia
South Africa
Sri Lanka
Sweden
Switzerland
Taiwan
Tanzania
Thailand
Trinidad and Tobago
Tunisia
Turkey
Uganda
Ukraine
USSR (a)
United Kingdom
United States
Venezuela
Vietnam

Hong Kong SAR (shipping) (d)	Pakistan	Zambia

(a) The Denmark-USSR double tax treaty of 1986 probably covers Belarus and probably also Armenia and Kyrgyzstan, but this needs to be definitively confirmed. Denmark has entered into double tax treaties with Estonia, Latvia, Lithuania, the Russian Federation and Ukraine. Azerbaijan, Moldova, Tajikistan and Uzbekistan do not regard themselves as being covered by the Denmark-USSR double tax treaty of 1986.
(b) The treaty does not apply to the Hong Kong or Macau Special Administrative Regions (SARs).
(c) This treaty does not apply to Palestine.
(d) These treaties primarily concern air and/or maritime traffic.
(e) As of 30 May 2018, this treaty was not yet in force. It will enter into force when national procedures are concluded.

The treaties with France and Spain were terminated, effective from 1 January 2009.

F. Work and residence permits

Denmark is a member of the EU and of the Nordic Council. Consequently, varying rules apply for EU nationals, for citizens of other Scandinavian countries (Finland, Iceland, Norway and Sweden) and for non-EU nationals who wish to enter Denmark.

The ordinary rules for EU citizens apply to citizens of Switzerland, as well as to citizens of Iceland, Liechtenstein and Norway, the non-EU members of the European Economic Area (EEA).

Scandinavians. Nationals from other Scandinavian countries may stay and work in Denmark without restrictions. However, if they take up residence in Denmark, they must register with the National Registration Office in their local municipality.

Permission to be self-employed in Denmark is normally granted. However, for certain types of businesses, permission is granted only if the Danish Commerce and Companies Agency finds that a special Danish interest is served by establishing the business in Denmark.

EU nationals. EU citizens and EEA nationals may stay in Denmark under the EU rules on free movement of persons and services. They may stay and work freely in Denmark for up to three months. If EU citizens and EEA nationals wish to stay longer than three months, they must within three months after their arrival in Denmark apply to the Regional State Administration for a registration certificate, which is a formal proof of the rights already conferred on an EU citizen/EEA national under the EU rules on free movement. Each member of an applicant's family must apply separately for an EU-residence certificate. Third-country nationals can also apply for and obtain a residence document as an accompanying family member of an EU national under the EU rules.

The authorities process EU residence applications on the spot (within two to three weeks if any information or documentation is outstanding). For third-country family members, the processing time is generally four weeks (the application is not processed on the spot). EU applicants are generally not prevented from working during the processing time (applies only to EU nationals, not third-country family members). EU nationals who are commuting are not entitled to obtain a registration certificate, which requires that

the individual take up actual residence in Denmark with the intent to stay.

EU-residence certificates issued to citizens from other EU member countries are valid indefinitely throughout Denmark. After five years' uninterrupted residence in Denmark, the applicant may apply for a certificate of right to permanent residence.

Non-EU nationals. Citizens from jurisdictions other than EU/EEA countries and the Nordic Council countries may stay in Denmark for either the time period stated in their tourist or business visas or, if a visa is not required (visa-exempt nationals), up to 3 months within a 180-day period. Certain citizens with biometric passports are exempt from the visa requirement. A work permit is required from the first day if the stay involves work in Denmark.

Non-EU/EEA nationals who want to work in Denmark must apply for a work and residence permit. Applications for work and residence permits must be sent to the Danish Agency for International Recruitment and Integration or to the Danish embassy or consulate in the area in which the individual has resided for longer than three months, depending on the type of work and residence permit for which the individual is applying.

Normally, profession or labor market considerations must warrant a residence and work permit. When processing the application, the Danish Agency for International Recruitment and Integration pays particular attention to the following:

- Whether professionals residing in Denmark or the EU/EEA who are qualified to carry out the relevant job are available (only applicable for certain types of permits).
- Whether the nature of the relevant job is specialized enough to warrant a residence and work permit. Normally, work permits are not granted for ordinary skilled-labor vacancies or unskilled positions.
- Whether the minimum salary required is met (only applicable to certain types of permits).

Regardless of the specific circumstances, a written job contract or offer specifying the salary and employment conditions is required. These must correspond to Danish employment law and standards.

Certain special schemes are designed to allow highly qualified professionals from abroad to obtain a residence and work permit in Denmark. Under a Fast-track Scheme, which is effective from 1 April 2015, certified companies with a Danish entity can more easily, and with shorter notice, obtain work and residence permits for recruited foreign employees.

In some cases, the Danish Agency for International Recruitment and Integration obtains a statement from the relevant branch organization or regional labor market council to process an application if input is required in terms of salary and other items.

If the applicant still meets the condition of the original work and residence permit, the permit can be extended. If the individual applies for the extension before the expiration of the current work permit, he or she remains compliant and is allowed to continue working until the extension application has been processed.

If an individual already holds a Danish residence permit based on family reunification, asylum, or humanitarian grounds or holds a dependent residence permit, a work permit is not required.

Third-country nationals holding a valid work permit in another EU country may be eligible to apply for an EU residence card in Denmark under the EU rules of secondment (posted workers' rules) from one EU state to another if certain circumstances exist, including, but not limited to, the following:

- The secondment to Denmark must be limited in time.
- The applicant should remain on the home payroll during the secondment.

Family members. After specific consideration, residence permits may be granted to family members of individuals who have residence and work permits in Denmark.

Biometric residence cards. Citizens of non-EU jurisdictions are issued biometric residence cards, which include the holder's facial image and fingerprints stored on a microchip embedded in the card. The residence card allows the non-EU national to travel within the Schengen area. If the individual does not have a valid residence card in his or her possession, he or she is required to apply for a re-entry permit to be able to enter Denmark after exiting the country.

G. Family and personal considerations

Marital property regime. Under Danish law, a regime of "ordinary community property" (*fælleseje*) applies between spouses and between persons of the same sex who have formed a registered partnership. (The legal consequences of a registered partnership are the same as those of a marriage.) Community property includes all property brought into the marriage and all property acquired during the marriage.

Driver's licenses. If an individual is in Denmark for a temporary period of time, the person can drive if he or she holds a valid foreign driver's license and an international license (a translation). However, for individuals in Denmark on a more permanent basis, different rules apply to citizens from Nordic countries, EU member countries and non-EU member jurisdictions who wish to use their home jurisdiction driver's licenses in Denmark.

Nordic and EU nationals. Expatriates from Nordic countries and EU nationals may drive legally in Denmark with their home country driver's licenses until expiration, but they might choose to switch to a Danish license without further required tests. Certain time limitations apply depending on the expiration date of the EU driver's license.

Non-EU nationals. As a general rule, non-EU and non-Nordic individuals may drive in Denmark for only up to 90 days after registration of residence. After the 90 days, the driver must pass a Danish driving test and accordingly obtain a Danish driver's license to continue to drive in Denmark.

Individuals from specified jurisdictions may legally drive using a foreign driver's license for up to one year from the date of registration. The foreign license may be changed into a Danish license

without passing a driving test. Special further conditions may apply, depending on the jurisdiction.

In general, non-EU nationals are required to take a driving test. However, individuals from the following jurisdictions may exchange their driver's licenses for Danish driver's licenses without having to pass a Danish driving test.

Australia	Chile	Switzerland
Bosnia and Herzegovina	Japan	Taiwan
Brazil	Korea (South)	Ukraine
Canada	Russian Federation	United States
	Singapore	

To exchange the foreign driver's license for a Danish license, the following items must be presented to the driver's license bureau:
- The home jurisdiction driver's license
- A residence permit
- A photograph
- A fee of DKK280 (2019)

Passing a driving test results in further fees. English-speaking driving instructors and/or interpreters are available in certain Danish driving schools. Individuals may also be required to pass a physical examination.

Dominican Republic

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A. Income tax

Who is liable. Resident individuals are subject to tax on their Dominican Republic-source income as well as on their foreign-source taxable income derived from investments and financial gains. Income tax paid abroad with respect to foreign-source income may be credited against the Dominican Republic tax liability. However, such credit is restricted to the portion of Dominican Republic tax allocated to the foreign-source income that is taxed abroad.

Nonresidents are subject to tax on their Dominican Republic-source income and on income derived from technical assistance services provided to residents in the Dominican Republic, regardless of the location from where the technical assistance is provided.

Individuals who become residents of the Dominican Republic are subject to tax on foreign-source income after the third year of residency. In addition, individuals who become residents may qualify for a special retirement regime if certain conditions are met. This regime may exempt foreign-source income from income tax and provide other tax benefits.

For tax purposes, individuals who spend more than 182 continuous or non-continuous days in a tax year in the Dominican Republic are considered residents of the Dominican Republic.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Annual employment income is taxable. Employment income includes salary, bonuses, premiums, commissions and allowances (for example, housing and education allowances). Allowances are considered taxable compensation only if they are paid in cash to the employee. Benefits in kind are subject to fringe benefits tax, which is payable by the employer at a rate of 27%.

Self-employment and business income. Income derived from self-employment or from a trade or business is subject to tax.

Investment income. Dividends paid in cash or credited by local companies or entities to resident and nonresident individuals are subject to a 10% withholding tax. This withholding tax is considered to be a final tax payment.

All interest paid from Dominican sources to nonresident individuals is subject to a 10% withholding tax. This tax is considered to be a final tax payment. Interest received from abroad is subject to tax in accordance with the tax rate schedule set forth in *Rates*.

Local interest payments to resident or domiciled individuals are also subject to a 10% withholding tax, which is considered a final tax payment.

Royalties, payments for technical assistance services and similar payments made or credited by local companies or individuals to nonresidents that are considered Dominican-source income are subject to a 27% withholding tax.

Directors' fees. Dominican-source directors' fees paid or credited to individuals who are not resident or domiciled in the Dominican Republic are subject to a 27% income withholding tax.

Capital gains. Capital gains derived from the sale of Dominican Republic capital assets (for example, shares of Dominican Republic companies) by residents or domiciled individuals are taxed at the individual progressive income tax rates, which range from 0% to 25%. The tax base for capital gains tax purposes is the difference between the transaction value (sale price) and the asset's historical cost adjusted by local inflationary rules. Capital gains derived from the sale of Dominican Republic capital assets by nonresidents or non-domiciled individuals are subject to a flat 27% tax rate.

Capital assets do not include inventory to be sold in the ordinary course of a trade or business, depreciable assets used in the ordinary course of a trade or business, or accounts receivable corresponding to the ordinary course of a trade or business.

Deductions

Personal deductions and allowances. Employee contributions to social security may be deducted for income tax purposes.

Individuals may deduct education expenses for themselves and their dependents up to a maximum of 10% of the individual's taxable income. However, this deduction may not exceed the 25% of the minimum exempt amount established in Section 296 of the

Dominican Tax Code. The deduction does not apply to self-employed individuals.

Business deductions. Individuals may deduct all costs and expenses that are necessary to generate, maintain and conserve taxable income and protect investments.

Rates. Ordinary income derived by resident individuals is taxable at the following rates.

Annual taxable income Exceeding DOP	Not exceeding DOP	Tax on lower amount DOP	Rate on excess %
0	416,220	0	0
416,220	624,329	0	15
624,329	867,123	31,216.35	20
867,123	—	79,775.15	25

B. Other taxes

Real estate with a value exceeding DOP7,438,197 is subject to a 1% tax on the excess value. For the purposes of this tax, the value of all real estate owned by an individual is taken into account.

Donations are subject to a tax at a rate of 27%, which is payable by the recipient.

C. Social security

Retirement contribution. A social security retirement contribution is payable on salaries at a rate of 7.1% for employers and 2.87% for employees, with a cap of 20 legal wages per month. The monthly legal minimum wage is DOP13,482.

Health contribution. A health contribution is payable on salaries at a rate of 7.09% for employers and 3.04% for employees, with a cap of 10 legal minimum wages per month.

Labor risk contribution. Employers must pay a labor risk security contribution at rates ranging from 1% to 1.6%, depending on the classification of the activity of the employer. This contribution consists of a fixed 1% tax and a variable tax at a rate ranging from 0.2% to 0.6%. The social security law provides a cap of 10 legal minimum wages for this contribution, but, in practice, a cap of 6 legal minimum wages is applied.

Contribution to the Institute for the Development of Technical Professionals. A contribution of 1% of payroll is payable by employers to the Institute for the Development of Technical Professionals (Instituto de Formación Técnico Profesional, or INFOTEP). Employees contribute an additional 0.5% on annual profit-sharing compensation.

Totalization agreement. The Dominican Republic and Spain have entered into a totalization agreement regarding social security contributions.

D. Tax filing and payment procedures

Employers are responsible for withholding income taxes and social security contributions from employees' salaries on a monthly basis.

Individuals must file an annual income tax return by 31 March. Employees are not required to file an annual income tax return if their only source of income is employment compensation unless they are deducting education expenses. In the event of excess withholding, the employer applies the overpayment to future withholding tax obligations.

Nonresidents are not required to file an annual income tax return if their tax liability has been satisfied through withholding at source.

E. Double tax relief and tax treaties

The Dominican Republic has entered into double tax treaties with Canada and Spain.

F. Temporary visas

Depending on their country of citizenship, individuals may be required to apply for and obtain an entry visa before traveling to the Dominican Republic. A Dominican Republic consulate overseas grants the visa. Because the rules indicating the countries of citizenship of individuals who are required to obtain an entry visa before entering the Dominican Republic and requirements for obtaining a visa often vary, it is necessary to check the entry visa requirements on a case-by-case basis.

G. Work visas (and/or permits)

The government of the Dominican Republic grants a work authorization to foreign employees who have special knowledge or experience in a certain field. The granting of a work authorization is subject to certain rules that must be checked on a case-by-case basis because the rules may vary.

In addition, nonresident employees who intend to work in the Dominican Republic in a dependent employment relationship for a local entity must obtain a work visa. The NM1 Visa for work purposes is granted to individuals who, as a result of the nature of their occupation, remain in the country for one year. In general, this visa is granted to people who fulfill contracts for a specific time period. The visa can be renewed for one-year periods during the term of the contract.

H. Residence visas (and/or permits)

The government of the Dominican Republic may grant migratory statuses that allow foreigners to reside in the country. These include the following:

- Science status
- Athletes
- Journalists
- Workers
- Businesspersons
- Investors
- Retired individuals
- Religious status
- Certain types of family relatives

Foreigners normally apply for a resident or business visa to work in the Dominican Republic. After all documents are filed with the

immigration authorities, the approximate time for obtaining a business or resident visa is approximately 3 months (90 days). Business or resident visas are valid for one year and are renewable for similar time periods.

Before entry into the Dominican Republic, the employee must request a Temporary Worker Visa (Visado de Trabajador Temporero, or VTT) from the Dominican consulate in his or her country of origin. The estimated time to obtain the VTT is between 5 to 15 days from the date of the request. This type of visa is granted to employees who receive a job offer from an entity duly registered in the Dominican Republic. The VTT has a maximum validity of one year and allows multiple entries into the Dominican Republic.

After entry, the employer must request from the Dominican immigration authorities a Temporary Worker Card (Carnet de Trabajador Temporero, or CTT). The estimated time to obtain this card is approximately 90 days. The CTT is the final documentation that will allow the employee to work in the Dominican Republic.

Alternatively, employees of companies registered as foreign investors with the Dominican Center for Exportation and Importation (Centro de Exportación e Importación de la República Dominicana, or CEI-RD) may apply for an investment visa, which may be issued within a 45-day period.

Foreign investors and retirees qualifying for special incentives under Law 171-07 may apply for the Residence Permit Program for Investments in Dominican Republic. The benefits extend to the spouse and children under 18, with some exceptions.

I. Family and personal considerations

Family members. Spouses of foreigners who are granted work permits generally do not automatically receive the same treatment as the original permit holder and must apply for an independent visa or work permit. In certain cases, a work permit may be granted automatically to the spouse.

Marital property regime. Assets obtained by any means, except by donation, after the commencement of the marriage are considered to be marital property if the spouses are married under community property laws.

Forced heirship. If an individual dies without leaving a will, the beneficiaries of his or her assets and patrimony according to the law are descendants, ascendants, spouse and collaterals. The priority order is set by the Civil Code according to a series of different combinations. The amounts needed to satisfy maintenance and other obligations of the deceased are removed from the decedent's estate before the estate is divided between the beneficiaries.

Driver's permits. Foreigners may drive legally in the Dominican Republic using their home country driver's licenses for up to three months. After the three-month period expires, resident foreigners must obtain a Dominican Republic driver's license.

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A. Income tax

Who is liable. Ecuadorians and foreign nationals resident in Ecuador are subject to tax on their worldwide income. Nonresidents are subject to tax on Ecuadorian-source income only, regardless of where it is paid. Both Ecuadorians and foreign residents who receive income for business activities or professional, commercial or other services performed in Ecuador are subject to income tax.

Individuals are considered resident for tax purposes if their stay in Ecuador exceeds 183 days, consecutive or non-consecutive, within a calendar year. In addition, individuals are considered resident if their stay exceeds 183 days within a 12-month period in two consecutive calendar years.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable income includes income from services rendered under a verbal or written contract of employment, regardless of whether the income is received in cash, in services or in kind.

In general, all employees receive the following annual bonuses, which are exempt from income tax:
- Christmas bonus, known as the thirteenth salary, which equals approximately one-twelfth of their annual compensation.
- Education bonus, known as the fourteenth salary, which equals one Unified Basic Remuneration (USD394 for 2019).
- Retirement funds, which equal one-twelfth of the year's remuneration (8.33% of annual remuneration). This amount is payable from the second year of employment for the same employer.

Compensation for industrial accidents and death, payments for out-timed dismissal (dismissal without legal notice or legal cause), severance payments and amounts received from pension and retirement funds are also exempt from tax.

Self-employment and business income. Individuals are subject to tax on income from business activities conducted within Ecuador and on income arising from goods and assets located in Ecuador.

Business income includes the income of individuals who are sole proprietors or active members of a partnership in a commercial, industrial, mining or agricultural business in which they have invested capital. Income is taxed at the rates set forth in *Rates*.

Investment income. In general, dividends are exempt from withholding tax if they are distributed after corporate income tax. However, this income needed to be incorporated in the global income of the individual for the purposes of applying the progressive tax rates of 0% to 35%, which are applied to taxable income (see *Rates*).

In general, dividends remitted abroad to Ecuadorian and foreign individuals and companies are not subject to income tax withholding. However, dividends remitted to companies located in tax havens are subject to an additional withholding tax, equal to the maximum income tax rate applicable to individuals (35%) less the current corporate income tax rate (25% for 2019), which results in an additional withholding of 10% for 2019.

The above rules also apply to trust funds.

Royalties received from investments in Ecuador are treated as ordinary income. Royalties received from abroad are exempt from tax if they were subject to tax in the source country.

Interest paid to residents is added to the taxpayer's taxable income and taxed at the rates set forth in *Rates*. Interest paid to residents is subject to withholding tax at a rate of 2%, which is credited against the taxpayer's annual tax due.

Taxation of employer-provided stock options. In general, benefits derived from stock options are taxed as other income (income that is different from salary or professional wages). Each case must be analyzed separately.

Capital gains. Capital gains derived from occasional sales of shares are subject to income tax at a rate of 25% for 2019.

Deductions

Deductible expenses. Social security contributions paid by employees are deductible for income tax purposes.

Personal deductions and allowances. For 2019, individuals can deduct personal expenses and spouses' and dependents' expenses up to 50% of total annual income, subject to a maximum deduction of USD14,703. Deductible expenses include housing, education fees, medical expenses, food costs and clothing. The maximum deductible amount for each of these expenses is USD3,675.75, except for medical expenses, which may be up to USD14,703.

For 2019, people with rare, catastrophic or orphan diseases (as defined by the Health Ministry), the deduction is twice the maximum deduction (USD22,620).

Third age deduction. For 2019, individuals who are 65 or older can deduct one basic amount of USD11,310 for income tax purposes.

Disability deduction. For 2019, individuals can claim a deduction corresponding to their percentage of disability as shown in the following table (individuals who live in the Galápagos Islands are subject to a different regime).

Percentage of disability %	Deduction amount USD
30 to 49	13,572
50 to 74	15,834
75 to 84	18,096
85 to 100	22,620

Business deductions. The following business expenses are deductible for income tax purposes:

- Costs and expenses directly incurred in the generation of taxable income.
- Interest paid on business debts. The interest rate may not exceed the rate fixed by the Central Bank of Ecuador.
- Certain taxes levied on the business (not including income tax or taxes that give rise to a tax credit).
- Insurance premiums paid to secure employees' work risks and the assets of the business.
- Losses as a result of *force majeure* or criminal acts.
- Necessary travel expenses and lodging.
- Depreciation and amortization.
- Amortization of losses (for individuals who have accounting books).
- Wages, salaries and compensation in general, fringe benefits, 15% profit sharing, severance indemnities and other expenses under the Labor Law.
- Provisions for uncollectible receivables.
- Income tax and social security for employees if assumed by the employer.
- Expenses that are payable at the completion of an activity, that are exclusively identified with the normal course of business and that are properly endorsed in contracts or invoices or other obligatory legal instruments.

Rates. For the 2019 income tax year (1 January to 31 December), tax is levied on employment, self-employment and business income at the following rates.

Taxable income Exceeding USD	Taxable income Not exceeding USD	Tax on lower amount USD	Rate on excess %
0	11,310	0	0
11,310	14,410	0	5
14,410	18,010	155	10
18,010	21,630	515	12
21,630	43,250	949	15
43,250	64,860	4,193	20
64,860	86,480	8,513	25
86,480	115,290	13,920	30
115,290	—	22,563	35

Nonresidents staying in Ecuador for not more than six months in a fiscal year and who receive Ecuadorian-source income are subject to a 25% withholding tax, which is a final tax. This tax also applies to dividends distributed before corporate income tax.

B. Inheritance and gift taxes

Income derived from inheritance and gifts are taxed at the following progressive rates for 2019.

Total inheritances and gifts received		Tax on lower amount	Rate on excess
Exceeding USD	Not exceeding USD	USD	%
0	72,060	0	0
72,060	144,120	0	5
144,120	288,240	3,603	10
288,240	432,390	18,015	15
432,390	576,530	39,637	20
576,530	720,650	68,465	25
720,650	864,750	104,495	30
864,750	—	147,727	35

C. Social security

Coverage. The Social Security Institute of the government manages the social security system, which covers health benefits, pensions and certain social payments. All private, public and foreign employees and self-employed professionals are covered by social security legislation.

Expatriates engaged in a labor relationship must make social security contributions. They must ask their Ecuadorian employer to register them with the social security system beginning with their first day of work. Foreign residents who contribute to the system may not continue to receive coverage from their home countries.

Totalization agreements. Ecuador has entered into totalization agreements with Argentina, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, El Salvador, the Netherlands, Paraguay, Peru, Portugal, Spain, Uruguay and Venezuela.

D. Tax filing and payment procedures

Tax on income from wages is withheld at source by employers. Taxpayers might not be required to file returns if 100% of their gross income for the calendar income year consists of employment income from one employer. Otherwise, in the following year, taxpayers must file returns between 10 March and 28 March, depending on the ninth digit of the individual's taxpayer identification number.

Married persons are taxed separately, not jointly, on all types of income.

The fiscal year runs from 1 January to 31 December.

Late filers must pay a monthly penalty equal to 3% of the tax due, up to 100% of the tax due, plus monthly interest at a low rate.

E. Double tax relief and tax treaties

Foreign income received by Ecuadorian tax residents is exempt from income tax in Ecuador if such income has been subject to tax in the source country, unless the Ecuador Internal Revenue Service has determined that the source country is a tax haven.

Ecuador has entered into double tax treaties with the following countries.

Argentina*	France	Russian Federation
Belarus	Germany	Singapore
Belgium	Italy	Spain
Brazil	Korea (South)	Switzerland
Canada	Mexico	Uruguay
Chile	Qatar	
China	Romania	

* This is a double tax treaty on activities with respect to air traffic.

Ecuador has also entered into a double tax treaty with Bolivia, Colombia and Peru (Andean Community countries), through Decision 578 of the Andean Community, but this particular agreement has limited application.

F. Temporary visas

An application for a visa may be presented before the Ministry of Foreign Affairs in Ecuador or at the Ecuadorian consulate in the applicant's country of origin or in the country where the individual is considered a legal resident. Both temporary and permanent residence visas are issued to foreign nationals.

G. Temporary visas for labor activities and self-employment

All foreign nationals must obtain temporary visas for labor activities to work legally in Ecuador. Temporary residence visas are valid for one or two years and are renewable for one or two years each time, at the discretion of the Ministry of Foreign Affairs.

Depending on the conditions of the assignment, foreign nationals can apply for the following visas:

- Temporary residence visa under labor contract: this type of visa allows expatriates to work in an Ecuadorian company by being part of the local payroll and signing a labor contract. The Ecuadorian branch must be duly incorporated with all documentation updated. In addition, the share capital of the company must be at least USD12,500.
- Temporary residence visa under assignment letter: this visa allows assignees to work in Ecuador and receive their compensation from a foreign company. They maintain a labor relationship with the foreign company. It must meet the same corporate requirements listed above, plus a training agreement between the companies and an assignment letter.
- Temporary residence visa for legal representation: this type of visa allows expatriates to perform temporary legal representation activities in an Ecuadorian company (for example, general managers, presidents and attorneys). The legal representative must be designated by an appointment or a power of attorney. It must meet the same corporate requirements listed above.

A foreign national who wants to begin his or her own business in Ecuador must obtain a temporary residence visa. After 21 months as a temporary resident, he or she will be allowed to obtain a permanent residence visa.

Foreign nationals traveling temporarily in Ecuador may apply for a change of status during their stays in Ecuador without leaving the country. This depends on the purpose of their stays.

All foreign nationals holding one of the visas described above can obtain an Ecuadorian identification.

H. Permanent residence visas

Permanent residence visas are valid for an indefinite period of time. This type of visa allows individuals to obtain an Ecuadorian identification, as well as to work or not work for an Ecuadorian company. In this regard, they are not required to change their migratory category if they are employed by a local company.

Foreign nationals can obtain permanent residence visas if they have stayed in Ecuador as a temporary resident for 21 months.

I. Family and personal considerations

Family members. Depending on the conditions of the expatriate's assignment, family members can apply for visas as dependents. If the expatriate has a temporary residence visa as a dependent, the spouse is not allowed to work in Ecuador. If the spouse has a temporary residence visa as a holder, the spouse can perform any type of activity in Ecuador. Children can study if they have a temporary or permanent residence visa as a dependent. Such children are not required to obtain a student visa.

Marital property regime. Ecuadorian law provides for a marital property regime that applies to all couples legally married under Ecuadorian law and to foreign couples living in Ecuador who register their marital status with the Ecuadorian officials. Under the regime, all types of property interests arising during the marriage belong to the couple in common. Income earned on jointly held property is divided equally between spouses. Property acquired before the marriage remains separate, unless it is contributed to the marital community at the time of the marriage.

Driver's permits. A foreign national may drive legally in Ecuador using his or her home country driver's license. However, after a foreign national obtains a valid visa, he or she must obtain a corresponding Ecuadorian driver's license.

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A. Income tax

Who is liable. Income tax is imposed on the following sources of income:

- Worldwide income from employment or dependent services paid by the Egyptian government or any Egyptian public organization, regardless of the employee's residence, the place where services are rendered or the place of payment
- Egyptian-source income paid by Egyptian or foreign companies or by private sector enterprises to any employee resident in Egypt or resident abroad, in return for services rendered in Egypt (pension payments are excluded)
- Non-Egyptian-source income paid to a resident employee or individual if Egypt is the location of the headquarters of the individual's commercial, industrial or professional activity

Under the law, persons are deemed to be residents of the country where they have a permanent domicile. A person who resides in Egypt for a period exceeding 183 days during a calendar year is deemed to be resident in Egypt for tax purposes.

Nonresident individuals and expatriate experts (as defined) are generally taxed on Egyptian-source income only.

Income subject to tax. Income tax is levied on the following types of income:

- Employment income
- Business profits, noncommercial profits (self-employment income) and income from immovable properties (including the assessed rental values of agricultural lands and buildings)
- Dividends
- Capital gains on disposals of shares and securities

Employment income. Income tax is levied on salaries, wages, compensation awards, overtime pay and all cash and in-kind fringe benefits.

The following rules apply to the taxation of employment income:

- Casual workers are also subject to tax.
- Tax is imposed on income generated from Egyptian sources, regardless of whether the work is performed in or outside Egypt.

Tax is also imposed on income generated from foreign sources for work performed in Egypt.
- Tax is imposed on all salaries, remunerations and bonuses paid to managing directors, board members and managers of corporations for the performance of administrative duties.

In addition to other tax exemptions prescribed in special laws, the following types of income are exempt from tax:
- Certain collective in-kind allowances for employees, which are meals distributed to the workers, collective transportation of workers or equivalent transportation costs, health care, tools and uniforms necessary for performing work and housing provided by the employer to workers for performing their work.
- Workers' share in the profits distributed according to the law.
- All compensation received by members of diplomatic and consular corps, international organizations, and other foreign diplomatic representatives in the context of their official work. This exemption is conditioned on reciprocity of treatment and is granted within the limits of such treatment.

Self-employment and business income. Income tax is levied on noncommercial profits derived by professionals or independent persons practicing other noncommercial activities in Egypt if work is the primary element of the activity (for example, lawyers, accountants, artists and writers). This tax applies to any income derived from professions or activities not otherwise subject to tax in Egypt. Graduates and members of a professional association about to practice for the first time enjoy certain exemptions.

Noncommercial profits generated outside of Egypt that are derived by professionals or independent persons practicing noncommercial activities in Egypt are subject to tax in Egypt if Egypt is the location of the headquarters of the professional or noncommercial activities.

Taxable noncommercial income consists of net noncommercial profits from various operations after deduction of all related costs. If no proper books are kept, gross revenue is estimated using indicators and guidelines issued by the tax authorities.

Income tax is levied on the net profits of business income from all activities carried on by commercial and industrial entities operating as sole traders, partnerships and limited partnerships in Egypt, and on profits derived from certain other categories of income as specified by law.

Profits generated outside of Egypt by commercial and industrial entities operating in Egypt are subject to Egyptian income tax if Egypt is the location of the headquarters of the entity's commercial and industrial activities.

Nonresidents with commercial and industrial activities are taxed only on income earned from an establishment in Egypt or from operations carried on in Egypt.

Taxable commercial and industrial income consists of net commercial and industrial profits derived within a calendar year from all business transactions, including sales of assets (after deduction of all business charges, expenses and personal allowances).

Investment income. Dividends from shares and interest received by residents from bonds and debentures of companies that are officially listed on the Egyptian stock exchange are exempt from income tax. See *Capital gains and losses* for the taxation of capital gains on these investments.

Dividends received from foreign sources by resident individuals are subject to tax.

Certain interest is exempt from tax, including interest derived from securities listed on the Egyptian stock exchange.

Commission payments unrelated to a resident taxpayer's profession and royalties received by residents are taxed on gross income as commercial and industrial profits (business income; see *Self-employment and business income*).

Payments by domestic corporations to foreign or nonresident persons are subject to withholding taxes in accordance with the following rules:

- Dividends realized in Egypt by resident and nonresident individuals engaged in a commercial or industrial activity are subject to tax at a rate of 10% without deducting any expenses. This rate is reduced to 5% if the individual holds more than 25% of the distributing company's capital or voting rights and if the shares were held for at least two years (effective from 21 August 2015).
- Dividends realized in Egypt by resident individuals not engaged in a commercial or industrial activity are subject to tax at a rate of 10% of the annual taxable income of more than EGP10,000. This rate is reduced to 5% if the recipient meets the above-mentioned conditions.
- Royalties are taxed on gross income at a rate of 20%. Several tax treaties concluded between Egypt and other countries have specific rates for taxes on royalties, varying from complete exemption to a tax of up to 20% of gross royalties.
- Interest is subject to a 20% withholding tax with some specific exemptions. Special rates are established by certain tax treaties.

Capital gains and losses. Capital gains derived from transfers of real estate are not subject to tax unless the real estate is used in a trade or business. However, a 2.5% tax is levied on the gross proceeds from the total disposal value of built real estate and land prepared for buildings.

Tax on capital gains realized by business entities from the sale of other capital assets, including machinery and vehicles, is calculated in the same manner and at the normal rates that apply to commercial and industrial profits. Trading losses and capital losses on the sale of these assets are deductible from taxable capital gains.

Capital gains on sales of personal property, including automobiles, jewelry and shares, owned by an individual are not taxed in Egypt, unless used in a trade or business.

Tax on capital gains realized from the disposal of securities listed on the Egyptian Stock Exchange applies at a rate of 10% (suspended for a three-year period ending on 16 May 2020).

Capital gains realized by resident or nonresident individuals from the disposal of shares not listed on the Egyptian Stock Exchange or shares abroad is subject to income tax at a rate of 22.5%.

Deductions. The following deductions may be claimed:
- An annual personal deduction of EGP7,000 for each individual
- Social insurance and other contributions that may be deducted in accordance with the measures in the social insurance law and under alternative systems
- Employees' contributions to private insurance funds established according to the provisions of the Private Insurance Funds Law, as promulgated by Law No. 54 for 1975
- Premiums paid for life and health insurance for the benefit of the individual or the individual's spouse or minor children, and insurance premiums paid with respect to pensions

The total deduction for the last two items mentioned above may not exceed 15% of the net annual income or EGP10,000, whichever is lower.

For purposes of computing taxable commercial and industrial income, all costs generally are deductible. In particular, the following specific deductions are allowed:
- Costs for rental of premises
- Tax depreciation and accelerated depreciation for new machines (applying accelerated depreciation to new machines is optional, effective from 13 March 2015)
- All taxes except taxes on business income
- Social insurance contributions
- Contributions to pension and savings funds
- The deductions described in the first paragraph of this section

Rates. Progressive tax rates apply to employment income, income derived by individuals from commercial, industrial and noncommercial activities, and income from immovable properties.

The following are the tax brackets:
- First bracket: Income up to EGP8,000 is exempt from tax.
- Second bracket: Income from EGP8,001 to EGP30,000 is taxed at 10%, with an application of an 85% discount of the tax.
- Third bracket: Income from EGP30,001 to EGP45,000 is taxed at 15%, with an application of a 45% discount of the tax.
- Fourth bracket: Income from EGP45,001 to EGP200,000 is taxed at 20%, with an application of a 7.5% discount of the tax.
- Fifth bracket: Income in excess of EGP200,001 is taxed at 22.5%.

The discount is applied on the highest income bracket of the taxpayer. The tax due is calculated at the rate noted for each bracket, and the discount is then applied. Accordingly, the discount rate is 85% from the tax due for taxpayers whose income is within the second bracket, 45% for taxpayers whose income is in the third bracket and 7.5% for taxpayers whose income is in the fourth bracket. For taxpayers whose income is in the fifth bracket, no discount is provided.

Tax is imposed at a rate of 10% on amounts received by resident employees from entities other than their original employers. No deductions or exemptions are allowed with respect to the calculation of the 10% tax.

Amounts paid and benefits provided to nonresidents performing activities in Egypt are subject to the same tax rates as Egyptian residents.

Relief for losses. A taxpayer may offset losses against profits of a business and may carry losses forward for a period up to five years. Losses may not be carried back. Losses incurred in long-term projects may be carried back within the same project.

Losses incurred outside Egypt cannot be offset against taxable profit in Egypt.

If capital losses exceed capital gains realized from disposals of securities and shares in a tax year, the excess can be carried forward for three years.

B. Inheritance tax

Egypt does not impose inheritance tax.

C. Social security

Social insurance contributions are levied only on Egyptian nationals with full-time employment. An employee pays 14% on monthly base salary up to EGP1,670, and 11% on monthly amounts exceeding this amount or on other payments, including overtime or representation allowances, up to EGP4,040.

To provide relief from double social security taxes and to assure benefit coverage, Egypt has concluded totalization agreements with Cyprus, Greece, the Netherlands and Sudan, which usually apply for an unlimited period of time.

D. Tax filing and payment procedures

The tax year in Egypt is the calendar year. Married persons are taxed separately, not jointly, on all types of income.

Individuals engaged in business or professional activities must notify the tax authorities within 30 days of starting such activities and within 30 days after ceasing activities or relocating. They are also required to obtain a tax identification card.

Individuals deriving noncommercial profits, regardless of the amount, must submit annual tax returns and pay tax before 1 April for income derived in the preceding calendar year. The returns must give details of profits or losses, and must be supported by the relevant books of account together with all necessary documents. An individual may request to extend the date of submitting his tax return if the request is submitted 15 or more days before the due date for the submission of the return and if, on the date of submitting the request, the individual pays the estimated tax stated in the tax return. If the extension request is submitted in accordance with the above requirements, the date for submitting the tax return is extended for a period of 60 days.

Employees are not required to submit annual returns for their employment income.

Companies must withhold monthly tax from the salaries of employees and remit such amounts to the tax authorities. They must submit a quarterly declaration to the relevant tax office in January, April, July and October of each year. Companies must submit an

annual declaration to the relevant tax office in January of each year. Free-zone projects must withhold the taxes due from their employees and remit such amounts to the tax authorities.

Nonresidents with commercial and industrial activities operating as partnerships must file annual tax returns within four months after the end of the financial year or within 30 days after the cessation of their activities.

Tax becomes due and is payable within 30 days after receipt of a notice of final tax assessment from the tax authorities. If an individual fails to pay the tax due before the due date, a delay penalty applies until the date of payment. The delay penalty is imposed at a rate of 2% plus the credit and discount rate set each January by the Central Bank of Egypt.

E. Double tax relief and tax treaties

Egypt has entered into double tax treaties with the following jurisdictions.

Albania
Algeria
Austria
Bahrain
Belarus
Belgium
Bulgaria
Canada
China
Cyprus
Czech Republic
Denmark
Ethiopia
Finland
France
Georgia
Germany
Greece
Hungary
India
Indonesia
Iraq
Ireland
Italy
Japan
Jordan
Korea (South)
Kuwait
Lebanon
Libya
Malaysia
Malta
Morocco
Netherlands
Norway
Pakistan
Palestine
Poland
Romania
Russian Federation
Serbia and Montenegro
Singapore
Slovak Republic
South Africa
Spain
Sudan
Sweden
Switzerland
Syria
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Yemen
Yugoslavia

Tax treaties with Congo (Democratic Republic of) and Saudi Arabia have been negotiated, but they have not yet been ratified. Treaty discussions have been initiated but treaties have not yet been negotiated with Armenia, Bangladesh, Kazakhstan, Mongolia, North Macedonia, Oman, Senegal, Seychelles, the Slovak Republic, Sri Lanka, Tanzania, Thailand, Uganda and Vietnam.

F. Tourist and temporary visas

All foreign nationals are required to obtain valid entry visas to enter Egypt, with certain exceptions for nationals of countries that do not require visas for Egyptians.

Tourist visas. In general, most business visitors and tourists seeking to enter Egypt must obtain an entry visa. For Canadian, European and US nationals, this visa is stamped in the traveler's passport at the port of entry or the airport. Nationals of certain countries are required to obtain the entry visa from the Egyptian

consulate in their home country before arriving to Egypt. Visitors having tourist visas are generally prohibited from remaining in Egypt beyond the authorized period and are not permitted to engage in any form of employment or studying. The authorized period of the visa is one month. However, visitors may apply for an extension of up to three months.

Temporary visas. Temporary visas are issued to foreign nationals who enter Egypt for reasons other than tourism and whose stay will exceed three months but not more than one year. Certain individuals, including foreign investors, may receive temporary visas for a period of three years. Visitors having temporary visas are generally prohibited from remaining in Egypt beyond the authorized period and are not permitted to engage in any form of employment or studying.

Each individual applying for or requesting a renewal of a temporary visa must submit the following forms and documentation:

- A passport or an equivalent travel document valid for travel to Egypt with a validity date of at least six months after the applicant's intended period of stay in Egypt
- An application form
- Six photographs
- Additional forms

G. Work permits, work visas and self-employment

If a foreign visitor wants to work in Egypt on a full-time basis, under Egyptian labor law, he or she needs to obtain a work permit. Work permits are granted to expatriates by the Ministry of Manpower and Immigration on an individual basis. A work permit is granted for one year. The work permit may be renewed annually up to a maximum of five years unless exceptional approval is received from the Ministry of Manpower and Immigration. The renewal of the work permit usually takes from 10 to 15 working days, depending on the employee's nationality.

The applicant must first submit a work permit enrollment application, together with certain supporting documentation, to the Ministry of Manpower and Immigration.

The issuance of a work permit involves the following two-phase process:

- Phase 1 is the enrollment process. This should be initiated and completed while the applicant is outside Egypt by submitting an enrollment application to the Ministry of Manpower and Immigration and all of the required documents from both the applicant and the legal entity for which the applicant will work. The application requests that the ministry approve the enrollment of the applicant then notify the Main Passport Directorate to issue an entry visa number for him or her to use to enter Egypt.
- Phase 2 is the work permit issuance process. After entering Egypt, the assignee should perform an HIV test (blood test). After the test results and all of the required documents for issuing the work permit have been submitted, the applicant's passport can be stamped with his or her work permit and then his or her family members (spouse and children) can have their passports stamped with residency stamps with the same duration as the work permit of the applicant. However, stamps for family

members are for the purpose of residency only, and family members are not permitted to work in Egypt.

The estimated timeline from the date of the receiving all of the required documents is four to six weeks for Phase 1 and four to five weeks for Phase 2. This estimated timeline may vary depending on certain factors such as the applicant's nationality, particularly Far East nationalities, because their security investigation process takes a longer time.

The following criteria are considered for applicants who will work on full-time basis:

- The applicant should have a legal entity in Egypt through which the applicant applies for enrollment.
- The applicant's position should add value to the Egyptian legal entity (that is, he or she should be an expert in his or her area of specification, because ordinary positions, such as administrative positions, are not acceptable for enrollment).
- The applicant should have at least three years of relevant experience in the same position that he or she will be holding in the Egyptian legal entity.
- The Egyptian legal entity should comply with the labor ratio of 9:1 (that is, nine Egyptian full-time employed and socially insured employees for each expatriate employee).

H. Residence visas

Ordinary visas. Ordinary visas are issued for a period of five years to foreign nationals who are married to Egyptians or who were born in Egypt or Palestine.

Special visas. Special visas are issued to foreign nationals for political reasons or to individuals who have provided beneficial services to Egypt. The duration of this visa is 10 years, and it is renewable for similar durations.

I. Family and personal considerations

Family members. The rules for family members are summarized below.

Visitors. Visitors should apply for a tourist visa at an Egyptian consulate abroad.

Employment for spouses. A spouse has the same duration of residency as the applicant. However, he or she is required to apply for a work permit separately from the applicant if he or she intends to work as a full-time employee in Egypt. A marriage certificate or other document is usually required to prove the marriage status.

Study permits for children. Children receive the same duration of residence as the applicant and his or her spouse. In general, children are allowed to apply to schools and colleges.

Driver's permits. Foreign nationals may drive legally using their home country driver's licenses only if they are visiting Egypt temporarily and hold international driver's licenses. After permission to work is granted, they must obtain local driver's licenses.

To obtain an Egyptian driver's license, an individual must submit a doctor's certificate, take a verbal examination and perform a fairly simple driving test.

Egypt does not have driver's license reciprocity with other countries.

El Salvador

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ey.com/TaxGuidesApp

Please direct all inquiries regarding El Salvador to the persons listed below in the San José, Costa Rica, office and the San Salvador, El Salvador, office of EY. All engagements are coordinated by the San José office with the support of the San Salvador office.

San Salvador **GMT -6**

EY
Torre Futura
World Trade Center 11-05
San Salvador
El Salvador

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A. Income tax

Who is liable. Resident individuals are subject to tax on El Salvador-source income as well as foreign-source investment income (interest from cash deposits in financial institutions abroad, and gains on the sale of foreign securities, financial instruments and derivative contracts). Income tax paid abroad with respect to foreign-source income may be credited against the Salvadoran tax liability for such income according to specific rules.

Nonresident individuals, regardless of their nationality, are taxed only on their El Salvador-source income, which includes income derived from the following:
- Assets located in El Salvador
- Activities carried out or capital invested in El Salvador
- Services rendered or used in El Salvador, even if received or paid for outside El Salvador

Individuals are considered tax resident if they stay in El Salvador for more than 200 consecutive days during a tax year. An individual staying 200 consecutive days or less within a tax year is considered a nonresident for tax purposes. Individuals that have been deemed residents for more than one calendar year may

remain outside the country for up to 165 days without losing their resident status. In addition, individuals whose principal place of trade or business is in El Salvador are also considered residents.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Tax is imposed on salary, remuneration, fees and other compensation received for services rendered or used in El Salvador.

Self-employment and business income. Income derived from self-employment services rendered or used in El Salvador or from a trade or business is subject to tax in El Salvador.

Investment income. Individuals are subject to tax on interest income, premiums and other yields, derived from savings and time deposits with banks and financial institutions domiciled in El Salvador. Tax is imposed at a flat rate of 10% if the monthly average deposits equal or exceed USD25,000.

Income derived from deposits in financial institutions abroad that is earned by individuals domiciled in El Salvador is subject to a flat tax rate of 10% if the income was not subject to tax in the country of origin. If the tax rate or the tax paid in the country of origin is less than the Salvadoran tax rate, the taxpayer is required to pay the difference between the tax rate or tax paid abroad and the Salvadoran tax rate or tax due.

Resident legal entities that pay or register dividends or profits with respect to resident or nonresident individuals must withhold income tax at a flat 5% rate, which is considered as a definitive and final tax. Taxation occurs on actual or constructive receipt of the dividend.

If the company distributing the dividends does not withhold the 5% tax, the individual must report the income and pay the corresponding tax through the filing of an annual income tax return.

If the nonresident individual is domiciled or resident in a tax-haven jurisdiction for Salvadoran tax purposes, the applicable dividend withholding tax rate is 25%.

Loans granted by resident legal entities to their partners, shareholders, associates, trustees, beneficiaries, and spouses or family within the fourth consanguinity degree and second affinity degree of the abovementioned individuals is subject to the flat 5% withholding tax on the total amount loaned (that is the principal amount), unless the agreed interest rate is in accordance with or above market rates. In addition, if the term of the loan exceeds one year and if the repayment is in arrears for more than six quotas, a taxable cancellation of debt to the borrower is deemed to occur.

Dividends, interest, capital gains or any other benefits derived from investments in or sales of securities, financial instruments and derivative contracts by Salvadoran individuals domiciled in El Salvador are subject to tax at a flat rate of 10% if any of the following conditions are met:

- The issuing entity is a national entity or it is domiciled in El Salvador.
- The capital is invested or employed in El Salvador.

- The risk of the underlying asset is placed or located in El Salvador.

The above conditions are deemed to have been met if the taxpayer is domiciled in El Salvador or is a domiciled establishment or branch for Salvadoran tax purposes.

Directors' fees. Directors' fees paid to resident and nonresident individuals who are not employees of the company are subject to withholding tax at a rate of 10% for resident individuals and 20% for nonresident individuals. This tax is a final tax for nonresident individuals. However, if the director is an employee, the fee is subject to progressive rates (see *Rates*).

Special rules for payments to tax-haven jurisdictions. A 25% final withholding tax is imposed on amounts paid to or through non-domiciled individuals or legal entities resident or domiciled in tax-haven jurisdictions if the payment has a tax effect in El Salvador (for example, it is regarded as a deductible expense for the payer). Exemptions apply in the following circumstances:
- The payments are made for the acquisition or transfer of tangible assets.
- The tax-haven jurisdiction is a Central American country that has entered into a cooperation agreement with the Salvadoran tax and customs authorities.
- The tax-haven jurisdiction has entered into an information exchange agreement or double tax treaty with El Salvador.
- Reduced withholding tax rates apply in El Salvador to the payment (that is, for payments for international transportation services, insurance and similar services, interest from loans and specific intangible assets and rights).

Also, see *Rates*.

Capital gains. In general, capital gains are subject to a tax at a flat rate of 10%.

Deductions

Personal deductions and allowances. A deduction of USD1,600 is allowed for each employed individual with annual income that does not exceed USD9,100. Individuals with income exceeding USD9,100 may deduct up to USD800 for medical expenses and up to USD800 for education expenses, subject to confirmation by the tax authorities.

Business deductions. All costs and expenses that are necessary to generate taxable income or maintain its source are deductible if the following conditions are satisfied:
- They are not excessive or unreasonable.
- They pertain to the same fiscal year as the taxable income.
- They are supported by the required corresponding documentation.
- Applicable withholding taxes, if any, have been imposed.

Expenses related to the acquisition of movable goods and the rendering of services in an amount equal to or exceeding USD7,604.25 are deductible for income tax purposes only if the payment is made by check, bank wire transfer, credit or debit card or if the transfer or the service is documented by a written contract or other documents regulated by civil or commercial law.

Payments for services rendered by nonresident individuals to resident individuals and domiciled entities are subject to withholding taxes that are imposed in the month of payment or in the month in which the payment is credited. If by 31 December, the payment for services rendered or used in El Salvador has not been made, the payer must remit the corresponding tax that would have been withheld from the payments in order to deduct the payments when calculating its annual taxable income.

Rates. Employment and self-employment income for resident individuals is taxable at the following rates.

Annual taxable income Exceeding USD	Not exceeding USD	Fixed tax amount USD	Variable tax rate on excess %
0.00	4,064.00	0.00	0
4,064.00	9,142.86	212.12	10
9,142.86	22,857.14	720.00	20
22,857.14	—	3,462.86	30

Nonresident individuals are subject to income tax from Salvadoran sources at a flat 30% rate.

Withholding tax is imposed on nonresidents at a rate of 20% on remuneration, pensions, commissions, directors' fees and other similar items of compensation that are classified as El Salvador-source income. In practice, this may be considered a definitive withholding tax.

If an individual receiving a payment is resident or domiciled in a tax-haven jurisdiction or if a payment is paid or credited through individuals or legal entities resident, domiciled or incorporated in tax-haven jurisdictions, a 25% withholding tax applies, subject to certain exemptions (see *Payments to tax-haven jurisdictions*).

Relief for losses. Losses may not be carried forward or back. However, capital losses derived from the sale of movable or immovable assets may be offset against future capital gains for up to five years, provided such losses have been reported to the tax authorities. Capital losses derived from the sale of securities or financial instruments issued abroad may be offset against future capital gains from the same assets for up to five years.

B. Estate and gift taxes

El Salvador does not impose separate estate or gift taxes. However, estates may be taxed as ordinary taxpayers if they derive income before the assets are distributed to the beneficiaries.

C. Social security

Social security contributions are levied monthly on salaries at a rate of 8.5% for employers and 3% for resident and nonresident employees, with a monthly salary ceiling of USD1,000. Death and pension funds are covered by private institutions, which are funded through monthly contributions levied on salaries at a monthly rate of 6.75% for employers and 6.25% for employees, with a monthly salary ceiling of USD6,500. The Pension Fund Administration considers any compensation for services provided in El Salvador under an existing employment relationship to be

taxable, regardless of the migratory status of the individual. For foreign individuals, the Pension Fund Administration has established a refund mechanism for such contributions, and a refund may be requested after the foreign individual leaves El Salvador. In principle, salary-in-kind is not subject to Pension Fund contributions because the Pension Fund Law states that only compensation received in cash by the employee for ordinary services rendered to the employer is subject to Pension Fund contributions.

D. Tax filing and payment procedures

The normal tax year is the calendar year. Returns must be filed and any tax liabilities due must be paid within the first four months of the following tax year. Extensions are not available.

Employers are responsible for withholding income tax and social security contributions from employees' salaries on a monthly basis. Employees must file annual income tax returns, which report their employment compensation and corresponding taxes withheld. However, employees are not required to file annual income tax returns if their annual earnings are less than USD60,000. However, they must file annual income tax returns if the income was not subject to withholding or if the withholding was not in accordance with the tax due based on the progressive tax rate table.

In June and December of each year, a half-year and end-of-year withholding recalculation is required. To determine withholding as of June and December, the employer must recalculate based on accumulated taxable wages at the end of each period.

In principle, nonresidents are required to file tax returns. However, if all El Salvador-source income was subject to withholding at source, the withholding tax is considered a final tax and the filing of a tax return is not required.

Individuals who are taxpayers in El Salvador are required to file a Personal Real Estate Statement, which is filed together with the annual income tax return. Taxpayers who satisfy any of the following conditions are exempt from the filing of a Personal Real Estate Statement:

- They have annual income equal to or less than 362 minimum monthly salaries (USD110,108.54) in a tax year.
- They own real estate in El Salvador with a fair market value equal to or less than 1,446 minimum monthly salaries (USD439,829.82).
- They do not own real estate in El Salvador.

E. Foreign tax relief and double tax treaties

In general, Salvadoran law does not provide relief for foreign taxes paid, except in case of taxes on foreign dividends, interest, capital gains or any other benefits derived from investments in or sales of securities, financial instruments and derivative contracts, and interest from cash deposits in financial institutions abroad (see Section A). El Salvador has entered into a tax treaty with Spain to avoid double taxation and prevent evasion of income tax and net worth tax.

F. Temporary visas

Depending on their country of citizenship, individuals may be required to apply for and obtain an entry visa before traveling to El Salvador. A Salvadoran consulate overseas grants the visa. Because the rules indicating the countries of citizenship of individuals who are required to obtain an entry visa before entering El Salvador and requirements for obtaining a visa often vary, it is necessary to check the entry visa requirements on a case-by-case basis.

G. Work visas (and/or permits)

Foreigners must apply for a work permit to work in El Salvador, regardless of where the compensation is paid. The government of El Salvador grants work authorization to foreign employees, under the option of temporary resident. This is subject to certain rules that have to be checked on a case-by-case basis because these rules vary among employees and by country of citizenship. The application may be filed before arrival in El Salvador.

The approximate time for obtaining a work permit after all documents are filed with the immigration authorities ranges from three months to four months. However, after the required documents are filed with the immigration authorities, a receipt may be obtained and used as a temporary permit until final approval is received. Work permits are valid for one year and are renewable for similar periods of time.

H. Residence visas (and/or permits)

The government of El Salvador may grant residencies to foreign nationals who are interested in residing in El Salvador as foreign workers as well as to the dependents of foreign workers. Dependents must prove that they receive income from the foreign worker or that the foreign worker covers their living expenses. However, immigration and visa requirements generally are amended frequently in El Salvador, and applicable requirements may vary among workers. As a result, the rules should be checked on a case-by-case basis.

Foreigners may apply for local residency with the General Direction of Immigration and Foreigner Issues (Dirección General de Migración y Extranjería) if certain requirements are met. Residency is granted for a renewable one-year period.

I. Family and personal considerations

Family members. El Salvador law does not grant an automatic work authorization to family members of a foreign worker. Family members wanting to work must apply independently to obtain a work authorization.

Children of expatriates must have student visas to attend schools in El Salvador. After the children become adults (turn 18 years old), they must apply separately for a residency in El Salvador.

Marital property regime. If the two spouses do not establish one of the three patrimonial regimes contemplated in the Family Code of the Republic of El Salvador (Separation of Assets, Profit Sharing and Deferred Compensation), the regime of Separation of Assets is automatically applied. Such regime is applied

as the supplementary regime under which all assets obtained by any means, except by donation, after the commencement of the marriage are considered to be marital property.

Forced heirship. If an individual dies without leaving a will, the beneficiaries of his or her assets and patrimony according to the law are in the following order:
- 1: Descendants, parents and spouse
- 2: Grandparents and other ascendants and grandchildren
- 3: Brothers
- 4: Nephews
- 5: Uncles
- 6: Cousins
- 7: University of El Salvador and hospitals

Amounts for the following are deducted, paid, and/or removed from the mortuary estate before the estate is distributed to the beneficiaries:
- Mortuary procedures
- Debts
- Taxes
- Maintenance obligations of the deceased

Driver's permits. Foreigners entering El Salvador are authorized to drive vehicles with a current driver's permit from their country, subject to the following:
- Reciprocity principle and provisions of international conventions and treaties ratified by El Salvador
- The validity of the authorization under which the visitor remains in El Salvador
- Validation of the foreign driver's permit issued by the country of origin

After the entrance visa has elapsed, driver's permits can be acquired from a private entity authorized by the government to issue the permits. When a foreigner obtains a migratory status that allows him or her to reside in El Salvador, he or she is required to obtain a local driver's permit. This applies only if the temporary residency granted to the foreigner is for a term longer than four months.

Equatorial Guinea

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A. Income tax

Who is liable

Territoriality. Individuals are subject to income tax based on residence. Taxpayers are categorized as residents or nonresidents.

In principle, residents are subject to general income tax on worldwide income. However, recent tax audits have shown that the government auditors tax only income derived from Equatorial Guinean sources.

Nonresidents are taxed on income derived from Equatorial Guinea.

Definition of resident. A person may be considered resident in Equatorial Guinea for tax purposes under a facts and circumstances test or under an arbitrary test, which is based on the number of days of presence in Equatorial Guinea.

Under the fact and circumstances test, an individual is considered to be a tax resident of Equatorial Guinea if he or she satisfies either of the following conditions:
- He or she has a dwelling in Equatorial Guinea in the capacity of owner, equitable owner or tenant, regardless of whether he or she is part of a family unit.
- He or she has his or her principal residence in Equatorial Guinea.

Under the arbitrary test, an individual is considered to be a tax resident of Equatorial Guinea, if he or she satisfies both of the following conditions:
- He or she stays in Equatorial Guinea for more than three months in a calendar year or for more than six months within two consecutive calendar years.
- He or she carries on operations or provides remunerated services in Equatorial Guinea.

For individuals in the hydrocarbon sector, an individual needs to stay in Equatorial Guinea for more than three months in a calendar year to meet the arbitrary test mentioned above.

Individuals who are not considered to be tax residents under the facts and circumstances or arbitrary tests are classified as tax nonresidents.

Income subject to tax

Employment income. Taxable income includes all remuneration, fringe benefits, allowances, overtime and bonuses.

The amount of income arising from fringe benefits equals specified percentages of gross wages, as shown in the following table.

Type of fringe benefit	Percentage of gross wages
Accommodation	15%
Domestic services	5%
Water and electricity	5%
Service or office vehicle	5%
Food	20% of the gross wages, up to a maximum amount of XAF150,000

Allowances covering professional expenses (limited to 20% of the total remuneration with a cap of XAF1 million per year) are exempted from tax.

Investment income. Under Article 252 of the General Tax Code, dividends received by resident individuals are included in taxable income and subject to income tax at the progressive tax rates. The tax may be reduced through the filing of a global income return, as provided under Articles 240 and 241 of the General Tax Code.

A final withholding tax at a rate of 25% is imposed on dividends and interest paid to nonresidents.

Self-employment income. Individuals are subject to income tax on their self-employment income from real estate assets, as well as from commercial, noncommercial, agricultural and professional activities.

The taxable income or profit from self-employment activities equals the difference between the total income derived from and the total expenses incurred in such activities.

Capital gains. Capital gains derived from the sale of real estate assets are subject to income tax.

Exempt income. The following types of income are exempt from tax:

- Special payments intended to cover expenses inherent to the nature of the employment, such as travel allowances, to the extent that the allowance corresponds to the length of the travel and does not exceed the additional expense borne by the employee
- Family allowances
- Student scholarships
- Temporary payments to victims of accidents at work
- Damages paid under a judicial order to an individual who has suffered permanent damage
- Seniority payments

Deductions. In addition to the deductions claimed with respect to various categories of income, individuals may deduct certain items, including the following:

- Interest on loans and debt that are incurred for the construction, purchase or major repairs of real estate located in Equatorial Guinea that the individual maintains as his or her principal residence
- Alimony and child support paid in compliance with a judicial ruling
- Payments made for the purpose of setting up retirement funds in accordance with the rules of the Ministry of Labor
- Payments made to the Institute of Social Security on behalf of domestic employees
- Payments of allowances or pensions that are delayed

If a loss is recorded in an income category, such loss may be carried forward to offset income in the following three years. In the oil and gas sector, losses may be carried forward to the following five years. However, losses arising from recreational real estate or real estate that is used for summer holidays may not be used in such a manner.

Rates

Residents. Residents are subject to individual income tax at the following progressive rates.

Taxable income XAF	Tax rate %	Tax due XAF	Cumulative tax due XAF
First 1,000,000	0	0	0
Next 2,000,000	10	200,000	200,000
Next 2,000,000	15	300,000	500,000
Next 5,000,000	20	1,000,000	1,500,000
Next 5,000,000	25	1,250,000	2,750,000
Next 5,000,000	30	1,500,000	4,250,000
Above 20,000,000	35	—	—

Nonresidents. Nonresidents are subject to tax at a rate of 20% of the gross salary earned in Equatorial Guinea.

B. Other taxes

Inheritance and gift taxes. Inheritance and gift taxes are imposed on acquisitions by individuals of the following:
- Goods located in Equatorial Guinea.
- Rights, shares and obligations that have arisen, can be exercised or fulfilled in Equatorial Guinea.
- Goods and chattels located outside of Equatorial Guinea if the decedent or successor, or the donor or beneficiary, are citizens of Equatorial Guinea. This category includes benefits from life insurance contracts.

The following items are included in the tax base for inheritance and gift tax purposes:
- Acquisitions as a result of death (*mortis causa*): the actual value of the goods and rights acquired by each successor reduced by the burdens and debts that may be deductible
- Donations and other *inter vivos* acquisitions as gifts: the value of the goods and rights acquired, reduced by the burdens or debts that are deductible
- Life insurance: the amounts received by the beneficiary

The following are the inheritance and gift tax rates:
- All hereditary successions over XAF100,000: 10%

- Donations: 5%
- Life insurance: 10%

Tax on Individuals. The Tax on Individuals is imposed annually on all individuals residing or domiciled in Equatorial Guinea that are 18 years or older. The tax is imposed regardless of the individual's nationality or origin.

The amount of the Tax on Individuals depends on the area of residence in Equatorial Guinea. The Tax on Individuals is XAF5,000 for Malabo and Bata.

The Tax on Individuals must be paid within the first quarter of each fiscal year. In practice, this tax is paid by employers on behalf of their employees.

Property tax. All owners of and certain other individuals holding rights in urban real estate are subject to urban property tax. The tax base equals 40% of the sum of the value of the land and buildings. The tax rate is 1%. If the tax base for properties held by a taxpayer totals less than XAF1 million, the taxpayer is exempt from tax. In addition, certain properties are not subject to the tax.

C. Social contributions

Social security. Employees subject to individual income tax are also subject to social security contributions.

The social security contributions are based on gross salary including, but not limited to, base salary and other fixed and periodic income derived in Equatorial Guinea.

The rate of the employer contribution is 21.5%, while the rate of the employee contribution is 4.5%.

Social security covers pension, death, temporary incapacity, maternity and medical assistance.

Worker Protection Fund. Employers and employees must make contributions to the Worker Protection Fund (WPF). The employer contribution is based on gross salary, while the employee contribution is based on net salary. Gross salary includes base salary, fringe benefits, allowances, overtime pay and bonuses. To calculate net salary, social security payments made to local social security systems for the employee and personal income tax are subtracted from gross salary.

The contribution rates for the WPF are 1% for employers and 0.5% for employees. The seniority payment is exempted from the social security and WPF contributions and the individual income tax.

D. Tax filing and payment procedures

The tax year in Equatorial Guinea for purposes of general income tax is the calendar year.

Employers must withhold individual income tax on behalf of their employees and remit such tax to the tax administration by the 15th day of the following month.

Penalties for late payments of individual income tax are imposed at a rate of 25% of the tax owed. Interest is payable on arrears at a rate of 10% per month.

E. Double tax relief and tax treaties

Equatorial Guinea has entered into the Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale, or CEMAC) tax treaty.

F. Temporary visas

A person who wants to enter Equatorial Guinea must apply for a temporary visa. This visa can be obtained by contacting an Equatorial Guinea Embassy in Belgium, Cameroon, China, Ethiopia, France, Gabon, Morocco, Nigeria, the Russian Federation, Spain or the United States. Foreigners who do not have an Equatorial Guinea Embassy in their countries may obtain a temporary visa in any country where an Equatorial Guinea Embassy is located.

Tunisian and US nationals are not required to obtain visas.

G. Work permits and self-employment

The labor ministry issues the following five types of work permits:

- Permit A (PA) is granted to an employee who will work in a single work location for less than six months. It is not renewable.
- Initial Permit B (IPB) is granted to an individual who will engage in an established profession, working place or activity. It is valid for one year.
- Permit B Renewed (PBR) is granted to individuals holding IPB at the end of the validity period for IPB. It is valid for two years.
- Permit C (PC) is granted to individuals holding PBR at the end of the validity period for PBR. It is valid for three years.
- Permanent Permit (PP) is granted to individuals holding PC at the end of the validity period for PC.

A company must apply for a work permit before the foreign employee begins work in Equatorial Guinea. An application must be filed with the employment office of the city where the employer resides or where the employment contract will be carried out.

Before applying for a work permit, a person must apply for the authorization of recruitment.

H. Residence permits

In addition to work permits, foreign workers must obtain residence permits to work in Equatorial Guinea.

The requirement to hold a residence permit depends on the duration of the stay in Equatorial Guinea. For further information, please contact the police department in Malabo.

I. Family and personal considerations

Family members. Family members of foreign executives are granted no special privileges with respect to the right to work in Equatorial Guinea.

Marital property regime. Couples who are married in Equatorial Guinea may elect the community property or separate property regime to apply to their marital property.

Community property is the default regime. A couple married abroad is subject to the laws of the country where the marriage was solemnized.

Driver's permits. Foreign workers may not drive legally in Equatorial Guinea with their home country driver's license or their international driver's license. Equatorial Guinea does not have driver's license reciprocity with other countries.

To obtain a driver's license in Equatorial Guinea, a foreign citizen already possessing a driver's license from his or her home country may apply for an Equatorial Guinea driver's license, which requires the temporary surrender of the home country driver's license.

Estonia

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A. Income tax

Who is liable. Residents of Estonia are subject to tax on their worldwide income. Nonresidents are subject to income tax on income from Estonian sources only.

For tax purposes, individuals are considered to be resident if they have a permanent place of residence in Estonia or if they remain in Estonia for at least 183 days during a period of 12 consecutive calendar months. Natural persons must inform the tax authorities about the establishment or change of their Estonian residency by submitting a special registration form to the tax authorities.

Income subject to tax. Income for tax purposes is income derived from all sources, including salaries, wages, pensions, scholarships, grants, capital gains, lottery prizes, directors' fees, insurance indemnities, payments from a pension fund (supplementary or voluntary pension), rent payments, royalties, interest accrued from loans, securities, leases or other debt obligations, and other payments made for services rendered (under contracts governed by the Law of Obligations, which stipulates the terms of civil law agreements).

Individuals acting independently in their own name and at their own risk are subject to income tax on income derived from self-employment or entrepreneurial activities.

Education allowances provided by employers to their local or expatriate employees' children are taxable for income tax and social tax purposes.

Items excluded from taxable income. In general, fringe benefits, including a company car, housing, lunch vouchers and similar items, are not treated as taxable income of the recipient. Instead, the Estonian employer pays the income tax on fringe benefits, including fringe benefits provided by a nonresident company belonging to the same group as the employer. If foreign employees working in Estonia are paid solely by a foreign company, the foreign company must register in Estonia as a nonresident employer and pay income tax and social tax (if no A1 certificate in place) on fringe benefits provided to the employee working in

Estonia. In the case of an A1 certificate, the foreign employee is not liable for Estonian social tax in accordance with the rules of European Council Regulation No. 883/2004.

Various items are excluded from the taxable income of residents including, but not limited to, the following:

- Inheritances received (accepted succession).
- Gifts received from other individuals, state or local government authorities, resident legal persons or nonresidents through or on account of their permanent establishment registered in Estonia.
- Insurance proceeds received under specific insurance contracts.
- Dividends received from resident companies. Effective from 2018, dividends received from resident companies taxed at a lower rate under a special three-year distribution rule are included in the taxable income of individuals.
- Dividends received from nonresident companies, if income tax was paid on the share of profits out of which the dividends were paid or if income tax on the dividends was withheld in a foreign country.
- Income from the exchange of a holding (for example, shares) in the course of a merger, division or transformation of companies or nonprofit associations, or a merger of investment funds.
- Income from the increase or acquisition of a holding in a company through a non-monetary contribution.
- Income from the exchange of units of an investment fund.
- Income from transfers of movable property used for personal purposes.
- Gains derived from transfers of real estate, structures or apartments treated as movables or as contributions to housing associations, if the asset is privatized under government order, is received as restitution for the unlawful alienation of property or is used as the taxpayer's primary or permanent place of residence.
- Gains derived from transfers of summer cottages or garden houses owned by residents for more than two years if the size of the land related to the cottage or house does not exceed 0.25 hectares.
- Employment income and service fees for working in a foreign state if the individual has stayed in the foreign state for the purpose of employment for at least 183 days during a period of 12 consecutive calendar months and if the relevant income has been included in the taxable income of the person in the foreign state and this is certified, with the amount of income tax indicated on the certificate (even if the amount is zero).
- Per diem allowances and accommodation costs of business trips, and compensation for business use of a private car, in accordance with the prescribed rates.
- Childbirth allowances paid by an employer to an employee or public servant, in an amount not exceeding EUR2,500.
- In-service training and retraining of employees paid for by the employer on termination of the employment or service relationship as a result of redundancy.
- Payments at prescribed rates by an employer for the treatment of damage caused to the health of an employee or public servant as a result of an accident at work or an occupational disease.
- Payments made to diplomats on the basis of the Foreign Service Act.
- Benefits paid to victims of crime under the law.

- Gambling winnings received from gambling organized on the basis of an operating permit or registration.
- Pensions in accordance with the prescribed limits.
- Scholarships that are paid by the state or that are mandatory according to the law, if they are not paid with respect to entrepreneurship, employment or management board member status.
- Property returned as restitution in the course of ownership reform.

In addition, compensation for certified expenses incurred for the benefit of another person and compensation for direct proprietary damage that is not paid with respect to entrepreneurial activities are not deemed to be taxable income of a resident, except for compensation that is paid subject to separate terms, conditions and limits, such as compensation for the business use of a private car.

Self-employment income. For registered sole proprietors, all income attributable to self-employment or entrepreneurship is subject to income tax and social tax. General partnerships are taxed as entities.

Effective from 2018, an individual not registered as a sole proprietor can open a business income account (a bank account in a credit institution resident in an European Economic Area [EEA] member state) for business income simplified taxation. Income derived from selling goods or services transferred to the business income account is subject to business income tax at the following rates.

Taxable income		
Exceeding EUR	**Not exceeding EUR**	**Tax rate %**
0	25,000	20
25,000	—	40

The tax should be automatically calculated, withheld and paid to the tax authorities on a monthly basis by the credit institution. The tax is used to proportionally cover all payroll tax obligations applicable to the individual. No separate social security contributions are due. The individual is covered by social security, provided that the tax paid meets the minimum social tax obligation.

Investment income. Dividends received by residents from resident companies are exempt from tax. However, effective from 2018, dividends received from resident companies that are taxed at a lower rate under a special three-year distribution rule are included in the taxable income of the individual. Residents are taxed on all dividends and other profit distributions received from foreign companies unless income tax was paid on the profits out of which the dividends were paid or unless income tax on the dividends was withheld in a foreign country.

Dividends paid to shareholders are not subject to withholding tax. However, effective from 2018, dividends paid to individuals (including nonresident individuals) are subject to an additional 7% income tax withholding if those dividends are paid by a resident company and taxed at a 14% corporate income tax rate at the company level.

Dividends and profit distributions paid by resident companies are subject to corporate income tax at a rate of 20% at the level of the distributing companies at the moment of the profit distribution. This tax is not a withholding tax and is paid by the company, in addition to the amount of dividends distributed.

Rental payments and royalties paid to resident individuals are subject to withholding tax at a rate of 20%. However, if a dwelling is rented out under a rental agreement, under certain conditions, the tax authorities consider 20% of rental income as rental-related costs and only 80% is taxed. This deduction can be applied in the personal income tax return.

Nonresidents. Nonresident individuals are taxed on the following types of income derived from Estonian sources:

- Income from the alienation or lease of assets registered in Estonia
- Interest received as a result of ownership of a contractual investment fund if the fund owned (directly or indirectly) at any time during the two-year period before the date of interest payment more that 50% of real estate located in Estonia and if the interest recipient owns at least 10% of the investment fund, unless the profits of the investment fund has been already taxed
- Royalties and income from sales or licenses of patents, copyrights, trademarks, software, know-how and other information received from Estonian persons
- Liquidation distributions and payments related to a company's reduction of its stock capital, to the extent the amount received exceeds the acquisition cost of the shares, except for the portion of the amount received that has been taxed at the level of the company making the payments
- Salary, wages and other employment income for work performed in Estonia if more than 183 days are spent in Estonia or if the payments are made by a resident or a nonresident registered in Estonia
- Income of nonresident board members (effective from 1 January 2015, this income is taxed even if the remuneration for managing the Estonian company is paid by a foreign company; previously, such income was taxed only if the remuneration was paid by the Estonian company)
- Effective from 2018, dividends or other profit distributions received from Estonian resident companies that were taxed at a reduced rate of 14% at the company level

Nonresidents are exempt from tax on the following types of income:

- Inheritances received (accepted succession)
- Income from the transfer of movable property used for personal purposes
- Expropriation payments and compensation paid on expropriation
- Income from the exchange of a holding (for example, shares) in the course of a merger, division or transformation of companies or nonprofit associations, or a merger of investment funds
- Income from the increase in or acquisition of a holding in a company through a non-monetary contribution
- Income from the exchange of units of an investment fund
- Interest received by nonresident individuals from resident credit institutions or branches of nonresident credit institutions entered in the Estonian commercial register

- Per diem allowances and accommodation costs with respect to business trips, and compensation for business use of a private car, in accordance with the prescribed rates
- Gains derived from transfers of real estate, structures or apartments treated as movables or as contributions to housing associations, if the asset is privatized under government order, is received as restitution for the unlawful alienation of property or is used as the taxpayer's primary or permanent place of residence
- Gains derived from transfers of summer cottages or garden houses owned by residents for more than two years if the size of the land related to the cottage or house does not exceed 0.25 hectares

Taxation of employer-provided stock options. Grants of stock options are not considered taxable. However, the income received from the transfer of employer-provided stock options or from the exercise of stock options is considered a fringe benefit that is taxable to the Estonian employer for purposes of income tax and social tax unless the time period between grant and exercise of the stock options is at least three years. Effective from July 2017, an exemption from company-level fringe benefit tax also applies in the case of a shorter vesting period. This exemption applies proportionally to the actual vesting period if full ownership in the relevant company (underlying securities of an option) is transferred or if the employee dies or is totally incapacitated for work. Fringe benefits include benefits that are provided by other group entities to the Estonian employee. The taxable value of a fringe benefit is the difference between the fair market value of the securities and the purchase price paid by the employee. Except for option agreements digitally signed or certified by a notary, agreements concluded since 1 July 2017 should be filed with the tax authorities within five working days after their conclusion.

No tax obligations are imposed on employees with respect to the receipt of non-monetary benefits from Estonian or foreign employers. However, the employees should inform their employer if such benefits are received from foreign companies. Employees must report income and pay income tax when a gain is derived from the sale of the shares. A capital gain equals the sales price reduced by the acquisition price, by the taxable value for income tax purposes of the fringe benefit paid by the employer and by the costs related to the transfer.

Capital gains. Capital gains derived by resident individuals with respect to the following sources are not subject to income tax:

- Transfer of movable property in personal use
- Transfer of land and assets returned in the course of ownership reform
- Transfer of a dwelling house or an apartment, if it has been used as a permanent home until transfer (applicable to one transfer of residence during a two-year period), received as restitution or acquired as a result of privatization with the right of pre-emption and if the size of the related land does not exceed two hectares
- Transfer of a summer cottage or garden house if it has been owned for more than two years and if the size of the related land does not exceed 0.25 hectares

Capital gains derived from the sale of business property or securities are taxable at a rate of 20%.

Natural persons can register their bank accounts as investment accounts and defer the taxation of financial income until it is withdrawn from the accounts; that is, it is possible to invest the income gained from some common financial investments without being liable to annual taxation on such income.

Nonresident individuals are taxed on gains derived from the sale of property located in Estonia, excluding transfers of permanent homes under the same criteria described above regarding residents and securities issued by companies registered in Estonia. However, this exclusion does not apply if the transferred holding is a holding in a company, contractual investment fund or other pool of assets and if both of the following circumstances exist:

- At the time of the transfer or during the two-year period before the transfer, more than 50% of the property of the company, fund or pool of assets was directly or indirectly made up of immovables or structures as movables located in Estonia.
- At the time of transfer, the nonresident had a holding of at least 10% in the company, fund or pool of assets.

Deductions

Deductible expenses and exemptions. Estonian residents, as well as residents of other EEA member states who derive their taxable income from Estonia and file an income tax return in Estonia, may claim deductions for the following items:

- Gifts to nonprofit organizations registered as tax favored in the EEA.
- Mandatory unemployment insurance premiums, contributions to mandatory funded pensions and other mandatory social security payments made in Estonia or abroad from income taxable in Estonia.
- Acquisition of voluntary pension fund units registered in the EEA, limited to 15% of income for the tax year or to EUR6,000, after subtracting the deductions from business income (joint limits with employer making such payments on behalf of an employee).
- Training expenses, which include costs of educating individuals and their dependents who are under 26 years old and permanent residents of Estonia who are under 26 years old and in certified educational institutions or license training. For adults, the deductions are available only for expenses for formal education and certain additional limitations apply to driver's license training and hobby school costs.
- Interest paid to EEA credit institutions on housing loans for the purpose of acquiring an apartment, dwelling house or a plot of land to build a house for personal use (including erection, expansion and reconstruction of a home).

The total amount of deductible gifts, housing loan interest and training expenses for a tax year is limited to EUR1,200 or 50% of an individual's income after business deductions. Housing loan interest is deductible up to EUR300.

In addition to the above deductions, the following tax exemptions apply for each tax year under the same circumstances:

- Basic tax exemption. Effective from 2018, the amount is EUR 6,000 if the annual income is up to EUR14,400. However, if income exceeds EUR14,400, the amount of basic tax exemption is calculated using the following formula:

$$6{,}000 - \frac{6{,}000}{10{,}800} \times (\text{income amount} - \text{EUR}14{,}400)$$

  If annual income exceeds EUR25,200, no basic exemption applies.
- Additional tax exemption of EUR1,848 for each child beginning with the second child.

The deductions and exemptions for a resident individual are restricted if at least 75% of his or her annual taxable income is derived abroad and if the income is not taxed in Estonia (the exemption method applies). In this case, an Estonian resident can claim deductions only from the income taxable in Estonia pro rata based on the percentage of Estonian income in the total taxable income (worldwide income).

Starting from 2019, a resident of another EEA state can claim all applicable deductions from their income taxable in Estonia in proportion to the share of the income in his or her total taxable income.

Business deductions. Registered individual entrepreneurs may deduct documented expenses directly related to entrepreneurial or self-employment activities, including expenses for work-related advanced training and retraining of employees, and losses incurred from the disposal of assets (except for losses incurred on the sale of securities). If certain expenses are only partly related to the entrepreneurial or self-employment activities, only the part directly related to those activities is deductible.

Documented expenses for entertainment, recreation, reception (catering, transport or cultural expenses incurred to serve clients or business partners) and other expenses incurred for clients or business partners with respect to entrepreneurial or self-employment activities may be deducted from income, up to a maximum amount of 2% of adjusted income. Adjusted income is financial income after adjustments for nontaxable income and expenses that are not deductible for tax purposes.

Rates. The standard income tax rate is a flat rate of 20%. The basic annual exemption ranges regressively from nil to EUR6,000, depending on the amount of the individual's income (see *Deductible expenses and exemptions*).

Withholding tax rates are presented in the following table.

Type of payment	Rate (%)
Dividends	0/7 *
Interest	20
Wages, salaries and alimony	20
Payments for services rendered in Estonia	
By nonresident legal persons from a low tax rate territory	20
By other nonresidents	10
Royalties	
Paid to residents	20

Type of payment	Rate (%)
Paid to nonresidents	10
Rent	20
Payments made to nonresident athletes and artists	10
Supplementary and voluntarily funded pension payments	10

* The 7% withholding tax rate applies to dividends or other profit distributions received from Estonian resident companies that were taxed at a reduced rate of 14% at the company level.

Credits. Residents may claim a credit for foreign tax paid, up to the amount of Estonian tax attributable to the foreign-source income. The rules regarding the calculation of the credit are summarized below.

Income tax is calculated separately for income derived in Estonia and for income derived in each foreign country. The individual must pay in Estonia the difference between the foreign income tax and Estonian income tax if the income tax calculated on income derived from abroad exceeds the amount of income tax paid in the foreign country. The overpaid amount of income tax abroad is not refunded in Estonia.

If the income tax on income derived in a foreign country is paid during a tax year other than the tax year in which the income is derived, the foreign income tax is taken into account in Estonia during the tax year in which the income taxable in a foreign country is received.

Foreign dividends and employment income are exempt from tax in Estonia if these types of income are taxable abroad (see *Income subject to tax*).

Relief for losses. Losses from entrepreneurship, except losses incurred on the sale of securities and receivables, may be offset against income derived from other sources of entrepreneurship. Losses may generally be carried forward for seven years. However, losses incurred on the sale of securities may offset only income from the sale of securities and may be carried forward indefinitely.

B. Inheritance and gift tax

Inheritance and gift taxes are not levied in Estonia. However, gifts received from nonresident entities are taxed at a rate of 20%.

C. Social security

Contributions. Social tax is levied on employers at a rate of 33%; employees are not liable for social tax. No ceiling applies to the amount of salary subject to social tax. In addition, unemployment insurance and mandatory pension fund (subscription mandatory for persons born after 1983) charges are imposed on gross salary. The unemployment insurance rates are 0.8% for employers and 1.6% for employees. The mandatory pension fund rate is 2%, which applies only to employees. The unemployment insurance and mandatory pension fund charge are withheld by employers.

Self-employed persons must pay social tax at a rate of 33% on their net business income, subject to a maximum amount of

annual income equal to 10 times the sum of the minimum monthly wages for the tax year (maximum amount of EUR64,800 for 2019). Self-employed persons must make quarterly advance payments of social tax to the Tax and Customs Board by the 15th day of the third month of the second, third and fourth quarters. Each payment must be at least EUR495 (EUR1,980 for the calendar year).

Totalization agreements. Estonian social security legislation follows the rules provided in European Council Regulation No. 883/2004. Estonia has applicable totalization agreements on social security with Canada and Ukraine. It has agreements regarding pension insurance regulation with Australia, Moldova and the Russian Federation.

D. Tax filing and payment procedures

The tax year in Estonia is the calendar year.

An individual must file an income tax return if his or her annual income exceeds the amount of the basic exemption applicable to him or her and if he or she would be required to pay additional income tax based on the income tax return or if he or she would like to claim applicable tax deductions. Resident individuals also need to submit a tax return to report their foreign income. Individual income tax returns must be filed by 31 March of the year following the tax year. Individuals must pay income tax due by 1 July of the year following the tax year. Resident individuals who declare business income, foreign income or gains from the transfer of property are required to pay any additional amount of tax by 1 October of the year following the tax year. Spouses cannot file a joint tax return. However, a spouse may use the other spouse's basic exemption up to EUR2,160, depending on the other spouse's taxable income, provided that the sum of the spouses' taxable income does not exceed EUR50,400.

Employers must withhold the appropriate amount of income tax from employees' salaries. Tax liability is determined by deducting taxes withheld, and creditable amounts of foreign taxes paid, from the computed amount of income tax.

E. Double tax relief and tax treaties

Most of Estonia's double tax treaties follow the Organisation for Economic Co-operation and Development (OECD) model convention. The income tax law provides relief for foreign taxes paid, up to the amount of Estonian tax imposed on the foreign-source income (see Section A).

Estonia has entered into double tax treaties with the following countries.

Albania	Iceland	Poland
Armenia	India	Portugal
Austria	Ireland	Romania
Azerbaijan	Isle of Man	Serbia
Bahrain	Israel	Singapore
Belarus	Italy	Slovak Republic
Belgium	Japan	Slovenia
Bulgaria	Jersey	Spain
Canada	Kazakhstan	Sweden

China
Croatia
Cyprus
Czech Republic
Denmark
Finland
France
Georgia
Germany
Greece
Hungary
Korea (South)
Kyrgyzstan
Latvia
Lithuania
Luxembourg
Malta
Mexico
Moldova
Netherlands
North Macedonia
Norway
Switzerland
Thailand
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan
Vietnam

In June 2018, Estonia signed the Multilateral Convention to Implement Tax Treaty Related Measures to prevent Base Erosion and Profit Shifting (also known as the Multilateral Instrument or MLI), which allows the modification of existing tax treaties simultaneously. For an individual, the MLI will extend the possibilities to initiate mutual agreement procedures. In the future, an Estonian resident, in certain cases, may turn for a tax dispute to the tax authority of the member state where the income is earned. It is still uncertain when the MLI will enter into force for Estonia because it still needs to go through a ratification process in the Estonian parliament.

F. Temporary visas

Exceptions to the visa requirement. In general, a foreign national must have a visa to enter Estonia or stay in Estonia. However, visas are not required for the individuals described below.

A citizen of the European Union (EU), EEA or Switzerland may stay in Estonia on the basis of a valid travel document or identity document and must register his or her place of residence within three months after his or her date of entry in Estonia. If a citizen of the EU, EEA or Switzerland registers his or her place of residence, he or she acquires a temporary right of residence in Estonia for five years, which also gives the right to work in Estonia. At the end of the five years, the term of temporary right of residence is extended for another five years if the residence of the citizen of the EU, EEA or Switzerland continues to be registered in Estonia and if the right of residence of this citizen has not been extinguished or terminated. The EU member states are Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, the Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. The EEA member states are all of the EU member states and Iceland, Liechtenstein and Norway.

Citizens of Albania (biometric passport holders; these are holders of combined paper and electronic passports that contain biometric information [for example, fingerprint recognition] that can be used to authenticate the identity of travelers), Andorra, Antigua and Barbuda, Argentina, Australia, Bahamas, Barbados, Bosnia and Herzegovina (biometric passport holders), Brazil, Brunei Darussalam, Canada, Chile, Costa Rica, Colombia, Dominica, El Salvador, Georgia (biometric passport holders), Grenada, Guatemala, Honduras, the Hong Kong Special Administrative Region, Israel, Japan, Kiribati, Korea (South), the Macau Special

Administrative Region, Malaysia, Marshall Islands, Mauritius, Mexico, Micronesia, Moldova (biometric passport holders), Monaco, Montenegro (biometric passport holders), New Zealand, Nicaragua, North Macedonia (biometric passport holders), Palau, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Samoa, San Marino, Serbia (biometric passport holders), Seychelles, Singapore, Solomon Islands, Taiwan (the passport issued by Taiwan must contain the number of the identification card), Tonga, Timor-Leste, Trinidad and Tobago, Tuvalu, Ukraine (biometric passport holders), United Arab Emirates, the United States, Uruguay, Vanuatu, Vatican City and Venezuela may stay in Estonia without a visa for up to 90 days during a 6-month period.

Citizens of Armenia, Azerbaijan, China Mainland, Georgia, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Mongolia, the Russian Federation, Tunisia, Turkmenistan, Uzbekistan and Vietnam with diplomatic passports may stay in Estonia without a visa for up to 90 days during a 6-month period. Citizens of Turkey with diplomatic, service or special passports may stay in Estonia without a visa for up to 90 days during a 6-month period. Holders of diplomatic and service passports from Argentina, Bolivia, Cape Verde, Morocco, the Philippines, Thailand and Ukraine may stay in Estonia without a visa for up to 90 days during a 6-month period. Holders of the United Nations travel permit (*laissez-passer*) may stay in Estonia without a visa for up to 90 days during a 6-month period.

In addition, a third-country national who is a holder of a residence permit of a Schengen state or appropriate Schengen visa (see below) may enter and stay in Estonia during the validity period of such Schengen residence permit or visa. Member states of Schengen include Switzerland and all EEA countries except Bulgaria, Croatia, Cyprus, Ireland, Romania and the United Kingdom.

Types of visas. Foreign nationals may enter Estonia or its international transit zone with the following types of Schengen visas:
- Airport transit (Type A)
- Short-term (Type C)
- Long-term (Type D)

An airport transit visa (Type A) is issued for entry into the international transit zone at an Estonian airport and for the stay in such zone until the departure to the next transit country or arrival country, where the person has a legal right to enter. The visa does not grant a foreign citizen the right to enter Estonia or stay in Estonia.

Nationals from the following countries must possess an airport transit visa when passing through the international transit area of airports located in Schengen member states:
- Afghanistan
- Bangladesh
- Congo (Democratic Republic of)
- Eritrea
- Ethiopia
- Ghana
- Iran
- Iraq

- Nigeria
- Pakistan
- Somalia
- Sri Lanka

A short-term visa (Type C) is issued for transit through or an intended stay in the territory of EU member states for a duration of no more than 90 days in any 180-day period from the date of first entry in the territory of Schengen member states. If visiting only Estonia, the Schengen visa must be applied for at the Estonian representation or at the representation of the member state representing Estonia in issuing Schengen visas.

If the travel destination includes more than one Schengen member state, the application must be filed at the representation of the main destination. The main destination is the destination where the individual intends to spend the longest time or the destination where the individual intends to carry out the main purpose of the intended journey.

Long-term visas (Type D) are issued for single or multiple entries into Estonia if the intended stay in Estonia will last longer than the period available under a short-term visa (that is, more than three months). The long-term visa is issued for a period of stay up to 12 months, and with a period of validity up to 365 days. It also gives the right to enter other Schengen member states for a period of up to 90 days in a period of 180 days. An individual can apply for a long-term visa for several reasons, such as study, work or family relations. An individual must apply in person for a long-term visa at Estonian representations.

A foreign national may work in Estonia on the basis of a long-term visa. However, before applying for the visa, short-term employment must be registered at the Estonian Police and Border Guard Board (PBGB).

G. Work permits and self-employment

To work in Estonia, a third-country national must hold a valid residence permit that entitles him or her to work. Effective from 1 September 2013, no separate work permit is issued, and aliens residing in Estonia may work on the basis of the residence permit. For details, see Section H.

A citizen of the EU, EEA or Switzerland has the right to stay and work in Estonia on the basis of a valid travel document or identity document and is required to register his or her place of residence within three months after the date of entry into Estonia (see Section F).

Unless an international agreement stipulates otherwise, aliens who arrive or stay in Estonia either on the basis of a long-term visa or on a visa-free basis may engage in short-term employment, which must be registered by their employer at the PBGB. Short-term employment cannot exceed a period of 365 days during a period of 455 days.

Short-term employment may be registered in an expedited procedure (such as for employment as a teacher or lecturer, for scientific research or for employment as a top specialist) or in an ordinary procedure. Under the expedited procedure, the

short-term employment must be registered by the next business day after the date of submission of the application. Under the ordinary procedure, short-term employment is registered or refused registration within 10 business days beginning from the date following the date of acceptance of the submission of the application.

The following documents must be submitted when applying for registration of short-term employment in Estonia:
- A standard application form
- Copy of the identity document of the applicant
- A digital color photo, format JPEG, sized 1 to 5 MB, minimum resolution 1300 x 1600 pixels
- Copy of the personal data page of the identity document of the person who submits the application, unless the application is submitted personally by an employer who is a natural person or by a signatory for an employer who is a legal person
- A document certifying the payment of a state fee

Additional documents may be required depending on the basis of short-term employment registration. For example, a document proving professional education is required in certain cases.

H. Residence permits

Citizens of the EU, EEA or Switzerland have the right to stay in Estonia on the basis of a valid travel document or identity document (see Section F). As a result, these individuals are not subject to the rules regarding resident permits discussed below. Residence permits are issued to the third-country nationals and persons with undetermined citizenship. The residence permits may either be temporary (up to five years) or long-term (without a term).

An alien who applies for a residence permit, is subject to the immigration quota of Estonia for aliens, which may not exceed 0.1% of the Estonian permanent population in one year.

The immigration quota does not apply to the following:
- Ethnic Estonians
- Family members (spouse, child, parents, grandparents) of an Estonian citizen and of an alien who resides in Estonia on the basis of a residence permit which is issued to an alien for settlement with a spouse
- An alien who is granted a residence permit for study
- An alien who is granted a residence permit for employment in research activities on the condition that he or she has appropriate professional training and education, or is a lecturer in Estonia in an educational institution that complies with the requirements established by the legislation
- Citizens of Japan and the United States
- An alien who has been granted a residence permit considering the fulfillment of immigration quota and who thereafter has not left to settle in another state
- An alien who is granted a residence permit for settling permanently in Estonia
- An alien who has been issued a residence permit for employment in a post in the field of specialty of information and communication technology
- An alien who has been issued a residence permit for employment in a startup company

- An alien who has been issued a residence permit for engagement in business related to startup business
- An alien who has been issued a residence permit for engagement in an enterprise as a large investor
- An alien who has been issued a temporary residence permit for employment as a top specialist

A temporary residence permit may be issued to an alien for the following reasons:
- To settle with a spouse
- To settle with a close relative
- For study
- For employment (in a post in the specialty field of information and communication technology, at a startup company or as a top specialist)
- For business (related to startup or as a large investor)
- On the basis of a treaty
- In the case of substantial public interest
- For settling permanently in Estonia

An application together with necessary documents must be submitted in person in a foreign representation of Estonia. As an exception, an application may be submitted in a Service Office of the Citizenship and Migration Bureau if the applicant is one of the following:
- Spouse of a citizen of Estonia
- Spouse of a person who is Estonian by nationality
- An alien who is staying in Estonia on the basis of a temporary residence permit
- Spouse of a person who is applying for a residence permit for Master's or doctorate degree studies
- Spouse of a person who is applying for a residence permit for scientific research, for employment as teacher or lecturer or for employment as a top specialist
- Spouse of a domestic applicant for a residence permit for enterprise (such applicant may submit the application in a Service Office of the Citizenship and Migration Bureau if certain conditions are fulfilled)
- Citizen of a foreign state, if Estonia has entered into an agreement on visa-free travel with such state or if the visa requirement has been waived with respect to such citizen
- A citizen of the United States or Japan and his or her spouse and minor children
- An alien who holds an EU Blue Card issued by another EU member state and who is applying for an EU Blue Card in Estonia
- Spouse of an alien holding an EU Blue Card issued by another EU member state who holds a residence permit issued by another EU member state and a family member of an alien holding an EU Blue Card who is applying for residence permit in Estonia for settling with his or her spouse; must apply within one month from the date of entry into Estonia for a residence permit for settling with his or her spouse

Temporary residence permit for employment. An alien may apply for a residence permit for employment with an employer registered in Estonia or for engagement in scientific or research works if the employer is entered in the register of science and

development institutions. To obtain a temporary residence permit, one of the following conditions must be met:

- The Estonian Unemployment Insurance Fund must consent and the salary criterion must be met.
- The Estonian Unemployment Insurance Fund does not consent, and the salary criterion is not fulfilled (applicable to specific categories of employees, such as artists, sports persons, teachers and members of academic staff).
- The Estonian Unemployment Insurance Fund does not consent, but the salary criterion is fulfilled, provided the applicant will work as an expert, advisor or consultant (professional qualification is required).
- The Estonian Unemployment Insurance Fund does not consent, but the salary criterion is fulfilled, and if the applicant will perform managerial or supervisory functions of a legal person registered in Estonia, which is governed by private law, and if the following additional conditions are satisfied:
  - The company must have been registered in Estonia at least five months, it must have been conducting actual business activities in Estonia during the last five months, and the granting of the temporary residence permit will significantly contribute to the granting of a residence permit for employment.
  - It is granted to a partner of a general partnership and limited partnership, member of the management or supervisory board of private limited company, public limited company, foundation or commercial association, member of the management board of a nonprofit association, procurator, liquidator, bankruptcy trustee, auditor, tax auditor, member of an audit committee or director of foreign company branch.
- The permit is granted on the basis of an EU Blue Card.
- The permit is granted for scientific research.
- The permit is granted for employment as a top specialist.
- The permit is granted for employment as a temporary agency worker.
- The permit is granted for working at a startup.
- The permit is granted for working as an employee transferred within an undertaking.

The following documents must be submitted when applying for a temporary residence permit for employment in Estonia:

- A standard application form and its annexes
- *Curriculum vitae* as provided on the home page of the PBGB
- An identity document of the applicant
- Consent of the Estonian Unemployment Insurance Fund (not applicable in certain cases to certain individuals, such as management board members, top specialists and posted workers)
- Applicant's written explanation as to why he or she wants to work in Estonia
- A digital color photo, format JPEG, sized 1 to 5 MB, minimum resolution 1300 x 1600 pixels
- A document certifying that the applicant has actual domicile in Estonia (unless the domicile has been registered in the population register of Estonia)
- A document certifying the payment of a state fee

Additional documentation requirements exist depending on the basis for the application for the residence permit. The following are examples of these requirements:

- Posted workers: an employment contract from the foreign country, documents certifying the assignment abroad and an insurance contract
- Aliens performing managerial or supervisory functions of legal persons that are governed by private law and registered in Estonia: documents evidencing economic activities of the company (for example, statement of the bank account of the company, data from value-added tax declaration, and documents evidencing transactions and contracts)
- Top specialist: documents evidencing appropriate professional training or experience for the intended employment

A sole proprietor must apply for residence permit for business (see *Temporary residence permit for business*).

The decision to grant or refuse a temporary work permit must be made within two months after the acceptance of the application.

A residence permit for employment is issued for a period of employment in Estonia that is guaranteed by an employer. The period of validity of this permit is up to two years, and it can be extended for up to five years at a time.

If a higher professional qualification is required for the employment, it is possible to apply for a residence permit for employment on the basis of an EU Blue Card. Higher professional qualification is required for applying for the EU Blue Card. Higher professional qualification may be based on either of the following:

- The nominal time of study of at least three years, which is evidenced by a document certifying higher education
- At least five years of working experience

Jobs for highly qualified individuals require the necessary knowledge and experience evidenced by higher professional qualification. The PBGB assesses the compatibility of the qualification to the requirements before the submission of an application for the EU Blue Card.

The residence permit for employment under an EU Blue Card is issued with a validity period that is three months longer than the employment period granted by an employer. The validity period cannot exceed two years and three months, and it can be extended for up to four years and three months at a time.

Temporary residence permit based on legal income. Since 1 July 2012, it is not possible to apply for temporary residence permit based on the existence of sufficient legal income. Aliens holding a valid residence permit based on the existence of sufficient legal income on 1 July 2012 can extend the residence permit based on the same terms and conditions on which they applied for the residence permit.

Temporary residence permit for settling with a spouse. A temporary residence permit may be issued to a foreign national to settle with his or her spouse who resides in Estonia permanently and who satisfies any of the following conditions:

- He or she is an Estonian citizen.

- He or she is a citizen of an EU member state who holds a right of residence.
- He or she is an alien who has been residing in Estonia on the basis of a residence permit for at least two years, unless the spouse received a residence permit for any of the following:
  - — Business
  - — Master's or doctorate degree studies
  - — Employment on the basis of an EU Blue Card
  - — An alien who formerly resided in Estonia on the basis of an EU Blue Card
  - — Employment as a person engaging in creative activities for an arts institution, teacher or a member of academic staff, person engaging in scientific research, professional sportsman, coach, referee or sports official, member of the management body of a legal entity, expert, advisor or counsel, layer of devices or craftsman, or top specialist

In addition to standard documents required, the alien must submit the following documents:

- A document certifying that the applicant and the person inviting him or her are married (if they were married in a foreign state)
- A document certifying the spouse's actual dwelling in Estonia (unless the residence has been registered in the population register of Estonia)
- Documents certifying the legal income of both spouses
- Insurance contract

The residence permit is refused if false data is submitted with the application, the marriage is fictitious or the spouses do not reside in Estonia.

Temporary residence permit for settling with a close relative. A temporary residence permit may be issued to certain foreign citizens to settle with a close relative who is an Estonian citizen or to settle with a close relative who is a foreign national and who resides in Estonia on the basis of a long-term residence permit. This permit may be issued to the following individuals:

- A minor child in order to settle with his or her parent
- An adult child in order to settle with a parent if the child is unable to cope independently as a result of health reasons or a disability
- A parent or grandparent in order to settle with his or her adult child or grandchild who legally resides in Estonia if the parent or grandparent needs care that he or she cannot receive in his or her home country or in another country and if the permanent legal income of his or her child or grandchild ensures that the parent or grandparent will be maintained in Estonia
- A person under guardianship in order to settle with the guardian if the permanent legal income of the guardian ensures that the ward will be maintained in Estonia

Temporary residence permit for study. A temporary residence permit for study may be issued to a foreign national for study in educational institutions acknowledged by the state.

A residence permit for study may be issued for a period of up to one year but not longer than the estimated duration of the studies. If a foreign national continues his or her studies in the same

educational institution, his or her residence permit may be extended by one year at a time.

In addition to standard documentation requirements, an applicant must submit the following documents:

- A language skills certificate issued by the university or institution of professional higher education (except in the case of participation in preparatory courses)
- A document that certifies the legal income of the applicant or his or her family members, who validate his or her subsistence (unless the purpose of studies is voluntary participation in a youth project or program acknowledged by the Ministry of Education and Science).

An alien who holds a residence permit for study can be employed in Estonia without holding a separate permit for employment if his or her employment does not interfere with the studies.

Temporary residence permit for business. An alien may apply for a residence permit for business if such alien owns shares in a company or acts as a sole proprietor and satisfies one of the following additional conditions:

- The alien has invested in Estonia a capital sum of at least EUR65,000 that is under his or her control in the case of a company.
- The alien has invested in Estonia a capital sum of at least EUR16,000 that is under his or her control in the case of a sole proprietor.

The equity capital of a company, subordinated liability and the value of registered fixed assets are considered investments.

An alien can also apply for a residence permit for business in the following circumstances:

- The alien will conduct a startup business. The startup company must have been previously evaluated by an expert committee (certain exemptions apply).
- The alien has made a direct investment of at least EUR1 million in a company entered into the commercial register of Estonia that invests mostly in the Estonian economy or an investment in an investment fund that, according to the investment policy of the fund, invests the instruments of the fund mainly in companies entered into the commercial register of Estonia.

A residence permit for business may be granted for up to five years. The residence permit establishes the spheres of activities of the undertaking and, if necessary, the area of operation.

In general, an application must be submitted together with necessary documentation in person at a foreign representation of Estonia. However, an application for a residence permit may be submitted in Estonia if the all of the following conditions are fulfilled:

- The company has been registered in Estonia at least four months before the submission of the application for a residence permit.
- The company has conducted business activities in Estonia at least the last four months.
- The person is staying in Estonia legally on the basis of visa-free stay or a visa in connection with the activities of the company.

When applying for an extension of a residence permit after one year, the investment requirement may be replaced by the following:
- Sales income at least EUR200,000 per year
- Social security tax paid in Estonia (for each month, the tax must at least equal the monthly social security tax paid in Estonia on five times the annual average gross wages)

In addition to standard documentation requirements, an applicant must submit the following documents:
- A document certifying the education level, specialty or occupation
- A document certifying the amount of investments of the applicant in Estonia and the amount of the investments controlled by the applicant
- An applicant's written statement of grounds
- A statement as why the applicant's settlement in Estonia is important and necessary for business and for the development of the Estonian economy
- A written business plan (see below)

A description of the business plan must be submitted either in Estonian or English. It must provide details regarding the business, such as the following:
- Planned activities
- Potential clients and suppliers
- Plans of development
- Fixed assets available to the company
- Circulating capital
- Labor force
- Financial forecasts for the next two financial years (revenue forecast, balance sheet and cash flow forecast)
- *Curriculum vitaes* of the persons who will perform managerial and supervisory functions

If an alien is granted a residence permit for business, he or she cannot work in Estonia under the subordination of any other person. If an alien has been granted a temporary residence permit for business for the purpose of participation in a legal entity, he or she may engage in the performance of management for the legal entity specified in the residence permit.

Long-term residence permit. A long-term residence permit is issued to a foreign national who has permanently resided in Estonia under a temporary residence permit for at least five years and has all of the following:
- A currently valid temporary residence permit
- A place of residence registered in the Estonian population register
- Permanent legal income for subsistence in Estonia
- Health insurance (Estonian Health Insurance Fund)
- Knowledge of the Estonian language that is at the B1 level or higher level, as established by the language act, or at a level corresponding to the B1 level or higher

A long-term residence permit may not be issued to a foreign national who received a residence permit for study in Estonia. Half of the he period of residence permit for study is taken into account if the person holds thereafter a temporary residence permit on other grounds. A long-term residence permit may not be issued in the in case of a substantial public interest.

The necessary 5-year period of permanent residency before a long-term residence permit application includes temporary absence from Estonia, if such absence did not exceed 6 consecutive months and a total of 10 months during the 5-year period before the date on which the foreign national submits an application for a long-term residence permit.

For a foreign national who has an EU Blue Card, instead of satisfying the requirement of permanent residence in Estonia, the foreign national may satisfy a requirement that directly before the submission of the application for long-term residence permit, he or she has been permanently residing on the basis of the EU Blue Card in EU member states for at least five years, including the last two years in Estonia based on the EU Blue Card.

Temporary residence permit for settling permanently in Estonia. An alien may apply for a temporary residence permit for settling permanently in Estonia if all of the following conditions are satisfied:

- The person is settled in Estonia based on temporary residence permit and his or her permanent settling in Estonia is in compliance with the public interest.
- The person has held a temporary or permanent right of residence in Estonia or a residence permit for long-term Estonian residence or has been an Estonian citizen.
- The person has permanently resided in Estonia at least three years within five consecutive years, unless he or she has obtained higher education in Estonia with respect to bachelor's and master's study integrated curricula, master's study or doctoral study.
- The person is well adapted to Estonia.
- His or her activities have been in compliance with the purpose for granting the residence permit and the terms of the permit.

The above requirements may not be applicable if any of the following circumstances exists:

- The person has been granted a temporary residence permit for settling with a spouse and has lived in Estonia for at least three years based on this permit.
- The person has been granted a temporary residence permit for settling with a spouse and the marriage ends before the lapse of three years from the receipt of the residence permit, but the obligation to leave Estonia would be too burdensome for the person.
- The person has been granted a temporary residence permit for settling with a close relative and the basis for granting a residence permit has lapsed, but the obligation to leave Estonia would be too burdensome for the person.

The applicant must submit the following documents:

- An application for a temporary residence permit if the person is applying for a temporary residence permit
- An application for the extension of a temporary residence permit if the person is applying for an extension of a temporary residence permit
- Data regarding close relatives and family members if the person is applying for a temporary residence permit or an extension of such permit and if the data has changed
- An identity document

- A digital color photo, format JPEG, sized 1 to 5 MB, minimum resolution 1300 x 1600 pixels
- A document proving sufficient legal income
- Health insurance contract
- A document certifying the payment of the state fee

I. Estonian e-Residency

Estonia is the first country to offer e-Residency, which is a transnational digital identity available to anyone in the world interested in administering a location-independent business online.

An e-Resident is a foreigner for whom, as a benefit, Estonia has created a digital identity and issued digital identity card, on the basis of the identification credentials of the foreigner's country of citizenship. This card is an e-Resident digi-ID.

The e-Resident digi-ID is a digital document that only can be used in the electronic environment to identify the person and to give digital signatures. The e-Resident digi-ID enables a foreigner to participate in public and private administration in Estonia, notwithstanding his or her physical residence. The e-Resident digi-ID does not grant a right to reside in Estonia.

The e-Resident digi-ID can be issued to a foreigner who has links to Estonia or a reasonable interest in using public e-services in Estonia, and who is not one of the following:
- A foreigner who is residing in Estonia based on a residence permit or the right of residence
- A foreigner who is staying in Estonia on the basis of the International Military Co-operation Act, and is holding an identity card or residence card issued by the Police and Border Guard Board

E-Residents can do the following:
- Digitally sign documents and contracts
- Verify the authenticity of signed documents
- Encrypt and transit documents securely
- Establish an Estonian company online within a day (currently, a physical address in Estonia is required, which may be obtained using an external service provider)
- Administer the company from anywhere in the world
- Conduct e-banking and remote money transfers
- Access online payment service providers
- Declare Estonian taxes online (e-Residency does not automatically establish tax residency)

E-Residents receive a smart ID card. Digital signatures and authentication are legally equivalent to handwritten signatures and face-to-face identification in Estonia between partners on agreement anywhere in the world.

The following documents are required for applications for e-Residency:
- An application form
- Foreigner's identity document or a copy of the document if the application is submitted by post and by email
- A digital color photo, format JPEG, sized 1 to 5 MB, minimum resolution 1300 x 1600 pixels
- A document certifying payment of the application fee

- A written explanation in free form concerning the intention to use the digital ID and the circumstances of its use (the holders of a service card or diplomat card need not submit this document)
- For an applicant for the e-Resident digital identity who is an employee for external representation, his or her service or diplomatic card

The decision on the issuance or refusal of an e-Resident digi-ID is made within 30 working days.

E-Residency does not confer citizenship, tax residency, residence or right of entry to Estonia or to EU. The e-Resident smart ID card is not a physical identification or a travel document, and does not display a photo.

J. Brexit and immigration

Estonia has adopted a law dealing with Brexit, which at the time of writing was scheduled to occur by 31 October 2019. Relevant changes (depending on if it is a deal or no-deal Brexit) will enter in to force as of the day after Brexit.

Without a deal, British citizens will be subject to the same rules as other non-EU third-country nationals. However, individuals who have registered their right of temporary or permanent residence in Estonia as an EU citizen have the right to acquire a respective residence permit in Estonia (that is, the EU citizen right of residence is automatically replaced with a third-country national residence permit) and can stay in Estonia until the expiration date of the identification card.

More specifically, in the case of a deal Brexit, British citizens can continue to reside in Estonia as before Brexit on the basis of residence registration (a valid Estonian identification card). After the transition period, their EU right of residence is automatically considered to be a residence permit. Identification cards expiring after the transition period are exchanged for residence cards. In the case of a no-deal Brexit, EU citizen right of residency registration will be automatically converted to a temporary or long-term residence permit. The Estonian identification card can continually be used as an identity document in Estonia; however, as of 1 April 2020, it no longer can be used as an addition to travel documents to re-enter Estonia. If British citizens want to travel from Estonia to other EU member states, they need to change it to a residence permit, which is needed to re-enter Estonia.

Without a deal, British citizens who enter Estonia after Brexit will be subject to the same rules as other non-EU third-country nationals. Therefore, to enter Estonia, they will need a visa or a residence permit. It is expected that a visa freedom agreement will be concluded with the United Kingdom. In general, Estonian residence permits are subject to a national quota; however, according to the law, the quota will not apply to British citizens.

K. Family and personal considerations

Family members. An Estonian citizen residing in Estonia or a foreign national permanently residing in Estonia may call their spouse to live with them in Estonia, if the spouses share close economic

ties, they have a close psychological relationship, the family is stable and the marriage is not fictitious.

A family member of a citizen of an EU or EEA member state or Switzerland may stay in Estonia together with such citizen on the basis of a valid travel document and visa (if applicable) for a period of up to three months after the date of entry in Estonia. Within three months after the date of entry in Estonia, a family member staying in Estonia on the basis of a valid travel document must apply for a temporary right of residence. Otherwise, he or she must leave Estonia before the end of the three-month period.

Marital property regime. Under Estonian family law, property acquired during a marriage is the joint property of the spouses. Proprietary rights of spouses may be specified in a marital property contract. A marital property contract may be entered into before or during a marriage.

Forced heirship. Regardless of the terms of a deceased relative's will, disabled ascendants, descendants and spouses for whom the deceased had a maintenance obligation arising from the Family Law Act are entitled to receive a compulsory portion of the estate, which equals one-half of the share they would receive in an intestate succession.

Driver's permits. A driver's license issued in an EEA member state or Switzerland is valid until the end of the period of validity stated on the license. If the period of validity of the driver's license is longer than 10 years, it must be replaced with an Estonian driver's license within 24 months after the date on which a residence permit was issued or on which the person settled in Estonia. If the driver's license has expired or if the person has not replaced it within 24 months after the date on which the person settled in Estonia, it will be replaced with an Estonian driver's license after the individual passes the theory test and driving test. The replaced driver's license must be surrendered to the Estonian Road Administration.

Driver's licenses issued in certain foreign states that are parties to specific conventions or mutual agreements are valid for the 12-month period beginning on the date of the issuance of the residence permit. A driver's license issued in certain foreign states may be replaced with an Estonian driver's license without a test. In other cases, passing the traffic theory test and the driving test is mandatory. In all cases, passing the tests is mandatory if the driver's license expired more than five years ago.

Eswatini (formerly Swaziland)

ey.com/GlobalTaxGuides
ey.com/TaxGuidesApp

Please direct all requests regarding Eswatini to the persons listed below.

Harare, Zimbabwe **GMT +2**

EY
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Kwame Nkrumah
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+267 397-4078
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A. Income tax

Who is liable. Individuals are taxed on employment and self-employment income from sources in or deemed to be in Eswatini except to the extent that the income is of a capital nature. An amount is deemed from a source in Eswatini if it is paid for services rendered or work or labor performed by a person in Eswatini regardless of whether the payment is made by a resident or nonresident of Eswatini.

Income subject to tax. The various types of income subject to tax are described below.

Employment income. Employees are subject to tax on their remuneration, which consists of salary, wages, leave pay, allowances, overtime pay, bonuses, gratuities, commissions, fees, emoluments, pensions, superannuation allowances, retirement allowances, stipends, honoraria and lump-sum payments. These items are included in remuneration regardless of whether they are paid in cash or whether they relate to services rendered. Employment income also includes the annual value of benefits with respect to any quarters, board or residence, loans granted to employees, payments for restraint of trade (lump-sum payments to employees with unique or specialized expertise in exchange for the

agreement of the employees not to provide services to entities or persons in direct competition with the payer), share options and employers' contributions to approved bursary schemes for the benefit or educational assistance of the children of employees or dependents of employees.

Investment income. Dividends paid to resident individuals are subject to 10% withholding tax that is a final tax.

Interest or dividends of up to SZL20,000 accruing from the following is exempt from tax:

- Subscription shares in building societies registered under the Building Societies Act 1962
- Permanent or fixed-period shares in building societies registered under the Building Societies Act 1962
- Society shares from savings at mutual loan associations or cooperative societies
- Deposits in financial institutions, building societies or the Swaziland Development Savings Bank established under the Swaziland Development and Savings Bank Order 1973
- Deposits in unit trust companies

Self-employment and business income. Persons receiving income other than remuneration, such as self-employment income, must submit an income tax return when the Commissioner of Taxes issues a notice for the submission of returns.

Directors' fees. A director is an employee as defined in the Income Tax Order. Directors' fees are considered to be remuneration and are subject to the Final Deduction System (FDS; see Section D) at a marginal rate of 33% (the highest applicable tax rate).

Taxation of employer-provided stock options. An employee is liable to tax on 50% of the difference between the value of the shares and the amount paid by the employee for shares issued to an employee under an employee share acquisition scheme. Employees are taxed on the same basis for both share acquisition and share option schemes. Employees are also taxable on gains derived from the disposal of a right or option to acquire shares under an employee share acquisition scheme.

Capital gains and losses. Eswatini does not impose capital gains tax.

Deductions

Deductible expenses. Expenses are deductible to the extent that they are incurred both in and outside Eswatini in the production of taxable income. However, they are not deductible if they are of a capital nature.

Personal deductions and allowances. Contributions to approved pension funds are deductible to the extent that the total amount does not exceed 10% of an individual's pensionable salary. Contributions to a retirement annuity fund are deductible to the extent that they do not exceed 15% of the taxable income accruing to that person from a trade carried out by that person. If an individual contributes to both pension and retirement annuities, the total deductible amount is restricted to 15% of taxable income.

Rates. The following are the personal income tax rates in Eswatini.

Taxable income SZL	Tax rate %	Tax due SZL	Cumulative tax due SZL
First 100,000	20	20,000	20,000
Next 50,000	25	12,500	32,500
Next 50,000	30	15,000	47,500
Above 200,000	33	—	—

Credits. Individuals below the age of 60 as of the last day of the year of assessment (1 July through 30 June) are entitled to an annual rebate of SZL8,200. Individuals above the age of 60 as of the last day of the year of assessment are entitled to an annual primary rebate of SZL8,200 and a secondary rebate of SZL2,700, resulting in a total rebate of SZL10,900. The rebate is apportioned if the period of assessment is less than one year.

Relief for losses. Losses may be carried forward indefinitely and deducted from taxable income. Losses incurred by individuals from one business cannot be offset against income from another business.

B. Other taxes

Wealth tax and net worth tax. Eswatini does not impose a wealth tax or net worth tax.

Immovable property transfer tax. Immovable property transfer tax is levied on the transfer of immovable property. The tax is based on the purchase price or value of the property. The following are the rates:

Purchase price or value SZL	Tax rate %	Tax due SZL	Cumulative tax due SZL
First 40,000	2	800	800
Next 20,000	4	800	1,600
Above 60,000	6	—	—

Marketable securities transfer tax. Transfer duty of 1% is levied on the transfer of shares.

Stamp duty. Stamp duty is levied on agreements, contracts, bonds, insurance policies, bills of exchange, debentures and shares. The rate of duty depends on the nature and value of the instrument.

Local authorities tax. Local authorities impose tax based on the value of the immovable properties located in their jurisdictions.

Graded tax. Graded tax of SZL1.50 per month is levied on each Eswatini adult.

C. Social security contributions

Employers and employees must each make monthly contributions of SZL115 to the Swaziland National Provident Fund (SNPF).

D. Tax filing and payment procedures

The year of assessment (tax year) runs from 1 July through 30 June.

Eswatini has adopted the Final Deduction System (FDS) with respect to all individuals who receive employment income only. The FDS requires the employer to deduct and remit employees' tax as a final tax. Consequently, employers must deduct tax from their employees' remuneration and remit it to the Commissioner of Taxes. The FDS system is a Pay-As-You Earn (PAYE) system in which the employer makes the final deduction of tax on the employee's tax. Unlike under a normal PAYE system in which the tax authority makes the final adjustment of individual tax on the submission of a return, under the FDS system, the employer may make adjustments to the employee's tax at the end of the year with respect to any overpayment or underpayment of tax during the year.

Employees must submit tax returns regardless of whether the deductions were made under the FDS system during the year. Tax returns must be submitted within 30 days after the issuance of the Commissioner of Taxes' public notice. They are generally due by 31 October of each year. The tax must be paid within the time period prescribed in the notice of assessment.

A person who receives income other than remuneration as defined in the Income Tax Order is a provisional taxpayer. Provisional taxpayers must make provisional tax payments based on tables prescribed by the Commissioner of Taxes and file income tax returns. Fifty percent of the provisional tax must be paid within six months after the beginning of the year of assessment (less any employee's tax deducted by the taxpayer's employer). The balance is payable by the last day of the year of assessment.

Directors of private companies must file their income tax returns together with their companies' returns.

E. Double tax relief and tax treaties

Eswatini has entered into double tax treaties with Mauritius, Seychelles, South Africa, Taiwan and the United Kingdom.

F. Temporary visas

Visitors' visas are issued to foreign nationals who visit Eswatini. To obtain a visitor's visa, an individual needs to submit the following:

- One recent passport photograph
- Passport that is valid for at least three months before expiration
- Supporting documents or motivation letter that explain briefly the purpose of the visit
- Invitation letter from the host institution or individual
- Itinerary including accommodation arrangements
- Return air ticket (if flying into the country)

A single-entry visa costs ZAR80. The following are the costs for a multiple-entry visa:

- 3 months: ZAR300
- 6 months: ZAR700
- 9 months: ZAR1,000
- 12 months: ZAR1,300

The processing time for a visa is normally two to three days.

Nationals from the following countries are not required to obtain a visa when traveling to Eswatini.

Andorra
Argentina
Australia
Austria
Bahamas
Barbados
Belgium
Bosnia and Herzegovina
Botswana
Brazil
Canada
Chile
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Gambia
Germany
Ghana
Greece
Greenland
Hungary
Kenya
Latvia
Lesotho
Liechtenstein
Lithuania
Luxembourg
Madagascar
Malawi
Malaysia
Malta
Monaco
Namibia
Nauru
Netherlands
New Zealand
Norway
Papua New Guinea
Poland
Portugal
Russian Federation
Samoa
San Marino
Serbia
Seychelles
Sierra Leone
Singapore
Slovenia
Solomon Islands
Tonga
Trinidad and Tobago
Turkey
Uganda
Ukraine
United States
Uruguay
Zambia
Zimbabwe

United Nations passport holders do not need a visa to enter Eswatini.

Nationals of European Union (EU) member states (other than British subjects, which are citizens of the United Kingdom and its colonies) and countries not mentioned above require visas.

G. Entry permits

The following are the classes of entry permits:

- Class A: An individual who is offered specific employment that will be beneficial to Eswatini by a specific employer and is qualified to undertake such employment
- Class B: An individual who holds a dependent's pass and is offered specific employment that will be beneficial to Eswatini by a specific employer
- Class C: An individual who is a member of a missionary society approved by the government of Eswatini and whose presence in Eswatini will be beneficial to Eswatini
- Class D: An individual who intends to carry out agricultural or animal husbandry activities, has been granted permission to acquire suitable land and has enough capital resources to undertake such activities
- Class E: An individual who intends to undertake prospecting or mining activities, has obtained or has been assured of obtaining the necessary right or license and has enough capital and other resources to carry out such activities
- Class F: An individual who intends to engage in a specific trade, business, or profession (other than a prescribed profession), has obtained or is assured of obtaining the necessary authorization for the purpose and has the necessary capital and other resources to engage in that trade or profession
- Class G: An individual who intends to engage in specific manufacturing, has obtained or is assured of obtaining the

authorization to undertake such activity and has enough capital and resources
- Class H: A member of a prescribed profession who holds the prescribed qualifications and has the necessary capital and resources to practice such profession
- Class I: A person who is at least 21 years of age and is deriving income from sources outside Eswatini or from property located or a pension or annuity payable from sources in Eswatini and undertakes not to be employed in Eswatini

H. Residence permits

Temporary residence permits can be granted to the following:
- Dependents
- Students
- Employees
- Businesspersons

I. Family and personal considerations

Marital property regime. Two types of marriages are solemnized in Eswatini. These are the western/civil rights marriage, which has community property provisions, and the customary marriage, which does not have community property rights.

Driver's permits. Foreigners who enter Eswatini are free to use their home country driver's licenses or permits.

Fiji

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A. Income tax

Who is liable. Fiji residents are subject to tax on worldwide income. Nonresidents are subject to tax on Fiji-source income only.

Section 6 of the Fiji Income Tax Act defines a resident as a person who resides in Fiji and includes a person who meets any of the following conditions:
- His or her domicile is located in Fiji.
- He or she is present in Fiji continuously or intermittently during more than one-half of the income year. However, this does not apply if the tax authorities are satisfied that the person's usual place of abode is outside Fiji and that the person does not intend to take up residence in Fiji.
- He or she is a government employee posted abroad.

Income subject to tax

Employment income. Taxable income includes the following:
- All wages, salaries, or other remuneration or allowances derived by the employee with respect to employment, including leave pay, payments in lieu of leave, overtime pay, bonuses, commissions, fees, gratuities and work condition supplements
- The value of a fringe benefit, other than an exempt fringe benefit, derived by an employee with respect to employment that is not subject to tax under the Fringe Benefits Tax Decree
- An amount derived by the employee as consideration for entering into an employment agreement, for agreeing to conditions of employment or changes to the conditions of employment or for the acceptance of a restrictive covenant with respect to past, present or prospective employment

Self-employment and business income. Resident individuals are subject to tax on worldwide business income. Nonresident individuals are taxed on Fiji-source income only.

Taxable income is determined based on the accounting profit shown in the annual financial statements, adjusted for taxable and non-taxable items.

Investment income. Dividends paid by publicly listed companies and those paid by other companies out of profits that have been subject to tax are tax-exempt to the recipient. Dividends paid by unlisted companies out of profits that have not been subject to tax are taxable as ordinary income. Dividends paid from realized capital gains are exempt from income tax but subject to capital gains tax.

Interest income is taxable at the rates set forth in *Rates*.

Interest, royalties and know-how fees paid to nonresidents are subject to the final withholding taxes shown in the treaty withholding tax rate table below. Effective from 1 August 2017, dividends paid to residents and nonresidents are not subject to withholding tax. The following is the treaty withholding tax rate table.

	Interest %	Royalties %	Know-how %
Australia	10	15	15
India	10	10	10
Japan	10	10	15
Korea (South)	10	10	15
Malaysia	15	15	15
New Zealand	10	15	15
Papua New Guinea	10	15	15
Singapore	10	10	15
United Arab Emirates	—*	10	—*
United Kingdom	10	15	15
Non-treaty countries	10	15	15

* No reduced rates apply to interest and know-how payments under the treaty.

Social responsibility tax. In addition to normal income tax, a social responsibility tax (SRT) is payable on chargeable income exceeding FJD270,000 of resident and nonresident individuals. However, the rates now have been reduced by 10% and an Environmental and Climatic Adaption Levy (ECAL) is imposed at a rate of 10%. For a listing of the tax rates, see *Rates*.

Environmental and Climatic Adaption Levy. The ECAL is imposed at a rate of 10% and is included in the Pay-As-You Earn (PAYE) tax tables. In addition, the following items are subject to ECAL:
- Plastic bags: 10 cents (50 cents, effective from 1 January 2020).
- Certain imports: 10%. Effective from 8 June 2019, the 10% rate applies to all imported white goods (white goods are all electrical appliances and equipment, except for furniture fittings, building materials and machinery).
- Prescribed services under the ECAL Act 2017: 10%.

Capital gains. A 10% capital gains tax is imposed on all capital gains on the sale of capital assets, except for exempt capital gains. The following gains are the only gains that are exempt:
- Gains less than FJD16,000 made by a resident individual or Fiji citizen
- Gains derived from the sale of the principal place of residence of a resident individual or Fiji citizen, if the residence has been the individual's principal place of abode
- Gains derived from the sale of shares listed on the South Pacific Stock Exchange

- Gains derived from the transfer of assets between spouses through "love & affection"
- Gains derived from the sale of capital assets used solely to earn exempt income

The capital gain is computed by deducting the cost of the capital asset at the time of disposal from the consideration received.

An asset is not a capital asset if it is a depreciable asset. A depreciable asset has the following criteria:
- It has an estimated life.
- It earns income.
- It can be depreciated.

Deductions

Deductible expenses. If a lump-sum entertainment allowance is paid by an employer, an employee must justify the amount spent for business entertainment. The allowance is taxable to the extent that it is not fully justified.

Business deductions. In general, all expenses incurred in producing taxable income are deductible, with the exception of expenses of a capital, private or domestic nature. Depreciation of fixed assets used in the production of taxable income is allowed at rates set by the tax authorities.

Rates. The income tax rates, SRT rates and ECAL rates for employment income (excluding redundancy payments) and self-employment and business income are shown below. The threshold for income tax is increased to FJD30,000 for residents only. Income tax, SRT and ECAL are all subject to PAYE.

Income tax. The following are the income tax rates applicable resident taxpayers.

Taxable income (FJD)	Income tax payable
0 to 30,000	0
30,001 to 50,000	18% of excess over FJD30,000
50,001 to 270,000	FJD3,600 + 20% of excess over FJD50,000
270,001 to 300,000	FJD47,600 + 20% of excess over FJD270,000
300,001 to 350,000	FJD53,600 + 20% of excess over FJD 300,000
350,001 to 400,000	FJD63,600 + 20% of excess over FJD350,000
400,001 to 450,000	FJD73,600 + 20% of excess over FJD400,000
450,001 to 500,000	FJD83,600 + 20% of excess over FJD450,000
500,001 to 1,000,000	FJD93,600 + 20% of excess over FJD500,000
1,000,001 and above	FJD193,600 + 20% of excess over FJD1,000,000

Income tax is imposed on nonresidents at a rate of 20% of taxable income.

SRT. The following are the SRT rates applicable to resident and nonresident taxpayers.

Taxable income (FJD)	SRT payable
0 to 270,000	0
270,001 to 300,000	13% of excess over FJD270,000
300,001 to 350,000	FJD3,900 + 14% of excess over FJD 300,000
350,001 to 400,000	FJD10,900 + 15% of excess over FJD350,000
400,001 to 450,000	FJD18,400 + 16% of excess over FJD400,000
450,001 to 500,000	FJD26,400 + 17% of excess over FJD450,000
500,001 to 1,000,000	FJD34,900 + 18% of excess over FJD500,000
1,000,001 and above	FJD124,900 + 19% of excess over FJD1,000,000

ECAL. ECAL is imposed on resident and nonresident taxpayers at a rate of 10% of the excess of taxable income over FJD270,000.

Withholding taxes. Dividend taxation is no longer imposed in Fiji except for the 1% Dividend Transitional Tax for pre-2014 undistributed profits and 2014 and 2015 undistributed profits. After dividend taxes for these periods are paid, any further distributions of profits are exempt from tax, effective from 1 July 2017.

Interest, royalties and know-how fees paid to nonresidents are subject to final withholding taxes as described in *Investment income*.

Relief for losses. Losses incurred in any trade or business may be offset against an individual's taxable income from other sources in the same year, except for employment income, because employment income is subject to final tax at source, which is withheld by the employer. To the extent that it is not fully offset, a loss may be carried forward for the next four years unless the business that gave rise to the loss is discontinued, sold or changed substantially in nature. Effective from 1 August 2019, any losses incurred before 31 December 2018 are allowed to be carried forward for four years and any losses incurred on or after 1 July 2019 are allowed to be carried forward for eight years. No monetary limits are imposed on the amount of losses for carryforward or offset purposes.

B. Other taxes

Other taxes and levies include the value-added tax, service turnover tax, environmental levy, Stamp duty is also applicable to all agreements unless exempted under the general exemptions or the conditional exemptions. Stamp duty has been administered by the Fiji Revenue Customs Services since 2011. Fiji does not impose tax on property, net worth, inheritances or gifts.

C. Social security

Although Fiji imposes no social security taxes, all employers must contribute an amount equal to at least 10% of the gross earnings of all regular employees to the Fiji National Provident Fund. Total contributions must equal a minimum of 18% (theoretically, a contribution of 10% from the employer and 8% from the employee), but an employee need not contribute or may contribute a smaller amount if an employer contributes the difference

on his or her behalf. Contributions of up to 30% are allowed; however, amounts in excess of 18% are taxable to the employee.

On retirement, the fund provides either a lump-sum payment equal to total contributions made plus accrued interest or a pension based on the amount of total contributions made plus accrued interest.

D. Tax filing and payment procedures

The tax year in Fiji is the calendar year, and returns must be filed by 31 March. Extensions to May and future months are normally granted on request.

Married women may elect to be taxed separately on income derived from personal activities unrelated to a spouse's assets or business. Married women who do not elect separate taxation with respect to these types of income are taxed jointly on all types of income. Salary earners do not need to file an income tax return because PAYE (see *Rates*) is a final tax.

For employees, withholding of tax from employment income and social responsibility tax deductions are made in accordance with tables to ensure that an employee's liability is fully covered.

For self-employed individuals, provisional tax based on the liability for the preceding year must be paid in three installments in April, August and November. An assessment is made when the return is filed, and a final payment or refund is made.

E. Double tax relief and tax treaties

Income derived by Fiji residents from treaty and non-treaty countries is subject to tax in Fiji. However, a credit is allowed for tax paid in the source country, to the extent that Fiji tax applies to the same income.

Expatriate employees who are resident in Fiji as a result of employment under a service contract of up to three years in duration are taxed only on income earned in Fiji.

F. Visitor visas

A visitor's visa, which is usually issued for one month but may be extended to six months, is normally granted to tourists or to individuals wishing to investigate business opportunities in Fiji.

Foreign nationals from most developed countries may obtain visitors' visas at the port of entry if they have valid passports, return or onward tickets, and sufficient funds for living expenses. All other persons must obtain visas before entering Fiji.

G. Work permits and self-employment

The right to work in Fiji is restricted, but the Fiji government recognizes the need to admit individuals with special commercial, professional or technical skills to improve Fiji's economic development. Therefore, permits to reside and work in Fiji are granted to foreign investors and expatriate employees under qualifying circumstances.

Permits to reside and work in Fiji are granted to fill positions that cannot be filled adequately by local Fiji citizens. In these cases, the Fiji Immigration Department requires foreign nationals to be

employed under a contract of employment, and the prospective employer must show evidence that the position cannot be adequately filled locally. In most cases, the prospective employer is required to advertise the position locally and to submit all applications received to the Immigration Department for review.

Permits are usually granted for an initial period of three years and are renewable only if the continued presence of the permit holder is considered to be to Fiji's economic advantage and essential to the employer's operations.

Applications for all categories of visas and permits except for visitor visas must be made in Fiji. The application must be accompanied by health and police clearance certificates from the applicant's home country. Processing permit applications normally takes four to six weeks. Applicants are not permitted to work until the permits are issued, and changing employers is allowed only in special circumstances.

Foreign nationals with investment in approved business ventures in Fiji are granted permits that allow them to increase and manage their investments. These permits are usually valid for a three-year period, and extensions are virtually assured as long as the capital remains invested in Fiji.

Foreign investors, regardless of nationality, wanting to establish a business in Fiji must have the prior approval of Investment Fiji (IF). To obtain this approval, a separate application describing all pertinent information relating to the proposed project must be filed with IF.

No set guidelines are used to evaluate or approve business ventures involving foreign investors. Fiji welcomes investment in virtually all sectors, particularly in tourism, mining, manufacturing and high-technology industries. Certain activities are reserved or have a requirement for local equity participation. In general, proposed projects meeting the following criteria are well received:

- Substantial capital outlay
- New technology
- High employment-generating potential
- High local equity participation

H. Residence permits

As a matter of policy, Fiji is not open to immigration. However, individuals who wish to live or retire in Fiji and are able to demonstrate that they have sufficient funds from overseas sources to live in Fiji may obtain renewable three-year permits. In these instances, the Immigration Department considers the age of the applicant and the source and amount of funds available from abroad.

Alternatively, any person who has been in Fiji on a valid permit for five years or more may apply for citizenship, which is normally granted, unless the person is proved to be undesirable in the eyes of the law. Fiji also permits dual citizenships.

I. Family and personal considerations

Family members. The spouse and dependent children of a work permit holder are granted permits to reside in Fiji upon

application. These permit holders are not permitted to engage in any form of employment.

Driver's permits. A holder of a valid driver's license from most developed countries may drive legally in Fiji. However, a Fiji driver's license should be obtained no later than three months after arriving in Fiji. Generally, a Fiji driver's license is issued on presentation of a valid driver's license from most countries. If the expatriate does not have a valid foreign driving license, to obtain a local driver's license, one must take written and verbal tests on road codes, as well as a fairly simple practical driving test.

Finland

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A. Income tax

Who is liable. Individuals resident in Finland are taxed on their worldwide income. However, salary earned abroad is exempt from tax in Finland if a Finnish resident works abroad continuously for at least six months and satisfies certain other requirements. Nonresident individuals are subject to income tax on income from Finnish sources only.

Domestic law treats an individual as resident if his or her permanent home is in Finland or if he or she stays in Finland a continuous period of more than six months. The stay in Finland may be regarded as continuous even in the event of temporary absences from the country.

In the case of emigration, foreign citizens become nonresidents for Finnish tax purposes at the time they leave the country and surrender their permanent home in Finland. With respect to a Finnish citizen, he or she is still considered to be resident in Finland until three years have passed from the end of the year when the individual left the country, unless he or she can establish that no essential connections with Finland have been maintained.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable income is calculated separately for earned income and capital income (see *Capital gains and losses*). Business income is divided between earned and capital income (see *Self-employment and business income*).

Earned income is subject to national income tax, municipal income tax, church tax and Public Broadcasting (Yleisradio, or YLE) tax. With the exception of YLE tax that is due on gross income, taxable earned income is generally computed in the same manner for each of these taxes, although the deductions and credits allowed for each tax differ slightly.

Earned income consists of salaries, wages, directors' fees and benefits in kind. Fringe benefits, including a company car, housing and lunch benefit, are taxed on values set forth in an official table that are lower than the actual costs incurred. Scholarships from private institutions are exempt in certain circumstances, up to approximately EUR20,700 (2019 tax year).

Under a special expatriate tax regime, qualifying expatriates may elect to be taxed on their salary income at a rate of 35% for a period of up to 48 months, instead of at the normal progressive income tax rates.

Self-employment and business income. Self-employment income of residents is considered to be business income. Taxable business income is apportioned between capital income and earned income. The amount of capital income is generally determined using a 10% or 20% rate of return on investment and is taxed at the 30% or 34% rate applicable to capital income (see *Capital gains and losses*). The remainder of taxable business income is taxed as earned income according to the progressive income tax scale (see *Rates*).

Taxable business income consists of profits shown in the statutory accounts required for self-employed individuals. Accounting profit and taxable profit are, in principle, the same, although the tax law prescribes a number of adjustments.

Investment income. For Finnish individuals, the taxation of dividend income depends on several factors. If the distributing company is a listed company that is resident in a country with which Finland has entered into a tax treaty and if certain other requirements are met, 85% of the dividend is taxable capital income. The remaining 15% is exempt from tax. Dividends from unlisted companies may be exempt from tax, taxed as capital income and/or taxed as earned income (similar to salary), depending on, for example, the net assets and the country of residence of the distributing company.

For residents, interest income on bank deposits and bonds is subject to a 30% final withholding tax. Certain government bonds are exempt from this tax.

In 2019, 25% of the interest on mortgages and 100% of interest on loans related to the deriving of taxable income are deductible from capital income. In general, 30% of the excess of deductible interest expense over capital income is deductible from income taxes on earned income. However, this credit is limited to EUR1,400 for a single person and EUR2,800 for a couple. The maximum amount deductible is increased by EUR400 for one child and by EUR800 for two or more children.

For nonresidents, dividends and royalties paid from Finland are generally subject to a 30% final withholding tax, unless a tax treaty provides otherwise. In most cases, interest paid to nonresidents is tax exempt.

Taxation of employer-provided stock options. Stock options provided by an employer are not taxed at the time of grant. At the date of exercise, the difference between the fair market value of the underlying stock and the exercise price of the option is treated as

taxable employment income. Employee social security contributions are generally not payable on the benefits except for the Medicare contribution of 1.61% (in 2019). Similarly, stock options are not usually subject to employer's social security contributions. The base for the employee contribution is generally the taxable amount.

Any gain derived from the subsequent sale of the stock is taxed as a capital gain under the rules described in *Capital gains and losses*.

Capital gains and losses. Capital gains on property are taxed as capital income at a rate of 30%. If the capital income received during a calendar year exceeds EUR30,000, the excess income is taxed at a rate of 34%. A taxable capital gain is computed by deducting from the disposal proceeds the greater of the acquisition cost plus the sales cost, or 20% of the proceeds (40% for property owned for at least 10 years before disposal). The acquisition cost used for property received by gift or inheritance is generally the value used for purposes of the gift and inheritance tax (see *Other taxes*). However, certain exceptions may apply.

A capital gain resulting from the sale of an apartment or house that the seller used as a primary residence for at least two years on a continuous basis during the time of ownership is exempt from tax.

Capital losses are deductible from all capital income in the year of the loss or in the five following years.

Deductions

Deductible expenses. In general, a taxpayer may deduct all expenses directly incurred in generating or maintaining taxable income. However, separate deductions apply for earned income and capital income. See *Investment income* for deductions applicable to capital income.

The following are the primary deductions applicable to earned income:

- Travel expenses that exceed EUR750 incurred between home and office, up to a maximum of EUR7,000
- Payments to labor unions
- Standard deduction from salary income, up to a maximum of EUR750
- Expenses incurred in connection with earning income, to the extent they exceed EUR750
- Employee contributions for health insurance per diem, unemployment insurance and pension

Contributions paid by individuals to voluntary pension insurance are generally deductible for tax purposes up to certain maximum limits from capital income.

Business deductions. Expenses incurred to create or maintain business income are generally deductible. Exceptions apply, for example, to salaries paid to entrepreneurs, their spouses and their children under 14 years of age who work for their business.

Interest expenses relating to business or farming activities are generally deductible for business or farming income purposes in determining taxable income from these activities.

Rates. Income tax consists of national tax, municipal tax, church tax (payable if the individual is a member of certain Finnish congregations) and YLE tax.

National income tax. For 2019, national income tax is imposed on individual residents at the following progressive rates.

Taxable income Exceeding EUR	Taxable income Not exceeding EUR	Tax on lower amount EUR	Rate on excess %
0	17,600	0	0
17,600	26,400	8	6
26,400	43,500	536	17.25
43,500	76,100	3,485.75	21.25
76,100	—	10,413.25	31.25

Municipal tax. For 2019, municipal tax is levied at a flat rate that ranges from 16.5% to 22.5% of taxable income, depending on the municipality.

Church tax. For 2019, church tax is payable by members of certain Finnish congregations at rates ranging from 1% to 2.2%.

YLE tax. For 2019, YLE tax of 2.5% is levied on annual income exceeding EUR14,000. YLE tax is capped at a maximum of EUR163 per year.

Nonresidents. Nonresidents' Finnish-source pension income is taxed in a similar manner to pension income received by residents; that is, they are subject to tax at the progressive rates.

Salaries, including directors' fees received by nonresidents, are subject to final withholding tax at a rate of 35%, unless a tax treaty provides otherwise. Nonresidents may deduct EUR510 per month (or EUR17 per day) from salary. This standard deduction may be claimed only if a Finnish tax at source card has been applied. The deduction does not apply to the directors' fees. Nonresidents from tax treaty countries can alternatively apply for progressive taxation in which case their Finnish-source salaries are taxed broadly similarly to the salaries received by residents.

Remuneration paid to a nonresident artist or athlete for a personal performance is subject to withholding tax at a rate of 15%, unless a tax treaty provides otherwise. If artists and athletes are subject to the 15% tax, they may not claim the standard deduction of EUR510. However, nonresident artists and athletes from other European Union (EU)/European Economic Area (EEA) countries can apply for progressive taxation.

Relief for losses. A business loss is deductible from capital income. Any excess loss from a business may be carried forward for 10 years and offset against business income. Any loss from earned income may be carried forward for 10 years and offset against income from the same category.

B. Other taxes

Wealth tax. Finland does not impose wealth tax.

Inheritance and gift taxes. Inheritance and gift taxes are levied on inheritances, testamentary dispositions and gifts. All property

owned by a person resident in Finland or received by a person resident in Finland is taxable. If both the owner and recipient are nonresidents, the tax applies only to real property located in Finland and to shares in a corporate body in which more than 50% of the assets consists of Finnish real property. A tax credit is allowed for estate or gift tax paid abroad on the same inheritance or gift if the recipient is resident in Finland at the time of the taxable event.

Beneficiaries are divided into the following two categories:
- Spouses, children, spouses' children and grandchildren, grandchildren, parents and grandparents (first category)
- Other related and unrelated individuals (second category)

Inheritance tax is imposed in the first category at the following rates for 2019.

Taxable amount Exceeding EUR	Taxable amount Not exceeding EUR	Tax on lower amount EUR	Rate on excess %
0	20,000	0	0
20,000	40,000	100	7
40,000	60,000	1,500	10
60,000	200,000	3,500	13
200,000	1,000,000	21,700	16
1,000,000	—	149,700	19

The following are inheritance tax rates for the second category.

Taxable income Exceeding EUR	Taxable income Not exceeding EUR	Tax on lower amount EUR	Rate on excess %
0	20,000	0	0
20,000	40,000	100	19
40,000	60,000	3,900	25
60,000	200,000	8,900	29
200,000	1,000,000	49,500	31
1,000,000	—	297,500	33

For 2019, the following deductions may be applied against the taxable share for inheritance taxation:
- Widow/widower deduction of EUR90,000
- Minor deduction of EUR60,000 (applies to direct heirs under 18 years old)

For 2019, gift tax is imposed in the first category above at the following rates.

Taxable amount Exceeding EUR	Taxable amount Not exceeding EUR	Tax on lower amount EUR	Rate on excess %
0	5,000	0	0
5,000	25,000	100	8
25,000	55,000	1,700	10
55,000	200,000	4,700	12
200,000	1,000,000	22,100	15
1,000,000	—	142,100	17

The following are the gift tax rates for the second category.

Taxable amount Exceeding EUR	Taxable amount Not exceeding EUR	Tax on lower amount EUR	Rate on excess %
0	5,000	0	0
5,000	25,000	100	19
25,000	55,000	3,900	25
55,000	200,000	11,400	29
200,000	1,000,000	53,450	31
1,000,000	—	301,450	33

Inheritance and gifts from one person to the same beneficiary during a three-year period are aggregated to determine the amount of the tax due.

Finland has entered into an inheritance and gift tax treaty with Denmark and Iceland, and inheritance tax treaties with France, the Netherlands, Switzerland and the United States.

C. Social security

The social security contributions are imposed on employers, employees and self-employed individuals. For employees in 2019, the social security contributions consist of a Medicare contribution and a per diem contribution. The per diem contribution is 1.54% of gross salary income (excluding certain items, such as most employee stock option and share award benefits). The Medicare contribution is not due on salary subject to the per diem contribution, but it is due at 1.61% on the difference between taxable municipal income and the per diem contribution basis; that is, most salary income and other earned income that is not subject to the per diem contribution is ultimately subject to the Medicare contribution at the same rate. In addition, a 6.75% compulsory pension insurance premium and a 1.5% unemployment insurance premium apply to gross salary income (excluding certain items, such as most employee stock option and share award benefits). The compulsory pension insurance premium is 8.25% for employees who are more than 52 years but less than 63 years old.

For employers, social security contributions are levied as a percentage of uncapped gross wages and salaries (excluding certain items, such as most employee stock option and share award benefits). The average total percentage of all contributions for private-sector employers goes up to 21.04%, which consists of 0.77% for employer's sickness insurance contributions, 0.07% for group life insurance premiums, pension premiums that average 17.35%, 0.8% for average accident insurance premiums and 0.5% for unemployment insurance premiums (2.05% for salaries exceeding EUR2,086,500).

For self-employed individuals insured under the Entrepreneur Pension Act, in 2019, social security contributions consist of a Medicare contribution and a per diem contribution as with employees. However, compared to employees, the per diem contribution is 1.77% of the annual pensionable amount agreed to between the employer and his or her pension insurance institution. In addition, entrepreneur pension insurance contributions are due on the annual pensionable salary at a rate of 24.1%

(25.6% for individuals who are more than 52 years but less than 63 years old; the corresponding rates for starting entrepreneurs are 18.8% and 19.7%, respectively). Self-employed individuals insured under the Entrepreneur Pension Act do not have to obtain compulsory unemployment, accident or group life insurance coverage.

The EU social security regulations apply to cross-border situations with other EU countries, with EEA countries (Iceland, Lichtenstein and Norway) and with Switzerland.

Finland has also entered into bilateral totalization agreements with Australia, Canada, Chile, China, India, Israel, Korea (South), Quebec and the United States. The material scope of the bilateral totalization agreements varies.

For assignments to Finland from a country other than an EU/EEA country, Switzerland or a totalization agreement country, employees working in Finland for foreign employers are generally exempt from the pension insurance contributions for the initial two years of an assignment. Employees can apply for a prolonged exemption.

D. Tax filing and payment procedures

The tax year in Finland is the calendar year. Married persons are taxed separately on all types of income. Pre-filled tax returns are sent to all individuals in April of the year following the tax year. The individuals must review the pre-filled tax return and submit any corrections to the tax authorities within the specified time limit.

The final tax is assessed individually for each taxpayer, depending, for example, on whether there have been changes in the individual's pre-filled tax return and possibly on whether the individual's spouse has made changes to his or her pre-filled tax return. The final tax should be assessed at the latest by the end of October. To reduce or eliminate the amount of the residual tax and interest, the taxpayer can apply for additional prepayments. Residual tax due dates are individual for every taxpayer. The due dates are between August of the year following the tax year and February of the following year. Refunds of overpayments are made between August and December of the year following the tax year.

An employer must withhold tax from an employee's salary for national, municipal and church tax purposes. In addition, an employer must withhold social security contributions (see Section C). Self-employed individuals must make monthly advance tax payments, which are calculated and levied separately by the tax authorities.

Self-employed individuals receive their pre-filled tax returns in March of the year following the tax year, and they must submit their corrections to the tax authorities within the specified time limit. The tax authorities assess final tax individually for each taxpayer, at the latest by the end of October of the year following the tax year.

Nonresidents who are subject only to final withholding taxes do not need to file tax returns. However, if the nonresidents want to apply for progressive taxation, they must file a tax return (see Section A). Nonresidents must generally declare all of their income from immovable property located in Finland (including shares in Finnish residential housing companies and real estate companies).

E. Double tax relief and tax treaties

Most of Finland's treaties are based on the Organisation for Economic Co-operation and Development (OECD) model. Most tax treaties eliminate double taxation using the credit method, but some use the exemption method. If no treaty is in force, Finnish law provides, under certain conditions, relief for foreign taxes paid, but only for purposes of national income taxes.

Finland has entered into double tax treaties with the following jurisdictions.

Argentina
Armenia
Aruba (a)
Australia
Austria
Azerbaijan
Barbados
Belarus
Belgium
Bermuda (a)
Botswana (a)
Brazil
British Virgin Islands (a)
Brunei Darussalam (a)
Bulgaria
Canada
Cayman Islands (a)
China Mainland
Costa Rica (a)
Cyprus
Czech Republic
Denmark
Egypt
Estonia
France
Georgia
Germany
Greece
Guernsey (a)
Hong Kong SAR
Hungary
Iceland
India
Indonesia
Ireland
Isle of Man (a)
Israel
Italy
Jamaica (a)
Japan
Jersey (a)
Kazakhstan
Korea (South)
Kyrgyzstan
Latvia
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Moldova
Morocco
Netherlands
Netherlands Antilles (a)
New Zealand
Niue (a)
North Macedonia
Norway
Pakistan
Panama (a)
Philippines
Poland
Romania
Russian Federation
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Tajikistan
Tanzania
Thailand
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Vietnam
Yugoslavia (b)
Zambia

(a) This is a convention on exchanging information and a concise tax treaty.
(b) Finland applies the Yugoslavia treaty with respect to Bosnia and Herzegovina, Croatia, Montenegro and Serbia.

F. Temporary visas

EU, EEA and Swiss nationals. EU/EEA/Swiss nationals are free to stay and work in Finland for up to three months. After the

three-month period, an EU/EEA/Swiss national must register his or her residence online in the EnterFinland portal and attend a personal appointment at the Finnish Immigration Services' service point in Finland. Nationals of the Nordic countries (Denmark, Iceland, Norway and Sweden) are exempt from the registration obligation applicable to other EU/EEA nationals, but they should register their presence in the local register office within one week after moving to Finland, if the stay exceeds six months.

Non-EU, non-EEA and non-Swiss nationals. Non-EU/non-EEA/non-Swiss nationals usually need a Schengen visa to enter Finland. However, under the Schengen treaty, nationals of approximately 50 countries do not need a Schengen visa to enter and stay in the Schengen zone for a combined maximum period of 90 days in a rolling 180-day period if they have a valid passport or other travel document accepted by the state of Finland, as well as sufficient funds for living and a return journey.

The Schengen zone consists of the following countries.

Austria	Hungary	Norway
Belgium	Iceland	Poland
Czech Republic	Italy	Portugal
Denmark	Latvia	Slovak Republic
Estonia	Liechtenstein	Slovenia
Finland	Lithuania	Spain
France	Luxembourg	Sweden
Germany	Malta	Switzerland
Greece	Netherlands	

G. Residence permits

Under the Aliens Act, an individual coming to work in Finland usually needs a residence permit. Exceptions to this requirement may be granted based either on the employee's nationality, length of stay or type of work performed in Finland.

Nordic country nationals. Nationals from other Nordic countries do not need residence permits. If they want to take up residence in Finland, they must register with the population register at the local registry office. Under the Nordic convention, Nordic citizens need only register if their stay in Finland exceed six months.

EU, EEA and Swiss nationals. EU/EEA/Swiss nationals do not need residence permits. However, EU/EEA/Swiss nationals who stay in Finland for longer than three months must register their right of residence in the EnterFinland online portal and attend a personal appointment at the Finnish Immigration Services' service point.

Non-EU, non-EEA and non-Swiss nationals. A non-EU/non-EEA/non-Swiss national must apply for a residence permit at the Finnish embassy or consulate in the country where he or she was last domiciled, or in his or her country of citizenship. The first residence permit is usually valid for one year, and a renewal may be applied for in Finland at the Finnish Immigration Services' service point. After a person has stayed in Finland for at least four years with a continuous residence permit (A-type), he or she may apply for a permanent residence permit.

Residence permit for employment. Non-EU/non-EEA/non-Swiss nationals usually need a residence permit in order to work in Finland. Typically, a residence permit for an employed person is needed. The application for a residence permit for an employed person is processed in two stages. First, an Employment and Economic Development Office assesses whether the individual has sufficient means of support, whether the work will be temporary or continuous, and whether a labor force is available within a reasonable time in Finland or within the EU/EEA for the work in question. Secondly, following the first stage, the Finnish Immigration Service makes its decision.

If an employee works, for example, in the middle or top management of the company, or as a specialist, a visiting consultant or a teacher, the employment office's opinion is not required.

Intra-corporate transfers (ICTs) of individuals within a company or group of companies who come to Finland to work as a manager, specialist or trainee may apply for a residence permit based on ICT. Employees holding a residence permit on the basis of ICT issued by another EU country may work in Finland for no more than 90 days within a 180-day period. In this case, the host entity in Finland must submit a mobility notification to the Finnish Immigration Service before entry to Finland. If their work in Finland exceeds 90 days, they must apply for a residence permit for long-term mobility (Mobile-ICT). In the case of ICT and Mobile-ICT residence permits, the employment office's opinion is not required.

Entrepreneurs. Private entrepreneurs who are non-EU/non-EEA/non-Swiss nationals and who wish to come to Finland as entrepreneurs must apply for an entrepreneur's residence permit. Before a permit can be issued, entrepreneurs usually need to enter their business in the Trade Register maintained by the Finnish Patent and Registration Office. An individual cannot get an entrepreneur's residence permit only because he or she owns a company; he or she must also work for the company in Finland. The application is processed in two stages. First, a Centre for Economic Development, Transport and the Environment (ELY Centre) assesses whether the individual meets the requirements in terms of profitability and whether his or her means of support is secured. After this stage, the Finnish Immigration Service processes the application.

If an individual intends to come to Finland to become an entrepreneur, he or she may apply for a startup entrepreneur residence permit. He or she must first obtain a positive Eligibility Statement from Business Finland before he or she can apply for this permit. A startup entrepreneur cannot get a residence permit without a positive statement from Business Finland. They must enter their business in the Trade Register maintained by the Finnish Patent and Registration Office before they can apply for a startup entrepreneur's residence permit.

Students. Students who are non-EU/non-EEA/non-Swiss nationals may need to obtain a residence permit to study in Finland. If the studies in Finland take longer than 90 days, a residence permit for studies is required. This residence permit is valid for two years, unless the individual applies for a shorter period. However,

the residence permit is only valid for the duration of the studies if the studies take less than two years. If a residence permit is not applied for, the individual can study in Finland for a maximum of 90 days. Even if the stay in Finland is for less than 90 days, the individual may still need a visa.

If the individual has been granted a residence permit for studies by another EU member state other than Finland and if the individual is covered by a program or an agreement specified in the Finnish act on residence permits for students, he or she can come to Finland to carry out part of his or her studies for a period up to 360 days. In this case, a mobility notification must be submitted to the Finnish Immigration Service. If the individual is coming to Finland for postgraduate studies, he or she needs to apply for a residence permit for scientific research.

Accepted educational institutions include institutions that provide education after basic education, such as universities, universities of applied sciences and vocational education institutions. The individual must have sufficient funds to pay for the tuition fees as well as sufficient means for living in Finland during the entire period of validity of the residence permit.

The residence permit for studies enables work without restrictions if the work is related to the degree. This means practical training and thesis work. For other jobs, the right to work is restricted to an average of 25 hours per week during the academic terms or work without restrictions at the times when the educational institution offers no instruction.

H. Family and personal considerations

Family members. Family members of a residence permit holder, including the spouse, the guardian of a child under 18 years of age and children under 18 years of age, may apply for residence permits on the basis of family ties. If an individual has been granted a residence permit on the basis of family ties, his or her right to work and study in Finland is not limited in any way.

Driver's licenses. An individual may drive in Finland on the basis of a license issued in an EU or EEA member state, for as long as the license is valid. If the individual is permanently resident in Finland or has studied in Finland for at least six months, an individual may exchange or renew a driver's license issued in an EU or EEA member state for a Finnish license or apply for a Finnish license in place of a lost, stolen or destroyed driving license issued in an EU or EEA member state.

A driver's license issued by the Hong Kong Special Administrative Region (SAR), Macau SAR, Taiwan or a jurisdiction that has ratified the Geneva or Vienna Road Traffic Convention (the Contracting States) is valid in Finland when visiting as a tourist until the license expires. It is also valid for two years after its holder moves permanently to Finland. The information in the Contracting States' driver's license must be written in a Latin alphabet or accompanied by a translation into Finnish or Swedish by a reliable source or an international driving license.

Driver's licenses issued in other jurisdictions recognized by Finland are valid for driving categories A1, A2, A or B when

visiting Finland as a tourist unless the license has expired. A driver's license is also valid for one year starting on the date on which the license holder is marked in the population register if it does not expire during that time. The information in the foreign driver's license must be written in a Latin alphabet or accompanied by a translation into Finnish, Danish, English, French, German, Norwegian or Swedish by a reliable source.

If an individual is permanently resident in Finland and has a valid driver's license issued by the Contracting States, he or she can exchange the license for an A1, A2, A or B Class driver's license without passing the driving examination. However, the individual needs to pass the driving examination (theory and driving test) to obtain a license in the Group 2 and BE category. To make an exchange without the driving examination, the individual must exchange the driver's license within two years of becoming a permanent resident of Finland and before the Contracting State license expires.

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A. Income tax

Who is liable. Individual income taxation is based on residence. Taxpayers are categorized as residents or nonresidents. Treaty rules on tax residence override domestic rules.

Residents. Persons of French or foreign nationality are considered residents for tax purposes if their home, principal place of abode, professional activity or center of economic interest is located in France. As a resident, an individual is taxed on worldwide income, subject to applicable treaty exemptions.

Nonresidents. Persons not considered resident as defined above are taxed on French-source income only.

Expatriate tax law. A favorable expatriate tax law applies to employees seconded to France after 1 January 2004. This favorable tax regime (Article 81 B of the French tax code) provides that under certain conditions, expatriates seconded to France after 1 January 2004 may not be taxed on compensation items relating to the assignment in France, such as a cost-of-living

allowance, housing cost reimbursement and tax equalization payments. The main condition is that the taxpayer must not have been considered a tax resident of France in any of the five tax years preceding his or her year of arrival in France. In addition, up to 20% of the remaining taxable compensation can potentially be excluded if the expatriate performs services outside of France during his or her assignment (non-French workdays). The exemptions are available until 31 December of the fifth year following the year of transfer to France. Administrative regulations on the law, which were released in 2005, provide that the exemptions in the law may not be combined with the benefits under the French headquarters rules (see *Expatriate French headquarters and distribution center employees*).

Effective from 1 January 2008, the favorable tax regime described above (now Article 155 B) was extended to local hires (including French nationals) who relocate to France and meet the above residency criteria. Under the Impatriate Tax Regime (Régime fiscal des impatriés), employees hired directly by a French company (excluding intra-company transfers) may elect to have 30% of their net remuneration treated as an impatriate premium and thereby exempted from French income tax up to the limit of the French reference net taxable salary (compensation received by other employees with respect to equivalent positions).

Taxpayers who satisfy the Article 155 B conditions benefit from a 50% tax exemption with respect to their foreign-source dividends, interest, royalties and capital gains (resulting from sale of securities) for a period of five years (subject to certain conditions concerning the source of such income). Social surtaxes of 17.2% remain payable on the full income.

The option for the 30% impatriate premium, which was previously reserved for individuals hired directly abroad by a company established in France, has recently been extended to the following:

- Individuals called by a foreign company to a company in France
- Intra-company transfers

This provision applies to individuals taking up their duties in France on or after 16 November 2018.

The period of the application for the favorable tax regime is extended to 31 December of the eighth year following the year of transfer to France for taxpayers who transferred to France on or after 6 July 2016.

Expatriate French headquarters and distribution center employees. A foreign expatriate assigned to the French headquarters (HQ) of a multinational company may be eligible under a HQ ruling for tax relief for up to six years from the assignment date. The principal advantage of a HQ ruling is the elimination of tax-on-tax if the employer reimburses an expatriate for his or her excess foreign tax liability. This tax reimbursement is taxed only at the corporate rates and is not grossed up. With careful planning, exemption from personal income tax on many benefits and allowances may be obtained. The new expatriate tax law is generally more favorable than the HQ rules and an election must be made as to which of the two regimes applies to the expatriates of a HQ.

Taxable income. Taxable income consists of annual disposable income from all sources. Income is identified based on its nature, and then allowances, deductions and treaty provisions are applied in calculating net taxable income subject to progressive tax rates.

The taxation of each category of income may be modified by an applicable treaty provision. For example, US citizens are not taxed on US-source passive income (however, see *Effective rate rule*).

Taxable salary income. The total of all compensation paid by an employer is considered taxable salary income and includes such items as the private-use element of a company car, employer-paid meals and employer-paid education expenses for employees and their dependent children. Taxable compensation does not include the following items paid by employers: certain pension contributions, certain medical insurance premiums and, for resident foreigners and nonresidents, home-leave expenses, moving expenses and temporary housing expenses.

Self-employment and business income. Self-employment income is divided into the following three categories, depending on the nature of the activities: commercial (includes trades), professional and agricultural.

Taxable income realized from each category is subject to the progressive tax rates that apply to resident individuals (see *Rates*). In addition, a self-employed individual is subject to a flat social tax (see *CSG/CRDS and social tax*).

Self-employed individuals involved in commercial activities are required to use the accrual method of accounting and must include in taxable income all receipts, advances, expense reimbursements and interest directly related to the activities. Long-term capital gains from disposals of a company's assets benefit from a special measure, which provides for gains to be taxed at a rate of 12.8%, with an additional 17.2% (9.7% for *contribution sociale généralisée* [CSG]/*contribution reimboursement de la dette sociale* [CRDS] and 7.5% additional social tax) charged on passive income and capital gains (see *Rates*).

Taxable income for professional activities is equal to the difference between receipts and expenses actually received or paid in the calendar year. This use of the cash-basis method of accounting (though optional) constitutes the principal difference between the taxation of commercial and professional activities. Detailed daily records must be maintained by self-employed persons. Long-term capital gains from disposals of assets used in professional activities are taxable at a rate of 12.8%, with an additional 17.2% for CSG/CRDS and additional social tax charged on passive income and capital gains.

Profits derived from agricultural cultivation and breeding constitute taxable income, which is determined by using the cash method of accounting. Because of the variability of farm income, special tax rules apply. In general, long-term gains from disposals of assets used in agricultural activities are taxable at a rate of 12.8%, with additional social taxes of 17.2%. However, specific rules apply in certain cases.

Directors' fees. Under French internal law, directors' fees are treated as dividend income. Similarly, because directors' fees are not considered salary, the 10% standard deduction does not apply.

Directors' fees paid to nonresidents are generally subject to a flat 12.8% withholding tax, unless a tax treaty provision reduces or eliminates the tax.

Investment income. Effective from 1 January 2018, interest and dividends are taxed at a flat rate of 30% (12.8% income tax and additional social charges of 17.2%). However, taxpayers can elect to be taxed on such income under regular progressive rates if more favorable. See *Expatriate tax law* for information regarding taxpayers qualifying under Article 155 B.

Net income derived from the rental of real estate and from royalty income (other than for industrial property) is taxed as ordinary income. Royalties from industrial property are taxed at a rate of 33.33%, subject to a possible reduced rate provided in a tax treaty. Income from real estate is subject to income tax plus 17.2% CSG/CRDS and social tax.

Exempt income. Exempt income includes the following:
- Certain profits from the sale of securities
- Family allowances and health care reimbursements
- Payments received pursuant to life insurance contracts (under certain conditions)

Employment income earned by a tax resident of France with respect to employment duties performed outside France for an employer established in France, a European Union (EU) member state or a member state of the European Economic Area (EEA) that has concluded with France a tax treaty containing an administrative cooperation clause is exempt if one of the following conditions is satisfied:
- For more than 120 days during a 12-month period, the employee is engaged outside France in prospecting for new clients for his or her employer.
- The employee establishes that his or her salary is subject to a foreign income tax equal to at least two-thirds of the equivalent French tax.
- For more than 183 days in a 12-month period, the employee performs employment duties overseas in connection with construction, engineering, or exploration or extraction of a natural resource.

Supplemental amounts, contractual premiums or per diems earned for foreign duty by such residents may be exempt from tax under certain conditions, depending on the number of foreign workdays. This exemption is limited to a maximum of 40% of the annual remuneration. Special exemptions and rules apply for small businesses engaged in commercial, professional and agricultural activities and in certain other circumstances.

Taxation of employer-provided stock options. Exercise gains realized on stock options are subject to full ordinary income tax and employee and employer social security contributions as employment income if either the following circumstances exists:
- The stock options are from nonqualified plans.
- The stock options are from qualified plans, and the reporting requirements are not satisfied.

Stock option plans that qualify under French corporate law benefit from a favorable tax regime. Foreign plans may be amended to qualify under the French rules.

No taxes or social security contributions are levied when the option is granted. At the time of exercise, taxes and social security contributions are not levied unless the option exercise price is less than 95% of the average stock price over the 20 trading days preceding the grant date.

An employer contribution is due on the grant of options awarded under a French qualified plan. This contribution equals 30% of the fair market value (FMV) of the option as determined for accounting purposes (International Financial Reporting Standard [IFRS] 2) or 30% of 25% of the value of the shares underlying the options. Employees are also subject to a specific contribution at the date of sale of the shares acquired through the exercise of an option granted under a French qualified plan. This contribution applies to options granted on or after 16 October 2007 and equals 10% of the exercise gain (difference between the FMV of the shares on exercise and the amount paid to exercise the options).

When stock acquired under a qualified plan is sold, the gains benefit from favorable tax treatment if both of the following requirements are met:

- The shares are kept in nominative form.
- The employer and the employee satisfy specific reporting requirements at the time of exercise of the option.

Gains derived from the sale of stock acquired under French qualified options granted on or after 27 April 2000 and before 28 September 2012 are taxed in accordance with the following rules:

- If the stock has not been held for at least two years after exercise, the spread (the difference between the FMV of the stock at exercise and the strike price) is subject to tax at a 47.2% flat rate (including 17.2% of social taxes) on the amount of the spread up to EUR152,500, and at a 58.2% flat rate (including 17.2% of social taxes) on the excess.
- If the stocks are sold more than six years after grant of the options and more than two years after exercise of the option, the spread is subject to tax at a 35.2% flat rate (including 17.2% of social taxes) on the amount of the spread up to EUR152,500, and at a 47.2% flat rate (including 17.2% of social taxes) on the excess.

Alternatively, the employee may elect to have the exercise gain taxed at the regular progressive tax rates (plus 17.2% of social taxes) if this is more advantageous.

As discussed above, for options granted on or after 16 October 2007, an additional employee social contribution of 10% must be paid.

For gains derived from the sale of stock acquired under French qualified options granted on or after 28 September 2012, the spread is subject to the following:

- Income tax at the regular progressive rates
- 9.7% CSG/CRDS and the 10% employee social contribution described above

Gains derived from French qualified options granted before 27 April 2000 are subject to specific tax rates.

Any additional capital gain resulting from the difference between the sale price and the FMV of the shares on the date of exercise is taxed as described below in *Capital gains.*

Taxation of restricted stock awards. Vesting gains realized on restricted stock awards from nonqualified plans are considered employment income and are subject to full ordinary income tax and employee and employer social security contributions at the time of vesting.

Restricted stock awards may be subject to favorable tax and social security treatment. To qualify, the company's plan must meet specific rules, which include minimum vesting and holding periods, the length of which depends on the date of grant of the awards or the date of the decision of the shareholders authorizing the implementation of a restricted stock plan.

If the plan qualifies for French purposes and the vesting and holding period conditions are satisfied, the income tax charge is deferred until the date of the sale of the shares, and no social security tax is due with respect to the value of the stock award.

For restricted stocks granted under an authorization given by the shareholders after 8 August 2015, the tax law reduces the duration of the minimum vesting and holding periods. Under the new law, the acquisition period cannot be lower than one year and the aggregated period of the vesting and holding periods cannot be lower than two years. If a vesting period of at least two years is implemented, no legal or tax obligation to impose a holding period applies.

An employer contribution is due at the date of the award of restricted stocks under a French qualified plan if the implementation was authorized by the shareholders before 8 August 2015. This contribution equals 30% of the FMV of the shares awarded as determined for accounting purposes (IFRS 2) or 30% of the value of the shares on the date of the award. The employer freely determines the method and can choose the method that results in the lowest valuation.

For restricted stocks granted under an authorization given by the shareholders on or after 8 August 2015 and on or before 31 December 2016, the employer contribution is due at the date the shares are delivered to the employee. This contribution is due at a rate of 20% and is assessed on the FMV of the shares on the vesting date. For restricted stocks granted under an authorization given by the shareholders after 31 December 2016 and on or before 31 December 2017, the employer contribution is due at a rate of 30%. For restricted stocks granted under an authorization given by the shareholders on or after 1 January 2018, the employer contribution is due at a rate of 20%.

Employees are subject to an additional contribution at the date of sale of the shares acquired under a French qualified plan. This contribution applies to shares granted on or after 16 October 2007 and equals 10% (rate applicable for shares sold since 18 August 2012) of the FMV of the shares on the date of delivery.

This 10% employee contribution has been removed for restricted stocks granted under an authorization given by the shareholders after 8 August 2015. However, it has been partly reinstated for restricted stocks granted under an authorization given by the shareholders after 31 December 2016 (see below).

Gains derived from the sale of shares awarded under French qualified restricted stock plans that were granted before 28 September 2012 are taxed in accordance with the following rules:

- Taxable income equals the FMV of the shares at the date of vesting and is subject to tax only at the date of sale. It is subject to income tax at a flat 30% rate, plus 17.2% of social taxes and the 10% employee social contribution described above.
- If more favorable, the taxpayer can elect to have the stock award taxed at the regular progressive rates of income tax, plus the 17.2% of social taxes and 10% employee social contribution described above.

For gains derived from the sale of shares awarded under French qualified restricted stock plans that are granted on or after 28 September 2012 (under an authorization given by the shareholders before 8 August 2015), the acquisition gain (FMV of the shares on the date of delivery) is subject to the following:

- Income tax at the regular progressive rates
- 9.7% CSG/CRDS and the 10% employee social contribution described above

For gains realized under French qualified restricted stock plans for which implementation was authorized by the shareholders on or after 8 August 2015 and on or before 31 December 2016, the vesting gain (FMV of the shares on the date of delivery) is taxed at the date of sale of the shares in accordance with the following rules:

- Income tax is imposed at the regular progressive rates with application of a reduction of the tax base of 50% if the shares are held for more than two years after the vesting date. The reduction of the tax base is increased to 65% if the shares are held for more than eight years after the vesting date.
- 17.2% social taxes are imposed on investment income (calculated on the amount before any reduction of the tax base).

For gains realized under French qualified restricted stock plans for which implementation was authorized by the shareholders after 31 December 2016 and on or before 31 December 2017, the vesting gain (FMV of the shares on the date of delivery) is taxed at the date of sale of the shares in accordance with the following rules:

- Portion of the annual gain below EUR300,000: Income tax is imposed at the regular progressive rates with application of a reduction of the tax base of 50% if the shares are held for more than two years after the vesting date. The reduction of the tax base is increased to 65% if the shares are held for more than eight years after the vesting date. On investment income, 17.2% social taxes are imposed (calculated on the amount before any reduction of the tax base).
- Portion of the annual gain above EUR300,000: Income tax at the regular progressive rates is imposed. The 9.7% CSG/CRDS and the 10% employee social contribution described above is imposed.

For gains realized under French qualified restricted stock plans for which implementation was authorized by the shareholders on or after 1 January 2018, the vesting gain (FMV of the shares on the date of delivery) is taxed at the date of sale of the shares in accordance with the following rules:

- Portion of the annual gain below EUR300,000: Income tax is imposed at the regular progressive rates with application of an automatic reduction of the tax base of 50%. 17.2% social taxes are imposed (calculated on the amount before any reduction of the tax base).
- Portion of the annual gain above EUR300,000: Income tax at the regular progressive rates is imposed. The 9.7% CSG/CRDS and the 10% employee social contribution described above is imposed.

Any additional capital gain resulting from the difference between the sale price and the FMV at vesting is taxed as described below in *Capital gains.*

Withholding obligation on French-source portion of French qualified gains realized by nonresident taxpayers. Under Article 182 A of the French Tax Code, the French income tax due on the French-source portion of qualified stock options or qualified restricted stock award gains realized by individuals who are not tax residents in France at the time of the taxable event (that is, the sale of the underlying shares) must be withheld by the entity that pays the cash proceeds from the sale of the shares. The income tax must be withheld at the flat rate applicable to the qualified stock options or qualified restricted stock award gains (18%, 30% or 41% for gains realized in 2018), or at the specific progressive withholding tax rates applicable to compensation income. This obligation applies at the date of sale of the underlying shares and concerns restricted stock vested and options exercised since 1 April 2011.

Capital gains. Capital gains derived from the disposal of shareholdings and real estate are subject to tax in France.

Investments. Effective from 1 January 2018, capital gains realized by a taxable household on the sale of listed or unlisted shares, bonds or related funds are taxed at a flat rate of 30% (12.8% income tax and 17.2% of CSG/CRDS and additional social charges). Taxpayers can elect to be taxed at progressive tax rates with a discount based on the holding period if more favorable. See *Expatriate tax law* for information regarding taxpayers qualifying under Article 155 B.

Real property and shares in real estate companies. Gains derived from the sale of real property are taxable at a rate of 19%, and are subject to CSG/CRDS and social tax (17.2%), resulting in a combined total tax rate of 36.2%. Gains are reduced for each year that the property is held, effective from the fifth year of ownership (no chargeable gain arises with respect to property owned for 22 years or more for income tax and no charge for CSG/CRDS and social taxes applies after 30 years of ownership). The purchase price is increased to take into account purchase expenses and capital improvements. Effective from 1 January 2013, supplementary tax rates apply to capital gains in excess of EUR50,000. These supplementary tax rates range from 2% to 6%.

Exemptions. Individuals may benefit from a total exemption for gains derived from the sale of a principal private residence.

Deductions and credits

Deductible expenses. Expenses incurred in earning or realizing income are generally deductible from such income, and credits may also be available. The following deductions and credits are specifically allowed:

- Taxpayers may either deduct 10% of net taxable employment income, limited to EUR12,502 (for 2018 employment income), as an allowance for unreimbursed business expenses, without providing proof of expenditure, or they may elect to deduct actual expenses and provide a detailed listing.
- Tax credits are granted for investment in specified historical or classified real estate, for investment incurred for rental purposes and for domestic employee expenses up to a maximum of EUR12,000 (2018 ceiling) plus EUR1,500 per dependent.
- A credit is available for qualifying child care expenses (outside the home) equal to 50% of the amount paid, limited to EUR2,300 per child under the age of six.
- Tax credits are granted, within certain limits, for charitable donations to recognized charitable institutions.
- School credits are available in the amount of EUR61 for a child in a college, EUR153 for a child in a *lycée* and EUR183 for a child in higher education.
- Amounts paid for alimony and child support (limited for children over 18 years of age) and for limited dependent parent support are deductible.
- A tax credit is available for investments in the motion picture and fishing industries and for certain other investments.

Numerous other allowances and deductions may also be available.

Personal deductions and allowances. The family coefficient rules discussed in *Rates* are used in calculating tax at progressive rates and take into account the size and taxpaying capacity of the household.

Business deductions. In general, deductible expenses for commercial, professional and agricultural activities are similar. They include the following items:

- The cost of materials and stock
- General expenses of a business nature, including personnel expenses, certain taxes, rental and leasing expenses, finance charges and self-employed persons' social security taxes
- Depreciation expenses (two methods are applicable, straight-line and declining-balance, over the normal life of the asset)
- Provisions for losses and expenses if the accrual method of accounting is used

Rates. French individual income tax is levied at progressive rates, with a maximum rate of 45% for the 2018 tax year (these are the most recent rates available). Family coefficient rules are used to combine the progressive tax rate with the taxpaying capacity of the household. France has a regime of joint taxation for married couples and individuals who have contracted a civil union (Pacte Civil de Solidarité, or PACS). Income tax is assessed on the combined income of the members of the household including dependents. No option to file separately is available.

Family coefficient system. Under the family coefficient system, the income brackets to which the tax rates apply are determined by dividing taxable income by the number of allowances available to an individual. The final tax liability is then calculated by multiplying the tax computed for one allowance by the number of allowances claimed. Available allowances are shown in the following table.

Family composition	Allowances
Single individual	1
Married couple	
No children	2
1 child	2.5
2 children	3
Each additional dependent child	1

Limits are imposed on the tax savings resulting from the application of the family coefficient system. For example, for a married couple, for the 2018 tax year, the tax savings may not exceed EUR1,551 for each additional half allowance claimed.

The progressive tax rates take into account the family coefficient.

The following table provides the 2018 income tax brackets and rates for individuals.

Annual taxable income		Tax
Exceeding EUR	Not exceeding EUR	rate %
0	9,964	0
9,964	27,519	14
27,519	73,779	30
73,779	156,244	41
156,244	—	45

Exceptional 3% and 4% tax on high income taxpayers. High income taxpayers are liable for an exceptional tax calculated on their gross reference taxable income. For single taxpayers, the rate is 3% for the portion of the gross reference taxable income between EUR250,000 and EUR500,000 and 4% for the portion exceeding EUR500,000. For married taxpayers, the rate is 3% for the portion of the gross reference taxable income between EUR500,000 and EUR1 million and 4% for the portion exceeding EUR1 million. Gross reference taxable income equals taxable income plus exempt income, less limited items that are tax deductible.

CSG/CRDS and social tax. CSG/CRDS applies to all resident taxpayers. It is charged at a rate of 9.7% on 98.25% of gross salary if it does not exceed EUR162,096 (2019 ceiling) per year and on 100% of the portion of the gross salary that exceeds EUR162,096, including benefits in kind and bonuses.

CSG/CRDS on passive income and capital gains is increased by a social tax surcharge, resulting in a total rate of 17.2%. If the individual is not affiliated to the French mandatory social security scheme and is affiliated to a mandatory social security scheme located in the EU, Iceland, Liechtenstein, Norway or Switzerland, he or she is exempted from CSG/CRDS (9.7%) resulting in a total rate of 7.5%.

The tax administration characterizes CSG/CRDS as an income tax for domestic purposes. However, for social security bilateral agreements and EU social security regulation purposes, it is characterized as a social security charge. Consequently CSG/CRDS is not payable on employment income for expatriates covered under a social security certificate of continued coverage. This exemption for employment income does not apply to taxable passive income, including taxable capital gains.

CSG is charged at a rate of 9.2%, of which 6.8% is deductible for French income tax purposes.

Nonresidents. Nonresidents are subject to a withholding tax on French-source remuneration, after the deduction of statutory employee social security contributions and the 10% standard deduction.

Withholding rates applicable to net French-source compensation received by nonresidents in 2019 are set forth in the following table.

Annual taxable income		Tax
Exceeding EUR	Not exceeding EUR	rate %
0	14,839*	0
14,839	43,047*	12
43,047	—	20

* Tax brackets are prorated according to the time actually worked in France.

The withholding tax discharges the individual's tax liability to the extent that the taxable amount does not exceed the 12% income bracket. Excess taxable income subject to the 20% bracket must be reported on an annual nonresident income tax return and is subject to the regular progressive tax rates. The 20% withholding then constitutes a tax credit against the tax liability. Any excess tax credit is not refundable.

A nonresident's tax liability may not be less than 20% of net taxable income for income between EUR0 and EUR27,519 and 30% for income exceeding EUR27,519. However, if a nonresident can prove that the effective rate of tax computed on his or her worldwide income, according to French tax rules, is less than 20% or 30%, the progressive income tax rates apply without limitation.

Effective rate rule (exemption with progression). If an individual has income exempt from tax under treaty provisions, the effective rate rule generally applies. Under this rule, the taxpayer's income tax liability is calculated based on worldwide income using the progressive rates and other French tax rules. Total income tax is then divided by worldwide income to yield the effective percentage rate, which is then applied to income taxable in France to determine total tax payable in France.

Relief for losses. French taxable income is determined for each category of revenue. Expenses incurred in creating income are deductible from the income produced. The following are deductible losses:

- Certain rental losses not due to interest payments, up to EUR10,700 per tax household per year
- Certain professional losses

The general principle is that losses from one category of income may offset profit from other categories and may be carried forward for six years. However, this principle is subject to limitations. Certain losses may be offset only against income from the same category of income. These include capital losses on quoted stocks and bonds.

Capital losses from the disposal of real estate are final losses and may not be carried forward to offset future capital gains from real estate.

B. Other taxes

Real estate wealth tax. Effective from 1 January 2018, the real estate wealth tax replaced the wealth tax.

The real estate wealth tax is levied on individuals with total net real estate assets exceeding EUR1,300,000 as of 1 January.

Real estate wealth tax applies to all real estate assets and real estate rights as well as to the shares in companies or other organizations for the fraction of the assets that represent real estate or real estate rights held directly or indirectly.

The following are the progressive rates of real estate wealth tax.

Taxable wealth		
Exceeding EUR	Not exceeding EUR	Rate %
0	800,000	0
800,000	1,300,000	0.5
1,300,000	2,570,000	0.7
2,570,000	5,000,000	1
5,000,000	10,000,000	1.25
10,000,000	—	1.5

A discount is planned for the taxable wealth included between EUR1,300,000 and EUR1,400,000.

French tax residents are taxed on their French and foreign real estate assets. Non-French tax residents are taxed on their French real estate assets only, subject to the application of tax treaties.

In addition, a specific exemption from real estate wealth tax on any assets located outside of France exists for individuals who move their residence from abroad to France and who have not been French tax residents during the preceding five civil years. This measure applies until 31 December of the fifth year following the year of the transfer of the residence in France.

Real estate wealth tax due from a French tax resident can be capped if the total taxes due from the individual exceed 75% of his or her annual income of the preceding year.

French taxpayers liable for real estate wealth tax must indicate their net asset value on the 2042-IFI tax form filed with the annual income tax return. The French tax administration calculates the real estate wealth tax and the amount due must be paid after receipt of the real estate wealth tax assessment.

Debts relating to assets exempt from real estate wealth tax or not included in the real estate wealth tax base cannot be deducted in the calculation of the real estate wealth tax.

Specific deduction rules apply for the valuation of shares of a company owning real estate, notably in the case of in fine loans (loans for which the capital must be reimbursed at once at the end of the loan; that is, loans with maturity) and loans that have been concluded between the company and the taxpayer or members of his or her family.

Exit tax. An exit tax on restricted categories of income (mainly capital gains) may apply to taxpayers who departed France on or after 3 March 2011 if they own more than 50% of the stocks of a company or have more than EUR800,000 in shares the day before breaking their French tax residency and if the taxpayer was a French resident for at least 6 years during the last 10 years. The exit tax on the unrealized capital gain calculated at the date of the tax residency transfer may be due or may be postponed with or without a financial guarantee, depending on the country to which the taxpayer transfers her or his tax residency. Effective from 1 January 2014, after the departure from France, the taxpayer must hold his or her shares for at least 15 years (for transfers of residence after 1 January 2019, the 15-year period is reduced to 2 years or 5 years if the shares value exceeds EUR2,570,000). If the taxpayer decides to sell his or her shares before the end of this period, the postponement of the taxation ends, and the taxpayer is taxable on the capital gains calculated at the departure. The taxpayer must comply with filing obligations, which differ depending on the state and the date of the transfer.

Inheritance and gift taxes. If a decedent or donor was resident in France (or if the heir or beneficiary is French tax resident and was French tax resident during 6 years of the 10 past years), tax is payable on gifts and inheritances of worldwide net assets, unless otherwise provided by an applicable double tax treaty. For nonresident decedents or donors, only gifts and inheritances of French assets are taxable, provided the beneficiary is also a nonresident of France, unless otherwise provided by an applicable double tax treaty.

Surviving partners (spouses or partners in a Civil Union [Pacte Civil de Solidarité, or PACS]) are exempt from inheritance tax. The allowance for parents and children amounts to EUR100,000. The excess is taxed at rates ranging from 5% to 45%, depending on the value of the inheritance. Surviving brothers and sisters may be exempt from inheritance tax if specific conditions are met. In the absence of these conditions, they may each claim a personal allowance of EUR15,932 and are taxed at a rate of 35% on inheritances of up to EUR24,430 and at a rate of 45% on the excess. Other close relatives are taxed at a rate of 55% on the excess over EUR1,594 (or EUR7,967 for nephews and nieces), and other persons at a rate of 60% on the excess over EUR1,594.

The gift tax rates are generally the same as those for inheritance tax. Gifts between partners are taxable (spouses or partners in PACS), but partners benefit from a personal allowance of EUR80,724 instead of an exemption. For grandchildren, the allowance is EUR31,865. The excess is taxed at rates ranging from 5% to 45%.

The following items are exempt from inheritance tax:

- Life insurance contracted by the deceased (subject to certain age conditions). This exemption is limited to EUR152,500 for each designated beneficiary (as an exception, full exemption for surviving partners), and the excess is taxed at rates of 20% and 31.25%.
- The transfer of companies by death or gift (Collective Holding Commitment [Pacte Dutriel]). The transfer is partially exempt from inheritance and gift tax (75% rebate) if specific conditions are met (in particular, commitment of the heirs or the donees to retain the shares of the company). A tax reduction of 50% may also apply to a gift of the company if the donor is less than 70 years old.
- Works of art, if offered to the state.

To provide relief from double inheritance taxes, France has entered into estate tax treaties with the following jurisdictions.

Algeria
Austria
Bahrain
Belgium
Benin
Burkina Faso
Cameroon
Canada
Central African Republic
Congo
Côte d'Ivoire
Finland
Gabon
Germany
Guinea
Italy
Kuwait
Lebanon
Mali
Mauritania
Monaco
Morocco
New Caledonia
Niger
Oman
Portugal
Qatar
St. Pierre and Miquelon
Saudi Arabia
Senegal
Spain
Sweden
Togo
Tunisia
United Arab Emirates
United Kingdom
United States

Trusts. Assets held indirectly through trusts located abroad may result in wealth tax and inheritance tax. A trust is an unknown concept in French civil law. It was defined by the tax law in 2011 as legal rights created under foreign law by a settlor (*constituent*), either *inter vivos* or by death, who transfers assets to a trustee (*administrateur*) in the interests of beneficiaries. Since 2011, the French law provides specific rules for trusts located outside France.

Real estate wealth tax. Non-French tax residents who are true settlors of a trust (contributors to the trust and not acting for the account of others), or beneficiaries of a trust in the event of the settlor's death, are liable to real estate wealth tax in France only on the basis of the immovable assets located in France. Non-French tax residents must complete their real estate wealth tax returns. If they fail to meet these real estate wealth tax obligations, the trustee must pay a specific contribution, which equals the amount calculated by applying the marginal real estate wealth tax rate (1.5%) to all immovable assets located in France.

Reporting obligations. The trustee must disclose to the French tax administration some details about the trust (including but not limited to settlor identity, beneficiary identity, and nature and value of the asset) if the settlor or at least one of the beneficiaries is a French tax resident, if any asset held in the trust is located in France or if the trustee is a French tax resident. The trustee must file the following two kinds of tax returns:

- A tax return for each event occurring with respect to the trust (creation, modification, termination and distribution) within one month after the event
- An annual return detailing all the assets held by the trust and providing their FMV at 1 January

If the reporting obligations are not respected by the trust, a fine equal to EUR20,000 is imposed. Furthermore, an 80% penalty applies to the amount of the potential reassessments deriving from income in the trust (this 80% penalty cannot be less than EUR20,000; however, if the 80% penalty applies, the flat EUR20,000 fine does not apply).

Inheritance tax. The inheritance tax regime applicable to assets held through a trust is not favorable in comparison with the direct holding of the assets. However, if the assets are specially allocated to the beneficiaries before the death of the settlor and if certain other requirements are satisfied, the assets could be subject to progressive inheritance tax rates in France as if they were held directly by the settlor. If these conditions are not satisfied, the assets are subject to a higher flat rate of 45% (60% if the assets are allocated to a third party).

Trust distribution. Distributions from the trust to a beneficiary may be subject to French taxes or treated as investment income.

C. Social security

Contributions. An individual's social security taxes are withheld monthly by the employer. French social security contributions are due on compensation, including bonuses and benefits in kind, earned from performing an activity in France even if paid from a foreign country. However, this rule may be modified by a social security totalization agreement. The total charge for 2019 is approximately 15% to 24% (depending on retirement fund contributions and level of remuneration) of gross salary for employees, and 35% to 47% for employers.

Some of the contributions are levied on wages, up to ceilings of EUR40,524, EUR162,096 or EUR324,192 per year (2019 amounts). However, the sickness contribution (employer rate, 13.3%), the basic state pension contribution (employer rate, 1.9%), the family allowance contribution (employer rate, 5.25%), and the housing aid, old-age, work accident and transportation contributions (employer rate, approximately 7%) are levied on the employees' total remuneration.

Social security taxes are independent from CSG and CRDS contributions (see Section A).

New provisions allowing certain employees to opt out of paying French statutory pension contributions. The PACTE law (an action plan for business growth) introduced a new article relating to the social security code, which allows eligible employees and their employers to opt out of paying statutory pension contributions for a period of three years that is renewable for three additional years.

To opt out, the following conditions must be met:

- The employee has not been subject to compulsory pension contributions in the five calendar years preceding his or her start date in France.
- The employment began in France on or after 11 July 2018 with a French or foreign work contract.
- Employers and employees should be able to provide documentation of a minimum EUR20,000 contribution per year to an eligible private French pension fund or to a foreign pension fund. EUR20,000 is equal to the employer portion of compulsory French retirement contributions for an employee with a gross annual compensation amounting to EUR134,000 if the employer contributes at the minimum ARRCO/AGIRC (French statutory pension) rates.

The exemption applies for both the basic state old-age pension and the compulsory complementary pension contributions, which are CNAV, ARRCO/AGIRC, CEG, CET and APEC. The employee portion and employer portion of these contributions are exempt. The maximum savings for an employee with a gross annual compensation that exceeds the pension rate ceiling (EUR324,192 for 2019) is EUR80,500 plus 2.3% of the gross annual compensation, if the company contributes at the minimum ARRCO/AGIRC rates.

The employer and the employee need to send a joint request to the relevant social security office (URSSAF). Documentation needs to be included demonstrating either a payment or intention for payment of the annual minimum contribution of EUR20,000 to an eligible alternative pension plan as well as a sworn statement by the employee that he or she was not subject to a mandatory French pension regime in the five calendar years preceding the start of employment in France.

Benefits. The following benefits are available to an individual subject to the French social security system:

- Daily compensation in the event of interruption of professional activity
- Full retirement pension (basic state pension and complementary pension cover)
- Family allowance (exempt from income tax)
- Full professional accident coverage
- Partial or total medical expense reimbursement

Totalization agreements. The provisions of the French social tax code apply if work is performed on a regular basis in France, regardless of an employer's place of residence or the source of payment. A French citizen or resident on foreign assignment outside France may continue to contribute to the French social security system for a limited period under certain conditions.

To provide relief from double social security taxes and to assure benefit coverage, France has entered into totalization agreements with the jurisdictions listed below. The EU social security regulation can usually provide for periods of continued coverage under a home country social security regime for up to five years (with the mutual agreement of the competent authorities of both member states). Agreements with other countries apply for one to five years and periods of continued coverage may be extended with the mutual agreement of both competent authorities.

Algeria
Andorra
Argentina
Austria
Belgium
Benin
Bosnia and Herzegovina
Brazil
Cameroon
Canada
Cape Verde
Chile
Congo
Cote d'Ivoire
Czech Republic
Denmark
Finland
French Polynesia
Gabon
Germany
Greece
Guernsey
Iceland
India
Ireland
Isle of Man
Israel
Italy
Japan
Jersey
Korea (South)
Liechtenstein
Luxembourg
Madagascar
Mali
Mauritania
Monaco
Montenegro
Morocco
Netherlands
New Caledonia
Niger
Norway
Philippines
Poland
Portugal
Quebec
Romania
St. Pierre and Miquelon
San Marino
Senegal
Serbia
Slovak Republic
Spain
Sweden
Switzerland
Togo
Tunisia
Turkey
United Kingdom
United States
Uruguay
Yugoslavia*

* The treaty with the former Yugoslavia applies to Croatia, Kosovo, North Macedonia, Serbia and Slovenia.

An agreement with China has been signed but has not yet entered into force. Negotiations for a treaty with Australia are being completed.

D. Tax filing and payment procedures

Filing. French residents are required to file annual income tax returns (Form 2042), in general, by the middle to end of May following the end of the relevant tax year (tax year is the calendar year), declaring their net income and charges incurred during the preceding calendar year. The official deadline for filing is the end of February following the close of the calendar year, but this deadline is normally extended to different dates each year depending on the circumstances. The actual filing deadline for a particular tax year is determined by the tax administration and is reflected on the tax return forms issued to taxpayers. A married couple must file a joint return for all types of income and report their dependent children's income, if any.

Details of certain income items, such as capital gains, real estate income and income received abroad that is taxable in France, are reported on separate returns attached to Form 2042.

Payment. French income tax for resident taxpayers is paid via the French withholding tax system, which has been implemented from 1 January 2019. This system applies to wages, pension payments and unemployment allowances paid by French entities. Wages paid by non-French legal employers through a payroll outside France is also subject to a withholding process via shadow payroll (a fictitious payroll used only for calculating the basis of the withholding tax due).

For income not subject to the withholding tax, such as business income, self-employment income and rental income, monthly or

quarterly income tax installments are directly withheld from the French bank accounts of individuals.

Both resident and nonresident taxpayers must file in the following year an annual French income tax return. Based on the return, the French tax administration issues a French income tax bill in August or September, mentioning the additional amount to be paid or the amount of the tax refund.

A penalty of 10% of tax due is imposed for either a failure to file or a failure to pay by the due date. Other interest and penalties may also be assessed, generally at an annual rate of 2.4%, or at a monthly rate of 0.2%.

Nonresidents. The filing date for the annual nonresident tax return is generally mid-to-late May following the end of the tax year.

A nonresident with income taxable in France is not required to report that portion subject to final withholding tax on a nonresident tax return. This includes salary income taxed at 0% or 12% rates, dividends and interest. Dividends are subject to a 12.8% withholding tax, and interest is taxed at rates ranging from 0% to 12.8%. Tax treaties may modify these rates. Rental income and the portion of salary taxed at a 20% rate must be included on a nonresident return. Few deductions are allowed in calculating a nonresident's taxable income. The tax liability with respect to the taxable income declared on the tax return is then calculated using the progressive rates (with a minimum of 20% for the income not exceeding EUR27,519 and 30% for the income exceeding EUR27,519) and the family coefficient system. The tax payable is reduced by withholding prepayments, including the 20% withholding on salary.

E. Double tax relief and tax treaties

If a double tax treaty does not apply, residents are generally allowed to deduct foreign taxes paid as an expense.

France has signed numerous double tax treaties. Double taxation is generally eliminated by a tax credit (for employment income, the credit is generally equal to the French income tax on such income) or by exemption with progression (income is exempt from French income tax but is taken into consideration in determining the effective rate of tax applied to the taxpayer's other French taxable income).

France has entered into double tax treaties with the following jurisdictions.

Albania
Algeria
Andorra
Argentina
Armenia
Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Belarus
Belgium
Hong Kong SAR
Hungary
Iceland
India
Indonesia
Iran
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Oman
Pakistan
Panama
Philippines
Poland
Portugal
Qatar
Quebec
Romania
Russian Federation
St. Martin

Benin
Bolivia
Bosnia and Herzegovina
Botswana
Brazil
Bulgaria
Burkina Faso
Cameroon
Canada
Central African Republic
Chile
China Mainland
Congo (Republic of)
Côte d'Ivoire
Croatia
Cyprus
Czech Republic
Ecuador
Egypt
Estonia
Ethiopia
Finland
French Polynesia
Gabon
Georgia
Germany
Ghana
Greece
Guinea
Kazakhstan
Kenya
Korea (South)
Kosovo
Kuwait
Kyrgyzstan
Latvia
Lebanon
Libya
Lithuania
Luxembourg
Madagascar
Malawi
Malaysia
Mali
Malta
Mauritania
Mauritius
Mayotte
Mexico
Monaco
Mongolia
Montenegro
Morocco
Namibia
Netherlands
New Caledonia
New Zealand
Niger
Nigeria
North Macedonia
Norway
St. Pierre and Miquelon
Saudi Arabia
Senegal
Serbia
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Syria
Taiwan
Thailand
Togo
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan
Venezuela
Vietnam
Zambia
Zimbabwe

F. Work and residence permits

EU nationals. Nationals of the EU, EEA and Switzerland are not required to hold work or residence permits. However, if needed for personal or professional reasons, a residence permit is issued on written request to the relevant police authorities (*préfecture*).

Temporary status. All EU nationals working in France while remaining on the payroll of the company in their home country have temporary *détaché* status. The employee may enter France without a visa by showing a valid passport or national identity card. The home company must comply with secondment obligations in France and complete a registration online form (Déclaration préalable de détachement) before the arrival of the assignee, which outlines the nature, place, duration, and terms and conditions of the assignment. This document is automatically sent to the local Labor Inspection Officer in France.

The secondment obligations include the following:

- The home company must appoint a representative in France to fulfill all the requirements on the employer's behalf.
- The home company must provide any additional documents requested by the French Labor Inspection Officer that relate to the company and the employee.

Long-term status. EU nationals who are hired by a French company on long-term expatriate status do not need a visa to enter France. They are not required to hold work and residence permits.

For both temporary and long-term status, on arrival in France, the employee must be in possession of a valid social security certificate of continued coverage or must be affiliated with the French statutory social security regime.

Non-EU nationals. Several immigration categories are available to non-EU nationals coming to France for work purposes.

Categories for non-EU nationals seconded to France. The categories for non-EU nationals seconded to France are discussed below.

Salarié détaché ICT status is available to individuals who have at least six months of service within the group and are assigned to France for up to three years by their non-French employer to perform an activity under its reporting line, such as providing specific expertise or performing managerial functions. They must remain on the payroll of their non-French employer, and the salary must be commensurate with the position held and with French salary scales. Under this category, no prior work permit document must be obtained in France. A work visa application is submitted at the French consulate in the assignee's country of residence. For an assignment shorter than 12 months, the visa serves as a residence permit. If the assignment is for 12 months or more, the visa will need to be converted into a residence permit. The stay in France under this status cannot exceed three years.

Travailleur temporaire status is available to seconded assignees who are not eligible for the Salarié détaché ICT (for example, a foreign employee sent to a client site in the framework of a services provision contract). Assignees must remain on the payroll of their non-French employer, and the salary must be commensurate with the position held and with French salary scales. Under this category, a work permit application must be submitted to the French labor authorities. After the work authorization is granted, the individual applies for a visa at the French consulate in his or her country of residence. The visa is valid for up to 12 months and serves as a residence permit. If the assignment goes beyond the expiration date of the visa, a residence permit is required.

For all assignees seconded to France, the home company must complete and submit a registration online form (Declaration préalable de détachement) before the arrival of the assignee. This document outlines the nature, place, duration, and terms and conditions of the assignment and is automatically sent to the local Labor Inspection Officer in France.

Citizens of jurisdictions that have signed totalization agreements with France (see Section C) may continue to be affiliated with the social security scheme of their home jurisdiction for as long as the totalization agreement applies (for example, up to five years under the agreement between France and the United States).

Categories for non-EU nationals locally hired in France. The categories for non-EU nationals locally hired in France are discussed below.

Passeport talent salarié en mission status is available to intracompany transferees temporarily integrated into the French company headcount (co-employment situation). The following are the eligibility criteria:

- At least three months of service within the group
- Work contract of at least three months with the host company belonging to the same group
- Minimum monthly gross salary of EUR2,740

Citizens of jurisdictions that have signed totalization agreements with France (see Section C) may continue to be affiliated with the social security scheme of their home jurisdiction for as long as the totalization agreement applies (for example, up to five years under the agreement between France and the United States).

The Passeport talent Carte bleue européenne (European Blue Card) status applies to highly qualified non-EU employees who meet the following conditions:

- Recognized degree of at least bachelor level or proof of five years of professional experience at a comparable level commensurate with the position to be held
- Local employment contract for one year or more
- Minimum annual gross salary of EUR54,000

Passeport talent salarié qualifié status is available to non-EU nationals who hold a master's degree (*mastère*) or *licence professionnelle* obtained in France, conclude a work contract of at least three months with a French company and earn at least twice the French minimum wage (approximately EUR36,510 gross per year).

For all types of Passeport talent status, no prior work permit document must be obtained in France. A work visa application is submitted at the French consulate in the assignee's country of residence. For contracts shorter than 12 months, the visa serves as a residence permit. If the assignment is for 12 months or more, the visa must be converted into a residence permit. The residence permit is valid up to four years and is renewable.

Salarié permanent status is available to individuals hired by French companies under a permanent contract (CDI). In principle, the employer must search the local labor market before applying for a work permit for a foreign employee unless the job is listed on the official shortage occupation list. A work permit application must be filed before the arrival of the employee in France. After the work permit is granted, the employee must apply for a visa at the French consulate of his or her place of residence abroad. The visa is valid for 12 months. At the expiration of the visa, the individual applies for a residence permit valid for four years, which can be renewed.

If the individual is hired under a fixed-term contract (CDD), he or she falls under the Travailleur temporaire status. The visa obtained is valid for the duration of the work contract up to 12 months. If the contract is for a longer period, the individual must apply for a residence permit at the expiration of the visa.

The average timeline for processing work permit applications is six to eight weeks from the date when all required documents are filed with the administrative authorities until the date when the work permit is sent to the relevant French consulate for visa issuance.

Non-EU nationals who do not have a salaried activity in France. The categories for non-EU nationals who do not have a salaried activity in France are discussed below.

Non-EU nationals who want to act as a legal representative of a French company must apply for a Passeport talent mandataire social visa at the French consulate in their country of residence before arrival in France. The individual must have at least three months of service as an employee or a corporate officer in an entity of the group outside France and must earn yearly at least the gross equivalent of three times the French minimum wage (EUR54,800). The residence permit obtained in France is valid for up to four years and can be renewed.

The following categories of individuals are not required to obtain a Passeport talent mandataire social visa:
- Holders of a 10-year resident card (*carte de résident*; see Section G)
- Nationals of the EU, EEA or Switzerland

Entrepreneur/Independent Professional status is available to individuals performing a non-salaried activity or engaging in commercial activities in France. It can be used when the Passeport talent mandataire social eligibility criteria are not met. If the individual resides outside France, he or she must apply for the relevant visa at the French consulate in the country of residence. The visa is valid for up to 12 months and serves as a residence permit. At the expiration of the visa, the individual is required to apply for a residence permit, which is valid up to four years.

Passeport talent créateur d'entreprise status applies to individuals who want to set up a company in France. The following are the eligibility criteria:
- Master's degree or at least five years of relevant professional experience
- Presentation of a serious and feasible business project
- Investment of at least EUR30,000 in the business creation project

If the individual resides outside France, he or she must apply for the relevant visa at the French consulate in the country of residence. The visa is valid for up to 12 months and serves as a residence permit. At the expiration of the visa, the individual must apply for a residence permit, which is valid up to four years.

Short-term assignments. A work permit is required for short-term assignments (up to 90 days) or work contracts. However, as of 1 November 2016, non-EU nationals seconded to France to perform audit and expertise assignments in the information technology, management, finance, insurance, architecture or engineering fields may be exempt from work authorization. Short-term assignments cannot be extended beyond 90 days.

G. Permanent residence permits

After five consecutive years of residence in France and payment of French income tax, the holder of a residence permit may apply for a resident card (*carte de résident*), which is valid for 10 years and is renewable. However, some categories of the residence permit do not give access to a resident card. The relevant police authorities have substantial discretion with respect to the approval of a permanent resident card, which allows individuals to work for any employer in France.

H. Family and personal considerations

Family members. Non-EU nationals who accompany their EU national spouse to France must obtain a residence permit with the endorsement "Family Member of an EU citizen" (*carte de séjour "Membre de famille d'un citoyen UE"*) if the EU national lives in France. They are granted the same right to work as their EU spouses.

Non-EU nationals who accompany their non-EU national spouses to France must also obtain a residence permit if they reside in France for more than 90 days.

Spouses of non-EU nationals in the following categories receive a residence visa/permit, which entitles them to work in France:
- Intracompany secondment (Salarié détaché ICT)
- Intracompany local transfer (Passeport talent salarié en mission)
- European Blue Card (Passeport talent Carte bleue européenne)
- Qualified workers (Passeport talent salarié qualifié)
- Corporate officers (Passeport talent mandataire social)
- Business setup (Passeport talent créateur d'entreprise)
- Spouse of a French national

Spouses of non-EU nationals living in France under a Salarié permanent, Travailleur temporaire or Entrepreneur status are not allowed to work in France.

Non-EU dependent children under the age of 18 obtain a circulation document for foreign minors (*document de circulation pour étranger mineur*) if they accompany non-EU nationals to France.

Marital property regime. In the absence of a marriage contract, the default marital property regime in France is community property. For spouses married in France without a specific contract, all property is community property (including income derived from separately acquired property, but excluding gifts and inheritances and assets owned before the marriage). Spouses may elect a different marital regime (for example, separate ownership) by prenuptial agreement or, during the marriage, by a court-approved notarial deed.

Forced heirship. A person may not give away a certain portion (called the *réserve*) of his or her property by either *inter vivos* or testamentary transfer. The reserved portion is one-half of the property for a person with one child and a spouse, two-thirds of the property for a person with two children and a spouse, and three-quarters of the property for a person with three or more children and a spouse. This measure may apply to nonresidents who own property located in France.

Driver's permits. Holders of foreign driver's licenses must apply to exchange them for French driver's licenses before the end of the first year of residence in France. An exchange is authorized automatically for licenses issued by certain countries or certain states in a country. For example, with respect to the United States, automatic exchange is authorized for the following states.

Connecticut	Kansas	Pennsylvania
Colorado	Kentucky	South Carolina
Delaware	Michigan	Texas
Florida	New Hampshire	Virginia
Illinois	Ohio	

Individuals with driver's licenses from other countries or states for which an exchange is not authorized must take the French driver's license test, which consists of a written examination and a practical driving test.

Holders of valid driver's licenses from EU member states are not required to exchange them for French licenses. However, licenses from certain EU member states may need to be renewed regularly.

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As of 11 July 2019, the exchange rate between the CFA franc BEAC and the euro is XAF655,957 = EUR1.

A. Income tax

Who is liable

Territoriality. Subject to double tax treaties entered into by Gabon with foreign countries, residents are subject to personal income tax on their worldwide income. Nonresidents are subject to tax only on their income derived from Gabon.

Definition of resident. The Gabonese General Tax Code provides that an individual is deemed to be resident in Gabon if he or she stays at least six months on average in the calendar year in Gabon or if he or she maintains his or her main residence in Gabon.

An individual is deemed to have his or her main residence in Gabon if he or she satisfies either of the following conditions:
- He or she has a home available to him or her as an owner, usufructuary or lessee.
- He or she has his or her center of economic or vital interests or his or her habitual abode in the country.

Income subject to tax

Employment income. Taxable income includes all remuneration or compensation paid for services provided, including but not limited to, base salary, overtime, fringe benefits, allowances, and benefits in kind. Under the Gabonese General Tax Code, a deemed value for benefits in kind is included in the tax base. The deemed value equals a percentage of gross salary.

Individuals may claim a deduction for professional expenses equal to 20% of gross salary after deduction of social contributions, capped at XAF10 million per year.

Self-employment and business income. Self-employment income is divided into the following categories:
- Commercial (including trades)
- Professional
- Agricultural

The net income from each of the above categories is combined, and the total is subject to the progressive rates set forth in *Rates*. A withholding tax of 20% applies to remuneration paid to foreigners without a permanent establishment in Gabon for activities performed or services rendered in Gabon. Self-employed individuals engaged in commercial activities calculate taxable income in the same manner as companies. Taxable income equals the difference between income received, including capital gains, and expenses paid during the calendar year. The accrual method of accounting is used.

At the option of the individual, instead of calculating taxable income from commercial activities as described above, such income may be subject to simplified taxation if the gross turnover ranges from XAF30 million to XAF60 million. Individuals performing certain activities and having annual gross turnover under XAF30 million are exempt from personal income tax and must pay a fixed tax amount determined according to their activity.

Individuals performing certain activities and having an annual gross turnover equal to or above XAF30 million are subject to taxation on gross turnover, less a deduction equal to the following:

- 70% for activities related to the purchase or resale or the production of goods for sale
- 50% for the provision of services
- 40% for liberal professions and similar professions

Investment income. Dividends and interest are subject to the tax on investment income (Impôt sur les Revenus de Capitaux Mobiliers, or IRCM). The IRCM on such income is withheld at a rate of 20% for both individuals and resident and nonresident corporate bodies. The IRCM is a final tax.

A 20% withholding tax is imposed on royalties paid to nonresidents.

Capital gains. Gains on the transfer of assets or rights held by individuals are taxed at a rate of 20%. This tax is a final tax.

The capital gain tax on the sale of a building and on all other sales is paid directly by the notary at the same time as the payment of registration duties.

The Gabonese Tax Code provides for exemption or rollover relief with respect to tax on capital gains under certain specified conditions.

Deductions

Deductible expenses. The following items are deductible:

- Voluntary pension fund premiums not exceeding 10% of taxable income before deduction of deductible charges
- Interest on loans and debts contracted by taxpayers for the construction and acquisition of, or for major repairs to, buildings located in Gabon and used by taxpayers as their principal place of residence, up to a maximum amount of XAF6 million per year
- Life insurance premiums not exceeding 5% of taxable income before deduction of deductible charges
- Alimonies paid under a court order

- Social security contributions paid for domestic servants

Personal allowances. The family coefficient system is used to reduce the personal income tax calculated for families (see *Rates*).

Business deductions. For individuals engaged in commercial, professional or agricultural activities, the following expenses are deductible under specific conditions:

- General expenses incurred for business purposes, mandatory and non-mandatory social contributions up to certain limits, certain taxes, insurance premiums, gifts and subsidies, rental expenses and financial charges

Rates. Income tax is levied at progressive rates, up to a maximum of 35%.

Income is taxed under a family coefficient system, which adjusts the amount of income subject to the progressive tax rate table according to the number of family members. Taxable income is divided by the applicable number of family allowances, and the final tax liability is calculated by multiplying the tax computed for one allowance by the number of allowances claimed. The following allowances are available.

Family status	Number of allowances
Single, divorced or widowed individuals with no children	1
Married individuals with no children, and single or divorced individuals with one child	2
Married individuals with one child, and single or divorced individuals with two children	2.5
Married individuals with two children, and single or divorced individuals with three children	3
Married individuals with three children, and single or divorced individuals with four children	3.5
Each additional child (up to six children)	0.5

The following table provides the annual personal income tax rates for taxpayers with one allowance.

Taxable income Exceeding XAF	Taxable income Not exceeding XAF	Tax rate %
0	1,500,000	0
1,500,000	1,920,000	5
1,920,000	2,700,000	10
2,700,000	3,600,000	15
3,600,000	5,160,000	20
5,160,000	7,500,000	25
7,500,000	11,000,000	30
11,000,000	—	35

In addition to the personal income tax, a supplementary tax at a rate of 5% is levied on net employment income (after deduction of social charges and pension plan contributions). The portion of monthly income under XAF150,000 is exempt. The family

coefficient system does not apply to this tax. Employers withhold the supplementary tax.

Progressive income tax and supplementary tax are levied on monthly income using a prorated tax schedule. These are the final taxes for individuals who have no other income subject to income tax.

Taxable income realized from the various self-employment categories is aggregated, and the total is subject to the progressive tax rates applicable to employment income.

The minimum tax payable by taxpayers engaged in commercial, professional and agricultural activities equals 1% of annual taxable turnover or XAF500,000, whichever is greater.

Relief for losses. In general, losses from one category may be offset against profits in other categories. However, losses from commercial, professional or agricultural activities may not offset income in other categories. Such losses may be carried forward for five years to offset income from the same category.

B. Inheritance and gift taxes

Inheritances and gifts are taxable if the transferred goods are located in Gabon. Inheritance and gift tax rates range from 0% to 35%, depending on the net value of the property and the relationship between the beneficiary and the donor or deceased.

C. Social security

Social security contributions are computed on monthly gross remuneration paid, including fringe benefits and bonuses, up to XAF1,500,000.

The rate of the employee contribution is 2.5%. This contribution, which is withheld by the employer, is for the pension allowances.

The rate of the social security contribution for employers is 16%. The following table shows the components of such rate.

Benefits	Rate (%)
Family allowances	8
Industrial accident insurance contributions	3
Pension allowances	5

The National Health Insurance and Social Welfare Fund (Caisse Nationale d'Assurance Maladie et de Garantie Sociale, or CNAMGS) is a new fund established with the aim of providing access to medical facilities for public and private sector employees. The CNAMGS contributions are computed on monthly gross remuneration paid, including fringe benefits and bonuses, up to XAF2,500,000. The employer rate for this contribution is 4.1%, which consists of the following components.

Benefits	Rate (%)
Distribution of medicine by hospital	2
Hospital expenses and miscellaneous	1.5
Fund for health evacuation	0.6

Employees are required to contribute 1% of their monthly pay for the CNAMGS.

Parliament recently adopted the Law No. 028/2016, dated 6 February 2017, implementing the new Social Security Code in Gabon. Under the law, the limits regarding the computation of social security contributions and social welfare as well as the respective rates will be determined by Ministry Order and Decree.

The new ceilings and applicable rates for social security contributions and social welfare have not yet been implemented. Therefore, in practice, the previous provisions described above still apply.

D. Tax filing and payment procedures

Employees are required to file an income tax return by 1 March of the year following the tax year. Employers must withhold tax from employees' salaries monthly.

Self-employed individuals are required to file the following tax returns:

- Individuals subject to the simplified tax regime must file a tax return by 30 April of the year.
- Individuals subject to the real tax regime must file a return by 30 April of the year, in the same format as the corporate income tax return.

Individuals subject to the above regimes must file a personal income tax return by 30 April of the year following the tax year of the realization of income, in addition to the above returns.

They are also required to file a declaration on salary and amounts remitted abroad by 30 April of each year.

Individuals required to pay a fixed tax amount must make the tax payment by 28 February of the tax year. Others must pay the tax due by 30 April.

E. Double tax relief and tax treaties

Gabon has entered into double tax treaties with Belgium, Canada, France and Morocco. In addition, Gabon is a member state of the Central African Customs and Economic Union (Communauté Economique et Monétaire en Afrique Centrale, or CEMAC). The CEMAC is an organization of states of Central Africa (Cameroon, the Central African Republic, Chad, Congo [Republic of], Equatorial Guinea and Gabon) established to promote economic integration among countries that share a common currency, the CFA franc BEAC. Gabon is also a former member of the Common African and Mauritian Organization (Organisation Commune Africaine et Mauricienne, or OCAM). The OCAM no longer exists. However, Gabon and another former member state (Senegal) still apply the provisions of the OCAM tax treaty.

The CEMAC and OCAM treaties provide the following reliefs:

- Under the treaties, commercial profits are taxable in the treaty country where a foreign firm performs its activities through a permanent establishment. In addition, employment income is taxed in the treaty country where the activity is performed, except in the case of a short assignment.
- Dividends are taxable in the country where the beneficiary is resident.

- Under the OCAM treaty, interest is taxable in the country of residence of the beneficiary, but the country of source may apply a withholding tax if such a tax is contained in its domestic law. Royalties are taxable in the country of residence of the beneficiary.

In the absence of tax treaty relief, foreign taxes paid are deductible as expenses by individuals taxable on worldwide income.

F. Temporary visas

A visa is required for entry into Gabon.

Gabonese authorities issue two types of visas, which vary according to the duration of the permissible stay in Gabon. The following are the types of visas:
- Tourist visa (*visa touriste*)
- Business visa (*visa d'affaires*)

Tourist visa. A tourist visa is granted to non-professional visitors. It has a duration of one month. This initial period can be extended to a maximum of three months.

Business visa. A business visa is granted to foreign workers or businesspersons coming into Gabon for a period that does not exceed three months. They are exempt from the entry authorization requirement. However, they must state in writing their qualifications and describe the contacts they will meet during their stay in Gabon.

G. Work permits and authorizations

For individuals who will stay in Gabon for a period longer than three months for the performance of a remunerated activity, the following actions must be taken:
- Their employer must apply to the Ministry of Labor for an employment authorization (if the employee is less than 60 years of age) and a foreign worker card.
- They must apply and submit appropriate documentation to the immigration authorities for an entry authorization for the long term.
- They must apply to the immigration authorities for a residency card and an exit visa if applicable.

H. Residency cards

Residency cards are issued by the immigration authorities. They are required for all foreign nationals over the age of 16 who are staying longer than three months in Gabon.

I. Family and personal considerations

Family members. If the head of a family is allowed to enter Gabon, the family members accompanying this individual are admitted at the same time. However, to enter Gabon, all of the family members must present entry authorization (entry visa for long-term stay), passports and documentation proving their civil status.

Driver's permits. Foreign nationals may drive legally in Gabon using their home-country driver's licenses for a period of three

months if they have a receipt for the payment for the registration of their license with the Ministry of Transport in Gabon.

Gabon has driver's license reciprocity with France and states affiliated with the International Treaty of Geneva (international driver's license). To obtain a Gabonese driver's license, a French or international driver's license must be registered with the Ministry of Transport in Gabon.

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A. Income tax

Who is liable. Resident individuals and nonresident individuals are subject to income tax on income received from Georgian sources.

For tax purposes, individuals are considered resident if they actually are located on the territory of Georgia for 183 or more cumulative days in any continuous 12-month period ending in the current tax year (that is, the calendar year) or if they are in Georgian state service abroad during the tax year. For purposes of the above residency test, the days considered are the days when the individual is actually located on the territory of Georgia, as well as the days spent by the individual outside the territory of Georgia for medical treatment, vacation, business trip or study purposes. The time of actual presence does not constitute time spent in Georgia by the following individuals:

- Persons with diplomatic or consular status as well as their family members
- Staff members of an international organization under Georgian international agreements, state servants of a foreign country, including their family members, but excluding citizens of Georgia
- Persons moving from one foreign country to another through the territory of Georgia
- Persons residing in Georgia for medical treatment or vacation purposes only

The status of residency is determined for each tax period. Days that were taken into account in determining the residency of an individual in the preceding tax period are not taken into account in determining residency in the current tax period.

In addition, high net-worth individuals may become residents of Georgia for tax purposes even if under the above general rule on residency, they are not deemed to be Georgian residents. For this purpose, high net-worth individuals are individuals who hold property with the value in excess of GEL3 million or whose

annual income for each of the preceding three years exceeded GEL200,000.

The Minister of Finance and the Minister of Justice of Georgia set the rules and conditions for granting the status of Georgian resident to high net-worth individuals. Under these rules, an individual qualifying as a high net-worth individual in Georgia may become a Georgian resident if he or she holds a local personal identification card or residence permit or proves the receipt of annual Georgian-source income of GEL25,000 or more. If these conditions are satisfied, the Ministry of Finance of Georgia grants Georgian residency to such individual for a tax year based on the submitted application.

If residency of a Georgian citizen cannot be attributed to any other country, such person may become a resident of Georgia for tax purposes by applying to the tax authorities.

In certain circumstances, except for the cases mentioned above, the Minister of Finance sets the rules and conditions for granting the status of Georgian resident to foreign citizen individuals.

A nonresident is an individual who is not considered to be a Georgian resident under the rules provided above.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable income from employment consists of all types of compensation or benefits, whether received in cash or in any other form, subject to certain exceptions.

Self-employment and business income. Tax is levied on an individual entrepreneur's annual income, which consists of gross income less expenses (except for nondeductible or partially nondeductible expenses) incurred in earning the income.

Directors' fees. Directors' work is considered to be employment performed in Georgia, and the income from such work is subject to income tax.

Investment income. A 5% withholding tax is imposed on dividends paid by Georgian enterprises to individuals. Dividends received by resident individuals that were taxed at source are not included in the gross income of such individuals and are not subject to further taxation.

The following dividends are not taxed at source and are not included in the gross income of recipients:

- Dividends received from an International Financial Company (financial institution established outside a free industrial zone (FIZ) and granted such status)
- Dividends received in a FIZ from a FIZ company
- Dividends on free-floating securities (securities listed on a stock exchange with free float rate in excess of 25% as of 31 December of the preceding or current tax year, according to the information provided by the issuer of these securities to the stock exchange)
- Dividends distributed by an entity that has the status of an agricultural cooperative under Georgian law to its members (until 1 January 2023)

A 5% withholding tax is imposed on interest payments made by or on behalf of Georgian residents and permanent establishments (PEs) of nonresidents to individuals, if the source of interest income is in Georgia. Interest received by individuals that was taxed at source is not included in the gross income of such individuals and is not subject to further taxation. If these payments are received by a person registered in a low-tax jurisdiction, the tax rate is 15%.

The following interest is not taxed at source and is not further included in the gross income of the recipient:
- Interest received from financial institutions licensed according to the Georgian legislation
- Interest received in a FIZ from a FIZ company
- Interest on free-floating securities or on debt securities issued by Georgian enterprises and listed on a recognized foreign stock exchange

Other income. Inheritances and gifts received are generally included in taxable income. However, certain exceptions apply (see *Exempt income*). Income received by individuals from renting out living space for living purposes is taxed at a rate of 5% if no expenses are deducted from this income. A 5% rate also applies to gains received by individuals from the supply of living space and the land attached to it, as well as from the supply of vehicles. In general, the taxable gain equals the difference between the sale price of the land or vehicle and its cost.

Nonresidents' income. Georgian-source income of a nonresident that is not related to a PE of the nonresident in Georgia is subject to tax at the source of payment without deductions. A 4% rate applies to the income received from the oil and gas operations of nonresident subcontractors under the Law of Georgia on Oil and Gas. Other payments to nonresidents deemed to represent income received from a Georgian source are taxed at source at a rate of 10%.

Exempt income. The following types of income are exempt from income tax:
- Income derived by nonresidents from employment with diplomatic or equalized organizations located in Georgia
- Grants, state pensions, state compensation, state academic scholarships, cumulative and repayable pensions from private pension schemes up to the amount of the contributions made and other specific state payments
- Financial and other awards received by persons engaged in sports-related activities and their coaches for winning and/or getting medal placing at the Olympic Games and/or the world and European championships
- Alimony
- Value of property (income) received on the basis of divorce
- Capital gains derived from the sale of vehicles that were held for more than six months after official registration
- Capital gains derived from the sale of residential apartments (houses) together with the attached land plot that were held for more than two years
- Capital gains derived from the sale of assets (other than vehicles and apartments or houses) that were held for more than two years and that were not used for economic activities (mere

possession of securities or an equity interest with the purpose of receiving dividends and interest is not considered to be the use of assets in economic activities)
- In the case of the liquidation or capital reduction of a company, capital gains derived from the receipt of real estate in exchange for a partner's share in the company that was held for more than two years
- Capital gains derived from the sale of tangible assets held for more than a total of two years by an individual (I level legatee) and a decedent
- Property received by a I or II level legatee free of charge or by inheritance
- Property received by a III and IV level legatee, up to GEL150,000, free of charge or by inheritance
- Property with a value of up to GEL1,000 received free of charge during a tax year, other than property received from an employer
- Amounts paid to a donor for food required for the restoration of blood
- Until 1 January 2023, income received from the initial supply of agricultural products before their reproduction (change of commodity code) and salary payments received from these individuals by their employees if such income does not exceed GEL200,000 during a calendar year
- Gains derived from the sale of securities issued by an International Financial Company
- Georgian-source income of a nonresident received from insurance, reinsurance of risks and leasing services not related to his or her PE in Georgia
- Interest income and gains derived from the sale of bonds issued by the Government of Georgia, the National Bank of Georgia (NBG), deposit insurance agencies and international financial institutions (Government Ordinance #198, dated 16 January 2015, provides a list of international financial institutions)
- Income of resident individuals received from foreign sources
- Lottery winnings up to GEL1,000
- Income received by a nonresident individual from a nonresident employer for employment executed in Georgia for up to 30 calendar days in a tax year, if such salary expenses are not attributable to the PE of a nonresident in Georgia, regardless of whether the payment is made by the PE
- Income received from the transfer of property by a partnership to its members if, by the moment of the transfer, the members of the partnership consist only of individuals, the members have not changed since the establishment of the partnership, and the partnership is not a value-added tax (VAT) payer

Taxation of employer-provided stock options. Employer-provided stock options are a taxable benefit.

Capital gains and losses. Capital gains are subject to regular income tax when they are realized. Unrealized capital gains are not subject to tax.

Individual entrepreneurs may offset their capital losses (except for losses incurred in economic activities) against proceeds received from the sale of the same type of assets. If the loss cannot be offset in the year in which it is incurred, the loss may not be carried forward (see *Relief for losses*).

Individuals who are not entrepreneurs may offset losses from the sale of assets against gains from the sale of the same type of assets. However, if a loss cannot be offset in the year in which it is incurred, the loss may not be carried forward.

Deductions

Business deductions. Taxpayers may deduct all documented expenses contributing to the generation of taxable income (for example, expenditure for materials, depreciation deductions, lease payments, wages and interest payments), except for expenses of a capital nature and expenses that are nondeductible or partially nondeductible.

A taxpayer may deduct the gain derived from the free-of-charge supply of goods and services from his or her gross income, subject to the restrictions imposed by the TCG in the reporting year in which such goods or services are used in an economic activity.

Nondeductible expenses include the following:

- Expenses that are not related to economic activities, except for contributions to charity funds. However, such contributions (both cash and noncash contributions except for immovable property) are deductible only up to 10% of taxable income before deduction of charitable expenses.
- Entertainment expenses, unless a taxpayer is engaged in entertainment business and the expenses have been incurred in the framework of such activity.
- Expenses incurred for personal consumption and costs related to the winnings received from lotteries, casinos (gambling houses), games of chance or other winning games.
- Expenses related to generation of income that is exempt from personal income tax.
- Penalties and fines paid or payable to the Georgian state budget.
- Income tax, except for income tax paid by an individual with respect to receiving a benefit (with the exception of a benefit received from employment and economic activities).
- Interest expenses above the established limit of 24% per year.
- Representative expenses in excess of 1% of gross income earned during the tax year.
- Expenses incurred on goods and services purchased from an individual with the status of micro business (see Section E).
- A bad debt may be deducted only if the respective income was previously included in gross income and if such receivables have been written off in the accounting books. Certain conditions provided by the TCG must be met for the receivable to be considered a bad debt.
- Capital repair expenses for fixed assets in excess of 5% of the balance of the corresponding group of fixed assets at the end of the preceding tax year. These expenses are added to the group and deducted through depreciation charges. However, such expenses are immediately expensed if a person applies the full depreciation method (see below).
- Insurance premiums paid by insured parties under pension insurance agreements.

Expenditures on tangible assets are deducted in the form of group depreciation charges through the application of the diminishing-balance method. The following are the rates for the depreciation groups.

Group	Rate (%)
I	20
II	20
III	8
IV	5
V	15

Depreciation may not be claimed for land, works of art, museum items, historical objects (except for buildings), fixed assets with a value under GEL1,000 and biological assets (animals and plants). Fixed assets with a value below GEL1,000 can be fully deducted from gross income in the year in which their exploitation begins. Expenditure on biological assets may be deducted in the year when it was incurred. Taxpayers may claim accelerated depreciation norms with respect to the II and III groups. However, such accelerated depreciation may not be more than double the amount of the rates mentioned above. In addition, repair expenses on rented fixed assets (if they do not reduce the rental fee) result in the creation of a separate group of assets that is depreciated at the rate set for Group V. On the expiration or termination of the rent agreement, the remaining balance value of the group may not be deducted from gross income and the value of the group is set to zero.

Alternatively, the cost of fixed assets purchased or produced (except for non-amortized fixed assets) can be depreciated at a rate of 100% in the year in which the exploitation of such assets begins. A taxpayer selecting the full depreciation method may not change it for five years.

Expenditures on intangible assets are deducted in proportion to the useful life of the assets. If it is impossible to determine the useful life of an intangible asset, a 15% rate applies. In addition, expenditure on intangible assets with a value below GEL1,000 can be fully deducted from the gross income in the year in which the respective expenditure is incurred.

Rates. The personal income tax rate is 20%.

Credits. Because the income of resident individuals received from foreign sources is exempt from personal income tax, no foreign tax credits are allowed.

Relief for losses. Individual entrepreneurs may carry forward losses for up to five years to offset future profits. The offsetting of loss carryforwards against the salary income of individual entrepreneurs is not allowed.

Losses may also be carried forward for up to 10 years. However, the statute of limitations is 11 years for a 10-year carryforward period, and 6 years for a 5-year carryforward period. A 10-year carryforward period may be changed back to a 5-year carryforward period if the losses carried forward are used up. No loss carrybacks are allowed.

B. Other taxes

Inheritance and gift taxes. Georgia does not impose gift taxes. As mentioned in Section A, inheritances and gifts are subject to

general income taxation. However, certain exemptions are applied.

Wealth tax. Georgia does not impose wealth tax or net worth tax.

Property tax. For individuals, the following items are subject to property tax:
- Owned immovable property (buildings or parts of buildings)
- Unfinished construction
- Yachts (motorboats), planes and helicopters
- Passenger vehicles (under Harmonized System [HS] Code 8703)
- Property leased from nonresidents

In addition, for individuals carrying out economic activities, the following items are taxable:
- Fixed assets
- Unassembled equipment
- Property leased to other parties

Property located in a FIZ is exempt from tax.

The property tax rates for taxable property, except for land, vary according to the revenues earned during the tax year by the family owning the property. The rates are applied to the market value of the property. The following are the rates.

Annual revenues		Property tax rate
Exceeding GEL	Not exceeding GEL	%
40,000	100,000	0.05 to 0.2
100,000	—	0.8 to 1

Property tax is a local tax. The local government fixes the rate within the above ranges.

The property tax rates for agricultural land vary according to the administrative unit and the land quality. The annual base tax rate per 1 hectare varies from GEL5 to GEL100. The local government fixes the rate for land at up to 150% of the above annual base tax rate.

The base tax rate for non-agricultural land is GEL0.24 per square meter. The local government adjusts the rate by a territorial coefficient of up to 1.5.

The property tax rate for land granted to a person using natural resources on the basis of a license may be set at a rate of up to GEL3 per hectare.

C. Social insurance tax

Contributions. Georgia does not impose social insurance tax.

Totalization agreements. Georgia is not a party to any international agreement regarding contributions to social funds.

D. Tax filing and payment procedures

The tax year in Georgia is the calendar year.

Employers in Georgia (Georgian entities, PEs of foreign entities and individual entrepreneurs, except for FIZ companies with

respect to salary payments to their resident employees) must withhold personal income tax from the salaries paid to resident and nonresident employees in Georgia.

A nonresident person making salary payments that are not attributable to its PE in Georgia is exempt from the obligation to withhold tax at the source of payment. In this case, the employee may calculate the tax liability, file a tax return and pay tax.

Tax agents who withhold personal income tax at source must file monthly tax returns and forms containing information about the income recipients, income paid and taxes withheld by the 15th day of the month following the reporting month.

Resident individuals and nonresident individuals who derive income that was not taxed at the source of payment in Georgia must file personal income tax returns before 1 April of the year following the tax year.

Individual entrepreneurs engaged in economic activities in Georgia must make current tax payments during the tax year. Each current tax payment equals 25% of the tax liability for the preceding tax year. The payments are due on 15 May, 15 July, 15 September and 15 December of the current tax year. A balancing payment must be made before 1 April of the year following the tax year. Individuals who did not derive income during the preceding tax year are not required to make current tax payments.

If an individual has made current tax payments (or has no obligation to make current tax payments) due for the tax year, the submission date can be extended for up to a further three months by notifying the Georgian Tax Authorities (GTA) before the filing deadline. Personal income tax returns can be amended within the statute of limitation, which is three years.

Individual entrepreneurs must file a final tax return within 30 working days following the cessation of their economic activities in Georgia. In the following periods, they are not required to file a tax return until the resumption of economic activity.

E. Special tax regimes

Individuals may obtain the special status of micro business and individual entrepreneurs may obtain the status of small business. On obtaining these statuses, individuals become eligible for certain simplified accounting rules and tax exemptions. The GTA grants the statuses to individuals. Individuals may also be granted the status of fixed taxpayer.

Micro business. The status of micro business can be granted to individuals who satisfy the following conditions:

- They conduct economic activities independently without hiring employees.
- They receive annual gross income up to GEL30,000.
- They maintain an inventory balance up to GEL45,000.
- They are not registered VAT payers.

The government determines the prohibited activities for individuals with the status of micro business, as well as the types of income that are not taxed under the special tax regime and that

are not included in the calculation of the above gross income threshold.

Individuals with the status of micro business are exempt from personal income tax. However, they must maintain all primary tax documentation. In addition, such individuals must file a tax return annually.

The status of micro business is canceled for the current tax year if any of the above requirements for micro business are violated or if an individual with the status of micro business applies to the GTA for cancellation of the status or obtains the status of small business. On cancellation of the status, the income of an individual is taxed either according to the rules for small business if such status is obtained or according to the standard personal income tax rules.

Small business. A small business is liable for personal income tax at a 1% rate. The applicable personal income tax rate increases to 3% if gross income of a small business received from economic activities exceeds GEL500,000. A 3% rate applies from the beginning of the month in which a small business exceeded the GEL500,000 threshold until the end of a calendar year. Taxable income of a small business consists of Georgian-source income except employment income and certain other types of income determined by the government of Georgia that is not taxed under the special status and is not included in the gross income of a small business.

A small business is not required to withhold tax at source on payment of salaries to its employees up to GEL6,000 during the calendar year if either of the following conditions is met:
- He or she has been registered as an individual entrepreneur and has been granted a small business status within the same calendar year.
- Gross income received during the preceding calendar year did not exceed GEL50,000.

The status of a small business will be canceled if one of the following conditions is met:
- Annual income from business activities exceeds GEL500,000 for two calendar years.
- The individual applies for status cancelation voluntarily.
- The individual is engaged in activities that are prohibited by the government of Georgia under the status of a small business.
- The individual is fined at least three times during the calendar year for the violation of rules for using a cash register.

Individuals with the status of a small business must file a tax return and pay the respective taxes no later than the 15th day of the month following the reporting month.

Fixed taxpayer. The status of fixed taxpayer can be granted to a person who satisfies both of the following conditions:
- He or she carries out activities subject to fixed tax as defined by the government of Georgia.
- He or she is not registered as a VAT payer.

In addition to activities subject to fixed tax, a person having the status of fixed taxpayer can carry out additional activities defined as permitted activities by the government of Georgia. Income

earned from carrying out activities subject to fixed tax are not included in the gross income of a fixed taxpayer and are not subject to further taxation. Instead, such income is subject to fixed tax at the following rates:

- GEL1 to GEL2,000. The government of Georgia sets the exact fixed rate for each type of activity. Also, the fixed rate for the same type of activity may vary among the territorial units of local self-governing bodies.
- 3% of income generated from taxable activities.

Income earned from carrying out additional activities not subject to fixed tax but allowable by the government of Georgia is subject to tax under the normal rules. Fixed taxpayers must keep all primary tax documentation issued to or by them.

Fixed taxpayers are not liable to make advance tax payments and are exempt from the obligation to file a tax return.

The status of fixed taxpayer is canceled if any of the following circumstances exists:

- A person ceases to perform activities subject to fixed tax.
- A person carries out an activity that is different from activities authorized by the government of Georgia for fixed taxpayers as additional activities.
- A person applies to the GTA for cancellation of the status.
- A person is liable to register as a VAT payer within the scope of allowed additional activities or voluntarily registers as a VAT payer.

If any of the above circumstances exists, a person must apply to the GTA within 10 working days from that moment and request cancellation of the status.

F. Double tax relief and tax treaties

Georgia has entered into tax treaties with the following jurisdictions.

Armenia
Austria
Azerbaijan
Bahrain
Belarus
Belgium
Bulgaria
China
Croatia
Cyprus
Czech Republic
Denmark
Egypt
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
India
Iran
Ireland
Israel
Italy
Japan
Kazakhstan
Korea (South)
Kuwait
Latvia
Liechtenstein
Lithuania
Luxembourg
Malta
Moldova
Netherlands
Norway
Poland
Portugal
Qatar
Romania
San Marino
Saudi Arabia
Serbia
Singapore
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
Uzbekistan

Georgia considers none of the tax treaties of the former USSR to be in force.

Most of Georgia's tax treaties exempt individuals from tax in Georgia if all of the following conditions are satisfied:

- The individual is present in Georgia for less than 183 days in any period of 12 consecutive months.
- The income is paid to the individual by or on behalf of an employer who is not a resident of Georgia.
- The cost of the income is not borne by a PE of the employer in Georgia.

Tax benefits granted by the tax treaties can be claimed in accordance with the rules established by the Minister of Finance of Georgia.

G. Visas

The Law on Legal Status of Aliens and Stateless Persons, which entered into force on 1 September 2014, introduced many changes regarding visas and permits.

The legal basis for a foreign citizen's stay in Georgia is a visa, residence permit (permanent or temporary) or refugee status. No visa is required for entering and staying in Georgia for one year for the nationals of the following jurisdictions.

Albania
Andorra
Antigua and Barbuda
Argentina
Armenia
Austria
Australia
Azerbaijan
Bahamas
Bahrain
Barbados
Belarus
Belgium
Belize
Bosnia and Herzegovina
Botswana
Brazil
Brunei Darussalam
Bulgaria
Canada
Colombia
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Denmark territories (Faroe Islands and Greenland)
Dominican Republic
Ecuador
El Salvador
Germany
Greece
Honduras
Hungary
Iceland
Ireland
Israel
Italy
Japan
Jordan
Kazakhstan
Korea (South)
Kuwait
Kyrgyzstan
Latvia
Lebanon
Liechtenstein
Lithuania
Luxembourg
Malaysia
Malta
Mauritius
Mexico
Moldova
Monaco
Montenegro
Netherlands territories (Aruba and successor jurisdictions of the Netherlands Antilles)
New Zealand
Norway
Russian Federation
St. Vincent and the Grenadines
San Marino
Saudi Arabia
Serbia
Seychelles
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sweden
Switzerland
Tajikistan
Thailand
Turkey
Turkmenistan
Ukraine
Uzbekistan
United Arab Emirates
United Kingdom
United Kingdom Crown Dependencies (Guernsey, the Isle of Man and Jersey)
United Kingdom overseas territories (Bermuda, Cayman Islands, British Virgin

Estonia
Finland
France
France territories (French Polynesia and New Caledonia)
Oman
Panama
Poland
Portugal
Qatar
Romania
Islands, Falkland
Islands, Gibraltar
and Turks
and Caicos
Islands)
United States
Vatican City

The nationals of European Union (EU) member states can enter Georgia with a travel document, as well as with an identity card issued by an EU member state. The identity card must contain the name, surname, date of birth and a photo of the person.

H. Residence permits

The Legal Entity of Public Law Civil Registry Agency under the Ministry of Justice of Georgia issues residence permits.

The Law on Legal Status of Foreigners and Stateless Persons provides for the following residence permits:

- A work residence permit, which is issued for the carrying out of entrepreneurial or labor activities in Georgia to a foreign person who provides documentation proving the carrying out of such activities, as well as a certificate proving that income from such activities is not less than five times the amount of the substance minimum (approximately GEL200) and that the employer or established company (except for educational or medical establishments) of such person has a turnover of more than GEL50,000. For medical establishments, the abovementioned threshold is GEL35,000.
- A study residence permit, which is issued for the purpose of study at an authorized educational institution in Georgia.
- A residence permit for the purpose of family reunification, which is issued to family members of an alien holding a residence permit.
- A residence permit of a former citizen of Georgia, which is issued to an alien whose citizenship of Georgia has been terminated.
- A residence permit of a stateless person, which is issued to an individual whose status of statelessness has been determined in Georgia.
- A special residence permit, which is issued to an alien who is reasonably assumed to be a victim of or affected by human trafficking.
- A permanent residence permit, which is issued to a spouse, parent and child of a Georgian citizen. A permanent residence permit is also issued to an alien who has lived in Georgia for the last six years on the basis of a temporary residence permit. This period does not include the period of residence in Georgia for study or medical treatment, and the period of work at diplomatic missions and equivalent missions.
- An investment residence permit, which is issued to an alien who has made an investment worth at least USD300,000 in Georgia, in accordance with the Law of Georgia on Investment Activity Promotion and Guarantees, or owns an immovable property in Georgia, the market value of which is at least USD300,000, and to his or her family members. For the purposes of this permit, family members are a spouse, minor

children and the alien's legally incompetent or disabled dependents. This permit may be issued for a period of five years.

- A temporary residence permit, which is issued to persons holding the status of victims. Temporary residence permits are issued for no more than six years.
- A short-term residence permit, which is issued to persons having ownership in real property located in Georgia. The market price of this property should be at least the equivalent in Georgian lari of USD100,000. The short-term residence permit is issued for one year.
- Lifetime residence permit, which is issued to persons and their family members who have obtained an investment residence permit on the basis of the following:
  - Making an investment worth USD300,000 in Georgia
  - Having turnover of over USD50,000 in the first year, over USD100,000 in the second year and over USD120,000 in the third, fourth and fifth years
  - Having owned immovable property in Georgia with a value of over USD300,000 for five years

  For the purposes of this permit, family members are a spouse, minor children and the alien's legally incompetent or disabled dependents.

Persons arriving in Georgia for working purposes from visa-free countries are not required to obtain a work residence permit for up to a year. If they intend to work in Georgia for more than a year, they must apply for the work residence permit 40 days before the expiration of the visa-free period.

I. Driver's permits

A foreign national with an international driver's license may drive legally using this license if information is indicated in Latin letters or if it is translated into Georgian and certified by a notary. A foreign national who wishes to drive in Georgia but does not have an international driver's license must legalize his or her home-country license in the country where the license was issued and have it translated into Georgian. This translation needs to be notarized in Georgia.

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A. Income tax

Who is liable. Individuals are subject to tax on their worldwide income if they meet either of the following conditions:

- They have a domicile in Germany for their personal use.
- They have a "customary place of abode" in Germany and do not stay only temporarily at this place or in this area. This means that if they are present in Germany for an uninterrupted period of at least six months that may fall in two calendar years, a customary place of abode is in principle given in any case.

The citizenship of a taxpayer usually is not a consideration in determining residency. However, under the provisions of certain tax treaties entered into by Germany, citizenship may be one of the factors to consider if a taxpayer qualifies as a resident under the domestic laws of both Germany and the other treaty country. Individuals not resident in Germany are generally subject to tax on income derived from German sources only.

Nonresidents may elect to be treated as residents if either their income subject to German taxation amounts to 90% or more of their worldwide income or their income not subject to German taxation does not exceed the amount of EUR9,168 per calendar year. This provision allows nonresidents to file German income tax returns like residents and to claim all deductions and allowances normally granted to residents only.

Income subject to tax. German income tax law distinguishes between several categories of income, including income from employment, self-employment, investment, business and real estate. Income from each of the categories may be combined, and overall taxable income is then determined by subtracting special deductions. However, income from investment is generally taxed at source with a flat tax rate.

Employment income. Employed persons are subject to income tax on remuneration received from employment. An individual is treated as an employee if he or she is obliged to follow an employer's directions and is integrated into the employer's organization as a dependent member.

Employment income includes the following:
- Salaries, wages, bonuses, profit participations, and other remuneration and benefits granted for services rendered in a public office or in a private employment
- Pensions and other benefits received from a former employee or the employee's surviving spouse or descendants, in consideration of services performed in the past

Under certain conditions, employment income does not include employer-paid actual moving expenses, education expenses for employees or contributions to a pension plan up to certain limits.

Allowances paid to foreign employees working in Germany, including foreign-service allowances, cost-of-living allowances and housing allowances, are considered to be employment income and generally do not receive preferential tax treatment.

Education allowances generally provided by employers to their employees' children must be considered for income tax and social security purposes. Under specified circumstances, on filing a personal income tax return, 30% of school fees is deductible for tax purposes as special expenses (see *Deductions*). However, this deduction is limited to EUR5,000 for each child.

In addition, two-thirds of childcare expenses (for example, kindergarten, babysitter and nanny) are deductible for tax purposes as special expenses, up to a maximum deduction of EUR4,000 per year, until the child reaches age 14.

Self-employment and business income. Individuals acting independently in their own name and at their own risk are subject to income tax on income derived from self-employment or business activities.

Business income includes income from activities performed through a commercial entity or partnership, while self-employment income includes primarily income from professional services rendered (for example, as doctors, dentists, attorneys, architects, journalists and tax consultants).

In general, all income attributable to self-employment or business, including gains from the sale of property used in a business or profession, is subject to income tax.

Income derived by general or limited partnerships is not taxed at the level of the partnership, but each partner is taxed on his or her attributable profits separately. The compensation that a partner receives from a partnership for services rendered, for loans given

or for assets loaned to the partnership is included in the partner's income from self-employment or business activities.

If a nonresident carries on a business through a permanent establishment in Germany, taxable income is computed in the same manner as for a resident individual and is taxed at the same income tax rates. However, the basic tax-free allowance in the amount of EUR9,168 is not considered.

Directors' fees. Remuneration received as a supervisory board member of a corporation is treated as income from self-employment. A member of a supervisory board is regarded as an entrepreneur and is generally subject to value-added tax at a rate of 19%.

Investment income. Investment income, such as dividends and interest, is taxed at a flat tax rate of 25%, which must be withheld at source by the payer. A solidarity surcharge (5.5% of the flat withholding tax) and church tax, if applicable, (8% or 9% of the final withholding tax, depending on the location) is added. The flat withholding tax is, in most cases, the final tax. In general, investment income taxed at source does not have to be declared in the German income tax return. However, if the investment income was not subject to the flat tax withholding at source (in particular, capital investment income from foreign sources), the total annual gross investment income must be declared in the tax return. Taxpayers with an average personal income tax rate below 25% can apply for the lower personal tax rate to investment income by declaring such income in the German income tax return.

Negative investment income cannot be deducted from income of other sources (for example, employment income and self-employment income). However, a net investment loss can be carried forward to be credited against future positive investment income. A special loss consideration rule applies to capital gains derived from the sale of shares.

Investment income is tax-free in an amount of EUR801 per year for a single taxpayer (EUR1,602 per year for a married couple filing jointly). In general, actual expenses cannot be deducted. The investor can provide the investment institution with an exemption order for the applicable lump-sum amount or with a certificate of non-assessment; in both cases, the final withholding tax is not deducted up to the amount of tax-free income.

Income from rentals and leases of real property located in Germany is taxed by assessment.

Taxation of employer-provided stock options. Tradable and non-tradable stock options must be distinguished.

In general, stock options provided by employers are non-tradable. For employer-provided non-tradable stock options, the acceptable tax-filing position is taxation at the date of exercise. German law does not differentiate between qualified and non-qualified stock option plans.

In general, the taxable event occurs at exercise (that is, the time of shift of economic ownership). The amount equal to the difference between the fair market value of the stock at the date of exercise and any price paid by the employee (grant price and transaction cost) must be included as employment income. This

amount is generally subject to tax at the ordinary personal progressive tax rates and may qualify for treaty relief.

The taxable benefit may qualify for a reduction granted for compensation received for services performed over a period of several years (see *Personal deductions and allowances*). The grant of non-tradable options is regarded as an additional incentive for future services. Consequently, such grant is regarded as compensation for services rendered during the period between the grant date and the date of vesting. For expatriates, the spread is allocated by reference to the work performed during the period between the grant date and the vesting date if treaty relief is available.

Tradable options may result in taxation either at time of grant or exercise depending on the details of the stock option plan. In both cases, for expatriates, a certain portion might not be taxable in Germany and may qualify for treaty relief.

For the capital gains treatment of shares acquired due to stock options, see *Capital gains*. To determine the amount of the capital gain, the acquisition price is deemed to be the fair market value at the date the option is exercised.

Capital gains

Real estate. Gains derived from the disposal of real estate held for not more than 10 years are included in taxable income and taxed at the ordinary rates, unless the property was exclusively used by the taxpayer as a personal residence in the year of sale and the two preceding years. The gain from such disposal is tax-free if the total gains in the calendar year amount to less than EUR600.

Sales of securities. Gains on the sale of shares are not subject to tax if all of the following conditions are satisfied:
- The shares were acquired before 1 January 2009.
- The vendor had a participation of less than 1% in the company.

Losses incurred on the sale of shares acquired before 2009 could be deducted from taxable gains from the sale of shares and certain other assets, particularly real estate, until the end of 2013. If losses incurred on the disposal of shares before 2009 were not balanced by 31 December 2013, they cannot be offset against gains from the sale of shares, and they may only be offset against gains from the sale of certain other assets (for example, real estate) as of 2014.

Gains derived from the sale of shares acquired after 31 December 2008 are subject to the 25% withholding tax mentioned in *Investment income*, regardless of the holding period. The gain is fully taxable. Losses incurred on the sale of shares acquired after 31 December 2008 can only be offset against gains derived from the sale of shares. Any remaining losses can be carried forward to the following calendar year.

Gains derived from a disposal of shares of a corporation are considered to be business income rather than investment income if the vendor has held a direct or indirect participation of at least 1% of the corporation in the last five years.

Sales of certain other assets. Gains derived from the disposal of certain other assets are not subject to tax in Germany if the individual holds them for more than one year. However, if the individual realizes income from these assets in at least 1 calendar year, the tax-relevant period is extended to 10 years. If the individual sells the assets before the expiration of the 10-year period, the gain derived from the disposal is subject to tax in Germany. A potential loss from the sale is subject to certain restrictions. Convenience goods, which are necessities or goods for day-to-day use, are not covered by this rule even if the holding period is less than one year.

Deductions

Deductible expenses. Expenditure incurred by an employee to create, protect or preserve income from employment generally is deductible.

Income-related deductible expenses include the following:
- Cost of travel between home and the "primary place of work" (see below)
- Expenses connected with maintaining two households for business reasons (rent, home trips, per diems and moving costs, to a certain extent)
- Specialist books and periodicals for business purposes
- Membership dues paid to professional organizations, labor unions and similar bodies
- Childcare expenses (subject to certain limitations; see *Employment income*)

The following are the tax rules regarding the deduction of work-related travel expenses:
- The legal definition of "primary place of work" describes a fixed central location of the employer, an affiliated company or a third party determined by the employer to which the employee is permanently assigned.
- Per diems are determined by a two-tiered scale of flat fees, which are set at EUR12 and EUR24 (generally for up to three months). For one-day business trips (absence of at least 8 to 24 hours), the per diem is EUR12 (from 2020: EUR14). The per diem for the arrival and departure day of a multiday business trip equals EUR12, while the per diem for an absence of 24 hours equals EUR24 (from 2020: EUR28). For meals granted by employers, the standard per diems are reduced by a certain percentage referring to the meal granted to the employee by the employer (or by a third party at the request of the employer) during a business trip. The percentages are 20% for breakfast and 40% each for lunch and dinner.
- For job-related maintenance of two households in Germany (that is, the maintenance of a personal household at the place of residence and lodging at the workplace and job-related inducement), the expenses can be deducted as income-related expenses up to a general limit of EUR1,000 per month.
- Lodging expenses during assignments outside the primary workplace can be deducted as income-related expenses without restriction for up to 48 months.

A standard deduction of EUR1,000 per year for employment-related expenses is granted without any further proof. However,

an employee can claim a larger deduction if he or she proves that the expenses actually paid exceed the standard deduction.

For retirees, the standard deduction is EUR102 per year.

Premiums under contracts for life, health, accident or liability insurance, and compulsory payments to various forms of social security are deductible as special expenses within certain limits. Payments to foreign insurance companies are deductible only if the respective company has a registered office or an executive board in the European Union (EU) or a contracting member state of the European Economic Area (EEA) and is authorized to perform its insurance services in Germany. Other foreign insurance companies are required to hold a permit to operate in Germany.

The deductions will be increased over the next years, corresponding to the increase in taxation of future benefits. Eighty-six percent of the employees' portion of the following payments, limited to an annual total of EUR20,000 less the tax-free employer's contribution, is deductible:
- Compulsory state old age insurance
- Certain professional group pension plans
- Qualifying life annuity pensions

Premiums for basic health care services under German social security law are deductible only as special expenses. Fees for additional services relating to private health care plans are generally not deductible.

Contributions under contracts for nursing care insurance entirely qualify as deductible special expenses.

In addition, taxpayers may claim deductions for contributions to health and nursing care insurance paid for spouses subject to unlimited taxation, common-law spouses and children for whom the taxpayer is entitled to receive childcare allowances under German regulations. The deduction is subject to the abovementioned restrictions.

Other insurance contributions under contracts for unemployment, disability, accident, liability and life insurance are deductible only up to EUR1,900 for employees (EUR2,800 for all others), provided that this limit has not already been reached by contributions to health and nursing care insurance.

For an interim period up to 2019, the total deduction for insurance premiums available under the new law is compared to the total deduction under the law before 2010, and the highest possible deduction is granted.

Other items that may be claimed as special deductions include church tax and donations. Instead of itemizing these deductions, a standard deduction of EUR36 (EUR72 for married couples filing jointly) per year is granted.

Personal deductions and allowances. The following tax benefits are granted to individuals:
- A basic tax-free allowance of EUR9,168 is available for single individuals (EUR18,336 for married couples filing a joint return).
- The income tax on compensation received in one year for services performed over a period of several years (for example, a

long-term bonus is calculated by reference to a special formula one-fifth rule). Under this formula, tax is calculated both for income less the one-time payment and for income less the one-time payment plus one-fifth of the one-time payment. The difference between the two results is multiplied by five. This tax relief is also granted to individuals who are nonresidents for tax purposes.

- Termination payments are also subject to taxation, considering the abovementioned one-fifth rule, if certain conditions are fulfilled. For termination payments paid in connection with cross-border employees subject to tax in more than one country with a double tax treaty in place, a new rule is implemented beginning in 2017. Under this rule, termination payments must be considered as additional income for the former employment. This means that this payment needs to be allocated basically over the period of employment to the countries where the individual has been subject to tax during that employment period. This needs to be investigated in detail based on the underlying situation. However, any regulation in an underlying double tax treaty regarding the taxation of termination payments must be considered preferential. If one country interprets the underlying double tax treaty in a manner so that it will not tax the termination payment, Germany taxes this payment instead when the individual is tax resident in Germany.
- Private use of a company car is generally subject to income tax. However, it benefits from preferential tax treatment.
- Income derived on business days spent in foreign countries may be exempt from tax in Germany under the progression clause generally contained in tax treaties entered into by Germany. However, proof of actual foreign tax paid or a waiver of the taxation of such income by the foreign tax authorities is required.

Taxpayers with children receive children-related deductions, such as for the following:

- Each child under 18 years of age
- Each child under 21 years of age if the child is jobless and registered as seeking work
- Each child under 25 years of age who is attending school, college or university, is receiving vocational training or is doing voluntary work in the social or ecological sector

The children allowance equals EUR207.50 (2020: EUR215.50) for each child for each month of eligibility. Parents filing a joint return receive an allowance of EUR415 (2020: EUR431) per child per month. The allowance in the amount of EUR415 also applies to a single parent if the spouse dies before the beginning of the calendar year or if one parent lives outside Germany during the entire calendar year. A monthly childcare allowance of EUR110 (EUR220 under the circumstances mentioned above) is also granted for each eligible child. German tax residents and foreign individuals with certain residence permits are entitled to a monthly child subsidy payment of EUR194 (1 July 2019: EUR 204) per child for the first two children, EUR200 (1 July 2019: EUR210) for the third child and EUR225 (1 July 2019: EUR235) for the fourth child and each additional child. The subsidy described above relates to children who are resident in the EU/EEA and qualify for the deductions mentioned above. Taxpayers who are

entitled to claim child subsidy payments cannot benefit from both the child-related deductions and the child subsidy payments. When the income tax return is filed, the tax authorities determine automatically whether the child-related deductions or the child subsidy payments are more favorable to the taxpayer. The child-related deductions are not considered for wage tax withholding purposes, but they are considered in calculating the solidarity surcharge and church tax (if applicable), which is withheld via the payroll.

Business deductions. In general, all business expenses are deductible from gross income. Living or personal expenses are not deductible unless they are incurred for business reasons and the amount is considered reasonable.

Rates. Individual tax rates for 2019 gradually increase from an effective rate of 14% to a marginal rate of 42%. The top rate of 45% applies only if taxable income is EUR265,325 (EUR530,650 for married taxpayers filing jointly) or more. For taxable income from EUR55,961 (EUR111,922 for married couples filing jointly) up to EUR265,325 (EUR530,650 for married couples filing jointly), the top rate is 42%.

The following tables present the tax on selected amounts of taxable income in 2019.

Single taxpayers and married taxpayers filing separately

Taxable income EUR	Effective tax rate %	Marginal tax rate %	Tax due* EUR
30,000	17.83	31.01	5,348
40,000	21.68	35.41	8,670
50,000	24.86	39.82	12,432
60,000	27.63	42.00	16,578
70,000	29.68	42.00	20,778
80,000	31.22	42.00	24,978
100,000	33.38	42.00	33,378
120,000	34.82	42.00	41,778

Married taxpayers filing jointly

Taxable income EUR	Effective tax rate %	Marginal tax rate %	Tax due* EUR
30,000	7.94	24.41	2,382
40,000	12.34	26.61	4,934
50,000	15.41	28.81	7,704
60,000	17.83	31.01	10,696
70,000	19.87	33.21	13,908
80,000	21.68	35.41	17,340
100,000	24.86	39.82	24,864
120,000	27.63	42.00	33,156

* Excluding solidarity surcharge and church tax, if applicable.

Certain income that is not taxable is taken into account when determining the tax rate on German taxable income. This inclusion rule is known as the "tax exemption under progression clause." For example, individuals who transfer to or leave Germany within the calendar year must take into account foreign income earned either before becoming a German resident or after

leaving Germany when determining the tax rate on their German taxable income.

To help finance the costs related to German unification, a 5.5% solidarity surcharge continues to be imposed on the income tax liability of all taxpayers. If a German tax resident is a member of a registered church in Germany entitled to impose church tax, church tax is assessed at a rate of 8% or 9% on income tax liability, depending on the location.

Business income is subject to both income tax and trade tax. Trade tax rates vary, generally ranging from 7% up to 18.5%, depending on the location. Income tax is partially reduced insofar as the income tax is allotted to business income (business income is subject to income tax and trade tax; however, for trade tax already paid on business income, a certain tax credit on income tax is granted). Trade tax is not levied on income from self-employment.

Salaries of nonresidents employed by domestic employers are subject to withholding tax (that is, wage taxes and solidarity surcharge) at rates that apply to residents who have single taxpayer filing status. However, no church tax is due. The withholding tax generally constitutes the final income tax liability. The withholding tax on directors' fees is 30%.

Relief for losses. Tax losses from one of the categories of income, except for losses from investment income and losses incurred on the sale of shares acquired after 31 December 2008, are offset against gains realized from one or more categories of income. Remaining tax losses up to EUR1 million (EUR2 million for married taxpayers filing jointly) may be carried forward indefinitely and are offset against gains realized in the following years. For losses exceeding the amount of EUR1 million (EUR2 million for married couples filing jointly), only 60% of the remaining gains is offset. The difference of 40% is considered within the assessment for losses carried forward and can be used in the following years, subject to the abovementioned rules. For income tax purposes (but not for trade tax purposes), losses may be carried back for one year, subject to certain limitations that ensure minimum taxation. The overall maximum loss carryback amount is EUR1 million (EUR2 million for married taxpayers filing jointly) annually. A taxpayer may choose whether a loss is carried back or carried forward to the following years.

B. Inheritance and gift taxes

A tax is imposed on transfers of property at death or by gift. Decedents and donors are considered transferors, and beneficiaries and donees are considered transferees.

Transfers of worldwide net property are taxable if either the transferor or the transferee is resident in Germany at the time of the decedent's death or at the date on which the gift is made. If neither the transferor nor the transferee is resident in Germany, the tax applies only to transfers of property located in Germany. Depending on the family relationship between the transferor and transferee, personal exemptions ranging from EUR20,000 (no familial relationship) to EUR500,000 (spouse or common-law spouse of transferor) are granted. The tax rates are graduated,

depending on the family relationship and on the value of taxable property transferred. For example, in 2019, the rates include the following:

- Spouse, common-law spouse, children and parents (only in case of acquisition for the reason of death) of the transferor: up to 30%
- Parents (in other cases), siblings and grandchildren: up to 43%
- No family relationship: up to 50%

For a limited inheritance tax liability (nonresidents), the amount of the abovementioned exemptions also applies, but the exemption is decreased by a partial amount. This partial amount corresponds to the proportion of the values of the assets acquired at the same point in time not subject to the limited tax and those pecuniary advantages not subject to the limited tax liability that have accrued within the last 10 years to the total value of the assets that have accrued to the same person within the last 10 years.

Foreign gift or inheritance taxes assessed in addition to German gift or inheritance taxes may be credited against German taxes (foreign tax credit). This unilateral relief applies primarily to gifts and inheritances from those countries with which Germany has not entered into a tax treaty.

To prevent double taxation, Germany has entered into estate tax treaties with Denmark, France, Greece, Sweden, Switzerland and the United States.

C. Social security

Coverage. Social security taxes comprise the following five elements:

- Old-age pension
- Unemployment insurance
- Health insurance
- Nursing care insurance
- Accident insurance

Old-age insurance, unemployment insurance, health insurance and nursing care insurance contributions are required for all employees, unless they are otherwise exempt under EU regulations or a social security totalization agreement. The same rule applies to accident insurance contributions, which are required to be paid by the employer only.

Contributions. Compulsory old-age pension and unemployment insurance coverage exists for all employees working in Germany, regardless of how much they earn. For 2019, contributions amount to 21.1% (18.6% for old-age pension and 2.5% for unemployment insurance) of employment income, up to EUR80,400 (special contribution ceilings apply to the Eastern German federal states) a year. Income exceeding EUR80,400 (special contribution ceilings apply to the Eastern German federal states) is not subject to these contributions. One-half of the contributions must be paid by the employer. Employees' portions must be withheld by employers from their monthly compensation.

Health insurance coverage is compulsory if an individual's annual employment income does not exceed EUR60,750 for 2019. The rate of the contribution is 14.6%. Health insurance contributions must be paid on employment income up to

EUR54,450 for 2019. One-half of the contribution must be paid by the employer. In addition, as of 1 January 2019, both the employer and the employee must bear an individual surcharge. The rate of the individual surcharge is determined by each state health insurance provider.

Individuals who earn more than EUR5,062.50 a month and contribute to a private health insurance plan must pay the full premium and may then claim a refund from their employer for half the premium, up to the amount they would receive under the compulsory scheme (maximum of EUR351.66 per month).

Every employee is asked to contribute to nursing care insurance. If an employee's income is less than EUR60,750 in 2019, coverage is compulsory. If an employee has private health insurance coverage, the employee must also contribute to the private nursing care insurance. Nursing care insurance contributions are levied at a rate of 3.05% and are shared equally by employer and employee. Contributions of childless employees are increased at a rate of 0.25%. The increase is borne solely by the employee.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Germany has entered into totalization agreements that usually apply for a maximum period of two to five years with the following countries.

EU countries	India	Philippines
Albania	Israel	Switzerland
Australia	Japan	Tunisia
Brazil	Korea (South)	Turkey
Canada	Moldova	Uruguay
Chile	Morocco	United States
China	North Macedonia	Yugoslavia*

* Germany honors the totalization agreement with Yugoslavia with respect to the successor countries, except for Croatia, North Macedonia and Slovenia.

EC Regulation No. 883/2004 took effect on 1 May 2010. This regulation determines, among other items, which social security legislation applies to employees posted to other EU member countries. The new regulation applies to the EU member countries. Effective from 1 January 2011, the coverage of the new social security regulation is extended to non-EU nationals (third-country nationals) moving within the EU, with the exception of Denmark and the United Kingdom. As of 1 April 2012, Switzerland has adopted EC Regulation No. 883/2004.

Effective from 1 June 2012, EC Regulation No. 883/2004 applies also to assignments to European Free Trade Association (EFTA) states (Iceland, Liechtenstein and Norway). For non-EU citizens under certain conditions, the former totalization agreements entered into with each of the EU/EFTA countries or Switzerland continue to apply.

D. Tax filing and payment procedures

The tax year in Germany is the calendar year.

Before the 2018 filing season, in general, annual tax returns must be filed by 31 May of the year following the tax year. However, extensions for filing are granted automatically until 31 December of the year following the tax year if the return is prepared with

the assistance of a tax advisor. Extensions beyond 31 December are granted only in very exceptional cases. As of the 2018 filing season, the following are the deadlines:

- Individuals filing on their own: 31 July of the following year
- Individuals filing with the assistance of a tax advisor: 28 or 29 February of the year thereafter

As of the 2018 filing season, if a tax return is not filed on time, late filing penalties are automatically assessed and, in general, cannot be eliminated.

Married persons or persons living in a civil union are taxed either separately or jointly, at their election, on all types of income. The election to file a joint return is restricted to married persons and persons living in a civil union who are both residents of Germany and who are not permanently separated at any time during the tax year. Nonresidents are generally not allowed to file joint income tax returns.

A special provision applies to EU citizens and citizens of EEA countries. On application, married EU and EEA citizens or citizens who are living in a civil union may file joint returns, even though their spouses are not German residents, but are living in an EU or EEA country. On qualification, the favorable tax rates for married persons filing jointly apply (see *Rates*).

Employers must withhold income tax (known as wage tax) as well as solidarity surcharge and church tax, if applicable, on wages. In addition, social security contributions must be withheld.

Nonresidents may file an income tax return only if they have income that is not subject to withholding tax. If a nonresident's income is subject to withholding tax, such as income from dependent work or investment income, an income tax return generally cannot be filed. However, a nonresident can file a German income tax return if he or she is a citizen of an EU/EEA member state. Nonresidents are subject to the individual income tax rates but the basic tax-free allowance in the amount of EUR9,000 does not apply to income other than employment income.

Income tax is assessed based on the tax return filed, and any additional amount due is charged by means of an assessment notice. The balance due must generally be paid within one month after receipt of the notice. In the case of late payment, penalties become due. Refunds are paid immediately after the issuance of the assessment. After a grace period of 15 months, which begins at the end of the year to which the tax relates, assessment interest is imposed at a rate of 0.5% per month in the case of outstanding payments and refunds.

Quarterly tax prepayments are levied by the tax authorities based on the last assessed taxable income if the withholding is not sufficient to cover the annual income tax assessed or if the personal income subject to taxation is declared.

E. Double tax relief and tax treaties

German income tax law provides that foreign taxes, up to the amount of German income tax payable on foreign-source income taxable in Germany, may be credited against German income tax

(foreign tax credit). This unilateral relief applies primarily to income from those countries with which Germany has not entered into a tax treaty.

Tax treaty provisions override German income tax law, usually by excluding certain foreign-source income from German taxation. This includes income from real estate, business income from a foreign permanent establishment and income from personal services performed in a foreign country if certain requirements are fulfilled. However, some treaties provide that foreign taxes (up to the amount of German income tax payable on foreign-source income taxable in Germany) may be credited against German income tax. Several treaties contain a subject-to-tax clause, which excludes foreign-source income only if the taxpayer proves that he or she paid foreign tax on this income. Under the "national subject-to-tax clause," Germany excludes foreign-source employment income only if the taxpayer provides proof showing that he or she paid foreign tax on this income. In addition, Germany does not exempt foreign-source income from tax if the taxpayer does not qualify to be a resident for tax purposes in the other country or if the other country interprets the double tax treaty in a different manner that results in the income being exempt from tax or subject to limited tax. Foreign-source income excluded from German taxation may be considered for purposes of determining the effective tax rate on other taxable income (see Section A for an explanation of the tax exemption under progression clause).

Germany has entered into double tax treaties with the following jurisdictions.

Albania
Algeria
Argentina
Australia
Austria
Azerbaijan
Bangladesh
Belarus
Belgium
Bolivia
Bulgaria
Canada
China Mainland (a)
Costa Rica
Côte d'Ivoire
Croatia
Cyprus
Czechoslovakia (b)
Denmark
Ecuador
Egypt
Estonia
Finland
France
Georgia
Ghana
Greece
Ireland
Israel
Italy
Jamaica
Japan
Jersey
Kazakhstan
Kenya
Korea (South)
Kuwait
Kyrgyzstan
Latvia
Liberia
Liechtenstein
Lithuania
Luxembourg
Malaysia
Malta
Mauritius
Mexico
Mongolia
Morocco
Namibia
Netherlands
New Zealand
North Macedonia
Norway
Romania
Russian Federation
Singapore
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Syria
Taiwan (e)
Tajikistan
Thailand
Trinidad and Tobago
Tunisia
Turkey
Ukraine
USSR (c)
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Venezuela

Hungary	Pakistan	Vietnam
Iceland	Philippines	Yugoslavia (d)
India	Poland	Zambia
Indonesia	Portugal	Zimbabwe
Iran		

(a) The treaty with China Mainland does not cover the Hong Kong and Macau Special Administrative Regions (SARs).
(b) Germany honors the Czechoslovakia treaty with respect to the Czech Republic and the Slovak Republic.
(c) Armenia, Moldova and Turkmenistan have agreed to honor the USSR treaty.
(d) Germany honors the Yugoslavia treaty with respect to Bosnia and Herzegovina, Kosovo, Montenegro and Serbia.
(e) Because Germany has never recognized Taiwan as a sovereign state, this agreement is not a treaty under international law. Instead, it was completed in accordance with the practice that other Western states have followed with respect to Taiwan. It is an agreement between the head of the German Institute in Taipei and the director of the Taipei Representative Office in Germany.

The treaties mentioned above are applicable for 2018. For the application of the treaty in previous years, it needs to be determined which version of a treaty is effective. Germany is negotiating double tax treaties with Angola, Armenia, Botswana, Colombia, Cuba, Ethiopia, the Hong Kong SAR, Jordan, Nigeria, Oman, Qatar, Rwanda, Senegal, Serbia, Tanzania and Turkmenistan.

F. Entry into Germany

In general, an individual needs a visa to enter Germany. However, nationals of certain countries are exempt from the requirement to obtain a visa if they want to enter Germany for tourist, visitor or business trip purposes (not for work purposes). This exemption only applies for a maximum (cumulative stay) of 90 days within a period of 180 days. EU/EEA citizens are exempted from the visa regulations.

EU/EEA nationals. From an immigration point of view, EU nationals (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Greece, Ireland, Latvia, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom) are not restricted from entering, staying permanently or temporarily, or working in Germany. This is granted to all EU nationals by the right of free movement. Consequently, they do not need any kind of visa or permission to enter or stay in Germany. A passport or national identity card is sufficient for entering and staying in Germany, as long as it is valid throughout the entire length of stay. The same treatment also applies to nationals of Iceland, Liechtenstein and Norway (members of the EEA). Registration requirements may apply for reasons other than immigration.

As a result of a multilateral treaty, Swiss citizens have nearly the same rights as EU nationals. However, in contrast to EU nationals, for a stay exceeding three months, they generally must obtain a declaratory German residence permit for Swiss citizens from the responsible local foreigners' office to confirm this right.

Rules for the United Kingdom. Because of the United Kingdom's declaration to leave the EU (Brexit), it will no longer be under the rules for EU nationals. As of July 2019, it was still not clear which rules will apply after the United Kingdom exits the EU. Currently, it is expected that the United Kingdom will leave the

EU by 31 October 2019. If there is a Brexit deal (an exit agreement between the United Kingdom and the EU), it is expected that the EU rules will similarly apply until 31 December 2020. If there is no exit agreement, the situation is still unclear and undecided. Consequently, the rules may change during a short time period, and the situation needs to be evaluated based on the rules applicable at the time. Consequently, the information in this chapter applies only until the exit of the United Kingdom from the EU.

Nationals of preferred jurisdictions. In addition to EU nationals, citizens of almost 40 jurisdictions, including major Western countries, may enter and stay in Germany for up to cumulative maximum of 90 days within any period of 180 days without a German visa because of an exemption in the Schengen law (see Section G). This measure applies (as of July 2019) to citizens of Albania, Andorra, Antigua and Barbuda, Argentina, Australia, Bahamas, Barbados, Bosnia and Herzegovina, Brazil, Brunei Darussalam, Canada, Chile, Colombia, Costa Rica, Dominica, El Salvador, Georgia, Grenada, Guam, Guatemala, Honduras, the Hong Kong SAR, Israel, Japan, Kiribati, Korea (South), the Macau SAR, Malaysia, the Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Montenegro, New Zealand, Nicaragua, North Macedonia, Palau, Panama, Paraguay, Peru, Puerto Rico, Samoa, San Marino, Serbia, Seychelles, Singapore, the Solomon Islands, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Taiwan, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu, Ukraine, the United Arab Emirates, the United States, the US Virgin Islands, Uruguay, Vanuatu and Venezuela.

This exemption only applies if these nationals do not work in Germany. For example, if individuals travel for tourist or visitor purposes or stay in Germany for general business trip activities exclusively, they can do so without a visa. However, if they plan to work during their stay, the exemption does not take effect and they must obtain a visa with work authorization in order to enter Germany.

Individuals staying for a period of longer than 90 days must apply for a long-term German residence title. In all cases, a valid passport is required. In addition, for some countries, the exemption only applies if the holders travel with biometric passports. Because this list may change, it should be checked close to the date of the intended travel.

Nationals of non-preferred countries. Citizens from non-preferred countries need a valid passport and a German visa before entering Germany. Exemptions may apply if they are holding a long-term residence permit from another country of the Schengen area.

G. Visas, residence permits, notification of residence and registration

Visas. The following are the different types of German visas:

- Schengen visa (Type C), which allows a stay in Germany usually for nonworking purposes (for example, business activities) up to a total of 90 days within a period of 180 days. Stays in other countries of the Schengen area during the last 180 days

usually have to be deducted from the maximum of 90 days. A Schengen visa is issued by the national authorities of the member states of the Schengen treaty, which are Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden and Switzerland. Individuals must apply for the visa with the embassy or consulate of the Schengen country where the longest stay is planned. If this cannot be determined, the embassy or consulate of the country of first arrival is responsible.

- National visa (Type D), which allows a stay exceeding 90 days in a period of 180 days.

All nationals who are not from EU/EEA countries (see Section F), including individuals from preferred countries, who are not required to obtain a visa for tourist, visiting and business traveler purposes, generally must apply for a visa (Type C or Type D, depending on the duration of the stay) with annotation for work purposes before starting to work in Germany. A visa is represented by a stamp on the passport that allows entry into Germany. The visa has to include the intended purposes of the stay in Germany. If the stay is for work reasons, the visa usually includes the job title as well as the company for which the employee is performing the work in Germany.

Only citizens from most preferred countries (Australia, Canada, Israel, Japan, Korea [South], New Zealand and the United States) may apply directly for a residence permit for work purposes in Germany at the local German foreigners' office without first obtaining a visa. However, they also have the option to obtain such a visa for working reasons.

Registration. Registration at the German registration office is required for each person residing in Germany if the stay is planned to exceed three months, regardless of the person's nationality (this also applies to German citizens). Details of the registration process depend on the location of the stay and may vary significantly among towns. In general, foreign nationals, including EU citizens, who enter Germany and move into an apartment must register their living address with the registration office (Einwohnermeldeamt) generally within two weeks after moving into the apartment.

Subsequent changes in residence must be reported to the registration office within two weeks after the change. Failure to register properly with the appropriate authorities may result in fines.

Residence permits. After entry into Germany and completion of the registration, a foreigner generally must visit the foreigners' office in person to apply for the final residence permit. If a national visa for work purposes has been granted, the application for the final residence permit is only necessary if the stay exceeds the validity of the national visa. Employees of the most preferred countries who enter Germany without a visa must visit the foreigners' office to apply for the final residence permit and for obtaining a preliminary residence permit before starting to work in Germany. The final permit is a combined work and residence permit.

The residence permit is generally granted as an electronic residence permit (elektronischer Aufenthaltstitel, or eAT) in a credit card format equipped with a contact-free chip inside the card on which biometric features (photograph and two fingerprints), ancillary conditions (special requirements) and personal data are stored. In addition, the chip is capable of being used as an electronic identity document and a qualified electronic signature. In some cases, the authorities grant a supplementary sheet document containing specifications or limitations of the permit, such as the annotation specifying the allowed purpose of the stay, the kind of work allowed and, in particular, the name of the employer.

Under the German immigration law, various types of residence permits are available.

Temporary residence permit. A temporary residence permit (Aufenthaltserlaubnis) is granted primarily in connection with stays for working and education purposes, for family reasons and for humanitarian and political reasons. The residence permit for working purposes usually requires the approval of the labor office. The approval of the German labor office can be obtained either through a direct application from the employer or through a filing of the employee for an application for a visa/permit.

EU Blue Card. The EU Blue Card can be obtained if the following prerequisites are met:
- Acknowledged university degree
- Local German employment contract of at least one year
- Minimum level of annual salary (EUR53,600 per year for 2019)

The name, EU Blue Card, is somewhat misleading because it allows working only in Germany but not in other EU member states.

EU Intercompany Transfer Card. As part of the implementation of the EU directive about the preconditions for third-country nationals who are entering and staying in Germany as a part of an intracompany transfer (RL 2014/66/EU), the German legislature has amended the German immigration law. In general, for intercompany secondments, application must be made for an Intercompany Transfer (ICT) Card.

The following are the main prerequisites for obtaining an ICT Card:
- The individual must have Specialist or Manager status, or be a trainee.
- The sending and receiving entity must belong to the same company group.
- The individual must have prior employment within the corporate group of at least six months.
- The employment contract with the current employer outside the EU must remain active.
- A local German employment contract must not be agreed on.
- The minimum stay is 90 days and the maximum stay is three years.

A German ICT Card can be issued for a maximum period of three years (for trainees up to one year). Afterward, a cooling-off period of six months must be observed. To improve work-related

transfers within the EU region, the following possibilities have been implemented:

- Short-term mobility (allows the ICT holder to stay up to 90 days within 180 days in Germany, based on an ICT Card from another EU country) if a mandatory notification to the competent German authorities has been completed. If the notification is rejected (only limited reasons possible) by the German authorities, the employee needs to stop working in Germany immediately.
- Long-term mobility allows the ICT holder to stay longer than 90 days within 180 days in Germany based on an ICT Card from another EU country if a mandatory application has been made. Work can be started from the point of arrival and before approval for up to 90 days if such application is filed at the latest 20 days before traveling to Germany. If the application is rejected (only limited reasons possible) by the German authorities, the employee needs to stop working in Germany immediately.

Permanent residence permit. An unlimited residence permit (Niederlassungserlaubnis) includes an unlimited working permission. The permanent residence permit is generally granted if a foreigner holds a valid temporary residence permit for more than five years or a Blue Card for four years and fulfills further requirements. At the discretion of the authorities, the permanent residence permit may be granted to certain individuals with outstanding special qualifications, in particular, scientists, professors and other scientific professionals.

Other residence permits. An unlimited German residence/work permit, known as the EU long-term residence permit (Daueraufenthalt EU), may be granted to non-EU citizens if they meet several conditions, including, but not limited to, the following:

- They have lived in Germany for more than five years.
- They can take care of their subsistence.
- They have basic German language skills.
- They have enough living space.

After the Daueraufenthalt EU is granted, a foreign national is allowed to work in Germany without time or local restrictions.

Non-EU citizens who intend to enter Germany for more than a three-month period and who have been granted the Daueraufenthalt EU status in another EU country are issued a residence permit for work purposes from the local German foreigners' office.

H. Approval of the labor office and self-employment

General. As discussed in Section G, the permission to work is included in the residence permit for working purposes. The work permission in the residence permit usually mentions the name of the employer as well as the profession of the employee. Consequently, a change of employer, including a change within a group of companies, generally requires a change of the residence permit.

Application process for obtaining a residence permit for work purposes for non-EU citizens. Except for the exempt categories discussed below, all non-EU employees who want to work in

Germany must obtain the approval of the labor office when applying for a German residence permit with the foreigners' office.

Specific conditions need to be fulfilled to obtain the work permit. In particular, a so-called public interest must often be demonstrated. In general, the new German immigration law facilitates the entry to the German labor market of qualified professionals. As a result, an information technology (IT) specialist, a high-level specialist professional and a leading employee with personnel responsibility should receive a positive decision. An individual can also receive approval if he or she participates in an international assignment project. In all cases, the labor office may exercise discretion when reviewing the request.

In general, the approval of the labor office is granted only if the employment of a foreign national is deemed to be necessary. Supply and demand in the German labor market is taken into account; approval is not granted if the employment of a foreign national may adversely affect the availability of jobs for qualified German nationals or foreign employees with preferred status (particularly EU nationals). As a result, the local labor offices may require the employer to prove that efforts were undertaken to find German or privileged foreign national employees for the job. Even if German candidates are not available, the foreign national may be precluded from receiving a work permit for other reasons. Approval is easier to obtain for transfers of experienced employees with university degrees within an international operating company (that is, transfers from the parent company, which must be located in the employee's home country, to the German subsidiary). In certain cases, it may be required that the foreigner be employed by a German company.

In addition, the labor office determines whether the foreign employee receives a comparable salary to a peer German employee. As a result of German law changes, effective from 1 January 2015, the minimum wage law is in effect in Germany and accordingly must be considered when applying for a work permit in Germany.

Normally, a regular residence permit for working purposes is initially valid for one year, and is generally extended on application for each additional year. The employment of individuals without valid residence permits is punishable under German law with severe fines.

Many uncertainties may arise in the initial planning stages of an expatriate's assignment. The procedure for obtaining residence permits for working purposes is particularly difficult. Also, language barriers and time limitations may present obstacles. The practice with the authorities indicates that the authorities are interpreting German immigration law more and more restrictively.

Simplification rules. Foreign employees may not need to obtain the approval of the labor office in certain circumstances and, on application, may receive a residence permit for work purposes without the involvement of the German labor office in a simplified procedure. For example, approval is not required in the following circumstances:

- The residence permits are granted as a result of international treaties.
- The individuals have special professional qualifications, such as scientists employed at universities, artists, athletes and models.
- The individuals are legal representatives of German corporations, partners of private or commercial partnerships in Germany, representatives of German liaison offices of foreign companies or leading employees with the general power of attorney to represent the employer.
- A Blue Card application has been filed.
- The individuals are journalists and correspondents, members of airplane and ship crews or truck drivers engaged in cross-border traffic.

Simplification rules that may result in the possibility of entering and staying in Germany without a residence permit for work purposes are available for several activities of foreign employees in Germany, which do not exceed 3 months within a period of 12 months. These activities are in the area of internal training and after-sales services.

In addition, if a stay involves the rendering of specified services by foreign employees who are assigned by an employer resident in an EU member state and if the employee belongs to the permanent staff of the company, simplification rules may apply.

For business trips and for stays for seeking employment, it is not necessary to apply for a residence permit. Foreign nationals conducting business negotiations on behalf of a foreign company and business executives may stay in Germany for three months or less per year without applying for a German residence permit.

Students holding a German residence permit for study purposes in Germany may work without the approval of the labor office if the work period is limited to 120 days per year or 240 half-days per year or if the student is employed part-time at a university (without time limit).

Fast-track procedure. Simplified rules can apply to internal transfers within a company under certain conditions, including the following:

- A comparable number of employees of a corporate group are assigned from Germany to work abroad.
- A foreign employee is assigned to Germany for project work in Germany. For example, certain employees make preparations in Germany for a certain project abroad and the employees themselves will participate in the realization of the project in the future.

Under the fast-track procedure, a special department of the labor authorities may decide quickly without checking the German labor market, and the local labor offices do not get involved.

Self-employment. In general, self-employed foreign non-EU nationals must have a residence permit to enter and stay in Germany if they intend to remain longer than three months. However, exceptions may apply in certain circumstances. Before a residence permit is issued, the local Foreigner's Office consults the appropriate local Commercial Office (Gewerbeamt) and business and professional associations. These rules may also apply to

managing directors who hold a relevant stake in the company of which they are managing directors.

Self-employed persons are not required to obtain the approval of the labor office when applying for a residence permit because they are not considered employees under the legal definition.

Any person wishing to begin a trade or business in Germany is required to report his or her intention to the local Commercial Office (Gewerbeamt). This local authority then provides a certificate confirming that the trade or business is duly registered, while simultaneously informing the German tax authorities. Certain trades also require special permits.

Individuals intending to begin a specialized trade or business subject to legal restrictions must show particular qualifications and personal reliability. In certain circumstances, even if the applicant is unable to produce proof of sufficient knowledge of the subject, a certificate may be granted if the applicant has passed an examination conducted by an appropriate German board.

Self-employed persons must apply for a residence permit for the purpose of self-employment. The following are the main conditions:

- The respective activity is within the economic interest of Germany.
- The means of subsistence are guaranteed.
- Proof of sufficient investment capital (amount varies for each case) exists.

I. Family and personal considerations

Family members. Spouses and children, younger than 18 years, of EU nationals employed in Germany are entitled to stay permanently in Germany after registration of residence with the Foreigner's Office even if they are non-EU nationals. For example, a US national married to an Italian national does not need to apply for a residence permit for working purposes if the Italian national stays in Germany. The US national needs only to register with the Registration Office and to report his or her residence to the Foreigner's Office to obtain the certificate of residence.

The spouse and dependents of a non-EU national must apply for their own residence permits for family unification purposes separately. Third-country nationals' family members are generally allowed to work in Germany.

In general, residence permits for the spouse and children younger than 16 years old are granted if the foreign national holds a residence permit and if sufficient income and housing for all family members are ensured. Other dependents may receive residence permits if unreasonable hardship would otherwise exist.

Spouses of non-EU citizens may not stay in Germany on a dependent residence permit if they are less than 18 years old. In addition, they must have basic German language skills or a higher education before their entry into Germany.

Marital property regime. In general, German marital property laws apply only to persons whose domicile is in Germany, not to

expatriates residing in Germany on temporary assignment. However, under certain circumstances, foreign nationals residing in Germany may elect to be covered under German community property laws.

Under the German community property regime, during a marriage, each spouse independently owns property owned prior to the marriage. Any additional wealth (except gifts and bequests) acquired during the marriage with the income of one spouse is nominally considered to be owned during the marriage by that spouse. However, upon termination of the marriage, each spouse is solely entitled to the property he or she brought to the marriage and to one-half of any wealth accumulated during the marriage, including income earned on separate property.

A married couple may elect out of marital property laws by a written agreement, signed by both parties and notarized.

Forced heirship. German inheritance law provides that direct lineal relatives (parents and children) and spouses have the right to inherit 50% of the value of their statutory pro rata share of their deceased relative's estate, regardless of the provisions of any will or testament to the contrary.

Driver's permits. Citizens of EU and EEA member countries may use their home-country driver's licenses until the expiration date of the licenses for the entire length of their stays in Germany without applying for German licenses. However, the citizen must be at least 18 years old.

Other foreign nationals on assignment in Germany may drive for a maximum of six months if they have valid foreign driver's licenses. A foreign national must apply for a German license with the Public Affairs Office (Ordnungsamt) within three years after the date of entry into Germany. Citizens of the following jurisdictions can apply for a German driver's license without a new examination.

Andorra	Japan	San Marino
Bosnia and Herzegovina	Jersey	Serbia
French Polynesia	Korea (South)	Singapore
Guernsey	Monaco	South Africa
Isle of Man	Namibia	Switzerland
Israel	New Caledonia	Taiwan
	New Zealand	

Australian, Canadian and US citizens may apply without examination if they hold specified state driver's licenses (for example, Alabama, Arizona, Ohio and Utah in the United States). However, even if an individual described in this paragraph applies for a German driver's license, he or she may not drive in Germany with his or her home-country driver's license after a six-month period beginning with the date of entry into Germany.

The following documents are generally necessary to obtain a driver's license:

- Valid passport and residence permit.
- One photograph.
- Translation of the foreign driver's license by a qualified sworn translator or by one of the major German automobile clubs. This rule does not apply to citizens of EU or EEA member

countries, the Hong Kong SAR, New Zealand, Senegal and Switzerland.
- Original and photocopy of the foreign driver's license.
- Name of the German driving school that the foreign national wishes to attend to prepare for the practical and theoretical exam (only if exam is required).

After a three-year period, proof of eye examination and a certificate for training in first aid procedures are required.

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A. Income tax

Who is liable. Resident individuals are subject to tax on their worldwide income. However, the employment income of a resident individual from employment exercised in a foreign country is exempt from tax if the employment is exercised with either of the following:

- A nonresident employer
- A resident employer if the individual is present in the foreign country for 183 continuous days or more during the year of assessment.

Nonresidents are subject to tax only on chargeable income accruing in or derived from Ghana.

Individuals are considered resident in Ghana if they meet any of the following conditions:

- A citizen of Ghana other than a citizen who has a permanent home outside Ghana and lives in that home for the whole year of assessment
- An individual who is present in Ghana for an aggregate of at least 183 days in a 12-month period that begins or ends during the year of assessment
- An employee or official of the government of Ghana posted abroad during the year of assessment
- A citizen with a permanent home in Ghana who is temporarily absent from Ghana for no longer than 365 successive days

Income subject to tax. The taxation of various types of income is described below.

Employment income. Employees, including directors of companies, are subject to tax on gains or profits from any employment, including allowances, gifts or benefits paid in cash or in kind to or on behalf of an employee.

Taxable income of employees consists of the following:
- Salary, wages, leave pay, fees, commissions and gratuities
- Overtime pay and bonuses
- Individual allowances, including cost-of-living allowance, subsistence, rent, entertainment and travel allowance
- A discharge or reimbursement of an expense incurred by an individual or an associate of the individual
- A payment made for the individual's agreement to the conditions of the employment
- Other payments, including gifts received with respect to the employment
- Subject to the National Pensions Act, 2008 (Act 766), as amended, a retirement contribution made to a retirement fund on behalf of an employee and retirement payments received with respect to employment

The following items are excluded in the calculation of the taxable income of employees:
- Reimbursement of medical, dental or health insurance expenses, if all full-time employees are entitled to the same benefit
- Passage to and from Ghana for a nonresident individual appointed outside Ghana whose presence in Ghana is solely for the purpose of serving the employer
- Employer-provided accommodation at the field site of timber, mining, building, construction, farming business or petroleum operations
- Reimbursement for expenditure incurred by the employee that serves the proper business purposes of the employer
- Payments made to employees on a nondiscriminatory basis that, by reason of their size, type and frequency, are unreasonable or administratively impracticable for the employer to account for or to allocate to the individual
- Redundancy pay

Self-employment and business income. Self-employed individuals include traders, professionals or individuals carrying on any vocation, partners in partnerships and sole proprietors. Taxable business income consists of net accounting profit plus expenses that are not deductible for tax purposes, less capital (depreciation) allowances and personal reliefs.

The income of an individual from a business for a year of assessment is the gains and profits of that individual from that business for the year or a part of the year. It includes the following:
- Service fees
- Consideration received with respect to trading stock
- An amount derived that is effectively connected with the business and that would otherwise be included in calculating the income of the individual from an investment
- Gains from the realization of capital assets and liabilities of the business
- A gift received by the individual with respect to the business
- Amounts derived as consideration for accepting a restriction on the capacity to conduct the business

Individuals who only have business income from sources within Ghana may qualify to be taxed on a modified basis (that is, based on installment, turnover or cash basis).

Investment income. Investment income includes the following:
- Dividends, interest income, annuities, natural resource payment, royalties and rents
- Gains from the realization of investment assets
- Amounts derived as consideration for accepting a restriction on the capacity of the individual to conduct an investment
- Lottery winnings in excess of GHS2,592
- Gifts received other than those received with respect to business or employment

The dividend tax rate is 8%. The 8% tax is withheld at source, and it is imposed on dividends paid to resident and nonresident individuals.

Interest paid to individuals by resident financial institutions or the government is exempt from tax.

Capital gains. Capital gains are included in business income or investment income, depending on the source of the gain, and taxed accordingly. The separate taxation of capital gains has been abolished.

However, individuals may elect to pay a 15% tax on gains on the realization of an asset instead of including the gain in business income or investment income.

If the gains are included in business income or investment income and taxed as such, the tax rate is the same rate applicable to the individual on his or her business income or investment income.

Deductions. Expenses wholly, exclusively and necessarily incurred in the production of income from business or investments are deductible.

Mortgage interest incurred during the year with respect to only one residential premises during the lifetime of that individual is deductible.

Individuals may deduct the annual personal reliefs granted them as indicated in the following table.

Type of allowance	Amount
Children's education allowance	GHS200, per child or ward, up to a maximum of three children
Dependent elderly relative allowance	GHS100 per dependent, up to a maximum of two dependents
Marriage/responsibility relief	GHS200
Disability allowance	25% of assessable income from business or employment
Old age relief	Up to GHS200 per year
Professional/vocational training allowance	Up to a maximum of GHS400

Contributions of individuals to the mandatory pension schemes qualify as tax reliefs under the National Pensions Act, 2008 (Act 766), as amended. Contributions to the voluntary pension scheme of an individual employee up to 16.5% of the employee's salary are also exempt from tax if certain conditions are met.

Rates. The table below presents the progressive rates of income tax applicable to resident individuals for a tax year. Nonresidents are subject to income tax at a flat rate of 25%.

Chargeable income GHS	Tax rate %	Tax due GHS	Cumulative tax due GHS
First 3,456	0	0	0
Next 1,200	5	60	60
Next 1,680	10	168	228
Next 36,000	17.5	6,300	6,528
Next 197,664	25	49,416	55,944
Exceeding 240,000	30	—	—

Withholding tax. Management and technical service fees paid to nonresidents are subject to a 20% final withholding tax.

Relief for losses. Unrelieved losses incurred by persons in a specified priority sector can be carried forward for five years. Unrelieved losses incurred by persons in any other sectors can be carried forward for three years.

Unrelieved losses are losses that have not been deducted in calculating the income of the individual.

B. Other taxes

Net worth tax. Ghana does not impose a net worth tax.

Estate and gift taxes. Estate and gift taxes apply.

Gifts are taxed as part of employment, business or investment income.

C. Social security

Ghana imposes a mandatory social security tax at a rate of 18.5%. Employers must pay social security tax at a rate of 13% of the employees' salaries, and must withhold an additional 5.5% from each employee's salary. Employers remit 13.5% out of the 18.5% to the Social Security and National Insurance Trust. The remaining 5% is remitted by the employers to the trustees appointed to manage the employees' occupational pension schemes. In addition to the mandatory 18.5%, either the employer or the employee or both may contribute to a provident fund scheme for the benefit of the employees. Up to 16.5% of contributions to a provident fund scheme is exempt from tax if the conditions imposed on the withdrawal from the scheme are fulfilled. Self-employed individuals who qualify may contribute toward the mandatory schemes. Persons in the informal sector who are not covered under the mandatory schemes must have 35% of their declared income treated as deductible income for the contributor for the purposes of income tax.

Non-Ghanaian individuals who have emigrated or are emigrating permanently from Ghana are entitled to a lump-sum benefit.

D. Tax filing and payment procedures

The tax year for individuals is the calendar year. Individuals, including employees, must file their returns within four months after the end of the tax year. In the case of employees, their primary employers are required to file their returns on their behalf within three months after the end of the year. If the employees and the Commissioner-General agree, the returns filed by the primary employers become final returns. An employee who has additional sources of income must file, in addition to the return filed by the primary employer, a separate return including details of the income from the primary employer within four months after the end of the year. Payment of tax by self-employed individuals must be made on a monthly basis. Employees are subject to withholding tax on their salaries under the Pay-As-You-Earn (PAYE) system.

E. Double tax relief and tax treaties

Tax paid on income earned outside Ghana by a resident of Ghana that is liable to tax in Ghana is credited against the total tax payable in Ghana. However, the credit is capped at the total tax payable on that income in Ghana.

Ghana has entered into double tax treaties with the following countries.

Belgium	Germany	South Africa
Denmark	Italy	Switzerland
France	Netherlands	United Kingdom

Ghana has ratified double tax treaties with the Czech Republic, Mauritius, Morocco and Singapore, but these treaties are not yet in force. Ghana has signed a double tax treaty with Ireland, but it has not yet ratified the treaty.

F. Temporary permits

Ghana requires visitors to obtain entry visas, except visitors from countries that have visa abolition treaties with Ghana. Nationals of British Commonwealth countries in East Africa and Southern Africa, notably Botswana, Kenya, Malawi, Tanzania, Uganda, Zambia and Zimbabwe, nationals of the 16 member countries of the Economic Community of West African States (ECOWAS) and nationals of Malaysia, Singapore and Thailand do not need entry visas.

Visas and permits are used interchangeably. British Commonwealth citizens need entry permits, while all other foreign nationals require visas. The government of Ghana issues the following permits and visas:

- Transit visas
- Visitors' visas
- Business visas
- Work permits
- Residence permits

To obtain an entry visa, individuals must prove that they can sustain themselves financially while in Ghana, except foreign nationals who own assets in Ghana.

Emergency entry visas may be obtained on arrival in Ghana through direct application to the Comptroller-General of the Ghana Immigration Service. This facility is primarily for foreign nationals who come from countries where Ghana has no mission or consulate. Application for emergency entry visas should be made to the Comptroller-General at least seven days prior to the date of arrival.

Transit visas are issued to travelers who wish to pass through Ghana.

Visitors' visas valid for 60 days are issued on arrival to visitors who have acquired entry permits or visas (either single- or multiple-entry). Visitors' visas may be extended up to six months by submitting an application to the Ghana Immigration Service at Accra or to regional headquarters.

G. Work permits and self-employment

Work permits are generally granted by the Ministry of the Interior to expatriate employees or to individuals who have already been issued residence permits to enable them to take up specified employment for remuneration. Work permits may also be granted to foreign nationals engaged on a short-term basis for certain specific services and, in these cases, are not counted against a company's immigrant quota (see Section H).

Other than reciprocity, when reviewing applications, the Ministry of the Interior considers whether the activity in which the foreign national will engage will be functional, whether the applicant honors his or her tax obligations, and whether the applicant has evidence of satisfactory financial support.

An applicant may not work in Ghana while his or her work permit application and other papers are being processed. If possible, approval must be obtained from the nearest Ghana consulate before an expatriate employee travels to Ghana. However, such protocol can be received in Ghana.

It is an offense for a foreign national to change employers after he or she receives a work permit. If it is necessary to change employers, the Ghana Immigration Service should be notified within one week after the applicant knows he or she is changing jobs.

Work permits must be renewed annually. However, long-term (two or more years) work permits are issued if the applicant has worked consistently in Ghana for at least three years.

A foreign national may invest or start a business in Ghana by registering the company with the Registrar of Companies and then by applying to the Ghana Investment Promotion Centre, indicating his or her field of investments.

Foreign nationals may manage subsidiary companies in Ghana.

H. Residence permits

Residence permits are issued by the Comptroller-General of the Ghana Immigration Service to foreign nationals wishing to reside in Ghana. The initial residence permit is valid for one year. Applications for renewals may be submitted to the Comptroller-General within one month before the other permit expires.

Subsequent one-year renewals may be granted at the Comptroller-General's discretion. Applicants must normally be sponsored by established entities in Ghana or by universities or international organizations.

Residence permits are granted by the Ghana Immigration Service to expatriate personnel employed by companies or individuals under the immigration quota system. The immigration quota specifies the number of foreign nationals a person or firm is permitted to employ in Ghana in a particular occupation. A foreign national on a company's quota automatically receives a residence permit but must apply for the permit to be stamped in his or her passport.

New investors who wish to take up residence in Ghana are granted residence permits only after satisfying the investment requirements of the following institutions:

- Petroleum Commission: for investment in the oil and gas sector
- Minerals Commission: for investment in the mining sector
- Department of Social Welfare: for nongovernmental organizations (NGOs)
- Ghana Investment Promotion Centre: investment in all sectors

Investors qualifying under the Free Zone Act have an open immigrant quota.

I. Family and personal considerations

Family members. Residence permits may be issued to a spouse and other dependents of a principal residence permit holder. Issuance is subject to the condition that the dependents may not undertake remunerated employment without authorization.

Driver's permits. In general, it is illegal for foreign nationals to drive in Ghana without Ghana driver's licenses. However, an international driver's license may be used for a brief period. Applicants are required to pass written and practical tests to obtain a Ghana driver's license.

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This chapter reflects the tax rates that are effective from 1 July 2019.

A. Income tax

Who is liable. The taxation of individuals in Gibraltar is partly determined by residence.

Residents. Individuals who are "ordinarily resident" for tax purposes are generally subject to Gibraltar tax on their worldwide income.

Nonresidents. Nonresidents are subject to tax on their Gibraltar-source income.

Ordinary residence. An individual who is "present" in Gibraltar for 183 days or more in a tax year, or more than 300 days in total during three consecutive tax years, is deemed to be ordinarily resident in Gibraltar. "Present" means being in Gibraltar at any time during a 24-hour period commencing at midnight, regardless of whether the individual uses any accommodation.

Income subject to tax. The taxation of various types of income is described below.

Employment income. In principle, an employee is taxed on all remuneration and benefits from employment received during the tax year, which ends on 30 June (the receipts basis).

An employee is taxable on both basic salary and most perquisites or benefits in kind, including company cars, meals, permanent housing, tuition and education allowances for dependent children, medical insurance premiums (subject to exemptions) and imputed interest on loans at below-market rates.

Benefits received by an employee of less than GIP250 in a tax year are not taxable.

Employers may apply for a dispensation from the Commissioner of Income Tax. As part of this dispensation, they may opt to pay the tax on benefits on behalf of the employee. If an employer is paying the tax under a dispensation, the benefits received by an employee that are between GIP250 and GIP15,000 in the tax year are taxed at a rate of 20%, with any benefits in excess of

GIP15,000 taxed at a rate of 29%. The first GIP250 of benefits is not taxed.

Contributions by an employer, up to prescribed limits, to approved personal pension schemes and occupational pension schemes are normally not taxed as a benefit-in-kind. Other exemptions from treatment as benefits-in-kind include accommodation and relocation expenses for relocated employees, health insurance (subject to restrictions), motor scooters and motorcycles.

Tax is deducted from employment income at source under the Pay-As-You-Earn (PAYE) system (see Section D).

Investment income. Savings income is not subject to tax. This includes dividends from securities quoted on a recognized stock exchange and interest income.

Dividends received by an ordinarily resident individual that represent the distribution of underlying profits that were subject to tax in Gibraltar are taxable in the hands of the recipient. The taxable amount is the amount of the dividend paid or payable, grossed up by a tax credit. Tax relief is given with respect to the tax credit. Dividends paid out of underlying profits that were not subject to tax in Gibraltar are not taxable in the hands of the recipient. No withholding tax is imposed on dividends paid by companies.

Proprietary trading in securities and other investments is not taxable.

Rental income from property located in Gibraltar is taxable to both residents and nonresidents. Rental income from properties located outside Gibraltar is not taxable in Gibraltar.

Self-employment income. Taxable self-employment income includes income from any trade, business, profession or vocation if all or any part of the activities, administration, marketing or support functions are performed in Gibraltar. For an ordinarily resident individual, such trade, business, profession or vocation is treated as indivisible. Consequently, if any activities of a trade, business, profession or vocation are carried out in Gibraltar, similar activities in another jurisdiction are regarded as part of the Gibraltar activities.

A self-assessment system applies to self-employed individuals. For tax purposes, profits are usually determined in accordance with normal accounting principles, but adjustments may be necessary. Self-employed individuals must prepare their accounts for the tax year (ending 30 June).

Directors' fees. No tax is imposed on fees paid to a director of a company who is not ordinarily resident in Gibraltar and is present in Gibraltar in less than 30 days in the relevant tax year. Otherwise, directors' fees are taxable in the same manner as other employment income.

Pension income. Income from state pensions is not taxable.

Occupational pensions received from an "approved" pension scheme by individuals aged 60 or above (or those compulsorily retired at age 55, such as policemen, firemen, prison officers,

customs officers and ex-Royal Gibraltar Regiment) who are employed are not taken into account in determining tax due on their earned income. No requirement to buy an annuity from the capital value of a pension fund exists, and pensioners may withdraw the entire capital tax-free on reaching retirement age. For purposes of these rules, "approved" means approved by the Commissioner of Income Tax in Gibraltar.

Imported pension schemes are not taxed in Gibraltar on the transfer of funds to the scheme or on the scheme's income or capital growth. Limited tax relief is available on contributions made by ordinarily resident individuals to such schemes. Up to 30% of the pension fund value may be withdrawn as a lump sum by members who have attained the minimum benefit commencement age of 55 years. Pension payments from a scheme are taxed in the hands of the recipient at a rate of 2.5%.

Other exemptions. Other items that are exempt from tax include the following:

- Compensation for unfair dismissal and redundancy payments that are approved as non-taxable by the Commissioner of Income Tax
- Income received by a full-time student from employment

Taxation of employer-provided stock options. The granting of an option or the transfer of shares to an employee is a taxable event. Restrictions on the vesting of options or restrictions on the shares may be taken into account in applying a value to the option or shares in certain circumstances. Any subsequent gain from exercising the option, from the disposal of shares acquired under the option or from the disposal of shares granted is a capital gain and, accordingly, not taxable.

Capital gains and losses. No capital gain tax is imposed in Gibraltar.

Deductions. Under either of the alternative tax systems (see below), expenses incurred wholly, exclusively and necessarily in the performance of the duties of employment are generally deductible. No allowance is available for travel between home and work or for office attire.

Alternative tax systems. Taxpayers may choose from the gross-income-based (GIB) system and the more traditional allowance-based (AB) system. Under the GIB system, the taxpayer is entitled to very few allowances and/or reliefs, but generally the applicable tax rates are lower. The majority of taxpayers are taxed under the GIB system. Regardless of the system for which the taxpayer opts, on final assessment, the Tax Office applies the system most beneficial to the taxpayer.

In the case of spouses, if one spouse opts for the GIB system and the other for the AB system, conditions apply to the latter's entitlement to allowances.

Personal deductions and allowances under the GIB system. The following deductions are available for taxpayers assessed under the GIB system:

- Approved expenditure on premises, which is expenditure incurred on painting, decorating, repairing and, in general, enhancing the appearance of the frontage of premises. This

deduction applies to individuals, regardless of whether the expenditure relates to the business of a self-employed person or to property held for nonbusiness purposes, and is in addition to any other deduction that may already be available as a business expense. The expenditure must be certified by the town planner, and the claim for the deduction must be made within two years after the end of the tax year for which the deduction is claimed. Under the GIB system, the deduction is restricted to a maximum of GIP5,000.

- Mortgage interest payments with respect to the purchase of the main residential property in Gibraltar up to a maximum of GIP1,500.
- Deduction for first-time buyers of up to GIP7,500 with respect to approved expenditure toward the purchase of their main residential property in Gibraltar.
- Up to GIP1,500 per year of contributions to approved pension schemes.
- Up to GIP3,000 per year of private medical insurance premiums.
- Up to GIP3,000 over two years for the installation of solar energy for boilers.
- Up to the first GIP2,000 of the cost of installing an electrical vehicle charging mechanism in a garage or parking space owned by the taxpayer.

Personal deductions and allowances under the AB system only. The following allowances apply only under the AB system for the year ending 30 June 2020.

Type of allowance	Amount (GIP)
Personal allowance	3,455
Spouse allowance	3,455
Nursery school allowance (per child)	5,400
Child relief with respect to the first child only	1,190
Child relief with respect to each child educated abroad	1,355
Medical insurance (maximum)	5,395
Disabled person relief (for parents, with respect to each disabled unmarried individual)	9,475
Resident dependent relative (maximum)	335
Nonresident dependent relative (maximum)	220
Blind person	5,395
Apprentice	380
Single parent	5,690
House purchase allowance	13,000 (a)
Additional (special) house purchase allowance	4,000 (a)
Social insurance (employee)	335
Social insurance (self-employed)	432
"Top up" (minimum allowance in total)	4,343 (b)
"Top up" for men aged 65 or over and women aged 60 or over (minimum allowance in total)	12,510

(a) This applies to an individual ordinarily resident in Gibraltar who purchases or constructs his or her own residential accommodation in Gibraltar. The deductions of up to GIP13,000 and GIP4,000 may be spread over as many years as the taxpayer wishes, provided that the amount claimed with respect to the

special deduction of GIP4,000 cannot exceed GIP1,000 per year. The deductions may not be claimed again after the maximum amounts have been claimed.

(b) Individuals whose total allowances are less than GIP4,343 have their personal allowances "topped up" to that amount. Elderly persons (men aged 65 or over and women aged 60 or over) have their allowances increased to GIP12,510.

Other allowances and deductions include the following:

- Certain pension contributions (see below).
- Low-income earner's tax credit. Individuals with income of less than GIP11,450 are entitled to an additional allowance so that no tax is payable by them. Allowances of lower amounts are available to taxpayers whose earned income for the tax year is between GIP11,451 and GIP19,500.
- Disabled individuals' tax allowance. An additional earned income allowance effectively exempts employees from tax if the employees receive financial assistance out of the Social Assistance Fund or if they would be eligible for such financial assistance had they resided in Gibraltar for at least five years.
- Interest relief on loans for the purchase, improvement or development of property. Interest paid by an individual or his or her spouse who occupies property in Gibraltar for residential purposes on a loan used to purchase, improve or develop the property is allowable, restricted to the amount of interest on GIP350,000 of the loan amount.
- Interest relief on loans for the purchase or construction of a parking bay or garage. Interest paid by an individual on loans to purchase or construct a garage or parking bay in Gibraltar is deductible by the individual or his or her spouse or both in whichever proportion is most beneficial.
- Approved expenditure on premises is deductible as described in *Personal deductions and allowances under the GIB system only*, but without the restriction referred to in that section.
- Life insurance relief. Premiums or contributions (or both) payable during the tax year are allowable subject to certain restrictions. The relief is granted with respect to premiums payable by the claimant for an insurance contract on the claimant's or spouse's life and, in the case of a man, with respect to contributions to a widow's or orphan's pension scheme or to a provident society or fund approved by the Commissioner of Income Tax. However, premiums must not exceed the following:
  — One-seventh of the taxable income
  — Seven percent of the capital sum assured at death
- Up to GIP3,000 over two years for the installation of solar energy for boilers.
- Up to the first GIP2,000 of the cost of installing an electrical vehicle charging mechanism in a garage or parking space owned by the taxpayer.

Tax relief for pensions. In terms of Gibraltar tax treatment, pension schemes may broadly be divided into the following three groups:

- Personal pension schemes
- Retirement annuity contracts
- Occupational pension schemes

Personal pension schemes and retirement annuity contracts. Aggregate contributions to personal pension schemes and retirement annuity contracts are eligible for tax relief limited to the lower of 20% of earned income or GIP35,000. To allow members

of these schemes to top up unused tax relief, a one-year carry-back provision allows excess contributions in one year to be applied to otherwise unused tax relief in the previous year.

Occupational pension schemes. Contributions with respect to proprietary directors and shareholders are eligible for tax relief of up to 25% of taxable income in total for employees' and employers' contributions combined. For other employees, the maximum tax relief available with respect to contributions is the difference between one-sixth of the taxpayer's taxable income and any deduction for life assurance premiums already claimed (the deduction for life assurance premiums is restricted to one-seventh of taxable income).

Business deductions. Expenses that are wholly and exclusively incurred for the purposes of the production of income of a trade, business, profession or vocation are generally deductible. However, certain types of expenses are not allowed as deductions in determining taxable profit or allowable loss. These include the following:

- Interest paid or payable to a person not resident in Gibraltar, to the extent that the interest charged is at more than a reasonable commercial rate
- Depreciation and amortization of assets (instead capital allowances are granted with respect to plant, machinery, equipment, motor vehicles and information technology expenditure)
- Contributions to a provident, pension or other fund for the benefit of employees if the fund has not been approved by the Commissioner of Income Tax

Entertaining expenses, which are generally the cost of entertaining existing and potential clients and business introducers (for example, brokers and agents) are deductible, but detailed rules restrict these deductions.

Rates

GIB system. The following are the rates under the GIB system for ordinarily resident individuals who have taxable income of up to GIP25,000.

Taxable income GIP	Tax rate %	Tax due GIP	Cumulative tax due GIP
First 10,000	6	600	600
Next 7,000	20	1,400	2,000
Above 17,000	28	—	—

The following are the tax rates under the GIB system for ordinarily resident individuals who have taxable income of more than GIP25,000.

Taxable income GIP	Tax rate %	Tax due GIP	Cumulative tax due GIP
First 17,000	16	2,720	2,720
Next 8,000	19	1,520	4,240
Next 15,000	25	3,750	7,990
Next 65,000	28	18,200	26,190
Next 395,000	25	98,750	124,940
Next 200,000	18	36,000	160,940
Above 700,000	5	—	—

Notable features of the above tax rates are that the effective tax rate never exceeds 25%, and the tax rates decrease for income above GIP500,000.

AB system. The following are the tax rates under the AB system for ordinarily resident individuals.

Taxable income GIP	Tax rate %	Tax due GIP	Cumulative tax due GIP
First 4,000	14	560	560
Next 12,000	17	2,040	2,600
Above 16,000	39	—	—

Nonresidents. The following tax rates apply under the AB system to the taxable income of individuals who are not ordinarily resident in Gibraltar in certain circumstances.

Taxable income GIP	Tax rate %	Tax due GIP	Cumulative tax due GIP
First 16,000	17	2,720	2,720
Above 16,000	39	—	—

The above rates do not apply to pensions received by nonresidents of Gibraltar. In the case of employment income and self-employment income, the GIB system is generally available as an alternative, but tax bands would be reduced on a pro rata basis dependent on the number of months in the tax year in which no employment or self-employment activities were carried on in Gibraltar.

If a person is not ordinarily resident and if they are present in Gibraltar for less than 30 days in a tax year, no tax is imposed on the following:

- Directors' fees
- Income from employment or self-employment duties that are carried out in Gibraltar but are ancillary to work otherwise exclusively carried on outside Gibraltar

Relief for losses. Individuals may offset any losses incurred in a trade, business, profession or vocation against any assessable profits or gains in subsequent years. Losses may not be carried back.

Tax scheme for high net worth individuals. Under the Qualifying (Category 2) Individuals Rules 2004, individuals may apply to the Finance Centre Director for a Category 2 Individual certificate. This certificate is granted to applicants who fulfill the following conditions:

- They have available approved residential accommodation in Gibraltar for the exclusive use of themselves and their families.
- They not been a resident in Gibraltar for the preceding five years.
- They were not engaged in the preceding five years and will not be engaged in the future while a Category 2 individual in a trade, business or employment in Gibraltar, other than, in general, duties that are incidental to a trade, business or employment based outside Gibraltar or the provision of consultancy services from Gibraltar in certain circumstances, unless otherwise agreed to by the Finance Centre Director.
- They must submit two character references from recognized and established professionals (a bank plus a law or accounting

firm), a copy of the passport, a *curriculum vitae* and proof of financial standing (in practice this should be in excess of GIP2 million).
- They pay an application fee of GIP1,000.
- They receive a certificate from the Finance Centre Director confirming their status.

An individual who obtains a Category 2 individual certificate is subject to income tax on the first GIP80,000 of income only. The Income Tax Office applies the AB system to Category 2 individuals. Consequently, the maximum tax payable in a full year is GIP27,560. This cap generally does not apply to income derived from activities carried out in Gibraltar; any such income outside the cap is taxable under the AB system at a rate of 39%.

The minimum tax payable under the scheme is GIP22,000, which is prorated if the certificate is obtained or expires in the midst of the tax year. In certain circumstances, the income of the spouse and children is deemed to be that of the certificate holder so that no additional tax is payable on that income. Tax advantages are available for individuals with Category 2 status with respect to trusts (see *Trusts*).

Tax scheme for high executives possessing specialist skills. Under the tax scheme for high executives possessing specialist skills (HEPSS), the tax payable by HEPSS is limited to the first GIP120,000 of earned income (maximum tax payable of GIP29,940). The GIB system is applied to HEPSS.

HEPSS must have skills or experience that are not available in Gibraltar and that are necessary to promote and sustain economic activity of particular economic value to Gibraltar.

They must also occupy high executive or senior management positions, earn more than GIP120,000 per year and have approved residential accommodation in Gibraltar available for the exclusive use of themselves and their families. The individuals may not have been a resident or employed in Gibraltar during the three years preceding the year in which the application is made (however, Gibraltar's Finance Centre Director may waive this requirement). A nonrefundable fee of GIP1,000 is payable for the issuance or renewal of the certificate.

Trusts. A trust is tax resident in Gibraltar if one or more of the beneficiaries are ordinarily resident in Gibraltar or if the class of beneficiaries may include an ordinarily resident person or the issue of an ordinarily resident person. The residency status of the trustees or settlor is not relevant in itself.

An individual who has Category 2 status (see *Tax scheme for high net worth individuals*) or the spouse or child of such individual (provided that the individual has elected to include them under the Category 2 rules) is deemed not to be a tax resident in Gibraltar for the purposes of determining the taxation of a trust or of the beneficiaries.

A trust that is not tax resident in Gibraltar is taxable only on income that accrues in or is derived from Gibraltar. In contrast, a trust that is ordinarily resident in Gibraltar is taxable on its worldwide income. Non-trading interest income, dividends from

companies listed on a recognized stock exchange, non-Gibraltar property-based rental income and capital gains are not taxable to trusts in Gibraltar. Trusts are taxed at a rate of 10% on their taxable income.

The capital of the trust is not liable to tax because Gibraltar has no wealth or gift taxes, estate duty, or other capital taxes.

Trusts of a public nature are completely exempt from income tax if the profits from any trade or business are used only for the purposes of the trust and if this business helps carry out a primary purpose of the trust or the work is mainly carried out by the beneficiaries of the trust.

The trustees of a trust are required to pay any tax due by the trust under self-assessment. Payments on account are due by 31 January and 30 June in the tax year. Any remaining balance is payable by 30 November following the end of the tax year.

The trustees of a trust that makes a distribution from taxable income or that otherwise gives rise to any income that is taxable or potentially taxable in Gibraltar are required to file a trusts tax return by 30 November. Trusts with taxable income must prepare their accounts for tax purposes for the year ending 30 June.

Private foundations. A foundation registered under Gibraltar's Private Foundations Act 2017 is resident in Gibraltar, unless persons resident in Gibraltar and the issue of such persons are irrevocably excluded from benefit with respect to the foundation.

Resident foundations are taxable on worldwide income. Nonresident foundations are taxable only on chargeable income accrued in or derived from Gibraltar.

Non-trading interest income, dividends from companies listed on a recognized stock exchange, non-Gibraltar property-based rental income and capital gains are not taxable to foundations in Gibraltar.

Private foundations are taxed at a rate of 10% on their taxable income. Nonresidents of Gibraltar are not taxed on their income as beneficiaries of foundations.

Beneficiaries who are ordinarily resident in Gibraltar are taxable on the following:

- Distributions received from foundations if the underlying income was taxable to the foundation. A tax credit is given with respect to Gibraltar tax suffered by the foundation on the distributed income.
- Benefits derived by them from the use of assets that are owned or leased by the foundation.
- Loans made by foundations to their beneficiaries or to persons connected to the beneficiaries.

B. Other taxes

Wealth tax. Gibraltar does not impose wealth tax.

Property tax. Property tax is payable on residential and business real estate located in Gibraltar, based on the ratable value of the property. Discounts are available for the early payment of tax for businesses, generally 20%. An early payment discount of 50%

applies to retail and distributive trades and catering establishments and 30% for hotels. New startups benefit from a 65% discount in their first year of trading and 25% for their second year; this discount must be applied for in advance.

Stamp duty. Stamp duty is payable on instruments relating to real estate property in Gibraltar and on capital transactions. The principal rates of stamp duty are described below.

Stamp duty on share capital (on initial authorized share capital and increases in the capital) is imposed at a flat rate of GIP10. The stamp duty on each issue of loan capital (for example, debenture stock) is also imposed at a flat rate of GIP10.

The following are the rates of stamp duty on the conveyance or transfer of real estate property for first- and second-time buyers:
- On the first GIP260,000 of value of the property: nil
- Balance above GIP260,000 to GIP350,000: 5.5%
- Balance above GIP350,000: 3.5%

The following are the rates of stamp duty on the conveyance or transfer of real estate property for other purchasers:
- Total value of up to GIP200,000: nil
- If the total value is between GIP200,001 and GIP350,000: 2% on first GIP250,000 and 5.5% on the balance
- If the total value exceeds GIP350,000: 3% on the first GIP350,000 and 3.5% on balance

Effective from 2 July 2018, stamp duty of 7.5% applies to the sale of any property that was sold as an "affordable home" for and on behalf of the government in the four years preceding 2 July 2018. This will not apply in certain circumstances, such as a forced sale. Initial purchases of residential properties in government-developed affordable housing estates are exempt from stamp duty (this is likely to apply from 10 June 2019, subject to confirmation).

The following are the rates of stamp duty on mortgages:
- Mortgages not exceeding GIP200,000: 0.13%
- Mortgages over GIP200,000: 0.2%

Inheritance and gift taxes. Gibraltar does not impose inheritance tax, gift tax or estate duty.

C. Social insurance

In general, the following social insurance contributions are payable on the earnings of individuals who work in Gibraltar.

Contributor	Rate payable on employee's gross earnings (%)	Minimum payable per week (GIP)	Maximum payable per week (GIP)
Employer	20	18.15	40.15
Employee (under 60)	10	6.05	30.25
Employee (age 60 and over)	—	—	—
Self-employed	20	12.10	36.85

No contributions are payable if the individual does not receive earnings. Income earned by a student while on holiday is exempt.

Contribution credits apply in certain cases, including employees on unpaid sick leave or maternity leave and persons over the age of 60 years. A worker seconded to work in Gibraltar on a temporary basis from the United Kingdom or another European Union (EU) member state normally remains subject to social security contributions in his or her home country, but needs to present a valid A1 certificate to the Gibraltar authorities to be exempted from Gibraltar social insurance.

D. Tax filing and payment procedures

General. The tax year for individuals in Gibraltar runs from 1 July to 30 June. Taxable compensation of employees is taxed in the year of receipt.

Payment of taxes. Income tax and social insurance contributions on the cash earnings of employees are normally collected under the PAYE system. All employers must use the PAYE system to deduct tax and social security contributions from wages or salaries. Any additional tax due, including tax due on benefits in kind, is generally payable by the employee after it is assessed by the Commissioner of Income Tax.

Income from self-employment is payable under a self-assessment system. The taxpayer must make two payments on account by 31 January and 30 June of the tax year. Each installment equals 50% of the tax payable for the preceding tax year. If a taxpayer believes that the amount of the advance payments calculated on this basis will exceed the liability payable for the year, the taxpayer may apply to be discharged in whole or in part from the obligation to make the advance payment. However, if it is subsequently determined that the application has been made erroneously and that the final liability is higher than predicted by the taxpayer, a surcharge on the late payment of the difference may apply. Any balance remaining is payable by 30 November following the end of the tax year.

Late payment of tax results in a surcharge of 10% of the tax payable on the day immediately after it is due. After 90 days, a further surcharge of 20% of the amount unpaid (tax plus initial surcharge) is imposed.

Income tax returns. Individuals are required to file their tax return for a tax year by 30 November following the end of the tax year. Individuals with income from self-employment must prepare their accounts for the tax year ending 30 June. A fixed penalty of GIP50 is imposed if an individual does not file the return by the applicable deadline, with a further penalty of GIP300 if the failure continues for three months and a further penalty of GIP500 if the failure continues for an additional three months.

E. Double tax relief and tax treaties

No double tax agreements are in force between Gibraltar and other jurisdictions. However, tax relief is available with respect to foreign income tax imposed on income that is similarly chargeable to Gibraltar tax, up to the lower of the Gibraltar tax or the foreign tax on the income. This only applies if the jurisdiction imposing the foreign tax is the jurisdiction in which the income is generated.

F. Temporary visas

Passports are required by all visitors to Gibraltar except EU nationals who possess a valid national identity card. Nationals from certain countries are required to obtain a visa. For a list of these countries, refer to the following website: https://www.gibraltar.gov.gi/new/civil-status-registration-office. In general, individuals who require a visa for entry into the United Kingdom also require a separate visa for entry to Gibraltar.

Types of visas. The types of visas are tourist visas, business visas and transit visas.

Application procedure. Applications should be made to the British Embassy in the applicant's normal country of residence or the visa section of the UK Passport Office in London (by appointment only).

G. Work permits

Under the Control of Employment Act, the government may control the employment of "non-entitled" workers by means of work permits.

An "entitled" worker is a worker who is one of the following:
- A national of a country belonging to the European Economic Area (EEA)
- A non-EEA national who has been working in Gibraltar since before 1 July 1993
- A non-EEA national authorized to work in Gibraltar under the Immigration Control Act

A "non-entitled worker" is a worker who is not an entitled worker.

EEA nationals may stay in Gibraltar for three months. After this period, they are granted a renewable residence permit for five years if they have found suitable employment or established a business.

A work permit is granted to a non-entitled worker if no entitled workers are able and willing to take up the particular employment. Such individual may be granted a residence permit on an annual basis and are normally renewable only if the individual is still in possession of a work permit. A non-EEA national may be refused permission to buy real estate in Gibraltar; such permission cannot be refused to residents of EEA countries. Work permits for non-EU nationals are only issued after a (refundable) deposit is paid to the Employment Service to cover any repatriation costs and other costs that may be required.

A non-EEA national who wants to set up a business and reside in Gibraltar needs to register with the Income Tax Office as a self-employed person. After the work permit is granted, the individual may apply to the Civil Status and Registration Office in Gibraltar for a residence permit.

H. Residence permits

The Immigration Control Act governs immigration and the right to enter Gibraltar. All individuals registered as having Gibraltarian status or who are British Dependent Territory Citizens as a result

of their connection with Gibraltar are exempt from having to hold any permit or certificate of residence required by the act. This exemption is also granted to Commonwealth citizens employed in Gibraltar in HM Services, HM Government Service or Gibraltar Government Service.

An EEA national has the right to enter Gibraltar on the production of a valid passport or national identity card and remain for three months in order to seek employment or to establish himself or herself under any other qualifying category. An EEA national who exercises EEA rights as a qualified person and establishes himself or herself in Gibraltar acquires the right to reside in Gibraltar and must register for residence during or after a three-month period of residence in Gibraltar. The residence documentation (civilian registration card) has a validity period of five years and is renewable. However, a civilian registration card is issued for 12 months in the first instance.

Other nationals require both work permits and residence permits. Any individual not having a right to reside in Gibraltar may be refused admission (or after admission be required to leave) in the interests of public policy, security or health.

Residence permits may be granted at the governor's discretion to non-EEA nationals who do not have a work permit if the governor is satisfied that the applicants are of good character and that it is in the interest of Gibraltar that residency should be granted. Non-EEA nationals who have obtained Category 2 individual tax status (see Section A) are likely to obtain residence permits on this basis.

At the governor's discretion, citizens of the United Kingdom can be granted a certificate of permanent residence if they are of good character and if they are likely to be an asset to the community.

EEA nationals who wish to retire in Gibraltar must prove to the satisfaction of the authorities that they have the following:

- Full risk private medical insurance (except eligible UK nationals)
- Adequate financial resources
- Adequate accommodation in Gibraltar (in practice, this would involve the purchase of a quality property)

Under a reciprocal agreement between the United Kingdom and Gibraltar, eligible UK nationals retiring in Gibraltar may be entitled to free medical services in Gibraltar.

I. Family and personal considerations

Family members. The members of the family of established qualified persons also have the right to reside in Gibraltar if the qualified person has suitable accommodation for them. This rule applies regardless of whether the family members are EEA nationals. They must apply for residence documentation after being in Gibraltar for three months. The entitlement of non-EEA national family members to work in Gibraltar is dealt with on a case-by-case basis.

Marital property regime. Gibraltar does not have a community property or similar marital property regime.

Driver's permits

EU/EEA licenses. Gibraltar has driver's license reciprocity with EU and EEA jurisdictions. If a holder of a valid national driving license of an EU or EEA state who is authorized to drive on any public road within that state takes up residence in Gibraltar, the license has the same validity and effect as a license issued in Gibraltar. Such person has the option of exchanging his or her existing license for a Gibraltar license at any time, but he or she must do so on the expiration of the existing license. If a resident of Gibraltar who has an EU license that has not been issued in Gibraltar commits a traffic offense and the license is endorsed by the court, the individual must exchange it for a Gibraltar license so it may be endorsed with the particulars of the offense.

The above is subject to change in the event of Brexit, which at the time of writing was scheduled to take place by 31 October 2019.

Non-EU/EEA licenses. From the time a person comes to Gibraltar until the time that person acquires normal residence, he or she may continue to drive with his or her non-EU/EEA license as long as that license is valid. After a person acquires normal residence, the license does not entitle person to drive in Gibraltar. To obtain a Gibraltar driving license, the person must pass a theoretical and practical driving test.

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At the time of writing, extensive changes to the tax law are expected to be introduced once the new tax bill is voted on by the Greek parliament. Some of the expected changes are the following:

- *The introduction of the concept of the non-domicile Greek tax residence*
- *The amendment of the income tax rates and the amount of the tax allowance*
- *The minimum amount of the expenses paid by electronic means required to claim the tax allowance*
- *The reduction of the dividend income tax rate*

Because of these expected changes, readers should obtain updated information before engaging in transactions.

A. Income tax

Who is liable. Individuals who are tax residents of Greece are taxed on their worldwide income. Nonresidents are taxed on their Greek-source income only.

Individuals are considered to be Greek tax residents if they satisfy any of certain specified conditions, including, among others, the following:

- Their center of vital interest is in Greece (that is, their domicile).
- Their habitual abode is in Greece. An individual's habitual abode is deemed to be in Greece if the individual spends more than 183 days in Greece. This condition is deemed to be satisfied if an individual has spent over 183 days physically in Greece (short stays outside Greece are also counted to determine whether the 183-day threshold has been exceeded). After the above 183-day threshold is surpassed, the individual is deemed to be a Greek tax resident as of the beginning of the 183-day period in Greece unless he or she is also considered domiciled in Greece; in such case, he or she is taxed for the full year as a Greek tax resident. An exception to the above-183-day habitual abode rule applies to individuals coming to Greece for "medical, tourist or similar private purposes" and staying in Greece for more than 183 days but less than 365 days in a calendar year; that is, although they surpass the above 183-day

threshold, they are not considered as having their habitual abode in Greece.

Protection under a double tax treaty may be available if the individual can claim to be tax resident for the respective tax year of another country with which Greece has entered into a double tax treaty.

Non-tax residents who earn income from Greek sources should obtain supporting documentation, such as a tax-residence certificate, from their home country to validate their nonresident status in Greece if requested to do so.

Income subject to tax. The Greek Income Tax Code (Law 4172/2013) provides for the following four categories of income:
- Employment and pension
- Business income
- Income from capital
- Capital gains income

Different tax rates apply to the categories. Some tax rates are progressive while others are exhaustive. The taxation of various types of income is described below.

Employment and pension income. Employees are subject to income tax on income derived from employment, which includes income from salaries, wages, allowances, pensions, stock-based compensation and any other payments periodically made in cash or in kind for services rendered and certain other income items.

The Greek Income Tax Code contains specific provisions for the taxation of the following types of benefits:
- Company cars, which are taxed in accordance to a deemed income formula
- Loans provided to employees, which yield deemed taxable income to the employee
- Company provided housing, regardless whether it is leased or owned by the company
- Equity-based compensation

In general, the market value of benefits in kind received by an employee or a relative of the employee is considered taxable income for the employee if the value exceeds EUR300 per year.

Other payments usually made to employees on international assignment are taxable, including the following:
- International service premiums
- Cost-of-living allowances
- Education benefits
- Relocation bonuses
- Performance bonuses
- Employee tax reimbursements
- Other allowances paid periodically and regularly

Insurance premiums paid by an employer on behalf of an employee and his or her family members under an insurance program for health, medical or hospital coverage and/or life insurance coverage of the employee are considered tax-exempt income for the employee up to an amount of EUR1,500 per year per employee.

Capital accumulated until 31 December 2013 that reflects insurance premiums paid by the employee in the course of a life insurance private pension scheme is considered exempt from tax (that is, it is not taken into account for the purposes of applying a special tax rate of 10% for insurance indemnities up to EUR40,000 and 20% for insurance indemnities exceeding such threshold that are paid out of and derived from such life insurance private pension schemes).

Employer contributions toward a group life insurance private pension scheme are not considered to be employment income and are taxed separately on redemption at special final tax rates (conditions apply).

Expenses incurred by an employee in the course of their work duties does not constitute taxable income to the employee if proper tax documentation evidencing the expense exists and if it can be proven that the expenditure was a productive business expense.

Board of director fees are categorized as employment income for tax purposes.

The following progressive tax rate scale applies to individuals with salary income, pension income, freelancer income and personal agricultural income.

Taxable income EUR	Tax rate %	Tax due EUR	Cumulative tax due EUR
First 20,000	22	4,400	4,400
Next 10,000	29	2,900	7,300
Next 10,000	37	3,700	11,000
Above 40,000	45	—	—

A tax allowance on the tax amounts resulting from application of the above tax scale is provided if the respective income is salary income, pension income or personal agricultural income. However, no such tax allowance is provided in connection with freelancer income.

If the above salary or pension income does not exceed the EUR20,000 threshold, the tax allowance is set at the following (at the time of writing, changes were expected to be introduced with respect to the threshold):

- EUR1,900 for an individual taxpayer with no dependent children
- EUR1,950 for an individual taxpayer individual with one dependent child
- EUR2,000 for an individual taxpayer individual with two dependent children
- EUR2,100 for an individual taxpayer with three or more dependent children

If the tax amount originally calculated by application of the above tax scale is lower than the tax allowance available for this level of income, the amount of the tax allowance is reduced to equal the tax amount.

If the above taxable amount exceeds the EUR20,000 threshold, the tax allowance is reduced by EUR10 for each additional EUR1,000 of taxable income.

If the taxpayer earns salary income and pension income, as well as taxable income from other sources, the above tax allowance is provided only with respect to the part of the income that derives from salaries, pensions or personal agricultural income.

The abovementioned tax allowance is provided only if the individual incurs expenses in acquiring goods and services in Greece or the European Union (EU) and if a minimum amount of these expenses have been paid by electronic means (for example, cards, payments via credit transfers, direct debit orders, standing orders and payments carried out through e-banking and e-wallet). The minimum amount of such expenses paid by electronic means is determined as a percentage of the taxpayer's taxable income in accordance with the following scale.

Taxable income Exceeding EUR	Not exceeding EUR	Percentage of minimum expenses via electronic means of payment (progressive application) %
0	10,000	10 (EUR1,000)
10,000	30,000	15 (EUR3,000)
30,000	—	20 (up to a maximum amount of EUR30,000 of expenses in this band)

If the minimum required amount is not covered according to the above rates, a tax surcharge of 22% is applied to the amount equal to the difference between the required amount and the declared amount.

Severance payments made by Greek companies to departing employees are taxed at the following rates.

Amount of income Exceeding EUR	Not exceeding EUR	Rate %
0	60,000	0
60,000	100,000	10
100,000	150,000	20
150,000	—	30

Insurance indemnities paid under group insurance private pension schemes are taxed at the following rates:
- Each periodically paid benefit: 15%
- Lump-sum payment of up to EUR40,000: 10%
- Lump-sum payment exceeding EUR40,000: 20%

Business income. The above progressive income tax scale applicable to salary income and pension income also applies to the income of freelancers and single proprietorships; however, for these individuals, no tax allowance is provided.

An unjustified increase of wealth of an individual is taxed as business income at a rate of 33%.

In general, an expense is considered to be deductible for business tax purposes if it satisfies the following conditions:
- The expense is incurred for the benefit of the company in the course of its usual business transactions.

- It corresponds to an actual transaction and the value of the transaction is not deemed to be lower or higher than the market price of a similar transaction.
- It is recorded in the proper accounting books for the period and is evidenced by proper documentation.

Income from capital. Under Law 4603/2019, dividends are subject to a 10% final withholding tax rate, effective for dividends paid on or after 1 January 2019. The concept of dividends is extended, in accordance with Organisation for Economic Co-operation and Development (OECD) guidelines, to include all distributed profits, regardless of the legal form of the distributing entity. Foreign dividends received by a Greek tax resident may be subject to more favorable tax treatment under an applicable double tax treaty.

Interest is subject to a final withholding tax rate of 15%, with no further personal income tax liability for individuals (but solidarity tax is assessed in addition to the withholding tax on assessment of the personal income tax return filed annually).

Royalties are subject to a final withholding tax rate of 20%, with no further personal income tax liability for individuals (but solidarity tax is in addition to the withholding tax on assessment of the personal income tax return filed annually).

Income from immovable property is subject to tax in accordance with the following progressive tax scale.

Real estate income EUR	Tax rate %	Tax due EUR	Cumulative tax due EUR
First 12,000	15	1,800	1,800
Next 23,000	35	8,050	9,850
Above 35,000	45	—	—

Income from immovable property is any income whether in cash or in kind that is derived from the leasing, self-use or free-use of real estate.

To derive income in kind, a 3% rate of return is applied to the objective value of the real estate.

Profits derived by individuals from the sale of shares listed on the Athens Stock Exchange or in any recognized foreign stock exchange market are subject to transaction tax at a rate of 0.2%.

Capital gains. Capital gains from the transfer of capital are taxed at a rate of 15%. They include gains from the transfer of securities if such transfers are not classified as business activities. For the transfer of listed shares or other listed securities, a capital gains tax is imposed only if both of the following circumstances exist:

- The listed shares or listed securities were originally acquired after 1 January 2009.
- The transferor holds a 0.5% or higher stake in the share capital of the company.

The above provisions apply to capital gains from transfers of securities taking place on or after 1 January 2014.

An exemption from capital gains tax applies to gains derived from the transfer of securities if the seller is a tax resident of a country with which Greece has entered into a double tax treaty.

Losses incurred from the sale of securities can be carried forward for a five-year period and be offset against profits that arise from the same income category.

Taxation of employer-provided stock options and restricted stock units. The benefits derived from stock options and restricted stock units (RSUs) are determined on a current basis. Under this method, the stock-exchange price taken into account is the closing price applicable at the time the right is actually exercised or vested in the case of RSUs.

Other considerations

Deemed income. The amount of declared income is compared with the amount of deemed income, determined based on evidence relating to amounts spent on the acquisition of assets and on living expenses.

In general, amounts spent for the acquisition of assets are considered evidence of income to the extent that such amounts cannot be justified by the following:
- Taxable income
- Tax-exempt income or income that has been taxed under special rules, such as bank interest and directors' fees
- Capital that has been accumulated out of taxed or tax-exempt income of prior years or from the sale of assets
- The importation of foreign exchange into Greece (restrictions apply to the importation of foreign exchange by Greek tax residents to cover deemed income)
- Contracted loans
- Gifts received or gains from lotteries

Capital purchases (for example, a home or car) constitute deemed income on an "actual expense" basis. Certain items generate deemed income under the "living expenses" section. In this context, deemed income from "living expenses" is derived from assets that are owned, while deemed income from "actual expenses" is derived from amounts spent to purchase assets. Currently, the list of deemed income items consists of the following:
- Motor cars, pleasure boats, aircraft, and chattels of great value.
- The annual deemed income for using a private home that is owned, rented or granted for free. The deemed income is calculated based on the square meters of the home and on the zone prices applicable for the respective location. For secondary residences, the amount described in the preceding sentence is reduced by half.
- The annual objective living expense for cars is calculated according to the engine capacity of each car.
- Swimming pools.
- Annual donations in excess of EUR300, except donations made to the state and municipal governments and other government bodies.
- Loans and gifts from parents to children in excess of EUR300.
- Purchase or formation of a business, increase of share capital for amounts invested in the business or purchases of shares or securities in general.

- Annual expenditure for the payment of interest and principal with respect to loans or credit.
- Purchases of valuable articles over EUR10,000.
- Loans granted to anyone.
- Repayment of loans.
- Private education and private school tuition fees, and remuneration for housemaids, private drivers, teachers and other household personnel.

Deemed income does not apply to non-tax residents who earn no real income (any amount or type of income) in Greece. If non-tax residents earn real income in Greece, the deemed income related to amounts spent on the acquisition of assets applies.

Earning of income. Income is deemed to be earned at the time the individual has the right to collect such income. Exceptionally, for uncollected accrued income from employment or pensions that has been collected by the beneficiary in a later tax year, the time of acquisition of such income is the time of collection.

Credits. Under certain conditions, Greek and foreign tax resident individuals may subtract certain credits from the tax computed on their taxable income. All claims regarding expenses must be supported by proper documentation.

A 10% tax credit is provided for donations to public entities, charities and nonprofit organizations in Greece or in the EU, European Economic Area or European Free Trade Association. The amount of the expense to which the 10% tax credit is applied cannot exceed 5% of the taxable income declared by the individual.

In addition, the tax law provides for a EUR200 credit per disabled individual living with an individual taxpayer.

A foreign tax credit is provided for foreign income declared that is taxed in Greece in accordance with the progressive income tax scale. The tax credit is limited to the Greek tax payable on that foreign income.

Rates. For the income tax rates applicable to the various categories of income, see the sections on these categories in *Income subject to tax*.

Solidarity tax contribution. A special solidarity tax contribution is imposed on individuals who earn income exceeding EUR12,000 on an annual basis. In general, this solidarity tax contribution is imposed on the following:
- Both Greek and foreign income of Greek tax residents
- Greek-source income of foreign (non-Greek) tax residents

Net personal income (both taxable and tax exempt) is used to determine liability of the taxpayer.

The following are the progressive tax rates for the solidarity tax contribution for income earned on or after 1 January 2016.

Taxable income EUR	Tax rate %	Tax due EUR	Cumulative tax due EUR
First 12,000	0.0	0	0
Next 8,000	2.2	176	176
Next 10,000	5.0	500	676
Next 10,000	6.5	650	1,326
Next 25,000	7.5	1,875	3,201
Next 155,000	9.0	13,950	17,151
Above 220,000	10.0	—	—

Solidarity tax contributions are withheld from salary income on a monthly basis (together with the regular tax withholdings on salary income). In some cases (for example, dividends, interest and capital gains from sale of securities that are declared on the annual personal income tax return), solidarity tax is assessed on the filing of the individual's annual personal income tax return.

For salaried employees, solidarity tax contribution withholdings are made on the basis of the salaried employee's annual salary. A salaried employee's annual salary is calculated on the basis of his or her monthly salary. The following types of individuals are excluded from the obligation to pay solidarity tax:
- Individuals who are totally blind
- Individuals with severe disabilities of 80% or more
- Long-term unemployed individuals

Severance payments are also not subject to solidarity tax.

Luxury tax. A luxury tax is applied to the deemed income arising from the use of automobiles, pleasure boats (private yachts), airplanes, helicopters, gliders and swimming pools. The luxury tax rates range from 5% to 13%.

B. Other taxes

Inheritance and gift taxes. All property located in Greece, regardless of ownership, and any movable property located abroad that belongs to a Greek citizen or to any other person domiciled in Greece are subject to inheritance tax. All property located in Greece and any movable property located abroad that is donated by a Greek citizen or by a foreigner to a person domiciled in Greece are subject to gift tax.

Movable assets located abroad and belonging to a Greek tax resident who was established outside Greece for at least 10 consecutive years is exempt from Greek inheritance tax retroactively from 23 April 2010.

The categories of rates for inheritance tax and gift tax depend on the relationship of the beneficiary to the deceased or donor. The rates are higher for more distant relatives and unrelated persons.

The following table illustrates the increase in the inheritance tax rates for categories of persons less closely related to the decedent.

Category	Threshold amount EUR	Tax on threshold amount EUR	Tax rate on amount exceeding threshold amount %
A	600,000	16,500	10
B	300,000	23,500	20
C	267,000	71,700	40

A gift or parental grant of cash is taxed separately at a rate of 10%, 20% or 40%, depending on the relationship of the beneficiary with the provider.

Estate tax treaties. Greece has entered into estate tax treaties with Germany, Italy, Spain and the United States to prevent double estate taxation.

Real estate taxes. Purchases of new real estate are subject to value-added tax (VAT) at a rate of 24% under certain circumstances. An exemption from VAT can be obtained for the purchase of a primary residence.

Annual Real Estate Tax (ENFIA) has replaced FAP. ENFIA is divided into a main tax and a supplementary tax. ENFIA applies to real estate located in Greece that is owned by individuals or legal entities.

ENFIA is payable on an annual basis. The tax payable depends on a number of factors, including but not limited to the following:
- The zone price of the location where the property is located
- The area the property in square meters
- The intended use of the property
- The age of the building
- The floor where the property is located (if it is above ground)
- The number of "building facades" of the property (that is, whether the property is adjacent to a public road and if so whether it is adjacent to more than one public road)

Additional ENFIA tax is imposed if the total value of the taxpayer's land exceeds a threshold of EUR250,000. Rates ranging from 0.15% to 1.15% are applied progressively on the value of the taxpayer's property in excess of the EUR250,000 threshold.

At the time of writing, the Greek government was also considering the introduction of a wealth tax but no final decision had been reached.

The rate of the real estate transfer tax is 3% for transfers occurring on or after 1 January 2014.

A special 15% tax is applied to real estate owned by foreign companies in Greece. Many exemptions are available. In certain circumstances, actions must be taken to obtain such exemptions.

C. Social security

Coverage. Several organizations administer the state social security system in Greece. In general, employed persons must participate in the Social Insurance Institute (IKA), which is financed by employer and employee contributions. Its benefits include pensions, medical expenses and long-term disability payments. Several other insurance organizations cover self-employed persons, depending on their trade or profession.

Contributions. Social security contributions are made by employers and employees based on a percentage of the employee's monthly salary.

Under Law 4387/2016 and subject to the relevant ministerial decisions, there are various packages in relation to social security coverage of employees, depending on the type of employment.

The most common social security contribution package provides for employees' contributions at a rate of 15.75%, which is withheld from the gross salary, and employers' contributions at a rate of 24.81% of the gross salary. The maximum monthly amount subject to social security contributions is now EUR6,500.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Greece has entered into totalization agreements with the following jurisdictions.

Argentina
Australia
Brazil
Canada
Cyprus
Egypt
EU member states
Libya
New Zealand
Ontario
Quebec
Switzerland
Syria
United States
Uruguay
Venezuela

D. Tax filing and payment procedures

A taxpayer who is 18 or older must declare all of his or her taxable and exempt income to the tax authorities electronically.

Tax returns must be filed by 30 June of the year following the relevant calendar year.

Married persons, regardless of whether they file joint or separate tax returns, are taxed separately on all types of income.

Tax liability is determined by deducting from the computed amount of tax any previous advance payments of income tax, any taxes withheld at source and any creditable amounts of foreign taxes paid.

In addition, if the individual receives income from a business, 100% of the amount of a current year's income tax must be paid as an advance payment of the following year's tax liability. The amount of the advance tax payment reduces the following year's tax liability.

Income tax is usually paid in three equal bimonthly installments.

E. Double tax relief and tax treaties

Greek residents are entitled to a credit for foreign taxes paid, not to exceed the amount of Greek tax payable on the foreign-source income.

Greece has entered into double tax treaties with the following jurisdictions.

Albania
Armenia
Austria
Azerbaijan
Belgium
Bosnia and Herzegovina
Bulgaria
Canada
China
Croatia
Cyprus
Czech Republic
Denmark
Hungary
Iceland
India
Ireland
Israel
Italy
Korea (South)
Kuwait
Latvia
Lithuania
Luxembourg
Malta
Mexico
Moldova
Romania
Russian Federation
San Marino
Saudi Arabia
Serbia
Slovak Republic
Slovenia
South Africa
Spain
Sweden
Switzerland
Tunisia
Turkey
Ukraine

Egypt
Estonia
Finland
France
Georgia
Germany
Morocco
Netherlands
Norway
Poland
Portugal
Qatar
United Arab Emirates
United Kingdom
United States
Uzbekistan

F. Temporary visas (Schengen visas)

An entry visa, which may be obtained from the Greek embassy or consulate of the expatriate's place of origin, is usually required for visiting Greece. However, a temporary visa is not required for citizens of EU-member countries, for citizens of the United States or for citizens of countries that have signed reciprocity treaties with Greece.

Non-EU nationals, including citizens of the United States or citizens of countries that have signed reciprocity treaties with Greece, who intend to enter Greece to obtain a Greek residence permit need to obtain a special type of Schengen visa from the Greek consulate or embassy of their country of origin before entering Greece.

G. Residence permits providing access to dependent employment and self-employment and permits for investors in strategic investments and owners of real estate

EU nationals are not required to obtain residence permits to live and work in Greece. However, EU nationals who intend to reside and work in Greece for more than three months must obtain a European Citizen Residence Card. This card, which may not be denied to EU nationals, is granted for an indefinite time period by the appropriate Police Department (Alien Bureau).

Non-EU nationals must obtain a residence permit. Greek law provides for specific types of residence permits for non-EU nationals, which provide access to employment in Greece. Consequently, a non-EU national does not need to obtain a separate work permit apart from the residence permit.

The competent authority for the issuance of a residence permit depends on the type of residence permit. For example, the Greek Ministry of Internal Affairs grants residence permits to members of boards of directors, administrators, legal representatives and higher executives of subsidiaries or branches of foreign companies exercising their commercial activities legally in Greece. Residence permits are usually valid for one year and are renewable.

In addition, individuals who have adequate means to support their activities and who are engaged in activities that make a positive contribution to the national economy may be self-employed in Greece if they obtain an entry visa and file an application for a residence permit.

Apart from the above, residence permits are available to non-EU citizens who will invest in Greece.

In this context, a residence permit is granted to a third-country national (non-EU) who purchases real property or enters into a

time-sharing agreement or lease agreement under specific requirements set by the Greek Immigration Code. The residence permit is granted for five years. The residence permit may be renewed for an equal term if the property remains in the ultimate ownership and possession of the interested party and if the party complies with other provisions of the applicable laws. The permit is granted if the interested party has been granted a visa (under certain conditions) and if the interested party has ultimate ownership and possession of the property in Greece, individually or through a legal entity of which the party is the sole owner of the respective shares or capital parts. The minimum value of the property should be EUR250,000.

Under the Greek Immigration Code (Law 4251/2014), a Blue Card may be issued to highly specialized personnel (European Directive 2009/50/EC). The Greek Immigration Code has incorporated into the Greek legal framework the provisions of the EU Intercorporate Transfer Directive (Directive 2014/66/EU) on the conditions of entry and residence of third-country nationals in the context of an intra-corporate transfer.

H. Family and personal considerations

Family members. Residence permits are granted to an EU citizen's non-EU family members according to specific prerequisites set by the Greek Immigration Code.

Marital property regime. Spouses (heterosexual couples) in Greece may choose the marital property regime they prefer. If they do not make an election, a regime of separate property applies. Spouses under a separate property regime may nonetheless acquire common property.

Before or during the marriage, the spouses may modify the default regime of separate property by entering into a marital contract adopting a community property regime. The contract must be notarized and recorded in the public registry. The community property claims purport to survive a permanent move to a non-community property country.

The property relationship of the spouses is subject, in order of priority, to the law of their last common nationality if one of them retains it, to the law of their common marital residence or to the law of the country to which they are most closely connected. These rules are fixed permanently at the time the marriage is solemnized.

Forced heirship. The Greek rules on forced heirship protect the closest relatives of the decedent, who may not disinherit them. Forced heirs are always entitled to a certain percentage of the estate, and they have all the rights and duties of other heirs. Forced heirs in general are the descendants, the parents and the surviving spouse of the decedent. If descendants survive, the parents are excluded, and the surviving spouse's portion is one-eighth of the estate.

Forced heirs are entitled to one-half of their intestate share of the decedent's estate. The forced heir's right may be inherited and devolves under the rules of the intestate succession.

Any testamentary dispositions to the prejudice of the forced heir or any restrictions imposed on his or her share by the will are void.

Inter vivos donations of the testator to the detriment of the estate and, consequently, to the legitimate portion are canceled if the estate at death is insufficient to provide the forced heirs their portions.

Under the provisions of Greek law, distribution of all property, movable and immovable, is governed by the law of the decedent's country of nationality at death.

Driver's permits. An expatriate may drive legally in Greece on his or her home-country driver's license. EU citizens are provided with EU driver's licenses, which they may use for up to one year. Non-EU citizens are provided with international driver's licenses.

No examination is required to obtain a Greek driver's license for holders of European or international driver's licenses.

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A. Income tax

Who is liable. Guam residents are subject to tax on all income, regardless of source. An individual who is not a citizen or permanent resident of the United States or a resident of Guam is subject to tax on Guam-source income only.

A nonresident alien is subject to Guam tax on income that is effectively connected with a Guam trade or business and on Guam-source fixed or determinable, annual or periodical gains, profits and income (generally investment income, including dividends, interest and rental income).

Foreign nationals who are not lawful US permanent residents (that is, who do not hold green cards) are considered Guam residents if they meet both of the following requirements:
- They are present in Guam for at least 31 days during the current year.
- They are deemed present in Guam for at least 183 days during a test period of three consecutive years, including the current year, using a formula weighted according to the following percentages:
  — Current year: 100.00%
  — First preceding year: 33.33%
  — Second preceding year: 16.67%

Among the exceptions to the test outlined above are the following conditions:
- An individual may claim to be a nonresident of Guam in the year of departure from Guam by having a closer connection to a foreign country.
- Under certain circumstances, it may be beneficial for an individual to be considered a resident of Guam for income tax

purposes. If certain conditions are met, an individual may, for tax purposes, elect to be a resident in the year of arrival (first-year election).

Because Guam is a US territory, US citizens and permanent residents with Guam income are taxed somewhat differently from nonresidents. At present, Guam is using the US Internal Revenue Code in "mirror-image" fashion, with the word "Guam" substituted for "United States" wherever it appears. Citizens and permanent residents of the United States who are bona fide residents of Guam must file their individual tax returns with the government of Guam instead of with the US Internal Revenue Service.

Citizens or permanent residents of the United States are generally considered bona fide residents of Guam if they satisfy both of the following conditions:

- They are physically present in Guam for 183 days or more during the tax year.
- They do not have a tax home outside Guam during any part of the tax year and do not have a closer connection to the United States or a foreign country during any part of the tax year.

Income subject to tax

Employment income. Gross income and deductions in Guam are determined under the same rules as those in the United States. Taxable income from personal services includes all cash wages, salaries, commissions and fees paid for services performed in Guam, regardless of where the payments are made. In addition, taxable income includes the value of an employee's expenses paid by the employer and the fair-market value of noncash goods and services provided by the employer, including housing and vehicles. Guam-source investment income received by nonresidents is ordinarily taxed on a gross basis at a flat 30% rate, which may be withheld by the payer.

A nonresident alien who performs personal services as an employee in Guam at any time during the tax year is considered to be engaged in a Guam trade or business. A limited exception to this rule applies to a nonresident alien performing services in Guam if the services are performed for a foreign employer, if the employee is present in Guam for no longer than 90 days during the year and if compensation for the services does not exceed USD3,000.

Compensation is considered to be from a Guam source if it is paid for services performed in Guam, regardless of where the income is paid or received. If income is paid for services rendered partly in Guam and partly in a foreign country and if the amount of income attributable to services performed in Guam cannot be accurately determined, the Guam portion is determined based on a workday ratio. Fringe benefits that meet certain requirements are sourced to the person's principal place of work. These benefits include moving expenses, housing, primary and secondary education for dependents and local transportation. A Guam or foreign employer is responsible for withholding Guam income tax from payments made to nonresident alien employees.

Educational allowances provided by employers to their local or expatriate employees' children 18 years of age and younger are taxable for income tax and social security tax purposes.

Self-employment and business income. Every Guam resident who operates a business is taxable on the worldwide income of the business. Nonresidents are taxable on business income from Guam sources only. The rules for the computation of an individual's taxable income from a business are similar to the US rules. A 5% gross receipts tax applies on all income earned by an individual in connection with a business in Guam, with certain exceptions, including income from wholesale sales, real property sales and export sales.

Investment income. In general, dividend and interest income of residents is taxed at the ordinary rates (outlined in *Rates*). Nonresident alien individuals are subject to special rules. Guam-source investment income received by nonresidents is ordinarily taxed on a gross basis at a flat 30% rate, which may be withheld by the payer.

Portfolio interest received by nonresidents is exempt from the 30% tax rate. An election to tax rental income on a net basis is available.

Directors' fees. In general, directors' fees are considered to be earnings from self-employment. A 5% gross receipts tax applies to directors' fees earned in Guam.

Income from certain foreign corporations. Under a complex set of rules, US citizens and Guam residents with ownership interests in "controlled foreign corporations" may be subject to tax on certain categories of income, even if the income has not been distributed to them as a dividend. Beginning in 2018, the categories of income subject to current taxation are expanded. Individuals who were subject to these rules in 2017 were required to calculate a "transition tax" when filing their 2017 tax returns.

Taxation of employer-provided stock options

Qualified stock option plans. Under incentive stock option (ISO) rules, options provided to employees under qualified stock option plans are not subject to tax at the time the option is granted nor at the time the employee exercises the option and buys the stock. However, at the time of exercise, the difference between the exercise price and the fair market value of the stock at the date of exercise is considered a tax preference item for AMT purposes (see *Rates*). Tax is levied at capital gains tax rates when the employee sells the stock (see *Capital gains and losses*). The employee's basis in the stock is the amount paid for the stock at the time the option is exercised. Consequently, the employee recognizes a capital gain or loss in the amount of the difference between the sale price and the grant price. For purposes of determining whether the capital gain is long term or short term, the holding period begins on the date after the option is exercised, not on the date the option is granted. Stock purchased under an ISO may not be sold within two years from the grant date and within one year from the exercise date. If the stock is sold before the expiration of the required holding period, any gain on the sale is treated as ordinary income.

Non-qualified stock option plans. A stock option provided to an employee under a non-qualified plan is taxed when it is granted if the option has a readily ascertainable fair market value at that

time. An option that is not actively traded on an established market has a readily ascertainable fair market value only if all of the following conditions are met:

- The option is transferable.
- The option is exercisable immediately and in full when it is granted.
- No conditions or restrictions are placed on the option that would have a significant effect on its fair market value.
- The fair market value of the option privilege must be readily ascertainable.

The above conditions are seldom satisfied. Consequently, most non-qualified options that are not traded on an established market do not have a readily ascertainable fair market value and are not taxable at the date of grant.

The exercise of a non-qualified stock option triggers a taxable event. An employee recognizes ordinary income in the amount of the value of the stock purchased, less any amount paid for the stock or the option. When the stock is sold, the difference between the sale price and the fair market value of the stock at the date of exercise, if any, is taxed as a capital gain.

Capital gains and losses. Net capital gain income is taxed at ordinary rates, except that the maximum rate for long-term gains is limited to the following:

- 0% for married individuals filing jointly, with a maximum taxable income of USD78,750 (USD39,375 for single individuals)
- 15% for married individuals filing jointly, with a maximum taxable income of USD488,850 (USD434,550 for single individuals)
- 20% for married individuals filing jointly, with taxable income of more than USD488,850 (USD434,550 for single individuals)

Net capital gain equals the difference between net long-term capital gains over net short-term capital losses. Long term refers to assets held longer than 12 months. Short-term capital gains are taxed as ordinary income at the rates set forth in *Rates*.

Investors who hold "qualified small business stock" may be entitled to exclude from income part or all of the gain realized on disposition of the stock.

Once every two years, Guam taxpayers, including resident aliens, may exclude up to USD250,000 (USD500,000 for married taxpayers filing jointly) of gain derived from the sale of a principal residence. To be eligible for the exclusion, the taxpayer must generally have owned the residence and used it as a principal residence for at least two of the five years immediately preceding the sale. However, if a taxpayer moves as a result a change in place of employment, for health reasons or as a result of unforeseen circumstances, a fraction of the maximum exclusion amount is allowed in determining whether any taxable gain must be reported. The numerator of the fraction is generally the length of time the home is used as a principal residence, and the denominator is two years. The repayment of a foreign currency mortgage obligation may result in a taxable exchange-rate gain, regardless of any economic gain or loss on the sale of the principal residence. In certain cases, part of the gain on the sale of a principal

residence may not be eligible for exclusion. To the extent the taxpayer has "non-qualified use" of the property, that portion of the gain (determined on a time basis over the total holding period of the property) is not eligible for exclusion from income. A complex set of rules applies to determine whether a particular use of the property, such as renting out the property or leaving it vacant, is considered a "non-qualified use."

Capital losses are fully deductible against capital gains. However, net capital losses are deductible against other income only up to an annual limit of USD3,000. Unused capital losses may be carried forward indefinitely. Losses attributable to personal assets (for example, a personal residence or an automobile) are not deductible.

In general, capital gains received by nonresidents from the sale of stock in a Guam company is exempt from the 30% tax rate described in *Investment income*. Gains received by nonresidents from sales of Guam real property interests are generally considered to be effectively connected income, and special complex rules apply.

Dividends. Dividends received by individuals from domestic corporations and "qualified foreign corporations" are taxed at the same special rates as those applicable to net capital gains, for both the regular tax and the alternative minimum tax. See *Capital gains and losses* for the tax rates.

To qualify for the 15% (or 0% or 20%) tax rate, the shareholder must hold a share of stock for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date. Other dividends are taxed at ordinary rates.

Deductions

Deductible expenses. Certain types of deductions, including amounts related to producing gross income, are subtracted to arrive at adjusted gross income. Alimony payments to a former spouse and contributions to health savings accounts are among the most commonly claimed deductions in this category. Alimony (but not child support) must meet certain criteria, and must be included in the recipient's gross income, to be deductible by the payer. A tax of 30% generally must be withheld (and remitted) from alimony paid by a US citizen or Guam resident to a nonresident-alien former spouse. For divorce agreements executed after 31 December 2018 (or modified after that date to reflect the new tax rules), alimony payments are not deductible, and alimony received is not taxable.

Complex rules determine eligibility for other deductions from gross income. For example, depending on the taxpayer's income level, interest of up to USD2,500 on qualified educational loans, and individual retirement account (IRA) contributions of up to USD6,000 (USD7,000 if age 50 or older at the end of 2019) may be deducted.

After adjusted gross income is determined, a citizen or resident alien is entitled to claim the greater of itemized deductions or a standard deduction. The amount of the standard deduction varies, depending on the taxpayer's filing status. For 2019, the standard deduction is USD24,400 for married individuals filing a joint

return, USD18,350 for a head of household, USD12,200 for a single (not married) individual and USD12,200 for a married taxpayer filing a separate return.

Itemized deductions include the following items:
- Unreimbursed medical expenses to the extent that they exceed 10% of adjusted gross income
- Income, general sales, and property taxes of US states and localities, but limited to USD10,000 in total
- Foreign income taxes paid if a foreign tax credit is not elected
- Certain interest expenses, generally home mortgage interest and investment interest expenses
- Casualty losses to the extent they are attributable to specified natural disasters
- Gambling losses to the extent of gambling winnings
- Charitable contributions made to qualified charities

A nonresident alien may not use the standard deduction instead of actual itemized deductions. Also, the types of itemized deductions a nonresident alien may claim are limited to charitable contributions made to qualified charities, and state and local taxes imposed on effectively connected income (limited to USD10,000). A nonresident alien may not claim an itemized deduction for medical expenses, taxes (other than state and local income taxes) or most interest expenses.

Business deductions. Self-employed individuals are entitled to the same deductions as employees, except that they may also deduct directly related ordinary and necessary business expenses. However, special rules may apply to limit business deductions if a taxpayer's business activity does not result in a profit for three out of five years. In this situation, the activity may be classified as a hobby, and the expenses are deductible only if they qualify as itemized deductions. Self-employed individuals may establish, and may deduct contributions paid to, their own retirement plans, subject to special limitations.

Beginning in 2018, taxpayers may be entitled to deduct up to 20% of their "qualified business income," when calculating taxable income. The 20% deduction is calculated under a complex set of rules. There are many limitations to this deduction, including whether the taxpayer operates a qualified business, and whether the individual's taxable income is below the overall limit of USD160,700 (USD321,400 for married filing jointly) for 2019. In general, qualified business income does not include income from performing services as an employee.

Rates. The applicable Guam tax rates, like the US rates, depend on whether an individual is married and, if married, whether the individual elects to file a joint return with his or her spouse. Certain individuals also qualify to file as head of household. The graduated tax rates listed below apply in Guam for 2019.

Married filing joint return

Taxable income	Amount of tax
Not over USD19,400	10% of the taxable income
Over USD19,400 but not over USD78,950	USD1,940 plus 12% of the excess over USD19,400
Over USD78,950 but not over USD168,400	USD9,086 plus 22% of the excess over USD78,950

Married filing joint return

Taxable income	Amount of tax
Over USD168,400 but not over USD321,450	USD28,765 plus 24% of the excess over USD168,400
Over USD321,450 but not over USD408,200	USD65,497 plus 32% of the excess over USD321,450
Over USD408,200 but not over USD612,350	USD93,257 plus 35% of the excess over USD408,200
Over USD612,350	USD164,709.50 plus 37% of the excess over USD612,350

Married filing separate return

Taxable income	Amount of tax
Not over USD9,700	10% of the taxable income
Over USD9,700 but not over USD39,475	USD970 plus 12% of the excess over USD9,700
Over USD39,475 but not over USD84,200	USD4,543 plus 22% of the excess over USD39,475
Over USD84,200 but not over USD160,725	USD14,382.50 plus 24% of the excess over USD84,200
Over USD160,725 but not over USD204,100	USD32,748.50 plus 32% of the excess over USD160,725
Over USD204,100 but not over USD306,175	USD46,628.50 plus 35% of the excess over USD204,100
Over USD306,175	USD82,354.75 plus 37% of the excess over USD306,175

Head of household

Taxable income	Amount of tax
Not over USD13,850	10% of the taxable income
Over USD13,850 but not over USD52,850	USD1,385 plus 12% of the excess over USD13,850
Over USD52,850 but not over USD84,200	USD6,065 plus 22% of the excess over USD52,850
Over USD84,200 but not over USD160,700	USD12,962 plus 24% of the excess over USD84,200
Over USD160,700 but not over USD204,100	USD31,322 plus 32% of the excess over USD160,700
Over USD204,100 but not over USD510,300	USD45,210 plus 35% of the excess over USD204,100
Over USD510,300	USD152,380 plus 37% of the excess over USD510,300

Single individual

Taxable income	Amount of tax
Not over USD9,700	10% of the taxable income
Over USD9,700 but not over USD39,475	USD970 plus 12% of the excess over USD9,700
Over USD39,475 but not over USD84,200	USD4,543 plus 22% of the excess over USD39,475
Over USD84,200 but not over USD160,725	USD14,382.50 plus 24% of the excess over USD84,200
Over USD160,725 but not over USD204,100	USD32,748.50 plus 32% of the excess over USD160,725
Over USD204,100 but not over USD510,300	USD46,628.50 plus 35% of the excess over USD204,100
Over USD510,300	USD153,798.50 plus 37% of the excess over USD510,300

The above rates are used to compute an individual's regular Guam income tax liability. In addition, higher income taxpayers (income over USD250,000 for married filing jointly and USD200,000 for single) are subject to a 3.8% tax on their "net investment income." The definition of "net investment income" is broad and essentially includes all income other than income from a trade or business. Compensation from personal services is generally excluded from this tax.

Guam also imposes alternative minimum tax (AMT) at a rate of 26% on alternative minimum taxable income, up to USD194,800, and at a rate of 28% on alternative minimum taxable income exceeding USD194,800 (long-term capital gains and qualified dividends are generally taxed at lower rates of 15% or 20%; see *Capital gains and losses* and *Dividends*). The primary purpose of AMT is to prevent individuals with substantial income from using preferential tax deductions (such as accelerated depreciation), exclusions (such as certain tax-exempt income) and credits to substantially reduce or to eliminate their tax liability. It is an alternative tax because, after an individual computes both the regular tax and AMT liabilities, the greater of the two amounts constitutes the final liability.

Nonresidents are taxed on income effectively connected with a Guam trade or business after related deductions at the graduated rates of tax set forth above. Unmarried nonresident aliens are taxed under the rates for single individuals. Married nonresidents whose spouses are also nonresidents are generally taxed under the rates for married persons filing separately.

Credits. Tax credits directly reduce income tax liability rather than taxable income and therefore provide a dollar-for-dollar benefit. Most credits are limited, depending on the taxpayer's income level. Credits include a maximum USD14,080 credit for qualified adoption expenses, a USD2,000 child tax credit for dependents under 17 years of age (and who have a social security number), a USD500 credit for certain other dependents, and two alternative higher education credits, with maximums of USD2,000 and USD2,500, respectively.

Relief for losses. In general, passive losses, including those generated from limited-partnership investments or rental real estate, may be offset only against income generated from passive activities.

Limited relief may be available for real estate rental losses. For example, an individual who actively participates in rental activity may use up to USD25,000 of losses to offset other types of income. The USD25,000 offset is phased out for taxpayers with adjusted gross income of between USD100,000 and USD150,000, and special rules apply to married individuals filing separate tax returns.

Disallowed losses may be carried forward indefinitely and used to offset net passive income in future years. Any remaining loss may be used in full when a taxpayer sells the investment in a transaction that is recognized for tax purposes.

B. Estate and gift taxes

Guam does not impose estate or gift tax. Non-US citizens and US citizens who obtained their citizenship by birth or naturalization in Guam and are residents of Guam at the time of death are subject to US estate and gift tax only on assets located in the United States, not on those located in Guam. US citizens other than those who received their citizenship by birth or naturalization in Guam are subject to US estate and gift taxes on all of their assets, including those located in Guam.

C. Social security

Social security tax. Guam is covered under the US social security system. Under the Federal Insurance Contributions Act (FICA), social security tax is imposed on wages or salaries received by individual employees to fund retirement benefits paid by the federal government. The following two taxes are imposed under FICA:

- Old-age, survivors and disability insurance (OASDI)
- Hospital insurance (Medicare)

For 2019, the OASDI tax is imposed on the first USD132,900 at a rate of 6.2% on the employee and 6.2% on the employer. Medicare tax is imposed, without limit, at a rate of 1.45% on the employee and 1.45% on the employer. In addition, higher income employees (but not their employers) pay an extra 0.9% Medicare tax. The income threshold varies by tax return filing status. Married couples filing jointly pay the extra tax on their combined wages in excess of USD250,000, single taxpayers and heads of households on wages exceeding USD200,000, and married taxpayers filing separately on wages exceeding USD125,000. Self-employment income (see below) is added to the amount of wages when determining the threshold.

FICA tax is imposed on compensation for services performed in Guam, regardless of the citizenship or residence of the employee or employer. Consequently, absent an exception, nonresident alien employees who perform services in Guam are subject to FICA tax. Certain categories of individuals are exempt from FICA tax, including foreign government employees, exchange visitors in Guam under J visas, foreign students holding F, M or Q visas, and individuals covered under social security totalization agreements between the United States and other countries. These agreements allow qualifying individuals to continue paying into the social security system of their home countries, usually for a period of five years.

A Guam or foreign employer is responsible for withholding social security taxes from compensation paid to nonresident alien employees.

Self-employment tax. Self-employment tax is imposed under the Self-Employment Contributions Act (SECA) on self-employment income, net of business expenses, that is derived by US citizens and Guam residents. The following two taxes are imposed under SECA:

- OASDI
- Hospital insurance (Medicare)

For 2019, the OASDI tax is imposed on the first USD132,900 of the net earnings of a self-employed individual at a rate of 12.4%. Medicare tax is imposed, without limit, at a rate of 2.9%. In addition, higher income individuals pay an extra 0.9% Medicare tax. The income threshold varies by tax return filing status. Married couples filing jointly pay the extra tax on their combined self-employment income in excess of USD250,000, single taxpayers and heads of households on self-employment income exceeding USD200,000, and married taxpayers filing separately on self-employment income exceeding USD125,000. Wage income (see above) is added to the amount of self-employment income when determining the threshold.

Self-employed individuals must pay the entire tax (unlike an employee who pays half the tax while the employer pays the other half of the tax) but may deduct 50% (not including the extra 0.9% Medicare tax) as a trade or business expense on their federal income tax return. No tax is payable if net earnings for the year are less than USD400. If a taxpayer has both wages subject to FICA tax and income subject to SECA tax, the wage base subject to FICA tax is used to reduce the income base subject to SECA tax. SECA tax is computed on the individual's US income tax return (Form 1040-SS). Nonresident aliens are not subject to SECA tax unless they are required to pay the tax under a totalization agreement (see *Social security tax*).

D. Tax filing and payment procedures

Guam income tax returns are filed under the same rules, and using the same forms, applicable in the United States, but they are filed with the government of Guam instead of with the US Internal Revenue Service. Residents of Guam must report their US income on their Guam return, and residents of the United States must report their Guam income on their US return. Income taxes withheld on Guam wages offset Guam income reported on a US return, and vice versa. Estimated tax payments are filed with Guam or the United States, depending on where a taxpayer resides on the date the payment is due. Self-employment taxes are paid to the US Internal Revenue Service.

If a nonresident alien is not engaged in a Guam trade or business and if all of the tax owed on Guam-source income is withheld, the nonresident alien is not required to file a tax return.

Nonresidents must file tax returns if they are engaged in a trade or business in Guam, even if they report no income from the business. Individuals not engaged in a Guam trade or business must file returns if they have any Guam-source income on which all of the tax due is not withheld. Nonresident employees subject to Guam income tax withholding must file tax returns by 15 April. Other nonresidents must file returns by 15 June.

E. Double tax relief and tax treaties

Foreign tax credits offset taxes on Guam income in the same manner as in the United States. Under the Guam Investment Equity Act, Guam may apply the Guam withholding tax at the applicable US income tax treaty rates.

F. Non-immigrant and immigrant visas

The immigration procedures in Guam are the same as those for the United States. For details, see the chapter on the United States.

G. Marital property regime

Guam is a community property jurisdiction. Any person who establishes residency or domicile in Guam is subject to Guam's community property laws. For these purposes, continuous physical presence in Guam for at least 90 days normally gives rise to a conclusive presumption of residence in Guam. During divorce proceedings, the community property laws apply to all property acquired during the marriage, whether located within or outside Guam.

Under Guam law, community property is any property acquired by either spouse during the marriage that is not separate property. Separate property is property acquired by either spouse before the marriage and property designated as separate property in a written agreement between the spouses. Income derived from separate property is separate property.

Guam's community property laws apply only to married couples. The laws of Guam do not prescribe any particular form for the ceremony of marriage. However, the law requires that the parties to the marriage declare in the presence of the person solemnizing the marriage that they take each other as husband and wife, implying that marriage under the laws of Guam is valid only between a man and a woman.

Guatemala

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This chapter has not been updated since 1 July 2018.

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A. Income tax

Who is liable. Resident and nonresident individuals are taxed on Guatemalan-source income only. Individuals are considered residents for tax purposes if they meet any of the following conditions:

- They spend more than 183 days in a calendar year in Guatemala, even if not on a continuous basis.
- The center of their economic interests is located in Guatemala.
- They are Guatemalan diplomats with residence abroad.
- They are Guatemalan individuals with residence abroad for less than 183 days in a calendar year as a result of employment by a private entity.
- They are foreign diplomats on assignment to Guatemala, unless a reciprocity condition with their country of origin exists.

Income subject to tax. Under the Income Tax Law, income derived from activities rendered or services used within Guatemala qualifies as Guatemalan-source income and must be classified and taxed in one of the following categories:

- Employment income

- Income from a trade or business engaged in for profit (self-employment income)
- Investment income

The taxation of the various types of income is described below.

Employment income. Taxable income, includes wages and all types of remuneration or payments, regardless of the denomination, received in cash by employed resident individuals.

Self-employment and business income. Both resident and nonresident individuals are subject to tax on Guatemalan-source self-employment and business income derived from ordinary or occasional trade or business. Individuals who earn such income may choose to be taxed under one of the following tax regimes:
- Regime on Profits from Business Activities, which applies on a net income basis (authorized expenses are deductible)
- Optional Simplified Regime on Revenue from Business Activities, which applies on a gross income basis (no deductions are allowed)

Under the Regime on Profits from Business Activities, individuals may deduct expenses incurred to generate taxable income or to preserve the source of such income, except for certain specified cases in which the law has imposed limits on deductibility. Net taxable income is subject to tax at a rate of 25%. In addition, a 1% Solidarity Tax applies.

Alternatively, individuals may elect to be taxed under the Optional Simplified Regime on Revenue from Business Activities. Under this regime, taxpayers are subject to income tax on taxable income, which equals gross income less exempt income. No deductions are allowed. The final withholding tax rate is 5% for the first GTQ30,000 (approximately USD4,081) of monthly taxable income and 7% for the amount exceeding GTQ30,000.

Investment income. Dividends paid are subject to a tax rate of 5%, regardless of the beneficiary's country of residence.

Interest paid to resident and nonresident individuals is subject to a final 10% withholding tax. However, withholding tax is not imposed on the following interest payments:
- Interest paid by local taxpayers to local banks or representative offices authorized to operate in Guatemala by the Guatemalan Law on Banks and Financial Groups.
- Interest paid by local taxpayers to non-domiciled first-order banks. This exemption is based on criteria set by the tax authorities. Consequently, a private letter ruling should be obtained to secure the position of the borrower.

Royalties paid to nonresident individuals are subject to withholding tax at a rate of 15%.

Directors' fees. Directors' fees paid to nonresident individuals are subject to a final withholding tax at a rate of 15%. Resident individuals must include directors' fees, which are considered self-employment income, in their taxable income.

Capital gains and losses. Capital gains are taxed at a rate of 10%, regardless of the regime elected by the individual taxpayer. They include gains from the sale of the following:
- Movable assets
- Immovable assets
- Lottery winnings

The following types of income are subject to capital gains tax if they are generated from Guatemalan sources:
- Royalties paid to Guatemalan residents
- Leasing and subleasing income (when not part of the taxpayer's ordinary trade or business)
- Gains from the transfer of shares issued by resident entities
- Gains from the transfer of shares issued by foreign entities that own immovable property located in Guatemala
- Gains derived from the transfer of movable or immovable assets
- Income from lotteries, raffles and similar earnings

Deductions

Personal expenses. Deductible personal expenses consist of the following items:
- Personal deduction of GTQ48,000 (approximately USD6,530), without the need for documentation
- Social security contributions
- Life insurance premiums
- Exempt income (special bonus and Christmas bonus)
- Charitable contributions (maximum annual deduction of 5% of net income)
- A maximum of GTQ12,000 (approximately USD1,635) of value-added tax (VAT) paid during the tax year

Rates. Income tax is levied on employment income received by resident individuals at the rates set forth in the following table.

Annual taxable income		Tax on lower amount	Rate on excess
Exceeding GTQ	Not exceeding GTQ	GTQ	%
0	300,000	0	5
300,000	—	15,000	7

The average exchange rate as of December 2017 was GTQ7.3509 = USD1.

Nonresident individuals are subject to a final withholding tax at a rate of 15% on salaries, fees, commissions and allowances. To apply the 15% withholding tax rate to salaries paid to nonresident individuals, the tax authorities require that a labor relationship be documented through a written contract between the foreign individual and the Guatemalan employer. For fees received for professional services rendered by a nonresident individual in a nondependent relationship, a 15% withholding tax applies.

Nonresident individuals with income subject to tax at a fixed withholding rate are not subject to further taxation.

Foreign individuals who render local services for more than 183 days in Guatemala are considered residents for tax purposes and are required to register with the tax authorities as self-employed persons and pay taxes in Guatemala under the Regime on Profits from Business Activities or the Optional Simplified Regime on

Revenue from Business Activities (see *Self-employment and business income*). In addition, VAT at a rate of 12% applies to the services rendered in Guatemala.

Relief for losses. Self-employed individuals may not carry forward losses to offset future income from self-employment.

B. Inheritance and gift taxes

A separate tax law governs inherited property and gifts resulting from death. The tax rates range from 0% to 7% for bequests or gifts resulting from death to the spouse, ascendants and descendants. For relatives within the second, third and fourth degree of consanguinity, the applicable rates range from 3% to 12%. Rates from 9% to 25% apply to relatives and unrelated parties. A VAT rate of 12% applies to inter vivos gifts.

C. Social security

Social security contributions are levied on salaries, which includes wages and all types of remuneration or payments, regardless of the denomination. The contribution rates are 12.67% for employer contributions and 4.83% for employee contributions. No limits are imposed on the amount of earnings subject to social security contributions.

D. Tax filing and payment procedures

Employers are responsible for withholding income tax and social security contributions from the employee's salary on a monthly basis. Consequently, an annual income tax return is not required for employed individuals if all compensation is subject to withholding at source through the local payroll. Self-employed individuals engaged in either commercial or non-commercial activities must issue invoices, and monthly or quarterly income tax reporting is required depending on the tax regime elected by the individual. In additional, self-employed individuals must pay VAT and file monthly VAT returns.

The ordinary tax year runs from 1 January to 31 December. Returns must be filed, and any tax liabilities due must be paid within three months after the end of the tax year (31 March). Interest and penalty charges are imposed on late payments.

Nonresident individuals with income subject to tax at a fixed withholding rate are not subject to further taxation and are not required to file an annual income tax return.

E. Double tax relief and tax treaties

Guatemala has signed a tax treaty with Mexico, but Congress has not yet approved the treaty. As a result, the treaty is not yet in effect.

F. Temporary visas

Depending on their country of citizenship, individuals may be required to apply for and obtain an entry visa before traveling to Guatemala. A Guatemalan consulate overseas grants the visa. Because the rules indicating the countries of citizenship of individuals who are required to obtain an entry visa before entering Guatemala and requirements for obtaining a visa often vary, it is

necessary to check the entry visa requirements on a case-by-case basis.

G. Work visas (and/or permits)

Before obtaining a work permit in Guatemala, an applicant must request a temporary residence permit (see Section H). An application for a work permit is filed by the employer with the General Direction of Employment of the Labor Ministry and must include the following documents:

- A certified copy of the employee's passport (all pages including the blank ones)
- Proof that a temporary residence permit has been applied for or granted
- A certified copy of the applicant's appointment, registered with the corresponding authorities
- A sworn statement given by the employer that assumes full responsibility for the employee's conduct
- Accounting certification stating the number of Guatemalan and foreign employees employed by the entity
- A certified copy of the designation of the foreigner by the employer to execute the job in Guatemala
- A certified copy of the company's tax identification
- A certified copy of the nomination of the legal representative of the company
- A certified copy of the identification of the legal representative of the company
- A certified copy of the business license of the company issued by the Registry of General Commercial Affairs
- A certified copy of the incorporation license of the company issued by the Registry of General Commercial Affairs
- A certified copy of the form for the temporary residence filing application
- For an employee who comes from a non-Spanish-speaking country, a sworn statement indicating that he or she is fluent in Spanish

For each work permit requested, the employer must pay a fee to the Guatemalan Learning and Training Department. This payment serves as evidence of the employer's commitment to the training policies for Guatemalan employees.

The work permit is valid for renewable periods of one year. A request for an extension must be filed 15 days before the expiration of the period for which the work permit is issued.

H. Residence visas (and/or permits)

The government of Guatemala may grant residencies to nationals of other countries who are interested in residing at Guatemala as foreign workers, renters, retirees or relatives of nationals. An application for a temporary residence permit for a foreign individual in Guatemala must be submitted to and processed by the immigration authorities in Guatemala. It must include the following items:

- A form filled out with the personal data of the applicant and the members of the applicant's family who wish to reside in Guatemala
- A recent photograph
- Certified copy of the passport

- Certification stating the validity of the passport and term (in Spanish or in the original language translated into Spanish by a Guatemalan authorized translator) issued by the embassy or consulate in the applicant's country or a birth certificate for persons from countries with which Guatemala does not have diplomatic relations
- Proof stating that the applicant does not have a criminal record in the country or countries where he or she has lived during the last five years (or, for countries that do not issue these certificates, a certificate stating the country's refusal)
- Proof of a Guatemalan guarantor, whether an individual or an entity (see next paragraph)

If the guarantor for an applicant is a legal entity, the following documents are required:
- Financial statements
- Legalized copy of the incorporation license
- Legalized copy of the legal representative's personal identification document
- Legalized copy of the power of attorney granted to the legal representative
- Offer of employment letter

Application requirements may vary from case to case. Consequently, the requirements need to be checked in advance.

When the temporary residence permit is granted, the applicant's passport is sealed. A temporary residence permit is valid for up to two years and may be renewed for equal periods. In addition, after a temporary residence permit is granted to an individual, he or she can request permanent residence, which, if granted, guarantees the domicile of the person in the country.

I. Family and personal considerations

Family members. Guatemalan law does not automatically grant work authorizations to family members of foreign workers. Family members wanting to work in Guatemala must apply independently for work authorizations.

Marital property regime. The following marital property regimes apply under the Guatemalan Civil Code:
- Absolute community: All assets brought into the marriage by the spouses or assets acquired during the marriage belong to the conjugal estate and are divided in half in the event of a divorce.
- Absolute separation: Each spouse keeps the ownership, management and income of his or her own assets. Each spouse owns the salaries, wages, emoluments and profits obtained by his or her own personal services.
- Community property: The husband and wife each keep the ownership of assets they had before the marriage and certain assets acquired during the marriage. In the event of a divorce, they each own half of the following assets:
  - The profits of the assets owned by each of the spouses, from which the production, repair, conservation expenses and tax and municipal burden of the corresponding assets are deducted.
  - Assets purchased with such profits, even if the acquisition is made in the name of only one of the spouses.

— Assets acquired by each one of the spouses through his or her work, employment, profession or industry.

A marital property regime that was adopted outside Guatemala is valid in Guatemala if such regime is expressly provided by the Guatemalan Civil Code (absolute community, absolute separation and community property) and if the regime does not infringe on the public order.

Forced heirship. If an individual dies without leaving a will, the beneficiaries of the individual's assets and patrimony according to the law are in the following order:
- First: Descendants and spouse
- Second: Ascendants and spouse
- Third: Any other family members up to the fourth degree of relationship

The decedent's estate must respect the maintenance and monetary obligations of the deceased.

Driver's permits. To obtain a driver's permit in Guatemala, a foreign person must submit the following documents:
- Request addressed to the Chief of the Department of Transit indicating a phone number and address to receive correspondence.
- Original and certified copy of a valid driver's license from the applicant's country.
- Sworn translation of the driver's license if the document is not in Spanish.
- Two identity-card-size photographs.
- Original and legalized copy of the passport.
- Migratory certification of the local status of the foreign person.
- Eye test by an authorized ophthalmologist or optometrist.
- Proof of a Guatemalan guarantor certified by a notary public (affidavit). The guarantor must prove that he or she is a Guatemalan national and that he or she has sufficient financial means to pay for any potential damages caused by the nonresident.
- Legalized copy of the guarantor's personal identification document.
- Payment for the driver's permit.
- Bank statement of the guarantor for the last three months that shows a monthly balance of at least USD700.

Depending on the circumstances, the Transit Department may request technical and practical driving tests.

A driver's license is granted for a period of one year to four years and may be extended on request. After a temporary residence permit is requested, the foreigner must obtain a local driver's license.

Guernsey, Channel Islands

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The tax sections in this chapter cover Guernsey, including the island of Alderney, but do not cover the island of Sark, which operates its own tax system.

A. Income tax

Who is liable. Individuals who are solely resident or principally resident in Guernsey are subject to Guernsey income tax on worldwide income. Individuals who are resident but not principally or solely resident in Guernsey may instead choose to pay the standard charge (see *Standard charge*).

Individuals are considered resident in Guernsey in any fiscal year, which is the calendar year, if they satisfy either of the following conditions:
- They spend 91 days or more in Guernsey in that year.
- They spend 35 days or more in Guernsey in that year and have spent 365 days or more in Guernsey in the preceding four years.

Individuals are treated as solely resident if, in a fiscal year, they are resident in Guernsey and not resident elsewhere. Individuals are considered resident elsewhere if they spend 91 or more days in that place.

Individuals are considered principally resident in Guernsey if any of the following conditions are satisfied:
- In a fiscal year, they spend 182 days or more in Guernsey.
- In a fiscal year, they spend 91 days or more in Guernsey, and during the four preceding years they spent 730 days or more in Guernsey.
- They take up permanent residence in Guernsey.

Married persons and partners in civil partnerships are taxed jointly on all types of income. Married persons and civil partners may elect to be assessed separately, but separate assessment apportions the joint income tax liability according to the income

of each spouse and does not generally change the total overall tax liability of married persons and civil partners.

A move toward independent taxation has begun. Each individual's entitlement to allowances is considered separately, but joint assessment currently remains. Further developments are expected.

Income subject to tax

Employment income. Taxable employment income includes salaries, wages, bonuses, gratuities, benefits in kind, directors' fees and pensions.

Wages, pensions and salaries paid by Guernsey-resident companies to nonresident employees whose duties are carried on outside Guernsey are exempt from Guernsey income tax.

Benefits in kind are taxed as part of payroll and are subject to social security contributions and Employees Tax Instalment (ETI) payroll tax deductions (see Section D).

The tax-exempt limit for redundancy payments is GBP30,000. A payment instead of notice is not considered to be a termination payment and is fully taxable. The excess over the GBP30,000 exemption is subject to ETI scheme deductions (see Section D).

Benefits in kind. Benefits in kind paid to employees are assessed to income tax and social security, subject to a GBP450 annual exemption. The exemption does not apply to accommodation, share options or motor car benefits, which are fully taxed.

Various benefits are also exempt from tax, such as medical insurance, if the scheme is open to all employees.

All benefits paid for through "salary sacrifice" are chargeable to tax, regardless of whether the benefit would have been exempt.

Any discount on the market value at the grant of an employer-provided stock option is taxable in full in the year of the grant. If it is demonstrated that the option will never be exercised (for example, if the employee waives the option or the option lapses), the tax paid in the year of grant is refunded.

Self-employment and business income. All self-employed persons carrying on a trade, business or profession in Guernsey or partly in Guernsey are subject to income tax on their taxable income.

Taxable income consists of accounting profits, subject to certain adjustments.

Investment income. Dividends, interest, royalties and income from the rental of real property are included in taxable income and taxed at a rate of 20%. The first GBP50 of bank or savings interest for an individual is exempt from Guernsey income tax (doubled for married couples to the extent that each spouse receives interest).

A credit may be available with respect to tax paid at source in another jurisdiction.

Interest payable by Guernsey banks to nonresidents is exempt from Guernsey income tax.

Distributions from Guernsey companies. Guernsey-resident individuals are taxable at a rate of 20% on all distributions from Guernsey companies. A credit is given for tax suffered or withheld by the distributing company.

The standard tax rate for Guernsey companies is 0%. A higher rate of 20% applies to Guernsey property income, regulated utilities, the importation and/or supply of hydrocarbon oil or gas in Guernsey and large retail business carried on in Guernsey (if the retail company has a taxable profit of more than GBP500,000). An intermediate rate of 10% applies to income from banking business, domestic insurance business, fiduciary business, insurance intermediary business, insurance manager business, fund administration business, custody services and investment management income (excluding income from managing collective-investment schemes). From 1 January 2019, the 10% rate also applies to income from the operation of an investment exchange and from regulatory compliance services.

Deemed distributions. The deemed distribution provisions were repealed, effective from 1 January 2013. However, the use of "pooled" income sources continues.

Effective from 1 January 2013, distributions to shareholders must initially be made from untaxed pools, before income that has been taxed. Capital gains are not taxed in Guernsey.

Loans from Guernsey companies to Guernsey-resident shareholders are taxable if the loan is made when the company has pooled profits that have suffered tax at a rate of less than 20%. They are taxable on the grossed-up amount of the loan when the loan is made.

Companies incorporated outside Guernsey are treated as resident in Guernsey if they are controlled in Guernsey. The Guernsey authorities interpret control to mean ultimate individual shareholder control. From 1 January 2019, a company is also considered to be resident if it is managed and controlled in Guernsey, but conversely a company may be treated as nonresident if it is managed and controlled elsewhere and certain criteria are met.

Nonresident shareholders are not taxable on company distributions.

Deductions

Personal deductions and allowances. Guernsey operates a system of allowances and deductions.

For 2019, the following are the amounts of the allowances:
- Personal allowance: GBP11,000
- Age-related allowance (in addition to the personal allowance) for individuals aged 64 years or over at the beginning of the tax year: GBP450

There are restrictions on the availability of allowances, mortgage interest relief and pension deductions for higher earners. From 1 January 2019, the existing restrictions are changed and apply to withdraw allowances and deductions at a rate of GBP1 for every GBP5 of assessable income above GBP100,000. The first GBP1,000 of pension deductions is not withdrawn.

Interest paid on a mortgage on a Guernsey principal residence is deductible in the calculation of the annual tax liability, limited to the interest charged on the first GBP400,000 of the mortgage. This is subject to an interest cap per borrower of GBP8,000 for 2019 (subject to any restriction for higher earners). This deduction is being phased out over time.

Deductible business expenses. To be deductible, expenses must be incurred wholly and exclusively for the purposes of the business. Depreciation is not deductible, but capital allowances may be claimed on the cost of plant and machinery. The rate of capital allowances is generally 20% of the reducing balance. Allowances are also granted for buildings.

Relief for losses. Business losses may be carried forward indefinitely for offset against income taxable at the same rate. Terminal losses (balancing allowances) on cessation of business may be carried back two years. No relief is provided for capital losses because no capital gains tax is charged.

Rates. Income is taxable at a flat rate of 20% after deduction of personal allowances and other deductions.

Tax cap. The tax payable on a Guernsey-resident individual's income is restricted to an upper limit, or cap. Individuals may elect either of the following options for the payment of tax:

- They may pay tax on non-Guernsey-source income restricted to GBP130,000, plus tax on Guernsey-source income (excluding Guernsey bank interest).
- They may pay GBP260,000 tax on worldwide income, including Guernsey-source income.

A lower cap of GBP50,000 applies with respect to Alderney. This cap supersedes both caps mentioned in the first and second bullets above.

A lower cap of GBP50,000 also applies for up to four years to new residents of Guernsey purchasing open-market property (see Section H) who have paid a minimum of GBP50,000 in document duty. Certain conditions apply in order to claim the cap.

Income derived from Guernsey land and property is excluded from the tax caps.

Currently, if married persons or civil partners are taxed jointly, they are classed as one taxpayer. Consequently, only one cap applies per married couple or civil partnership.

Standard charge. The standard charge is GBP30,000. It applies to individuals who are resident but not solely or principally resident in Guernsey (see *Who is liable*). Individuals must either declare and pay tax on their worldwide income or elect to pay the standard charge.

After individuals pay the charge, they can make tax-free remittances to Guernsey. Guernsey-source income remains taxable on the individual, but the liability on the first GBP150,000 is deemed as being met by the standard charge payment. Individuals paying the standard charge are not entitled to claim any Guernsey personal allowances or reliefs. Guernsey-source bank interest is deemed to be a non-Guernsey source of income.

Like the tax cap, taxpayer currently refers generally to a married couple or civil partnership. Consequently, only one charge is payable by both spouses or civil partners jointly.

B. Other taxes

Guernsey does not impose capital gains tax or inheritance tax. No other significant taxes are levied on individuals in Guernsey.

C. Social security

Contributions. Guernsey has a compulsory social security scheme. Three classes of social security exist.

Employed. Employers and employees under 65 years old must make contributions based on taxable earnings at a rate of 6.6%, with a monthly earnings limit of GBP12,194 for 2019. The maximum annual contribution is GBP9,658 for 2019 for employers and for employees.

Self-employed. Self-employed individuals under 65 years old must pay contributions based on their self-employment income level, subject to a 2019 annual upper earnings limit of GBP146,328. The rate is 11%.

Non-employed. All insured persons who are not employed or self-employed are in the non-employed class, as well as all persons aged 65 and over, even if they are employed or self-employed.

The rate for non-employed contributions is 10.4% of income declared on the tax return, subject to a non-employed allowance of GBP8,285. Individuals aged 65 and over pay the health insurance contribution rate of 3.4% based on their taxable income, less the non-employed allowance. The 2019 upper earnings limit of GBP146,328 applies.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Guernsey has entered into totalization agreements with the following jurisdictions.

Austria	Isle of Man	New Zealand
Barbados	Italy	Portugal
Bermuda	Jamaica	Spain
Canada	Japan	Sweden
Chile	Jersey	Switzerland
Cyprus	Korea (South)	United Kingdom
France	Malta	United States
Ireland	Netherlands	

D. Tax filing and payment procedures

All income is assessed on a current-year basis. The tax year runs from 1 January to 31 December.

Income tax is levied by assessment based on the taxpayer's tax return. Tax is deducted from earned income of employed individuals during the year through the ETI scheme. Employed individuals make payments on account during the year through the ETI scheme and a final balancing payment or repayment may be due following the assessment.

All other taxpayers make two payments on account based on an estimated assessment issued generally around May of each year. The two equal tax installments are due on 30 June and 31 December of the tax year. A balancing payment or repayment is due following the issuance of a final assessment.

In general, a Guernsey resident making a payment of Guernsey income (excluding bank interest) to a person resident outside Guernsey is regarded as the agent of the nonresident. The agent may be assessed instead of the nonresident and, consequently, the agent may withhold income tax at a rate of 20% from the payment and remit it to the tax authorities. However, this rule does not apply if the recipient is resident in Jersey or the United Kingdom, receives the payment as business income and does not have a permanent establishment in Guernsey.

E. Double tax relief and tax treaties

Unilateral relief is available to prevent double tax being charged on income from a territory where there is no tax treaty in force.

Guernsey has entered into full or partial double tax treaties with several jurisdictions.

It has entered into full double tax treaties with the following jurisdictions.

Cyprus	Liechtenstein	Qatar
Hong Kong SAR	Luxembourg	Seychelles
Isle of Man	Malta	Singapore
Jersey	Mauritius	United Kingdom
	Monaco	

It has entered into partial double tax treaties with the following jurisdictions.

Australia	Greenland	New Zealand
Denmark	Iceland	Norway
Faroe Islands	Ireland	Poland
Finland	Japan	Sweden

Double tax treaty negotiations have been completed with Bahrain, Estonia, Gibraltar and the United Arab Emirates. A new double tax treaty between Guernsey and the United Kingdom is effective from 7 January 2019.

Guernsey has signed tax information exchange agreements (TIEAs) with 60 jurisdictions, including the United Kingdom and the United States. The TIEAs relate to the exchange of tax information. Under the TIEAs, each jurisdiction may request information from the other, principally to assess and enforce collection of tax.

In June 2017, Guernsey signed the Base Erosion and Profits Shifting (BEPS) Multilateral Instrument, which will result in the revision of the majority of Guernsey's double tax agreements so that they comply with the BEPS minimum standards.

F. Entry visas

An individual may require a visa to travel to and/or work in Guernsey, based on their nationality and length of stay in Guernsey.

Guernsey is part of the Common Travel Area, and the visa requirements are broadly in line with UK visa requirements, but Guernsey has not adopted the UK points-based system. Please refer to the UK chapter in this guide for further information on when a visa is required.

The categories of visas include the following:
- Leave to enter for work permit employment
- Leave to enter as a person intending to establish a business
- Leave to enter as an investor

G. Work permit – immigration

The immigration rules require certain individuals to be granted a work permit in order to work in Guernsey.

However, permit-free workers (who do not require a work permit) include the following:
- British citizens
- Nationals of member states of the European Economic Area (EEA) and Switzerland
- Nationals who have permanent settlement (for example, indefinite leave to remain in the Common Travel Area)

Guernsey has strict rules on who can live and work in Guernsey. In addition to the immigration requirements, a system of permits and certificates controls who can live and work in Guernsey (see Section H).

H. Employment permits and residence certificates or permits

The Population Management Law was introduced on 3 April 2017 and replaced the Housing Control and Right to Work Laws. Individuals working in Guernsey or anyone over the age of 16 need to hold a certificate or permit showing that they have permission to live and work there.

Transitional arrangements apply to those who were already in Guernsey under the previous housing control system when the new rules came into force.

Employment permits (previously referred to as a "right to work") are granted to individuals who possess essential skills and experience that cannot be found locally.

Most employment permits enable the holder to live and work in Guernsey for a fixed period of time but some people, because of their skills, are invited to live in Guernsey long enough for them and their immediate family to become permanent residents.

Employment permits are conditional on the holder undertaking a specific full-time job for a specific employer. If this condition is broken, the permit becomes invalid. The employer makes the application for an employment permit.

Housing is restricted in Guernsey. Housing is divided into what is known as local market (LM) and open market (OM). Approximately 27,000 dwellings are in the LM and 1,700 are in the OM.

In general, anyone may occupy an OM dwelling (by applying for the relevant residence certificate) but the price of an OM dwelling is usually higher than that of a comparable LM dwelling.

Occupation of LM property (regardless of whether owned or rented) is generally restricted to locals and to persons granted employment permits. The type of LM accommodation available to holders of employment permits depends on the duration of the permit.

I. Family and personal considerations

Family members. If an individual has been granted a medium-term or long-term employment permit, family members may live with them in LM accommodation. Family members generally have a right to work in Guernsey but they need to apply for the applicable family member residence permit. Family members of holders of short-term employment permits cannot live in LM accommodation with the permit holder.

Immediate or extended family members can live in an OM accommodation by applying for the relevant family member residence permit.

Driver's permits. New residents of Guernsey may drive with an overseas license for a maximum duration of one year. Thereafter, they need to apply for a Guernsey license. In many cases, an overseas license can be exchanged for a Guernsey license. This reciprocity applies to Isle of Man, Jersey, European Union countries and EEA countries, as well as certain other jurisdictions including Australia, Canada, the Hong Kong SAR, Japan, New Zealand, South Africa and Switzerland.

In all other circumstances, to obtain a Guernsey driver's license, an applicant must take a practical test and a theoretical exam based on the highway codes.

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A. Income tax

Who is liable. Individuals resident in Guinea are subject to tax on worldwide income. Nonresidents are subject to tax on Guinea-source income only.

Individuals are considered resident if they meet either of the following conditions:
- They maintain a home in Guinea or stay there for more than six months in a year.
- They are engaged in employment or self-employment activities in Guinea, unless they prove that these activities are incidental to activities performed abroad.

Income subject to tax

Employment income. Taxable income generally consists of all remuneration received, including, salaries, treatments, indemnities, allowances, premiums and bonuses paid, benefits in kind and benefits in cash. However, the following indemnities, allowances, bonuses or premiums are not taxable:
- Housing
- Transportation
- Meals or food
- Cost of living
- Chalk

Self-employment and business income. In general, self-employed residents are subject to general income tax on their worldwide income from professional and commercial activities. Self-employed nonresidents are subject to general income tax on income derived from activities performed in Guinea.

Taxable income consists of total net income from all categories.

Taxable income from commercial activities includes all receipts, advances, interest and gains directly related to the activities. Generally, taxable income is calculated on an accrual basis; however, taxpayers may elect to calculate taxable income using a deemed-profits system if gross revenue does not exceed a certain amount.

Taxable income from professional activities is determined on a cash basis, meaning the difference between receipts and expenses paid during the calendar year, including gains or losses from the sale of professional assets.

A loss incurred in one category of income may not offset income from other categories. However, the loss may be carried forward for three years to offset income in the same category.

Investment income. Dividends and interest income from investments in Guinea are subject to a withholding tax, which constitutes a prepayment of the general income tax (see *Rates*). Under certain conditions, this withholding tax is a final tax. The withholding tax rate for dividends is 10%. The withholding tax rate for interest is 10%.

Directors' fees are treated as investment income and are subject to general income tax at a rate of 10%.

If the payer is a resident of Guinea and if the nonresident recipient does not have a business establishment in Guinea, the payer must withhold the final 15% general income tax on amounts paid to nonresidents for copyrights and for the use of intangible assets. The withholding tax rate on services fees paid to nonresident entities or individuals is 15%.

Capital gains. Gains derived from the transfer of shares are subject to withholding tax at a rate of 10%.

Capital gains related to self-employment activities generally are included with other self-employment income and taxed as described in *Self-employment and business income* and *Rates*. However, capital gains from sales of fixed assets may be exempt from tax if reinvested.

Deductions

Deductible expenses. The following expenses are deductible:
- Social security contributions
- Amounts withheld by an employer for a legal pension plan

Personal deductions and allowances. No personal deductions or allowances apply if an employee receives only employment income and does not elect joint taxation of the combined income of all household members. If joint taxation of the household is elected, individuals may take a personal deduction of GNF30,000 for each member of the household, up to a maximum of six persons.

Business deductions. The following expenses are deductible for commercial, professional and agricultural activities:
- Expenses necessary to carry on the activities, including personnel and rental expenses
- Depreciation
- Provisions for losses and expenses if the accrual method of accounting is used

Rates

Employment income tax. The following table presents the progressive tax rates on employment income.

Taxable income Exceeding GNF	Not exceeding GNF	Tax rate %
0	1,000,000	0
1,000,000	5,000,000	5
5,000,000	10,000,000	10
10,000,000	20,000,000	15
20,000,000	—	20

Tax withheld by an employer during the year is a final tax if an employee receives employment income only. However, if an employee receives other types of income, the withholding is a prepayment toward the general income tax (see *General income tax*).

General income tax. General income tax is levied on taxable income. A withholding tax is levied separately on taxable income from commercial, professional and agricultural activities. The applicable rates vary from 25% to 35% for commercial activities (depends on the sector of activities concerned), 25% for professional activities and 15% for agricultural activities. This withholding tax is a final, fixed rate general income tax for self-employed persons who do not elect the taxation of all household members and who have only one source of income that is taxed under a deemed-profits system. For self-employed persons with more than one source of income or for self-employed persons who are taxed on actual profits rather than deemed profits, the withholding tax is a prepayment that offsets the general income tax.

General income tax is levied at the following progressive rates.

Taxable income Exceeding GNF	Not exceeding GNF	Tax rate %
0	100,000	0
100,000	1,000,000	10
1,000,000	1,500,000	15
1,500,000	3,000,000	20
3,000,000	6,000,000	25
6,000,000	10,000,000	30
10,000,000	20,000,000	35
20,000,000	—	40

Nonresidents. If a payer is a resident of Guinea and if the nonresident recipient does not have a business establishment in Guinea, the payer must withhold the final 15% general income tax on the following gross amounts:

- Amounts paid for independent professional services
- Amounts paid to inventors
- Amounts paid for services, regardless of their nature, materially rendered in Guinea

The withholding tax rate on services fees paid to nonresident entities and nonresident individuals is 15%.

Nonresidents who perform incidental activities for employers established in Guinea are subject to withholding on their wages related to Guinean activities at the rates that apply to employment income. This withholding tax constitutes only a prepayment of tax. Nonresident employees receiving wages from non-established employers for incidental Guinean activities are subject to general income tax instead of withholding.

B. Inheritance and gift taxes

Inheritances and gifts are subject to tax at progressive rates ranging from 1% to 3%, depending on the net value of the inheritance or the gift and on the beneficiary's relationship to the deceased or donor.

C. Social security

The following social security contributions are required.

	Rate (%)
Paid by employers	
Family allowances	6
Industrial accidents	4
Medical expenses and disability	4
Old age pensions and death benefits	4
Paid by employees	
Medical expenses and disability	2.5
Old age pensions and death benefits	2.5

Contributions are levied on total remuneration paid, up to a monthly ceiling of GNF2,500,000. Employees' contributions are withheld monthly by employers.

D. Tax filing and payment procedures

The tax year for individuals is the calendar year.

General income tax returns must be filed by 30 April following the close of the tax year. A self-employed individual subject to general income tax must file an income tax return by 30 April.

General income tax computed is payable on receipt of a tax assessment.

E. Tax treaties

Guinea has entered into double tax treaties with France, Morocco, Tunisia and the United Arab Emirates.

F. Entry visas and permits

Foreign nationals, even those classified as residents, must obtain visas to enter Guinea. Visas may be obtained from Guinean consulates and embassies abroad.

Nationals of member countries of the Economic Community of West African States (ECOWAS; the French translation is Communauté Économique des Etats de l'Afrique de l'Ouest or CEAO) and nationals from certain countries that have concluded special agreements with Guinea do not need visas to enter the country.

A short-term permit is issued for initial entry into Guinea and is valid for a period ranging from one day to a maximum of three months.

G. Work permits and self-employment

No visa authorizes an individual to work. A work permit authorized by the national employment and labor office (AGUIPE) must be obtained.

Nationals of member countries of the ECOWAS do not need an authorization to work in Guinea.

The request for an initial work permit is made by a letter from a prospective employer explaining the reasons why the applicant is being hired. It should be accompanied by four copies of the expatriate work contract, two identification photographs, hotel reservations or an invitation letter, and a return flight ticket.

When reviewing work and residence permit applications, the government of Guinea considers the benefit of an individual's presence in the country and his or her anticipated compliance with the laws and regulations of Guinea.

It is possible to change employers after the applicant receives a permit.

Foreign nationals may establish businesses in Guinea. In addition, foreign companies may set up subsidiaries headed by foreign nationals.

H. Residence permits

Long-term residence permits are issued to foreign nationals intending to stay in Guinea for periods exceeding three months. These permits must be renewed annually. Permanent residence permits are not available in Guinea.

Residents themselves must take the necessary steps to obtain long-term residence permits and multiple-entry and exit visas.

Embassies or consulates abroad provide applicants with the documentation that must be filled out. An international vaccination certificate for yellow fever must be presented to the embassy or consulate abroad, or at the port of entry in Guinea. Reasons for refusal are indicated by the embassies.

The costs of short-term and long-term permits vary. The prices are published by the Ministry of Economy and Finance (MEF). Both types of permit must be renewed every year.

I. Family and personal considerations

Family members. The spouse of a permit holder automatically receives a residence permit to live in Guinea. If the spouse wishes to work, he or she must apply for a work permit independently of the principal permit holder.

Driver's permits. Foreign nationals may not drive legally in Guinea using their home-country driver's licenses. However, they may drive legally with an international driver's license for the duration of the license. On the expiration of a foreign national's international driver's license, he or she has the following options:

- To renew the international driver's license
- To request a Guinean driving authorization
- To request a Guinean driver's license

To obtain a Guinean driver's license, individuals must take a written exam similar to the one given in France.

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A. Income tax

Who is liable

Territoriality. Individuals who are ordinarily resident or domiciled in Guyana are subject to tax on their worldwide income. Individuals who are not ordinarily resident or domiciled in Guyana are taxable on income accruing in or derived from Guyana, including income from any employment exercised in Guyana, regardless of whether the income is received in Guyana.

However, earned income (including employment income) that arises outside Guyana or that arises to a person not ordinarily resident or domiciled in Guyana is taxable only when it is received in Guyana.

Definition of resident. Individuals are considered resident in Guyana if they reside in Guyana for a period of more than 183 days in the tax year or if they reside or intend to permanently reside in Guyana. The concept of ordinary residence is understood as is applied under common law jurisprudence and examines various factors that determine the individual's habitual place of abode. Domicile is not defined under the Income Tax Act but generally refers to the jurisdiction that the individual regards as his or her permanent home.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable income from employment includes salaries, bonuses and any other allowances granted with respect to employment after allowing for appropriate deductions and exemptions. In the case of an expatriate, taxable income includes

the value of employer-provided benefits, including accommodation and transportation.

Emoluments deposited on behalf of an employee into an approved Savings Scheme may be exempt from tax.

Self-employment income. Taxable profits generally consist of business profits as disclosed in the business operation's financial statements, subject to various tax adjustments. Income tax is imposed on net business income.

Investment income. Dividends received by residents of Guyana from Guyana resident companies are not subject to tax. However, interest, rental income and royalties or other income arising from property are aggregated with other income and taxed accordingly.

Interest that accrues to an individual during any year on the amount credited to him or her in an approved Savings Scheme established under the Savings Scheme Act is exempt from tax. Also, dividends paid by an approved mortgage finance company are exempt from tax in Guyana.

An individual resident in Guyana is exempt from income tax on interest earned on savings accounts if he or she satisfies both of the following conditions:

- He or she is 60 years or older at the start of the tax year or is incapacitated by illness or infirmity.
- He or she does not earn income exceeding GYD780,000 per year. If the income of the person exceeds GYD780,000, such person is taxed on interest earned on savings accounts.

A final withholding tax at a rate of 20% is imposed on dividends, interest, royalties and management fees paid to nonresident individuals.

Taxation of employer-provided stock options and profit-sharing schemes. No specific provisions in Guyana regulate the taxation of employer-provided stock options. Consequently, the tax treatment is based on general principles and case law. Ordinarily, an option is taxed on the difference between the market value of the shares and the price at which the option is granted if the employee receives an irrevocable right to acquire shares at the time of grant. If the option can only be exercised after a vesting period (that is, the employee only gets an irrevocable right after such period), such option is taxable at the end of the vesting period. In general, gains derived from the subsequent sale of the shares acquired under the option may be subject to capital gains tax if the shares are held in excess of 12 months. If the shares are sold within 12 months of acquisition, the gains are subject to income tax. If a vesting period must elapse before the employee obtains an irrevocable right to acquire shares, the taxing date is the date of vesting.

Capital gains. Capital gains tax is payable at a rate of 20% on the change of ownership of property in Guyana as well as in other specific cases. Capital gains accruing outside Guyana accruing to a person not ordinarily resident or domiciled in Guyana are taxable in Guyana only if received in Guyana.

A net taxable gain realized on the disposition of certain assets within 12 months after acquisition is subject to income tax as ordinary income.

No capital gains tax is payable on the gains arising from the disposal of the shares or stock of public companies or on the gains arising from the sale of property used as a private residence, if the proceeds of the sale are used for the purchase of a property of equal or greater value within 60 days after the end of the year in which the property is sold.

The following deductions are allowed in calculating capital gains tax:

- Expenditure (other than the purchase price, if any) incurred solely in connection with the acquisition of that property by the person who is the owner of that property immediately before the change of ownership.
- Expenditure incurred by the owner in making improvements, additions and alterations to the property. This is subject to the condition that if any expenditure was allowed as a capital allowance, such amount is not allowed in computing the capital gain or loss.
- Costs incurred in connection with the transaction that results in the change of ownership, such as legal fees and agent's fees.

Deductions

Personal deductions and allowances. The following is a list of allowances and deductible expenses allowable with respect to the 2019 tax year:

- Personal allowance, which is the greater of GYD780,000 per year or one-third of the employee's total income from all sources excluding income subjected to withholding taxes)
- Employee contributions to the National Insurance Scheme (NIS)
- Traveling allowances (deductible only if related the exercise of employment)
- Station allowance
- Entertainment allowance
- Subsistence allowance
- Meal allowance
- Security and telephone allowance (this is by the current policy of the Guyana Revenue Authority [GRA] and not provided for in a statute)
- Medical and dental expenses (deductible only for government employees)
- Gratuity (deductible only for government employees)
- Leave entitlement
- Severance pay
- Vacation allowance (up to a maximum of one month's basic salary)

The traveling, subsistence, vacation and entertainment allowances are deductible only if it is proven that the allowances were expended for the purposes for which the allowances were granted.

Business deductions. Any expenses incurred wholly and exclusively for the purpose of producing income are deductible.

Reserves or provisions of a general nature are not allowable. Write-offs of specific amounts or balances generally are allowed if the Commissioner General of the GRA is satisfied that they are not recoverable.

In computing taxable profits, depreciation and amortization for financial statement purposes are replaced by capital allowances for tax purposes. Annual allowances at rates ranging generally from 5% to 33 1/3% are available. These allowances may be calculated on a straight-line or reducing-balance basis. If calculated on a straight-line basis, allowances are limited to 90% of the cost of the asset.

Rates

Income tax. Personal income tax is imposed at the following rates.

Taxable income	Tax rate (%)
Up to GYD560,000	28
Over GYD560,000	40

Other taxes on income. Payments to resident individual contractors in excess of GYD500,000 are subject to resident individual contractor tax. This tax is imposed as a withholding tax at a rate of 2% on each payment. This tax applies with respect to contracts for the providing or supplying of independent personal services for reward and includes the supply of labor and the hiring of equipment. Contractor tax must be paid to the Guyana Revenue Authority (GRA) within 30 days after the payment. This is a prepayment of the resident individual's taxes, which is creditable against his or her ultimate tax liability.

The tributor's tax is imposed at a rate of 10% on persons engaged in the gold and diamond mining industry, such as drivers, cooks and sailors, who are rewarded for their labor under the tribute system. This tax is a prepayment of tax, which is creditable against the individual's ultimate tax liability. The employer must deduct and remit the tax to the GRA on or before 1 April, 1 July, 1 October and 31 December in each year of income. For the purpose of calculating the amount of tax to be withheld, a deduction of GYD720,000 per year, apportioned according to the individual's earning period, is allowed.

The diamond withholding tax is withheld at a rate of 2% of the value placed by the Guyana Geology and Mines Commission on the amount of diamond declared by an individual.

The gold withholding tax is withheld according to the following scale, which is based on the price of the gold.

Price of gold (per ounce)	Income tax payable
Under USD1,100	2% of gross proceeds
At least USD1,100 and under USD1,300	2.5% of gross proceeds
At least USD1,300 and under USD1,600	3% of gross proceeds
USD1,600 or more	3.5% of gross proceeds

The gold and diamond withholding taxes are prepayments of tax.

Relief for losses. Losses may be carried forward and offset against future taxable income until it is completely recouped. However, the losses to be offset in future years may not exceed one-half of the amount of the tax payable had the offset not occurred. Losses may not be carried back.

B. Property Tax

Property Tax is payable on net "property" (see below) of every individual as of the end of the fiscal year. The net property of a person is the amount by which the aggregate value of the property of the person exceeds the value of any debts owed by him or her, other than the following:

- A debt incurred without consideration or without full consideration in money's worth
- A debt incurred that is not wholly for his or her benefit
- A debt for which a right of reimbursement from any other person exists unless such reimbursement cannot be obtained
- A debt charged or secured by, or incurred in relation to, any property of him or her, which is to be excluded for the purposes of the Property Tax under the Property Tax Act
- Any debt incurred by him or her outside Guyana other than any such debt that is contracted to be paid in Guyana or secured by property in Guyana

The term "property" includes immovable and movable property, rights of any kind and effects of any kind, located in Guyana or elsewhere and the proceeds from the sale of such property and money or investment for the time being representing them (any cash from the sale of property or any property acquired from the exchange of investments). However, "property" does not include the property of a person outside of Guyana if that person is not domiciled in or ordinarily resident in Guyana.

For property acquired before 1 January 2011, the value of property is considered to be the estimated open market price together with the cost of improvements and additions made after that date. The value of property acquired by purchase on or after that date is the cost of purchase and improvements and additions. If acquired other than by purchase, the value is considered to be the open market value. If the property consists of debts, the value is considered to be the nominal value of the debts.

The value of the property is subject to the following deductions:

- If the property is other than debt, wear-and-tear allowances (but not initial allowances) as authorized by the Income Tax Act
- For debts, any deduction from the nominal amount that has been allowed for income tax purposes

The following are the Property Tax rates.

Value of net property	Rate of tax (%)
First GYD40,000,000	Nil
Next GYD20,000,000	0.50
Over GYD60,000,000	0.75

Property Tax returns must be filed by the following:

- An individual who is resident in Guyana and possessed net property of the value of GYD40 million or more at the end of the tax year

- A nonresident who possessed net property located in Guyana valued at GYD40 million or more at the end of the tax year
- Every body of persons (including a company) registered or carrying on business in Guyana with net property in excess of GYD40 million at the end of the tax year

Property Tax returns must be filed and tax paid on 30 April of the year following the tax year.

C. Social security

Contributions. Contributions to the NIS must be made at the following rates on maximum monthly insurable earnings of GYD256,800:

- For employees: 5.6%
- For employers: 8.4%
- For self-employed persons: 12.5% (of their declared income up to GYD256,800)

Totalization agreements. Guyana has entered into social security totalization agreements with the Caribbean Community and Common Market (CARICOM) to provide relief from paying double social security taxes and to assure benefit coverage.

D. Tax filing and payment procedures

The tax year in Guyana is the calendar year. In general, married individuals are taxed separately, not jointly, on all types of income. Every individual receiving income must file an income tax return by 30 April of the year following the tax year. Every individual receiving income from a trade, business, profession or vocation must file an income tax return for the tax year, even if the business operated at a loss.

Employers must deduct tax from employees under the Pay-As-You-Earn system.

Every self-employed individual receiving income must pay tax in four equal installments on or before 1 April, 1 July, 1 October and 31 December in each tax year. Each installment must equal one-quarter of the tax on taxable income for the preceding year. The balance of tax due, if any, must be paid no later than 30 April of the following year.

Nonresidents must file tax returns for any year in which they derive income from Guyana sources. For the filing of returns, nonresidents follow the administrative rules that apply to residents.

The penalty for the late filing of a tax return is 10% of the tax assessed. In addition, a flat fee of GYD50,000 is payable for a failure to file a tax return regardless of whether tax is payable. Further, if the balance of tax due is not paid by the 30 April deadline, a penalty of 2% per month is payable. Failure to pay tax also attracts interest at a rate of 18% per year.

E. Double tax relief and tax treaties

Unilateral relief. A Guyana taxpayer who proves to the satisfaction of the GRA that he or she has paid income tax on foreign income is entitled to claim a credit for such tax paid against Guyana tax

chargeable with respect that income, as determined under specific rules in the Income Tax Act.

Double tax treaties. Guyana has entered into double tax treaties with the CARICOM member states (Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago), Canada and the United Kingdom. In general, the credit available may not exceed Guyana tax payable on the underlying foreign-source income.

The treaty with the CARICOM member states provides for reduced withholding tax rates as well as exemption from tax on income received by the recipient, because the treaty is a source-based treaty.

F. Entry visas

Only Guyana citizens and their dependents have the right to enter the country freely. Nonresidents are subject to varying entry requirements. Depending on the nationalities of the individuals, visas may not be required for entry into Guyana.

G. Work visas and/or permits

In general, foreign nationals employed by companies in Guyana must obtain both entry visas (subject to certain exceptions mentioned above) and work permits. The Ministry of Presidency, Department of Citizenship and Immigration, requires specific and detailed information before granting work permits to foreign nationals. The government requires that employment opportunities first be offered to Guyana nationals and residents before nonresidents.

In general, CARICOM nationals may be given up to six months for employment purposes on entry into Guyana. If a CARICOM national has a Certificate of Recognition of Caribbean Community Skills Qualification by virtue of being a university graduate or meeting other specific criteria, the person may enter Guyana for a period of six months or some other indefinite period and work in Guyana. Similar rights are granted to the spouse and dependents of the CARICOM national.

Non-CARICOM nationals may be granted up to three months for employment purposes on entry into Guyana. However, the Chief Immigration Officer may extend the initial period granted to two years.

Work permits are non-transferable. If a work permit holder leaves the employer, the work permit is canceled. The employer must inform the authorities that the employee has left the company.

If a foreign national is entering Guyana for the purpose of employment, a landing permit/employment visa must be obtained prior to arrival in Guyana. Subsequent to his or her arrival, a work permit must be obtained.

The following documents with respect to the employee must be submitted to the Department of Citizenship and Immigration to facilitate the landing permit/employment visa and work permit application processes:

- Landing permit/visa application form

- Work permit application form
- Copy of the applicant's entire passport, together with the sponsor's, if applicable (the passport must be valid for at least six months)
- Two passport-size color photographs
- Police clearance
- Medical report
- Credentials for the applicant (for example, certificates of qualifications)

In addition to the above, the following documents with respect to the employer must be submitted:

- A letter addressed to the Department of Citizenship and Immigration requesting landing permission for employment status (the letter must include the expected position within the company, expected date of arrival and duration of stay in Guyana)
- A letter addressed to the Department of Citizenship and Immigration requesting a work permit
- A letter addressed to the Department of Citizenship and Immigration providing a brief history on the company and its operations in Guyana
- Employment contract or letter of assignment
- Tax liability statement and National Insurance compliance if applicable
- Certificate of registration or incorporation
- Vacancy advertisement in the newspaper (must be published three months prior to the application)
- Application fee of USD140

Work permits are granted for a two-year period. If a traveling individual requires a visa but is unable to apply at any of Guyana's missions or consulates, visas may be issued on arrival in Guyana.

H. Residence visas and/or permits

An individual who is legally married to a Guyanese individual or who has been living in Guyana legally for more than five years may apply for residency.

An application must be submitted to the Department of Citizenship and Immigration to obtain residency. To approve a residency application, the authorities must be satisfied that the applicant can support himself or herself and will not be a burden to the country. The individual's qualifications and entitlement to residence status on the basis of marriage or similar criteria are also taken into consideration.

No quota system exists for issuing residence permits. Each application is evaluated on its own merit.

I. Family and personal considerations

Family members. Any family member of a working expatriate who wants to work in Guyana must obtain his or her own work permit to be employed in Guyana or must obtain extensions of stay to reside in Guyana.

Children accompanying work permit holders who are in Guyana for the sole purpose of studying must obtain students visas.

Forced heirship. An individual is allowed to will their property as they wish. In the absence of a will, specific rules govern the distribution of his or her estate. The legislation also provides for family members and dependents to apply for a financial provision to be made for them out of the property left by the deceased, if the property left by the will or intestacy is deemed insufficient.

Driver's permits. Foreign nationals holding a driver's license issued in their home country may be able to obtain a driver's license locally by submitting the following to the GRA:

- Completed application form
- Foreign driver's license
- Taxpayer Identification Number
- Copy of valid identification (passport or national identification)
- Three passport-size photographs
- Application fee of USD20

No medical, physical or written examination is required.

Honduras

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The immigration sections in this chapter have not been updated since 1 July 2018.

Please direct all inquiries regarding Honduras to the persons listed below in the San José, Costa Rica, office of EY. All engagements are coordinated by the San José, Costa Rica, office.

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A. Income tax

Who is liable. Resident and nonresident individuals, regardless of their nationality, are subject to tax on their Honduras-source income only.

Individuals are considered resident if they live in Honduras for more than three consecutive months during a tax year.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable employment income includes salary, pensions, bonuses, premiums, commissions and allowances (for example, housing and educational allowances). Payments made to board members, other executives and counselors not included in the

payroll are subject to a 12.5% and 1% income withholding tax, respectively. The 12.5% rate applies to various payments, such as professional fees, commissions and bonuses, while the 1% rate applies to payments for goods and services.

Self-employment and business income. Income derived from self-employment or from a trade or business is subject to tax.

Investment income. Dividends paid or credited by local companies to resident and nonresident individuals are subject to a 10% withholding tax. Royalties from franchises are subject to a 10% withholding tax. Technical advice and similar payments are subject to a 10% withholding tax.

Directors' fees. Directors' fees paid to nonresident individuals are subject to a 25% withholding tax. Directors' fees paid to resident directors are taxed at the ordinary individual income tax rates (see *Rates*).

Capital gains. Capital gains are subject to a tax at a flat rate of 10%.

Capital losses are deductible only if derived from the sale of depreciable assets or from the sale of non-depreciable assets sold in the ordinary course of a trade or business. Occasional (non-habitual) sales of non-depreciable assets are not subject to tax.

Capital gains must be reported and taxes paid within the first 10 days of the month following the month in which the transaction takes place. An annual return must be also be filed by 30 April each year.

Capital gains derived by nonresidents are subject to a 4% withholding tax on the gross proceeds, which is an advance payment of the final 10% tax. The withholding tax must be remitted within the 10 calendar days following the transaction.

Deductions

Personal deductions and allowances. Annual deductions for medical and educational expenses are allowed up to a maximum of HNL40,000 (approximately USD1,617).

Business deductions. All costs and expenses that are necessary to generate taxable income and protect investments are deductible.

Rates. Employment and self-employment income are taxable at the following rates.

Annual taxable income		Tax
Exceeding HNL	Not exceeding HNL	rate %
0	158,995.06	0
158,995.06	242,439.28	15
242,439.28	563,812.30	20
563,812.30	—	25

The above tax rates are subject to change by the government.

Withholding tax is imposed on nonresidents at a rate of 25% on salaries, commissions and other similar compensation items.

Relief for losses. Self-employed individuals may not carry their losses forward or back.

B. Estate and gift taxes

Honduras does not impose estate or gift taxes. However, estates may be taxed as ordinary taxpayers if they derive income before distributions of assets are made to the beneficiaries.

C. Social security

Sickness and Maternity Contribution. The contribution rates for the Sickness and Maternity Contribution (Enfermedad y Maternidad) are 5% for the employer and 2.5% for the employee. The contribution is calculated on a maximum monthly salary of HNL8,933.97 (approximately USD361).

Old Age, Invalidity and Death Contribution. The contribution rates for the Old Age, Invalidity and Death Contribution (Vejez, Invalidez y Muerte) are 3.5% for the employer and 2.5% for the employee.

The contribution is calculated on a maximum monthly salary of HNL9,326.42 (approximately USD377).

Professional Risk Contribution. The contribution rates for the Professional Risk Contribution (Riesgo Profesional) is 0.2% and is only applicable for the employer.

The contribution is calculated on a maximum monthly salary of HNL8,993.97 (approximately USD361).

Private Contribution Regime – Social Housing Fund. The contribution rate for the Private Contribution Regime – Social Housing Fund (Régimen de Aportaciones Privadas – Fondo Social para la Vivienda) is 1.5% each for the employer and employee.

The contribution is calculated on the employee's salary less the base salary (HNL9,326.42 [approximately USD377]). The result is multiplied by 1.5% in order to calculate the contribution for the employer and the employee.

Labor Reserve Contribution. The contribution is only applicable for the employee. The contribution rate is 2.64%, which is applied to 3 minimum wage salaries. A minimum wage salary is HNL9,257.13 (approximately USD374).

If the employee's salary is less than 3 minimum wage salaries (HNL27,771.39 [approximately USD1,123]), the labor reserve contribution is calculated on the salary paid to the employee by applying the rate of 2.64%.

D. Tax filing and payment procedures

Employers are responsible for withholding income taxes and social security contributions from employees' salaries on a monthly basis. Employees are not required to file an annual income tax return if their only source of income is employment compensation. Nonresidents are not required to file an annual income tax return if their income tax liability has been satisfied through withholding at source.

The ordinary tax year runs from 1 January to 31 December. Returns must be filed and any tax liabilities due must be paid by 30 April of the year following the tax year. However, in certain

specified circumstances, taxpayers may elect a special tax year. Self-employed individuals and individuals with a trade or business must make advance income tax payments.

E. Double tax relief and tax treaties

Honduras has not entered into tax treaties with other countries. However, Honduras has entered into tax information and exchange agreements with Ecuador and the United States.

F. Temporary visas

Depending on their country of citizenship, individuals may be required to apply for and obtain an entry visa before traveling to Honduras. The visa may be granted by a Honduran consulate overseas or by the immigration authorities in Honduras, depending on the citizenship of the individual. Because the rules indicating the countries of citizenship of individuals who are required to obtain an entry visa before entering Honduras and requirements for obtaining a visa often vary, it is necessary to check the entry visa requirements on a case-by-case basis.

G. Work visas (and/or permits)

Foreigners must apply for a Special Residence Permit with the immigration authorities. The granting of this permit is subject to specific rules applicable to employers and employees that need to be checked on a case-by-case basis because they often vary. After the required documents are filed with the immigration authorities, it takes approximately three months to obtain the Special Residence Permit. Special Residence Permits are valid for terms ranging from one year to five years and may be renewed for up to five years. After five years, a new type of permit request must be filed. In addition, foreign employees must apply for a work permit with the Ministry of Labor.

H. Residence visas (and/or permits)

The government of Honduras may grant migratory statuses that allow foreigners to reside in Honduras under several options, such as renters, investors, retirees and certain family relatives. The residency request must be submitted to and processed by the immigration authorities in Honduras. Because the applicable requirements may vary from case to case, they should be checked in advance.

I. Family and personal considerations

Family members. The legislation of Honduras requires that family members of foreign workers file for a Special Residence Permit as dependents. If a family member wants to work in Honduras, he or she must apply independently for a different type of Special Residence Permit with the immigration authorities and for a work permit with the Ministry of Labor. Children of expatriates must have student visas to attend schools in Honduras.

Marital property regime. Assets obtained by any means, except by donation, after the marriage is commenced are considered to be marital property.

Forced heirship. If an individual dies without leaving a will, the beneficiaries of the individual's assets and patrimony according to the law are the following:
• Descendants
• Spouse
• Ascendants
• Collaterals
• Municipal governments

The priority order is set by the Civil Code according to a series of different combinations. The following must be deducted, paid and/or removed from the deceased's estate before it is distributed among the beneficiaries:
• Funeral expenses
• Mortuary procedural expenses
• Debts
• Taxes
• Maintenance obligations of the deceased
• Marital property

Driver's permits. Foreigners entering the country are authorized to drive vehicles with a current driver's license from their country, subject to the validity of the authorization under which he or she remains in Honduras. When the foreigner obtains a migratory status that allows him or her to reside in Honduras, he or she is required to obtain a local driver's license.

Honduras does not have driver's license reciprocity agreements with any other country.

Hong Kong

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This chapter relates to the tax jurisdiction of the Hong Kong Special Administrative Region (SAR) of China.

A. Income tax

Who is liable. Individuals earning income that arises in or is derived from a Hong Kong office or Hong Kong employment, or from services rendered in Hong Kong during visits of more than 60 days in any tax year, are subject to salaries tax.

Hong Kong observes a territorial basis of taxation; therefore, the concept of tax residency has no significance in determining tax liability, except in limited circumstances.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable income consists of all cash emoluments, including bonuses and gratuities. Benefits in kind are largely non-taxable, unless they are convertible into cash or specifically relate to holiday travel or the education of a child. The provision of accommodation by an employer creates a taxable benefit equal to an amount ranging from 4% to 10% of the

employee's other taxable income, depending on the type of accommodation.

An employee is subject to salaries tax if his or her employment income is sourced in Hong Kong, even if he or she is not ordinarily resident in the territory. However, except for directors' fees, a specific statutory exemption applies if an employee renders all his or her services outside Hong Kong or if an employee renders services in Hong Kong during visits to Hong Kong not exceeding a total of 60 days in a year of assessment. Conversely, if a nonresident engaged in non-Hong Kong employment renders services in Hong Kong during visits totaling more than 60 days in a year of assessment, he or she is taxed on a pro rata basis.

Self-employment and business income. Anyone carrying on a profession, trade or business in Hong Kong is subject to profits tax on income arising in or derived from Hong Kong from that profession, trade or business. Taxable income is determined in accordance with generally accepted accounting principles, as modified by the tax code and principles derived from case law.

If an individual receives rental income but the rental activities do not constitute a business, the income is subject to property tax rather than profits tax (see *Rates*). Property tax is charged on 80% of rent received from real estate located in Hong Kong at a rate of 15%, resulting in an effective rate of 12%.

Profits tax, salaries tax and property tax are assessed separately. If beneficial, a permanent or temporary Hong Kong resident individual may elect to be assessed under personal assessment (that is, under the salaries tax method; see *Rates*) on the aggregate of his or her income or losses from all sources.

Investment income. Interest income not derived from investing the funds of a business and all dividend income are exempt from taxation.

No withholding taxes are levied in Hong Kong on dividends or interest paid to nonresidents. However, royalties paid to nonresident individuals for the use of intellectual property rights in Hong Kong are deemed to arise from a Hong Kong business and are subject to withholding tax at an effective rate of 2.25% (for the first HKD2 million of their royalty income) and 4.5% (for the remainder of their royalty income), if the individuals have elected to be subject to the two-tiered profits tax rates regime discussed in *Rates*. The withholding tax rate is increased to 7.5% (for the first HKD2 million of their royalty income) and 15% (for the remainder of their royalty income), if the recipient is related to the payer and if the intellectual property rights for which the royalties are paid were previously owned by a person carrying on a profession, trade or business in Hong Kong (subject to the application of the two-tiered profits tax rates regime referred in *Rates* below).

Directors' fees. Directors' fees derived from a company that has its central management and control in Hong Kong are subject to salaries tax in Hong Kong. Otherwise, directors' fees are not taxable.

Taxation of employer-provided stock options. Employer-provided stock options are generally taxable at the time of exercise. However, for an individual who has non-Hong Kong employment and is taxed on a pro rata basis by reference to the number of days of his or her services in Hong Kong only, part or all of the option gain may be excluded from taxable income. The amount excluded depends on various factors including whether the option is granted conditionally or unconditionally, and, if granted conditionally, the number of days on which the individual performed Hong Kong services during the vesting period.

Taxation of employment-related share awards. Employment-related share awards are generally considered to be perquisites from employment and taxed as part of the remuneration. In general, they become taxable when an employee is entitled to the full economic benefit of the shares awarded. If the employee has a non-Hong Kong employment, proration of the income by reference to the number of days of his or her services in Hong Kong that is similar to the proration applicable to stock option benefits may also be allowed.

Capital gains. Hong Kong does not tax capital gains.

Deductions

Deductible expenses. To be deductible for purposes of salaries tax, expenses must be incurred wholly, exclusively and necessarily in the production of a taxpayer's assessable income. Depreciation allowances (capital allowances) may also be claimed on plant and machinery used in the production of assessable income.

Personal deductions and allowances. For salaries tax, certain education expenses paid to specified institutions are deductible up to HKD100,000 per year. Approved charitable donations are deductible up to 35% of assessable income. Home mortgage interest is deductible, up to HKD100,000 per year for a maximum of 20 years. Mandatory contributions to "recognized retirement schemes," as defined, are deductible up to HKD18,000 per year. Effective from 1 April 2019, qualifying premiums paid to a Qualifying Deferred Annuity Policy and/or tax-deductible Mandatory Provident Fund contributions are deductible, up to the aggregate of HKD60,000 per taxpayer per year. Premiums paid into a Voluntary Health Insurance Scheme are deductible, up to HKD8,000 per qualified insured person per year.

Personal allowances are also available under salaries tax to individuals with an income level at below the "break-even" point (that is, the point where the standard rate of 15% applies, see *Rates*). For the 2019-20 tax year, the following are the amounts of personal allowances available.

Personal allowances	HKD
Prescribed allowances	
Single (a)	132,000
Married (b)	264,000
Child allowance for	
First child to ninth child (each)	120,000
Each child born during the year (additional)	120,000
Dependent parent/grandparent allowance (each)	

Personal allowances	HKD
Aged 60 and above	
Residing with taxpayer	100,000
Not residing with taxpayer	50,000
Aged 55 to 59	
Residing with taxpayer	50,000
Not residing with taxpayer	25,000
Elderly residential care expenses (c)	Up to 100,000
Disabled dependent allowance	75,000
Dependent brother and sister allowance	37,500
Single-parent allowance	132,000 (d)

(a) Granted to a single person or a married person who has not elected joint assessment.
(b) Granted to a married person whose spouse does not have assessable income or to a person who, together with his or her spouse, has elected to be jointly assessed.
(c) Those claiming this deduction are not eligible for a dependent allowance for the same dependent.
(d) Granted to a person who is single, widowed, married but separated from his or her spouse or divorced throughout the year and who is the sole or predominant care provider for a child. The person must be entitled to a child allowance as well.

Business deductions and capital allowances. To be deductible, expenses must be incurred in the production of taxable profits. Certain specified expenses are not deductible, including domestic and private expenses, expenditure of a capital nature or any loss or withdrawal of capital, the cost of improvements and tax paid or payable. The deductibility of interest is determined in accordance with detailed rules.

Subject to the satisfaction of certain conditions, capital expenditure for the acquisition of computer hardware or software, plant and machinery used for manufacturing, eligible environmental-protection installation forming part of a building or structure, eligible environmental-protection machinery, and environment-friendly vehicles qualifies for an immediate 100% deduction in the year in which the expenditure is incurred. Capital expenditure for most other plant and machinery qualifies for an initial 60% allowance and an annual allowance on the reduced balance at a rate of 10%, 20% or 30%, depending on the relevant class of the asset.

An initial allowance of 20% is granted on new industrial buildings in the year in which the expenditure is incurred, and annual depreciation allowances are 4% of qualifying capital expenditure beginning in the year the building is first put into use. No initial allowance is granted on the purchase of used buildings, but annual depreciation allowances may be available. An annual allowance of 4% of the qualifying capital expenditure each year is available on commercial buildings.

All of the above capital allowances may be subject to recapture if the assets are sold for amounts in excess of their tax-depreciated values.

Rates. Three separate income taxes are levied in Hong Kong instead of a single unified income tax. The following rates are the applicable rates for the three taxes for the period from 1 April 2019 through 31 March 2020:

- Profits tax: Under the two-tiered profits tax rates regime, the rate of tax for the first HKD2 million of profits of unincorporated businesses is reduced by half (that is, reduced from 15% to 7.5%). The remainder of the profits continue to be taxed at the normal rate of 15%. However, each group of "connected entities" can only elect one entity in the group to benefit from the two-tiered regime for a given year of assessment. In this regard, an entity is a defined to include a natural person and a "connected entity" of another entity if any of the following circumstances exist:
  — One of them has control over the other.
  — Both of them are under the control of the same entity.
  — If the first entity is a natural person carrying on a sole proprietorship business, the other entity is the same person carrying on another sole proprietorship business.

  "Control" generally refers to one entity holding directly or indirectly of more than 50% of the issued share capital, voting rights, capital or profits of another entity.
- Property tax: levied at a flat rate of 15% on rental income, after a standard deduction of 20%
- Salaries tax: levied on net chargeable income (assessable income less personal deductions and allowances) at progressive rates ranging from 2% to 17%, or at a flat rate (maximum rate) of 15% on assessable income less personal deductions, whichever calculation produces the lower tax liability

The following are the progressive rates for salaries tax for the period from 1 April 2019 through 31 March 2020.

Taxable income HKD	Tax rate %	Tax due HKD	Cumulative tax due HKD
First 50,000	2	1,000	1,000
Next 50,000	6	3,000	4,000
Next 50,000	10	5,000	9,000
Next 50,000	14	7,000	16,000
Remaining	17	—	—

Tax rebate. A one-off tax rebate is granted for the 2018-19 tax year. This rebate equals 75% of the final tax payable with respect to salaries tax and tax under personal assessment, subject to a ceiling of HKD20,000 in each case.

Relief for losses. Business losses of an individual are calculated in the same manner as profits and may be carried forward indefinitely against future income in the same business or may be offset against the individual's other sources of income under personal assessment. In both cases, losses cannot be carried back.

B. Estate tax

Estate duty was abolished, effective from 11 February 2006. Estates of persons who pass away on or after that date are not subject to estate duty.

C. Social security

Hong Kong does not impose any social security taxes. Employers and employees are each required to contribute the lower of 5% of the employees' salaries or HKD1,500 per month to approved

mandatory provident fund schemes unless the employees are covered by other recognized occupation retirement schemes.

D. Tax filing and payment procedures

The tax year in Hong Kong runs from 1 April to 31 March. Penalties apply for breaches of time limits in filing returns. Individual taxpayers are usually issued composite tax returns and are required to report all income from the various sources subject to profits tax, salaries tax or property tax. Salaries tax is automatically levied separately on the employment income of married couples and is paid separately by each spouse. However, a married couple not wishing to be assessed separately may elect joint assessment on their salaries, or, if beneficial, elect a combined assessment of their income from all sources under personal assessment.

No payroll or withholding tax requirements apply for purposes of salaries tax, except for a taxpayer who is about to leave Hong Kong for over one month (other than in the course of his or her employment). Profits, property and salaries tax all operate under a system of prepaid tax, known as provisional tax. The provisional assessment for a tax year is an estimate, normally based on the preceding year's assessment, and is payable in two installments: one equal to 75% of the preceding year's tax liability, usually payable in the final quarter of the relevant tax year, with the remaining 25% payable three months later. When the actual income for the tax year is determined, a final tax assessment is issued, giving credit for provisional tax already paid. The final tax assessment is combined with a provisional tax assessment for the following year. The final tax is payable at the same time as the 75% installment of provisional tax for the following year.

E. Double tax relief and tax treaties

Employment income derived from services rendered outside Hong Kong is exempt from salaries tax if the person is chargeable to and has paid tax of substantially the same nature as salaries tax with respect to that income.

Effective from the 2018-19 tax year, for employment income derived from services rendered outside Hong Kong in a territory that has entered into a double tax agreement with Hong Kong, any relief from double tax is by way of a tax credit rather than an income exemption.

The income exemption or tax credit allowable must not exceed the relief that would be allowed if the taxpayer had taken reasonable steps to minimize the foreign tax payable. Subsequently, if the relief is excessive, the taxpayer has an obligation to inform the Hong Kong tax authority to have the Hong Kong salaries tax correctly adjusted.

Hong Kong has entered into double tax agreements with Austria, Belarus, Belgium, Brunei Darussalam, Canada, China Mainland, the Czech Republic, Finland, France, Guernsey, Hungary, India, Indonesia, Ireland, Italy, Japan, Jersey, Korea (South), Kuwait, Latvia, Liechtenstein, Luxembourg, Mainland China, Malaysia, Malta, Mexico, the Netherlands, New Zealand, Pakistan, Portugal, Qatar, Romania, the Russian Federation, Saudi Arabia, South Africa, Spain, Switzerland, Thailand, United Arab Emirates, the United Kingdom and Vietnam.

F. Visitor status

Most people may easily enter Hong Kong for visiting purposes with their passports. The length of time one is permitted to stay in Hong Kong under visitor status depends on the country that issued the passport. For example, a US passport holder is allowed to stay in Hong Kong as a visitor for three months. However, for passport holders of some Asian countries, the period may be as short as one week. Visitor status does not permit the passport holder to undertake employment in Hong Kong.

G. Work and self-employment visas

To work in Hong Kong, a foreign national must obtain an employment visa.

Because of the change of sovereignty on 1 July 1997, the immigration policies relating to British subjects have been revised. Under the new law, British subjects may obtain a six-month visitor visa free period for visiting Hong Kong, and must obtain employment visas to work in Hong Kong. The procedures for obtaining visas are the same for British subjects as for other foreign nationals.

Work visas. The Immigration Department recommends that foreign nationals apply for work visas from their home countries or where they reside prior to their arrival in Hong Kong. The entire process takes four to six weeks. However, an employee urgently needed by his or her employer in Hong Kong may enter Hong Kong with a visitor visa, then apply for a change of status from visitor visa to work visa while in Hong Kong. This method is not encouraged by the Hong Kong Immigration Department. If the applicant is applying for a work visa in Hong Kong while still holding a visitor visa, he or she must extend the visitor visa periodically until his or her work visa is granted. An applicant is not allowed to take up any employment in Hong Kong under a visitor visa.

Work visas are granted for a particular job with a particular employer. Generally, the employer must demonstrate that the applicant has recognized professional qualifications, has relevant work experience, and is uniquely qualified for the job.

A work visa is generally valid for an initial period of up to two years and may be renewed. The first extension is granted for a maximum period of three years and followed by a second extension for a maximum period of three years.

If an applicant has been allowed to take up employment as a professional in Hong Kong for not less than two years and had assessable income for salaries tax of not less than HKD2 million in the previous tax year, the applicant may apply at any time for an extension of stay for a maximum period of six years under the top-tier employment stream.

After seven consecutive years of employment in Hong Kong, an individual may apply for permanent residence. This enables him or her to work in Hong Kong without a work visa.

Applying from the home country. A prospective employee should complete application Form ID990A, and send it, with a photograph

attached, to the local sponsor in Hong Kong or directly to the Hong Kong Immigration Department. This application should be sent with specified documents, including, but not limited to, the following:

- A photocopy of the applicant's travel document containing its date of issue, date of expiration and details of the re-entry visa (if applicable).
- The name, contact address and telephone number of the applicant's local sponsor in Hong Kong.
- An up-to-date résumé of the applicant's qualifications and work experience. This must be accompanied by certification of the applicant's academic qualifications by a university, as well as by proof of the applicant's previous working experience.
- A copy of the applicant's service contract or letter of appointment with a detailed description of the position, salary and assignment period.
- A letter, with supporting proof from the applicant's employer (if possible), stating the reason why the post cannot be filled locally.
- The most recent financial statements of the employer.
- Form ID990B completed and signed by the local sponsor.
- A copy of the local sponsor company's business registration certificate.
- Copies of the marriage certificate and birth certificates of the children, if dependent visas are sought.

Application forms and sponsorship forms can be obtained from the Hong Kong Immigration Department.

If an application is approved, an entry visa is issued to the local sponsor who is asked to send it to the applicant. The applicant must present this visa together with his or her passport or travel document to the immigration officer on arrival in Hong Kong. At the port of entry in Hong Kong, the official work visa is endorsed on the applicant's passport or travel document with the effective period stated on a landing slip. Extensions of the visa may be obtained subsequently if applied for before the expiration date.

Applying in Hong Kong. If an employee enters Hong Kong initially with a visitor visa and then applies for a change of status from visitor visa to work visa in Hong Kong (this is not encouraged by the Immigration Department), the employee should submit specified documents to the Immigration Department, including, but not limited to, the following:

- Forms ID990A and ID990B (completed by the applicant and local sponsor, respectively)
- Original of certification from the applicant's employer regarding the terms of his or her employment
- The applicant's résumé detailing qualifications and work experience
- A company staff list of the local sponsor (optional)
- Copies of the applicant's academic qualifications, for example, a university diploma
- Photocopies of the applicant's and the dependents' passports, if applicable (personal particulars page and page with entry visa landing slip)
- The applicant's detailed job description from his or her employer
- The most recent annual financial statement of the employer
- A copy of the business registration certificate from the applicant's local sponsor

- Original of the marriage certificate and the birth certificates of the children if dependent visas are sought
- The local sponsor's company ordinances listing the directors and the shares of allotment (optional)
- A copy of the local sponsor's office lease (optional)

The applicant must submit the above documents together with his or her travel document and the dependents' travel documents to the Hong Kong Immigration Department's entry visa section. The original travel documents and certificates are required and are generally returned to the applicant within one day. After the Immigration Department approves the work visa and dependent visas, the applicant is notified for endorsement.

Extensions. To obtain an extension of a work visa, a month before the expiration date of the visa, the applicant must obtain an employment letter from his or her employer certifying that the applicant's employment with that employer will extend beyond the expiration date. The letter, together with Forms I.D. 91, 481A and 481B (if dependent visa extension required), the applicant's and the dependents' original travel documents and copies of applicant's and the dependents' Hong Kong identity cards must be submitted to the Immigration Department's extension section approximately one month before the expiration date. Additional documents are required for the applicant under the top-tier employment stream, such as the notice of salaries tax assessment for the preceding tax year, which was issued by the Inland Revenue Department, or relevant tax documents. It normally takes 14 to 21 working days for the Immigration Department to process the visa extension application. This extension is usually valid for an additional three years (or six years if under the top-tier employment stream). If the work visa holder receives an extension, all dependents should also be granted extensions.

Self-employment visas. A foreign national wishing to invest in or start a business in Hong Kong must apply for an employment (investment) visa. To obtain this type of visa, the applicant must demonstrate that the business that he or she proposes to invest in and carry on will benefit the Hong Kong economy. Because the application procedure for the employment (investment) visa is more complicated than for other visas, it generally requires from four to eight weeks for the Immigration Department to process.

Capital Investment Entrant Scheme. In January 2015, the government announced that the Capital Investment Entrant Scheme was suspended, effective from 15 January 2015, until further notice. The Immigration Department will continue to process applications received on or before 14 January 2015, whether already approved (including approval-in-principle and formal approval) or still being processed.

H. Residence visas

In addition to work visas, other visas permitting residence in Hong Kong include the following:

- Training visas: Issued to foreign nationals coming to Hong Kong for training purposes. This visa is granted for the period of training or for 12 months, whichever is shorter.
- Student visas: Issued to foreign nationals coming to Hong Kong to study. It is granted for the academic year or for up to

12 months, whichever is shorter. The visa generally does not allow its holder to take up employment in Hong Kong.
- Dependent visas: See Section I.
- Admission Scheme for the Second Generation of Chinese Hong Kong Permanent Residents (ASSG): See Section I.

Residence visas and the procedures for obtaining visas are the same for British subjects as for other foreign nationals. All visa applications are subject to being reviewed on a case-by-case basis and are approved by the Immigration Department at its own discretion.

I. Family and personal considerations

Family members

Dependent visas. If an applicant wants to bring his or her family to Hong Kong, the family members (that is, his or her spouse or the other party to a same-sex civil partnership, same-sex civil union, "same-sex marriage," opposite-sex civil partnership or opposite-sex civil union entered into by him or her in accordance with the local law in force of the place of celebration and with such status being legally and officially recognized by the local authorities of the place of celebration, and unmarried children under age 18) may apply together with the applicant as his or her dependents for dependent visa status. Dependent visas are normally granted for the same time period as the work visa. A dependent visa holder (except a dependent of a person who has been admitted to study unless prior permission is obtained from the Immigration Department) is allowed to work in Hong Kong without prior approval from the Immigration Department under current Hong Kong immigration policy. Dependent visas may be granted to other close relatives who are fully supported by the applicant or who are handicapped, subject to the approval of the Immigration Department.

Identity cards. Within one month after the activation of the work visa and residence visas, the applicant and his or her family must apply for Hong Kong identity cards from the Immigration Department if they are 11 years old or older and are permitted to stay in Hong Kong for more than 180 days. All Hong Kong residents are required by law to carry with them at all times identity cards or their passports for identification purposes.

Second Generation of Chinese Hong Kong Permanent Residents. Persons who are the second generation of emigrated Chinese Hong Kong permanent residents from overseas may apply to return to work in Hong Kong under the Admission Scheme for the Second Generation of Chinese Hong Kong Permanent Residents (ASSG). The following are the key requirements:
- Aged 18 to 40 and born overseas
- At least one parent holding a valid Hong Kong permanent identity card at the time of the ASSG application who was a Chinese national settled overseas at the time of the applicant's birth
- Good educational background, technical qualifications or proven professional experience
- Proficient in written and spoken Chinese (Putonghua or Cantonese) or English

- Sufficient financial means and ability to meet the living expenses for maintenance and accommodation in Hong Kong without recourse to public funds

No quota applies under the ASSG, and applicants are not required to have secured an offer of employment before entry. Persons admitted under the ASSG are normally granted an initial stay of 12 months.

Persons admitted under the ASSG may apply for extension of stay in Hong Kong within four weeks before their visas expire. Although applicants are not required to have secured an offer of employment in Hong Kong on application for entry under ASSG, when applying for extension, applicants are required to have secured an offer of employment (which is at a level commonly taken up by degree holders and has a remuneration package that is at market level). For individuals who have established or joined in business in Hong Kong, they are required to produce proof of their business. Successful applicants for extension of stay are normally permitted to remain in Hong Kong on the 2-2-3 years' extension pattern.

Marital property regime. No community property or other marital property regime applies in Hong Kong.

Forced heirship. Hong Kong law does not provide for forced heirship.

Driver's permits. A foreign national may drive legally in Hong Kong using his or her home jurisdiction driver's license for up to one year or until the approval of his or her Hong Kong work visa, if the individual currently holds a visitor visa and if his or her home jurisdiction is one of the following.

Australia	Ireland	Norway
Austria	Israel	Pakistan
Bangladesh	Italy	Portugal
Belgium	Japan	Singapore
Canada	Korea (South)	South Africa
China Mainland	Luxembourg	Spain
Denmark	Macau SAR	Sweden
Finland	Malaysia	Switzerland
France	Netherlands	Taiwan
Germany	New Zealand	United Kingdom
Iceland	Nigeria	United States
India		

After a foreign national obtains a work visa from the Immigration Department, his or her home jurisdiction driver's license becomes invalid in Hong Kong; therefore, he or she must obtain a Hong Kong driver's license immediately.

A person is eligible for the direct issuance of a Hong Kong driver's license without a test if all of the following conditions are satisfied:

- The person possesses a driver's license issued by one of the above jurisdictions (not an international driving permit) during the past three years.
- The person is applying for driving privileges comparable to those authorized by the issuing jurisdiction.

- The license was obtained by passing the relevant driving tests in the issuing jurisdiction.
- The overseas license is valid or has not been expired for more than three years.
- One of the following circumstances exists:
  - — The driver resided in the issuing jurisdiction for a period of not less than six months and the license was issued during the period of residence.
  - — The individual has held the license for five years or more preceding the date of the application.
  - — The driver holds a passport or equivalent travel document of the issuing jurisdiction.

The following documents (both copies and originals) are necessary for the direct issuance of a Hong Kong driver's license:

- The applicant's Hong Kong identity card.
- The applicant's passport.
- The applicant's home jurisdiction driver's license (an officially certified translation is essential if the license is in a language other than English or Chinese).
- Application fee of HKD900 for 10 years for applicants between 18 and 60 years of age. The application fee is HKD90 for one year for applicants aged 70 or above, renewable each year or HKD270 for a three-year license.
- A completed and signed Form TD63A.
- If the applicant is 70 years of age or older, a Transport Department medical examination report Form TD256, duly completed by a registered medical practitioner to prove that he or she is medically fit to drive.

The applicant must submit the above documents in person or through authorized personnel to the Transport Department's Hong Kong Licensing Office. The entire process takes about one to two weeks.

Hungary

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A. Income tax

Who is liable. Residents are subject to income tax on worldwide income, regardless of whether the funds are transferred into Hungary. Nonresidents are taxed on income from Hungarian sources only. However, tax treaty provisions may override the domestic rule.

Hungarian citizens are considered tax residents. A dual citizen is not a Hungarian tax resident if he or she does not have either a permanent home or habitual abode in Hungary.

The following individuals are also considered Hungarian tax residents:
- European Economic Area (EEA) nationals who spend at least 183 days per calendar year in Hungary
- Third-country (non-Hungarian and non-EEA) nationals who have permanent residence status, or are stateless persons with a permanent residence permit
- Foreign individuals who have a permanent home in Hungary only

Individuals who have permanent homes in Hungary and another jurisdiction or do not have a permanent home anywhere are deemed resident if their center of vital interests is located in Hungary. If tax residency cannot be determined by either the "permanent home test" or the "center of vital interest test," the individual is deemed to be a Hungarian tax resident if he or she stays in Hungary at least 183 days in the calendar year.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Gross employment income includes all compensation items that relate to the employment relationship of the individual. Most benefits in kind are taxed at the company level.

Rent and other housing allowances provided to an expatriate can be exempt from Hungarian taxes, under certain circumstances.

Education of the employee and in-kind health care benefits from the Hungarian state system, as well as ordinary and necessary employee business expenses borne by the employer, are not considered income for income tax purposes.

The "benefit in kind" category was replaced by two new categories, effective from 1 January 2011. These categories are "certain specific benefits" and "fringe benefits" and are taxable according to the following rules:

- For "certain specific benefits," the tax base is 1.18 times the arm's-length value that was not reimbursed by the individual, and the tax rate is 15%. In addition, "certain specific benefits" listed in the Hungarian personal income tax legislation (for example, telephone services for private purposes, business travel-related meals and representation and business gifts that are not exempt from tax) are also subject to a 17.5% social tax. Consequently, the effective tax rate for these benefits is 38.35%.
- However, "fringe benefits" (for example, the Széchenyi Recreation Card) are subject to a 17.5% social tax in addition to the personal income tax of 15%. Consequently, the effective tax rate for "fringe benefits" is 32.5%.

Both the personal income tax and social tax are borne by the Hungarian employer. In general, benefits provided in the context of an employment relationship are taxed as regular employment income.

Non-Hungarian tax residents who work in Hungary are generally subject to personal income tax on their income relating to their Hungarian workdays.

Foreign individuals are generally taxed on their wages, salaries and other remuneration for services performed in Hungary.

Income from independent activities. All activities that are not included in employment (dependent) activities and for which an individual receives income are considered to be independent activities (for example, activities of private entrepreneurs and agricultural producers).

Investment income. Dividend income from an Hungarian source is subject to a final withholding tax at a rate of 15%. Interest and capital gains are subject to the same tax rate.

Royalty income is included in ordinary taxable income, and is taxed, after the deduction of expenses, at the normal rate (15%).

Income derived from the renting out of real estate is considered part of the consolidated tax base. Depreciation of the property is deductible for tax purposes.

Non-Hungarian residents who are residents of treaty countries are subject to Hungarian withholding tax at the reduced treaty rate (certain treaties provide for no withholding tax) if specified administrative requirements are met (for example, certificate of residence).

Directors' fees. Directors' fees are generally subject to tax at the same rate as employment income. Directors' fees are sourced in the country in which the payer company is resident. Tax treaty provisions covering directors' fees generally state that if a resident of one treaty country receives a director's fee from a company resident in the other treaty country, the fee may be taxable in the other country.

Other income. Other income includes certain types of income listed in the Hungarian tax law, such as amounts paid by a voluntary or a private pension fund as a taxable benefit (excluding pension payments), and interest, dividends or capital gains paid by an entity located in a low-tax country that does not have a valid double tax treaty with Hungary.

Taxation of employment-related stock options. Employment-related stock options are taxed at the time of exercise. The taxation of the option income is determined by the relationship of the provider and the recipient and the circumstances of the acquisition.

The following are the applicable rules:

- If the employee of a Hungarian company receives his or her other employment income directly from abroad, the employee is subject to tax on a quarterly basis at the regular income tax rate of 15% on the market value of the stock at the exercise date, less the strike price and the acquisition and transaction costs, if any. Foreign-source stock option income is also subject to social tax at 17.5%, payable by the employee. The tax base is 85% of the fair market value of the options at the exercise date. However, the income tax and social tax may be assumed by the Hungarian employer. In this case, the tax base is 100% of the fair market value of the options at the exercise date.
- If the employee's stock option income is paid through a local Hungarian company, the local company must withhold personal income tax and employee social security contributions and pay employer social tax on the income.

Capital gains. Capital gains are taxed at a flat rate of 15%. In determining taxable capital gains, substantiated transaction expenses may be deducted. Fifteen percent of the capital losses derived from transactions carried out on controlled capital markets can be offset against capital gains arising from other transactions conducted on such capital markets in the previous or next two years. The following are transactions that fall into this category:

- Transactions regulated by the Hungarian National Bank
- Transactions performed in other EEA member states or in states with which Hungary has entered into a tax treaty, and a mutual agreement on information exchange has been entered into by the Hungarian National Bank and the other country's respective financial supervisory body

Deductions

Personal tax credits and deductions. The most significant personal tax benefit is the family tax allowance. The family allowance applies without an income limit, even for one dependent. The allowance reduces the tax base. Effective from 1 January 2019, it results in a monthly reduction of tax of HUF10,000 per dependent for families with one dependent, HUF20,000 per dependent for families with two dependents and HUF33,000 per dependent for families with three or more dependents. It is possible to take into consideration the fetus as an eligible dependent from the 91st day of pregnancy. The utilized family tax allowance may not exceed the total tax base. The tax-base allowance can be shared between spouses or cohabitants.

The number of tax credits is low and their amounts are insignificant. Total tax credits claimed may not exceed the total tax payable (that is, credits are not refundable).

Business deductions. An individual may deduct a 10% standard deduction, or the actual and documented deductible expenses recognized by the income tax law, from income from independent activities.

Rates. The taxation of Hungarian residents and foreign individuals is described below.

A 15% flat personal income tax rate applies to both the consolidated tax base and investment income.

Nonresidents are subject to tax on income derived from Hungarian sources at the rates that apply to residents.

B. Inheritance and gift duty

Resident foreigners and nonresidents are subject to inheritance and gift duty on assets located in Hungary at rates of up to 18%. Assets transferred between lineal descendants are not subject to inheritance and gift duty.

C. Social security

As a result of Hungary's accession to the European Union (EU) on 1 May 2004, the EU's social security coordination regulations apply to citizens of the EEA and expatriates from outside the EEA, effective from that date.

Coverage. In Hungary, social security contributions cover health, pension and unemployment insurance. Participation in the Hungarian social security system is mandatory for all individuals who work in Hungary under an employment contract, regardless of their nationality. A third-country national (non-Hungarian, non-EEA and non-totalization agreement country national) seconded to Hungary, by a foreign employer not registered in Hungary, is not required to participate in the social security system. Effective from 1 January 2012, this exemption applies for two years and can be extended up to three years. If an individual qualifies for exemption, and if he or she leaves Hungary but then returns, this exemption applies again only if at least three years have elapsed between the end of the individual's previous stay in Hungary and his or her return.

Individuals holding a valid A1 certificate of coverage are not required to contribute to the Hungarian social security system.

If income is paid by a non-Hungarian company to persons insured in Hungary for their work performed outside Hungary or if the employee is employed by a non-Hungarian company in Hungary, in general, the non-Hungarian company must meet its social security contribution obligations through a representative (Hungarian branch or financial representative). In the absence of such a representative, the non-Hungarian company must register as an employer in Hungary. If it does not do so, the individual must eventually meet the statutory obligations.

Contributions. Employers must contribute at a rate of 19% (17.5% social tax and 1.5% training fund contribution) of gross salary. In general, the social tax and training fund contribution base equals taxable income. No ceiling applies to the amount of income subject to these dues.

Each employee is subject to an 18.5% social security contribution (10% pension contribution and 8.5% health care and labor force contribution) on wages from his or her employment. No employee pension contribution cap applies.

In addition to the above contributions, a 17.5% social tax is payable on capital gains, income from securities borrowing and dividends, until the total amount of these types of income plus employment income reaches 24 times the amount of the minimum wage (HUF149,000 in 2019) in the current year.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Hungary has entered into totalization agreements, which usually apply for an unlimited time period, with the following jurisdictions.

Albania	India	Montenegro
Australia	Japan	North Macedonia
Bosnia and Herzegovina	Korea (South)	Quebec
Canada	Kosovo	Serbia
Commonwealth of Independent States (CIS)*	Moldova	Turkey
	Mongolia	United States

* This agreement applies only to the Russian Federation and Ukraine and only for limited services.

However, the EU social security rules generally override the totalization agreements that have been entered into with the EEA member states.

Totalization agreement negotiations are underway with Algeria, New Zealand, the Russian Federation and Ukraine.

Hungary has entered into health care agreements with Angola, Cuba, Iraq, Jordan, Korea (North), Kuwait and Mongolia.

D. Tax filing and payment procedures

Essentially, Hungary has a self-assessment tax system. However, effective from 2017, the tax authorities compute personal income tax for individuals on the basis of information received by them from Hungarian companies. Residents must declare their worldwide income, compute their tax, file tax returns and pay the tax. Married couples are taxed separately, not jointly.

Employers must withhold the appropriate amount of income tax (personal income tax and social security contributions, if applicable) by taking into account employee allowances and other items that reduce employees' total income.

Expatriates who receive income from foreign employers must make quarterly advance tax payments, calculated on the basis of actual income earned, by the 12th day of the month following the end of the quarter.

The tax year is the calendar year. Tax returns are due by 20 May of the year following the end of the tax year.

If individuals do not possess the required information for preparing their personal income tax returns and, accordingly, are not able to file their tax returns by 20 May and if they are not personally accountable for this lack of information, they have the option of extending the filing deadline until 20 November. The tax authorities must be informed of any extension by 20 May, and the tax return must be filed by 20 November of the same year, together with an excuse letter. In this case, the tax authorities cannot impose a default penalty and late payment interest if the tax return is filed by 20 November.

E. Double tax relief and tax treaties

Most of Hungary's treaties follow the Organisation for Economic Co-operation and Development (OECD) model convention. Hungary has entered into double tax treaties with the following jurisdictions.

Albania
Armenia
Australia
Austria
Azerbaijan
Bahrain
Belarus
Belgium
Bosnia and Herzegovina
Brazil
Bulgaria
Canada
China Mainland
Croatia
Cyprus
Czech Republic
Denmark
Egypt
Estonia
Finland
France
Georgia
Germany
Greece
Hong Kong SAR
Iceland
India
Indonesia
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Kazakhstan
Korea (South)
Kosovo
Kuwait
Latvia
Liechtenstein
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Moldova
Mongolia
Montenegro
Morocco
Netherlands
North Macedonia
Norway
Oman
Pakistan
Philippines
Poland
Portugal
Qatar
Romania
Russian Federation
San Marino
Saudi Arabia
Serbia
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sweden
Switzerland
Thailand
Tunisia
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Vietnam

The Hungarian Trade Office in Taipei and the Taipei Representative Office in Hungary have entered into an agreement on the avoidance of double taxation and the prevention of fiscal evasion.

Hungary has negotiated new tax treaties with Iraq and the United States. However, these treaties are not yet in force.

Hungary will negotiate double tax treaties (negotiating mandate has been granted) with Algeria, Argentina, Chile, Cuba, Ecuador, Ethiopia, Jordan, Lebanon, Panama and Sri Lanka.

Hungary has entered into tax information exchange agreements with Guernsey and Jersey. Negotiations on tax information exchange agreements are expected with Andorra, Argentina, Barbados, Bermuda, the British Virgin Islands, Gibraltar and the Isle of Man.

Hungarian residents with foreign-source income from non-treaty countries are entitled to a credit equal to 90% of the foreign taxes paid on the income, but not more than the tax calculated for this income at the relevant tax rate.

F. Entry visas

Foreign nationals entering Hungary must have valid travel documents (for example, passports) and, in certain cases, visas. Citizens of EEA countries and Switzerland can enter Hungary without visas and with a personal identification card instead of a passport. Based on international treaties, citizens of some non-EEA countries may enter Hungary without visas.

Visas may be obtained for official, private or immigration purposes for either short-term (up to 90 days) or long-term (longer than 90 days) periods.

Hungary issues the following types of temporary visas:

- Airport transit visa (Category A), which is for entering the international areas of the airport and remaining there until the departure of the flight to the destination country
- Transit visa (Category B), which is for single or repeated transit through the country, with a maximum stay of five days on each occasion
- Visa for short-term residence (Category C), which is for single entry or multiple entries within 6 months and a maximum of 90 days' presence in Hungary
- Single-entry visa for the purpose of collecting the combined residence permit (see Section H; the visa is valid for 30 days after the entry date)

The Category A, B and C visas are so-called Schengen visas. A visa issued by a member state of Schengen is valid in Hungary. In addition, a Schengen visa issued by Hungary is valid in the entire territory of the Schengen area. Territorial restrictions may apply.

G. Work permits

Short-term work permits. The Hungarian government opened the Hungarian labor market for EEA countries on 1 January 2009. Under the current law, a work permit is not required for EEA and Swiss citizens to work in Hungary. For such citizens, the local sponsoring company must notify the Hungarian Labor Office by the date on which the EEA citizen begins working.

Individuals who are not nationals of EEA countries or Switzerland and who are assigned to Hungary for less than 90 days need to have a valid short-term work permit before beginning working in Hungary even if they are not employed by the local sponsoring

company. The sponsoring company is responsible for filing a workforce demand and a separate work permit application at the regional metropolitan labor bureau. A notarized copy of the non-EEA national's qualifications must be attached to the application and must be translated by the Hungarian Office for Translation and Attestation.

The labor bureau grants a work permit to a foreign citizen if the following conditions are satisfied:
- A Hungarian or EEA citizen with appropriate skills and credentials cannot be found to fill the position.
- The foreign citizen's qualifications are appropriate for the requirements of the position.
- The type of work does not fall under the exceptions set out by the Ministry of Labor.

In general, a short-term work permit is issued within approximately 21 calendar days and is valid for a maximum of 90 days. If the work period exceeds 90 days, a combined residence and work permit application must be submitted. For further information regarding the combined permit application, see Section H.

In certain cases, a work permit may not be necessary (see *Exempt categories*).

Exempt categories. Work permits are not required in the following cases:
- Provisions in treaties that Hungary has entered into with other countries stipulate that a work permit is not required.
- The foreign national is a member of a diplomatic corps or an employee of an entity created by international or interstate agreements.
- The foreign national is pursuing activities connected with starting up an operation or the servicing of equipment under a contract entered into with a foreign supplier, including related services (allowed for no longer than 15 working days at a time).
- The foreign national is an executive officer or member of the supervisory board of a Hungarian company (registered by the Court of Registration) that is wholly or partially owned by foreigners or is in association with foreign nationals.
- The foreign national has been invited by a Hungarian institution of higher education, scientific research or public education to pursue internationally recognized educational, scientific or artistic activities (allowed for no more than five working days in a calendar year).
- The foreign national is engaged in providing church services as a profession in Hungarian-registered churches or their institutions.
- The foreign national's spouse is a Hungarian citizen, and the foreign national and his or her spouse live together in Hungary.
- The foreign national is a professional athlete involved in sport activities.
- The foreign national works in a profession listed in a communication of the Minister of National Economy, including employment by way of temporary agency work, and is a citizen of a country neighboring Hungary.
- The foreign national holds a permit issued by the competent authority of the first EEA member state to the intra-corporate transferee, the employment in Hungary is exercised in a host

entity that belongs to the company or the group of companies specified in the permit issued by the competent authority of the first EEA member state, and the employment in Hungary does not exceed 90 days within any 180-day period.
- The foreign national is employed by an employer established in a state that is a party to the Agreement on the EEA, other than Hungary, and is performing working activity within the framework of cross-border services by way of posting or temporary assignment to a Hungarian employer for the purpose of fulfillment of a private contract.
- The foreign national is employed by a temporary work agency established in a state that is a party to the Agreement on the EEA, other than Hungary, for work performed within the framework of temporary work for a Hungarian employer.

Self-employment. Citizens of EEA-member countries may be self-employed in Hungary.

Posted workers. Posted workers performing working activities within the framework of cross-border services are not required to obtain a work permit. In these cases, the home employer must register the posting on the webpage of the Ministry of Finance. The posting fulfills the requirements for cross-border services if the home company is established in an EEA member state other than Hungary.

H. Residence visas and permits

Combined work and residence permits for non-EEA citizens. As of 1 January 2014, Hungary implemented a single combined work permit and residence permit system for non-EEA citizen workers. Under this new system, a single work permit and residence application is filed under one process at the Immigration Office. This also applies to initial, amended and renewal permit applications.

Visa-liable non-EEA citizens intending to stay and work more than 90 days within a 180-day period in Hungary must apply for a combined work and residence permit at the Hungarian embassy or consulate in the country of their permanent or usual residence. The combined permit application process may begin as soon as the Labor Office issues the certificate regarding the workforce demand filed by the Hungarian sponsoring company. In exceptional cases, if a work permit is not required (see Section G), a Letter of Assignment or employment contract and the company's documentation regarding court registration must be submitted to the embassy.

When the combined permit application of the visa-liable non-EEA citizen is approved, the applicant receives a single-entry visa, which entitles the applicant to enter Hungary and pick up his or her residence permit at the local Immigration Office. The single-entry visa is valid up to 30 days after entering Hungary (see Section F).

Visa-exempt non-EEA citizens have the right to stay in the Schengen member states, including Hungary, for up to 90 days in a 6-month period without permission. If they intend to stay and work longer in Hungary, they can apply for the combined permit

either from abroad, as described above, or after they enter Hungary.

Family members must prove their family relationship (that is, a marriage certificate for a spouse and birth certificates for children).

Any documents in a foreign language other than English, French or German must be translated into Hungarian. The Hungarian Office for Translation and Attestation is the only approved translation office.

The Immigration Office adjudicates the application within 70 days of a complete submission. The combined permit cannot be issued retroactively, and working in Hungary is not allowed before the combined permit is issued.

An application for a combined permit extension must be submitted no later than 30 days before the expiration of the authorized period of stay and for a period longer than 90 days. In certain cases, a combined residence permit may be valid for a term of three years.

The residence permit for purpose of employment may be granted for a maximum of two years and may be extended for up to two years. The applicant must be a local hire in Hungary. Labor market evaluation is necessary for the residence permit for purpose of employment.

During the residence permit for purpose of employment application process, applicants must prove the following:
- They have valid passports.
- They have the necessary qualification to work in Hungary.
- Their Hungarian employer filed a workforce demand with the Labor Office.
- They receive sufficient income to live in Hungary.
- They have comprehensive health insurance or sufficient funds to use medical services.
- They have a property rental agreement or proof of ownership of property in Hungary.

The intra-corporate transfer (ICT) residence permit applies to non-EEA citizens posted in Hungary from a company established outside the EEA or Switzerland. The home and host companies must be the members of the same company group. The permit can be obtained if the posted employee has been working at the home company for at least three consecutive months. The maximum validity period is three years in the case of executive employees and specialists and one year in the case of interns. Labor market evaluation is not necessary for an ICT residence permit. The ICT residence permits cannot be extended.

Applying for an ICT residence permit is mandatory if the background of the Hungarian working activity is in line with the ICT residence permit requirements. The combined work and residence permit applies only if the ICT requirements are not met. Non-EEA or Swiss citizens posted to the branch office of the home company may apply for a residence permit for purpose of employment.

The ICT mobility permit applies to non-EEA citizens who have already obtained an ICT permit in one of the EU countries. They may work in a second EU country (Hungary) without the need to apply for a new work and residence permit. A valid ICT permit issued by another EU country can be exchanged for an ICT mobility permit in Hungary. The maximum validity period is three years in the case of executive employees and one year in the case of interns or new joiner employees. Labor market evaluation or work permit approval is not necessary for an ICT mobility permit.

In the ICT permit application process, applicants must prove the following:
- They have valid passports.
- They have the necessary qualifications to work in Hungary.
- The conditions of the assignment are shown in the ICT agreement between the host and the home company.
- The host and the home company belong to the same company group.
- They receive sufficient income to live in Hungary.
- They have comprehensive health insurance or sufficient funds to use medical services.
- They have a property rental agreement or proof of ownership of property in Hungary.

The residence permit for a leading principal performing gainful activity applies to non-EEA citizens working in Hungary as a leading executive in a Hungarian company. If the leading principal will perform only executive tasks and no hands-on work, the maximum validity period is three years. If the leading principal will also perform hands-on work, the maximum validity period is two years.

Residence registration cards for EEA and Swiss citizens. EEA and Swiss citizens and their family members may stay in Hungary for 90 days without any permission. If they intend to stay longer, they must request EEA residence registration cards at the Hungarian Immigration Office before the 93rd day of their stay in Hungary.

EEA citizens must support their residence card application with the following:
- A valid travel document (passport or identification card)
- A completed application form
- Documents confirming the purpose of their stay in Hungary
- Certification of the applicant's financial means
- Official medical certificate or health insurance card or contract (for example, certificate of coverage or EU card)
- A property rental agreement or proof of ownership of a property in Hungary

Family members must prove their family relationship (that is, marriage certificate for spouse and birth certificate for children).

Any documents in a foreign language other than English, French or German must be translated into Hungarian. The Hungarian Office for Translation and Attestation is the only approved translation office.

An application for an EEA residence registration card takes one day to process if all required documents are provided.

The EEA residence registration card is valid until the EEA or Swiss national leaves Hungary permanently without intending to return. In this case, the residence registration card must be given back to the Immigration Office.

I. Deregistration

When foreign citizens leave Hungary permanently without the intention of returning, they should be deregistered at the Hungarian authorities. Accordingly, they should return their residence permits and address cards to the Immigration Office together with a declaration that they are permanently leaving Hungary. The Hungarian employer also must notify the Immigration Office about the termination of the foreign citizen's employment in Hungary. For EEA and Swiss citizens, the Labor Office notification should be made, at the latest, on the following day. For non-EEA citizens, the Immigration Office should be notified within three days after the foreign citizen's employment terminated.

J. Family and personal considerations

Family members. The spouse or children of an expatriate may obtain visas, permits and residence registration cards on the basis of family reunification. If entering the country as dependents, their documents are valid for the same duration as the expatriate's documents. If family members wish to engage in paid employment, they must also follow the procedure outlined in Section G.

Expatriates working in Hungary and their family members may import a car and their personal belongings without paying import duties and value-added tax (VAT). These belongings must be registered with the Customs Office.

Driver's permits. Foreign nationals may drive legally in Hungary with a license issued by an EEA country for as long as it is valid or with their non-EEA home country driver's licenses for up to one year. After one year, a local driver's license must be obtained, unless the foreign person holds an EEA-issued driver's license. It is useful to have an international driver's license for the one-year period.

To obtain a Hungarian driver's license, citizens of countries that have not signed the Vienna Convention on Public Vehicular Traffic must take examinations on traffic rules, technical knowledge and first aid.

Iceland

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A. Income tax

Who is liable. Residents of Iceland are subject to tax on their worldwide income. Nonresidents are subject to tax on their Icelandic-source income only. Wages and remuneration may be considered Icelandic-source even if an employer does not have a permanent establishment in Iceland.

Individuals are considered residents if they permanently reside in Iceland. An individual is deemed to permanently reside where he or she is located, stays during his or her spare time, and maintains a home.

Income subject to tax. Icelandic income tax law distinguishes among several categories of income, including income from employment, self-employment, and a trade or business.

The taxation of various types of income is described below.

Employment income. Resident and nonresident employees are subject to income tax on remuneration received from employment. Employment income includes wages, salaries, bonuses, directors' fees, pensions and all other compensation for services rendered.

Self-employment and business income. All resident and nonresident individuals who act independently in their own name and at their own risk are taxed on income derived from self-employment or business activities.

In general, taxable income includes all income and capital gains attributable to self-employment or business activities.

If a nonresident conducts business through a permanent establishment located in Iceland, taxable income is computed in the same manner as for resident individuals.

Investment income. Dividend income received by a resident from a resident or nonresident company is generally subject to capital income tax at a rate of 22%. Interest income and royalties are also

subject to capital income tax at a rate of 22%. However, individuals are not subject to tax on the first ISK150,000 of interest income. Income received by an individual from the rental of real property is subject to capital income tax at a rate of 22%. Fifty percent of such rental income is tax-free.

Nonresidents are subject to a final withholding tax at a rate of 22% (20% for legal entities) on dividends and 12% on interest income. Interest on bonds issued in the names of financial institutions or energy companies is not subject to Icelandic tax. The bonds must be issued in the enterprises' own names and registered at a central securities depository within the Organisation for Economic Co-operation and Development (OECD), European Free Trade Association (EFTA) or the Faroe Islands. Interest paid by the Icelandic Central Bank in its own name or on behalf of the Icelandic government is not subject to the 12% withholding tax. If a nonresident has his or her domicile in a country that has entered into a double tax treaty with Iceland, the application of such treaty may result in the expatriate not being subject to tax on such income or being subject to tax at a lower rate. However, the expatriate might have to suffer withholding tax, which would subsequently be reimbursed.

Directors' fees. Payments to managing directors for day-to-day management are considered employment income and are taxed in the same manner as employment income.

If a nonresident is a member of the board of directors of an Icelandic company and bears the tax for his or her fees, the fees are subject to a 20% withholding tax and a municipal tax, which is also withheld at source.

Taxation of employer-provided stock options. Stock options are generally taxed on the date of exercise (not on the date of grant) as employment income. The taxable value is the difference between the exercise price and the fair market value of the shares on the date of exercise. The taxable benefit is treated as ordinary employment income. Income tax must be withheld by the employer by the time the shares are sold. Accordingly, under these circumstances, the tax obligation is deferred until the year the shares are sold.

A special tax regime applies to stock options granted under approved employee share schemes. Under the special tax regime, income is taxed when the employee sells his or her shares. The taxable income is the difference between the exercise price and the sale price of the shares and is subject to the capital income tax rate of 22%. The taxable benefit is not subject to municipal tax, social security tax or pension contributions. At the end of the year, the employer must provide the tax authorities with information on employees who have exercised their share options.

Capital gains. Capital gains tax is levied on individuals at a rate of 22%. In general, a withholding tax at a rate of 22% is levied on all capital gains realized by nonresidents.

The taxable gain on shares is the difference between the shares' purchase price and selling price.

Capital gains from real estate. Gains derived from the sale of a principal residence are exempt from tax if the property has been owned for at least two years.

Capital gains on sales of privately owned buildings and land realized by nonresidents is subject to a 22% withholding tax.

Capital gains from personal property. Capital gains derived from transfers of personal property not used in a business, including stamps, jewelry or automobiles, are exempt from tax, unless such sales are considered business activities.

Capital gains realized by a business enterprise. Capital gains derived from investments and from the disposal of real estate that forms part of the net profit of an enterprise are taxable.

Deductions

Deductible expenses. Expenses incurred by an employee are generally not deductible. However, proven expenses from work-related travel and upkeep (cost of accommodation, meals and fares, and other travel costs) are allowed to a certain extent. The deductible amount of the expenses is reduced by the amount of car allowances, per diem allowances or similar reimbursements of costs received by the employee. In addition, employee pension contributions up to a maximum of 8% of total employment income are deductible.

Personal allowances. In calculating state and municipal income taxes for 2019, each taxpayer is allowed a personal tax credit of ISK677,364. This tax credit is reduced proportionately if the individual is taxable in Iceland for only part of the fiscal year. The tax credit not fully used by one spouse may be transferred to the other spouse.

Business deductions. In principle, all expenses for earning, securing and maintaining income are deductible, including the following:

- Costs of material and stock
- Personnel expenses, certain taxes, rental and leasing expenses, finance charges, self-employment social security contributions, and all general and administrative expenses
- Depreciation of fixed assets
- Provisions for identified losses and expenses

Rates. Employment income tax is computed by adding a municipal tax rate to the general rate. The income tax rates for 2019 consist of a municipal rate that varies from 12.44% to 14.52%, and a progressive income tax rate, depending on income. The following table sets forth the general income tax rates.

Monthly income		
Exceeding ISK	Not exceeding ISK	Rate %
0	927,087	36.94
927,087	—	46.24

If the total annual income tax base of a jointly taxed individual is higher than ISK11,125,045 for 2019, the income tax base in excess of that amount is taxed at a rate of 22.5%. The excess amount exceeding half of the difference between ISK11,125,045 and the income tax base of the jointly taxed individual receiving

the lower amount of income is taxed at 22.5%. The excess amount taxed at a rate of 22.5% cannot exceed ISK5,562,523.

Nonresidents who carry on business through a permanent establishment in Iceland are taxed at the same rates as residents.

Relief for losses. Business losses may be carried forward for 10 years. Losses may not be carried back and may not be deducted by a successor.

B. Other taxes

Inheritance and gift taxes. The rate of inheritance tax is 10% of the market value of assets at the time of payment, exceeding ISK1,500,000.

Gifts and donations are subject to income tax.

Media tax and contribution to the Construction Fund for the Elderly. Individuals aged 16 to 69 who have taxable income exceeding ISK1,750,782 must pay a tax of ISK17,500 to the state-owned media in Iceland and an ISK11,454 contribution to the Construction Fund for the Elderly.

C. Social security

Contributions. Social security contributions apply to wages and salaries and must be withheld by the employer. These contributions cover health insurance, unemployment insurance, birth leave insurance and bankruptcy insurance. Social security contributions are imposed at a flat rate of 6.6%.

Self-employed individuals must register for social security purposes, and are subject to the same social security contribution rate.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage (A-1 Certification), Iceland has entered into social security agreements with the following countries, including European Union/European Economic Area (EEA) countries.

Austria	Greece	Norway
Belgium	Greenland	Poland
Bulgaria	Hungary	Portugal
Croatia	Ireland	Romania
Cyprus	Italy	Slovak Republic
Czech Republic	Latvia	Slovenia
Denmark	Liechtenstein	Spain
Estonia	Lithuania	Sweden
Faroe Islands	Luxembourg	Switzerland
Finland	Malta	United Kingdom
France	Netherlands	United States
Germany		

D. Tax filing and payment procedures

Icelandic tax residents must file annual income tax returns for the 2018 calendar year by 31 March 2019. Employers withhold taxes for salaried individuals. Employers that do not pay the withholding tax have a surety liability for the payment.

Nonresident taxpayers earning Icelandic-source salaries and pensions must file tax returns.

Self-employed individuals must make estimated monthly payments of tax on deemed salaries.

Other individuals in cohabitation that have applied for joint taxation are taxed separately on all types of income. However, married persons are jointly liable for their tax payments and jointly net their credits and debts. Tax liability arising during the marriage continues after the divorce.

E. Double tax relief and tax treaties

Iceland has entered into double tax treaties with various countries, in addition to a multilateral treaty with the other five Nordic countries. Residents with income from non-treaty countries include the foreign-source income in their taxable income and may apply for a credit for foreign taxes paid, up to the amount of tax imposed by Iceland on the foreign-source income.

Iceland has entered into double tax treaties with the following jurisdictions.

Albania
Austria
Barbados
Belgium
Canada
China
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Faroe Islands
Finland
France
Georgia
Germany
Greece
Greenland
Hungary
India
Ireland
Italy
Japan
Korea (South)
Latvia
Liechtenstein
Lithuania
Luxembourg
Malta
Mexico
Netherlands
Norway
Poland
Portugal
Romania
Russian Federation
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Ukraine
United Kingdom
United States
Vietnam

F. Temporary visas

Permission to enter Iceland is granted to foreign nationals who wish to visit or stay in the country for up to three months. Citizens of certain Eastern European countries and most African, Asian and Latin American countries must have visas before they may enter Iceland.

Iceland is a member of the Schengen agreement. All persons not holding a valid Schengen visa in their travel document must apply for a visa. Applications for visas may be obtained at embassies and consulates issuing visas on behalf of Iceland (in most cases, the Danish embassy).

A short-stay visa is valid for employed or self-employed persons staying in Iceland for less than three months who do not derive income in Iceland, such as tourists, students enrolled in training courses in Iceland for less than three months and businesspersons on business trips.

In general, renewals are not granted for a longer stay. However, a license to stay for longer than three months without seeking work may be obtained.

A long-term visa may be granted if a foreigner wishes to stay in Iceland for longer than 90 days for a reason not conforming to the residence permit categories and if the foreigner does not intend to reside in Iceland.

G. Work and residence permits and self-employment

Icelandic law regulates the right of foreign nationals to enter, reside and work in Iceland. To take up paid employment in Iceland, a foreign national must satisfy conditions entitling him or her to enter and reside in Iceland and hold a work permit.

For purposes of entry, residence and work in Iceland, foreign nationals are divided into different categories of workers, depending on whether they are Nordic nationals, EEA nationals or nationals of other countries.

Nordic nationals. Nationals from other Nordic countries may stay and work in Iceland without restrictions. However, if they take up residence or work in Iceland, they must register with the National Registration Office.

EEA nationals. Nationals of EEA/EFTA countries may stay and work in Iceland without a permit up to three months after their arrival in the country, or stay up to six months if they are seeking employment. If the individual resides longer in Iceland, he or she must register his or her right to residency with the National Registration Office. Residency in another Nordic country is not deducted from the residency period.

Non-EEA nationals. Non-EEA nationals may stay in Iceland for either the time period stated in their tourist visas, or if visa is not requested, for up to 90 days.

Non-EEA nationals who want to extend their stay and work in Iceland must obtain work permits and residence permits. The application must generally be made before entering Iceland.

Temporary work and residence permits. The following are four categories of work and residence permits based on employment:
- Permit for a job that requires expert knowledge
- Permit based on temporary shortage of laborers
- Permit for athletes
- Permit for a qualified professional based on collaboration or service contracts regarding educational, academic or scientific work

A temporary work permit is issued to the employer to allow the employment of a foreign national. A temporary work permit may be revoked if the activities of the permit holder become inconsistent with the conditions for the permit.

The following are the general conditions for the granting of a temporary work and residence permits:
- Qualified persons cannot be found in Iceland or in EEA/EFTA countries or the Faroe Islands, occupational sectors in the country lack workers or athletes, or other special reasons exist for granting such permits.
- The local trade union in the relevant branch of industry, or the appropriate national union, has provided its comment on the application.

- A signed employment contract covers a specific period or task and guarantees the employee wages and other terms of service equal to those enjoyed by local residents.
- The employer takes out health insurance for the foreign employee, which provides the same coverage as the coverage provided under the Social Security Act.
- The employer guarantees the payment of the cost of sending the employee back to his or her home if the employee becomes incapable of working for a long period as a result of illness or accident or if the employment is terminated because of reasons for which the employee is not responsible.
- A satisfactory health certificate for the employee is submitted.

A temporary work permit for a job that requires expert knowledge is granted for an initial period of up to two years. It may be renewed for up to two years at a time.

A temporary work permit based on a temporary shortage of laborers is granted for an initial period of up to one year. It may be renewed for up to one year at a time.

A temporary work permit for athletes is granted for an initial period of up to one year. It may be renewed for up to two years at a time.

A temporary work permit for qualified professionals based on collaboration or service contracts on educational, academic or scientific work is generally granted for a period of up to six months per contract.

Student Work and Residence Permit. A Student Work and Residence Permit is granted to an individual who studies in an Icelandic school. This work permit is limited to jobs connected to the student's studies or jobs during school holidays. The following are the requirements for qualification for the permit.
- A signed employment contract between the parties
- A satisfactory health certificate for the employee
- A residence permit for the student

The work ratio of the foreign national generally may not exceed 40%, with the exception of work that is performed during school vacation or in the course of vocational training. The Student Work and Residence Permit may be granted for periods of up to 12 months at a time.

Au-pair Work and Residence Permit. An Au-pair Work and Residence Permit may be granted if the basic conditions for a residence permit are fulfilled and if the applicant is not younger than 18 years and not older than 25 years when the application is submitted.

Exceptions. The following nonresident individuals do not need work permits to work for up to 90 days per year in Iceland:
- Scientists and scholars, including PhD students and interns, in relation to teaching, academic or scientific work or other similar activities. The foreign individual must hold a university degree in the field of the profession concerned.
- Artists, except musicians performing in restaurants.
- Athletic coaches.
- Representatives of companies.

- Drivers of passenger coaches registered in a foreign country that are used to transport foreign tourists.
- Foreign media reporters working for companies that do not maintain a permanent establishment in Iceland.
- Specialized employees, consultants and advisors working on the assembly, setup, inspection or repair of equipment.

Permanent work permits. Permanent work permits are no longer granted in Iceland. Instead, foreign individuals who have acquired a permanent residence permit have the right to work in Iceland without limitations.

Therefore, if a foreign individual loses his or her permanent residence permit, he or she also loses his or her right to work in Iceland without limitations.

Steps for obtaining work permits. After an employer decides to hire a non-EEA national, the administrative procedures described below must be followed and necessary permits must be obtained, depending on the citizenship of the prospective employee.

To apply for temporary work and residence permits, an employer must complete an application form and request comments from the relevant union. The union must recommend or deny the application within seven days. If recommended by the union, the employer and the employee file an application for temporary work and residence permits with the Directorate of Immigration (DI). If the DI agrees to a residence permit, it sends the application for temporary work to the Directorate of Labour (Vinnumálastofnun, or DL). If the DL agrees to a work permit, it notifies the employer and foreign individual, and sends a copy of its approval to the DI. The DI then issues a certificate for the foreigner as proof of the granted residence and work permits. The employer receives the certificate from the DI.

To apply for a permanent residence permit, the foreigner files an application with the DI. An application for a permanent residence permit must be submitted to the DI at least four weeks before the expiration of the current permit. If the DI agrees to a permanent residence permit, the DI issues a certificate as proof of the unrestricted residence. The foreign individual then receives the certificate from the DI.

To operate a business, a foreign individual must obtain permanent residence and work permits.

H. Family and personal considerations

Family members. Immediate family members of Icelandic nationals, Nordic nationals residing in Iceland or other nationals residing in Iceland, who have one of the following residence permits, can apply for a residence permit for family unification:
- Qualified specialists
- Athletes
- Spouses or cohabiting partners
- On grounds of international protection
- On grounds of humanitarian reasons
- On grounds of special ties to Iceland
- Permanent residence permit
- Graduate or post-graduate students

In general, an application must be filed before arrival in Iceland. The application must meet certain criteria, depending on the kind of residence permit applied for (for example, financial support, health insurance and accommodation are secured). The foreigner's spouse, cohabiting partner or minor children under 18 may be present in Iceland when an application for residence permit is filed, unless the applicant is a spouse, cohabiting partner or a minor child of a student and is required to have a visa.

Family members of citizens of EEA/EFTA countries must apply for residence permits within three months after arrival in Iceland.

Marital property regime. Under Icelandic law, the marital property regime is community property. Community property includes all property brought into the marriage and all property acquired during the marriage.

Couples may elect out of the regime before or during the marriage by signing a marriage settlement, which is registered at the marriage settlement registration.

Driver's permits. A foreign driver's license is valid in Iceland for those who stay in Iceland on a temporary basis. In principle, a person who has permanent residence in Iceland must hold an Icelandic driver's license. Exceptions to this rule are discussed below.

A driver's license issued in a Nordic or EEA/EFTA country gives the holder the same rights he or she has under the license of the issuing country. The rights are based on the validity of the license, but not beyond the age of 70.

Driver's licenses issued in countries that are not parties to the EEA agreement give the holders rights to drive in Iceland for up to one month after they register a legal domicile in Iceland. After the end of this one-month period, an individual must hold an Icelandic driver's license to drive in Iceland.

In most cases, nationals of non-EEA/EFTA countries must provide a statement about good health or a health certificate issued by a doctor, whichever is appropriate, and undergo a test of qualification. The second requirement may be waived if it is determined that the conditions for a driver's license in the country where the license was issued are not less than the requirements in Iceland.

For a driver's license issued in a Nordic country or EEA/EFTA country, the Icelandic license is usually issued without the applicant needing to undergo a test of qualification or to submit a health certificate or a statement of good health.

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A. Income tax

Who is liable. Residents are subject to tax on their worldwide income. Persons who are resident but not ordinarily resident are taxed only on Indian-source income, income deemed to accrue or arise in India, income received in India or income received outside India arising from either a business controlled, or a profession established, in India. Nonresidents are taxed only on Indian-source income and on income received, accruing or arising in India. Nonresidents may also be taxed on income deemed to accrue or arise in India through a business connection, through or from any asset or source of income in India, or through the transfer of a capital asset situated in India (including a share in a company incorporated in India).

Individuals are considered to be residents if they meet either of the following criteria:

- They are present in India for 182 days or more during the tax year (that is, the year in which income is earned; in India the tax year runs from 1 April to 31 March).
- They are present in India for 60 days or more during the tax year and present in India for at least 365 days in aggregate during the preceding four tax years (the 60 days' condition is increased to 182 days in the case of a citizen of India who leaves India in any tax year as a member of the crew of an

Indian ship or for the purposes of employment outside India or in the case of a citizen of India or a person of Indian origin who comes for a visit to India in a tax year).

Individuals who do not meet the above criteria are considered to be nonresidents.

Individuals are considered not ordinarily resident if, in addition to meeting one of the above tests, they satisfy either of the following conditions:
- They were nonresident in India in 9 out of the preceding 10 tax years.
- They were present in India for 729 days or less during the previous 7 tax years.

All employees are subject to tax, unless they are exempt under the Income Tax Act, 1961 or applicable tax treaties.

Income subject to tax. In general, all income received or accrued in India is subject to tax.

The taxation of various types of income is described below.

Employment income. All salary income relating to services rendered in India is deemed to accrue or arise in India regardless of where it is received or the residential status of the recipient.

Employees of foreign enterprises who are citizens of foreign jurisdictions are not subject to tax if all of the following conditions are satisfied:
- The foreign enterprise is not engaged in a trade or business in India.
- The employee does not stay in India for more than 90 days in the tax year.
- The compensation paid is not claimed by the employer as a deduction from taxable income in India.

Similar exemptions are available under tax treaties if the stay is less than 183 days, but conditions vary. Nonresident foreign citizens employed on foreign ships who stay in India no longer than 90 days in a tax year are also exempt from tax on their earnings.

In general, most elements of compensation are taxable in India. However, the following benefits may receive preferential tax treatment, subject to certain requirements:
- Company-provided housing. If the accommodation (including a house, flat, farmhouse or accommodation in a hotel, motel, service apartment, guesthouse, caravan, mobile home, ship or other floating structure) is owned by the employer, the amount of the benefit from company-provided housing equals a specified percentage of salary. The percentage is 15% for cities having a population of more than 2,500,000, 10% for cities having a population of more than 1 million but not more than 2,500,000, and 7.5% for other areas. The benefit computed above is reduced by the amount recovered from the employee. If the accommodation is leased by the employer, the amount of the benefit equals the lower of actual rent paid or 15% of salary, less the amount recovered from the employee. Furniture and appliances provided by the employer in the accommodation are taxed at a rate of 10% per year of the cost of items owned by

the employer or the actual hire charges, reduced by any charges recovered from the employee, if the employer hires the items. These provisions do not apply to an accommodation provided to an employee working at a mining site or an onshore oil exploration site, a project execution site, a dam site, a power generation site or an offshore site that meets either of the following conditions:
  — It is of a temporary nature, has a plinth area not exceeding 800 square feet and is located not less than 8 kilometers away from the local limits of a municipality or cantonment board.
  — It is located in a remote area (that is, an area that is located at least 40 kilometers away from a town having a population not exceeding 20,000, based on the latest published all-India census).
- Hotel accommodation. If an employee is provided with hotel accommodation (including licensed accommodation in the nature of motel, service apartment or guest house), tax is imposed on the lower of the actual charges paid by the employer for rent or 24% of salary, reduced by any amount recovered from the employee, unless the accommodation is provided for up to 15 days on transfer. Such accommodation provided for relocation is exempt from tax.
- Interest-free or low-interest loans. The benefit of interest-free loans or low-interest loans exceeding INR20,000 to an employee or to a member of an employee's household is taxable. The taxable value equals the notional interest computed at a prescribed rate on the maximum outstanding monthly balance, reduced by the interest recovered from the employee. However, no amount is taxable if the loan is provided for medical treatment with respect to "specified diseases," subject to certain conditions. The interest rate is the rate notified by State Bank of India as of the first day of the tax year (for the 2019-20 tax year, the first day is 1 April 2019) for loans obtained for the same purpose as the loan provided by the employer.
- Company-provided car. If a car is owned or hired by the employer and is used exclusively for the employee's personal purposes and if the running and maintenance expenses are reimbursed by the employer, the taxable value of the company-provided car equals the actual amount of expenditure incurred by the employer and the normal wear and tear of the car. This computed benefit is reduced by the amount recovered from the employee.
- Employer-paid taxes on "non-monetary" benefits. In general, the amount of tax paid by an employer on behalf of an employee is grossed up and taxed as additional income. The employer may pay taxes on "non-monetary" benefits without taking into account the gross-up. However, in such a situation, the employer cannot deduct such taxes paid in computing its taxable income.

Contributions to Indian retirement benefit funds, including provident and superannuation funds, paid by employers are not included in an employee's taxable compensation to the extent that they do not exceed specified limits.

Certain allowances, including house rent allowances and leave travel concessions, are either tax-exempt or included in taxable

income at a lower value, subject to certain conditions. A bonus paid at the beginning or end of the employment period is included in taxable salary income.

Effective from 1 April 2019, a deduction of INR50,000 or the amount of salary received, whichever is lower, is allowed in computing the income chargeable under the salaries head. A standard deduction was introduced, effective 1 April 2018, in lieu of the earlier exemption with respect to the transport allowance of up to INR19,200 per year (except in the case of disabled persons) and reimbursement of medical expenses up to INR15,000 per year.

Any compensation income or related income due or received by individuals in connection with termination or modification of their employment that is not otherwise covered under the specific measure relating to salary taxation is taxed as income from other sources.

Self-employment and business income. All individuals who are self-employed or in business in India are subject to tax.

The computation of an individual's income from a business is similar to the computation of income of a corporation. However, an individual may maintain accounts on a cash or accrual basis if the gross receipts exceed a specified limit.

Taxpayers may generally deduct from gross business income all business-related expenses. Personal expenses and capital expenditure other than expenditure for scientific research are not deductible. Allowable depreciation must be claimed up to the available limit.

Business losses (other than speculation losses) incurred in the current year can be set off against income under any other head except the salaries head. If business losses in the current year cannot be wholly set off, such business losses may be carried forward for eight years if the income tax return for the year of the losses is filed on time. However, the losses carried forward can be set off against business income only. Unabsorbed losses from speculative transactions may be carried forward for four years only and can be set off against profits from speculative business only. Unabsorbed depreciation may be carried forward indefinitely.

Investment income. Domestic companies are required to pay dividend distribution tax on profits distributed as dividends at a rate of 15% plus surcharge (12%) and health and education cess (4%). Effective from 1 October 2014, dividends paid are grossed up for the purposes of computing dividend distribution tax. This translates into an effective rate of 20.56% including surcharge and health and education cess.

Mutual fund companies also have to pay the dividend distribution tax on equity-oriented mutual funds, which is imposed on dividend payments at a rate of 10% plus surcharge (12%) and health and education cess (4%). Dividends paid are grossed up for the purposes of computing dividend distribution tax. This translates into an effective rate of 12.94% including surcharge and health and education cess. However, effective from 1 September 2019, dividend distributions by units of the International Financial

Service Centre are excluded from payment of the dividend distribution tax.

Resident individuals, Hindu Undivided Families or firms who earn more than INR1 million as dividends from Indian companies are subject to an additional tax at a rate of 10% plus the applicable surcharge and health and education cess.

Dividends received from foreign companies are subject to tax in the hands of the individuals at the normal tax rates.

Interest earned on securities, investments, advances and bank deposits in India is taxable. Taxes are withheld at source by the banks, cooperative societies and post offices if the interest exceeds INR10,000 (INR5,000 in other cases) in the tax year except in certain specified cases. Effective from 1 April 2019, the above limit is increased from INR10,000 to INR40,000 for all individuals (the limit for senior citizens age 60 or older continues to be INR50,000). The rate of the withholding tax is 10%. This withholding tax is not a final tax.

The following interest is exempt from tax:
- Interest earned on nonresident external (NRE) accounts of individuals who qualify as persons resident outside India according to the exchange control laws (see Section I) or who are permitted by the Reserve Bank of India (central bank) to maintain such accounts
- Interest payable by scheduled banks (on approved foreign-currency deposits) to nonresidents and to persons who are not ordinarily resident

Directors' fees. Directors' fees are taxed at the progressive rates listed in *Rates*. Tax is required to be withheld at source at a rate of 10% from directors' fees paid to residents. Expenses incurred wholly and exclusively for earning fees are allowed as deductions.

Transactions above INR50,000. Transactions above INR50,000 are taxable in certain cases. Any sum of money in excess of INR50,000 received by an individual without consideration is taxable in the hands of the recipient.

If the fair market value or stamp duty value of movable or immovable property received from a non-relative without consideration exceeds INR50,000, the fair market value or stamp duty value is taxable as income from other sources.

If movable or immovable property is received for consideration that is less than the fair market value or stamp duty of the property by an amount exceeding INR50,000 and an amount equal to 5% of the consideration (for immovable property), then the difference between the fair market value or stamp duty value and consideration is taxable as income from other sources.

However, exclusions to this rule exist with respect to any sum of money or property received in the following circumstances:
- From a relative (as defined in the Income Tax Act, 1961)
- On the occasion of the marriage of the individual
- Under a will, by way of an inheritance or in contemplation of death of the payer

- From a local authority as defined in the Income Tax Act, 1961
- From a fund, foundation, university or other educational institution, hospital or other medical institution, as defined in the Income Tax Act, 1961
- From a trust or institution registered under the Income Tax Act, 1961
- By way of transactions not regarded as transfers, such as amalgamations or demergers of companies or total or partial partitions of Hindu Undivided Families

Effective from 5 July 2019, gifts made by persons resident in India to persons resident outside India are taxed in the hands of the recipients, subject to certain exceptions and conditions as may be prescribed.

No person is permitted to receive cash amounting to INR200,000 or more with respect to a single transaction, in aggregate from a person in a day or with respect to a transaction related to one event or occasion from a person. These restrictions do not apply to the government, banking companies, post office savings banks or cooperative banks.

Rental income. Rental income received by an individual from the leasing of house property (including buildings or land appurtenant thereto) is taxable at the value determined in accordance with specific provisions. The following deductions from such value are allowed:

- Taxes paid to local authorities on such property
- A sum equal to 30% of the value
- Interest payable on capital borrowed for the purpose of purchase, construction, repair, renewal or reconstruction of property

Effective from 1 April 2019, an individual owning up to two house properties is not required to offer any notional rent (rent that a similar property would fetch) to tax, unless the house properties are actually leased out.

Losses from house property incurred in the current year can be set off against income under any other head of income, up to INR200,000. The balance of losses that cannot be wholly set off in the current year can be carried forward for eight years. However, the losses carried forward can be set off against income from house property only.

Capital gains and losses

Capital gains on assets other than shares and securities. Capital gains derived from the transfer of short-term assets are taxed at normal rates.

The sales proceeds from a depreciable asset must be applied to reduce the declining-balance value of the class of assets (including additions during the year) to which the asset belongs. If the sales proceeds exceed the declining-balance value of a relevant class of assets, the excess is treated as a short-term capital gain and is taxed at the normal tax rates.

Long-term capital gains are gains on assets that have been held for more than three years. Long-term capital gains are exempt from tax in certain cases, subject to certain limits, if the gains are reinvested within a prescribed time period. If, within three years after

purchase, the new assets are sold or, in certain cases, used as a security for a loan or an advance, the capital gains derived from the sale of the original asset are subject to tax in the year the new assets are sold or used as a security. For purposes of qualifying as a long-term capital asset, the period of holding of immovable property (land and/or building) is two years.

Effective from 1 April 2019, capital gains (not exceeding INR20 million) accruing to an individual on the sale of a residential house is exempt if such capital gain is invested in two residential house properties in India. This option can be used by an individual only once in his or her lifetime.

Capital gains on shares and securities listed on a stock exchange in India. Long-term capital gains (gains derived from listed securities held longer than one year) derived in excess of INR100,000 from the transfer of equity shares or units of an equity-oriented fund listed on a recognized stock exchange in India or units of a business trust in India, on which Securities Transaction Tax (STT) has been paid at the time of transfer and acquisition, are taxed at a rate of 10% (plus surcharge [if applicable] and health and education cess). However, the requirement of STT paid at the time of acquisition of equity shares applies only to shares acquired on or after 1 October 2004. In addition, for equity shares or units acquired before 1 February 2018, gains earned are grandfathered as per the prescribed mechanism.

Short-term capital gains derived from the transfer of equity shares or units of equity-oriented funds on a recognized stock exchange in India are taxable at a reduced rate of 15% (plus health and education cess) if STT is chargeable on such transaction.

Inflation adjustments. In calculating long-term capital gains, the cost of assets may be adjusted for inflation. For assets held on or before 1 April 2001, the market value on 1 April 2001 may be substituted for cost in calculating gains. However, this adjustment to market value is not available in the following cases:

- Transfer of shares of an Indian company acquired with foreign currency by nonresidents
- Transfer of bonds or debentures by residents or nonresidents, regardless of the currency with which the acquisition is made
- Transfer of equity shares or units of an equity-oriented fund listed on a recognized stock exchange in India or units of a business trust

Capital gains on unlisted shares and securities in India. Long-term capital gains (from shares not listed on any stock exchange in India, including shares of a foreign company listed on stock exchange outside India, and other specified securities held longer than two years) are taxable at a rate of 20% (plus applicable surcharge and health and education cess) after inflation adjustments. For nonresidents, the gains are taxable at a reduced rate of 10% (plus applicable surcharge and health and education cess) without inflation adjustments.

Short-term capital gains derived from the transfer of the above shares and securities are taxed at the normal progressive rates (see *Rates*).

Setting off capital losses. Short-term and long-term capital losses may not offset other income. Short-term capital losses arising during the tax year can be set off against short-term capital gains or long-term capital gains. The balance of short-term losses may be carried forward to the following eight tax years and offset short-term or long-term capital gains arising in those years.

Long-term capital losses arising during the tax year can be set off only against long-term capital gains and not against any other income. The balance of long-term losses may be carried forward to the following eight tax years and offset long-term capital gains arising in those years. To claim a carryforward and the set-off of losses, the tax return must be filed within the prescribed time limits.

Capital gains on foreign-exchange assets. Nonresident Indian nationals may be subject to a 10% withholding tax on long-term capital gains on specified foreign-exchange assets.

Nonresidents are protected from fluctuations in the value of the Indian rupee on sales of shares or debentures of an Indian company because the capital gains are computed in the currency used to acquire the shares or debentures. After being computed, the capital gains are converted into Indian rupees. Inflation adjustments are not permitted for this computation.

Taxation of Long Term Incentive Plans. Income arising from Long Term Incentive Plans (LTIPs) is taxed as salary income in the hands of the employees at the time of the allotment of the shares. The value of the long term incentive (LTI) for tax purposes is the fair market value (FMV) as of the date on which the LTI is exercised by the employee, reduced by the amount of the exercise price paid by the employee. For this purpose, the FMV is the value determined in accordance with the method prescribed under the Income Tax Act, 1961.

In calculating the capital gains arising at the time of sale of shares acquired under schemes referred to in the preceding paragraph, the acquisition cost is the FMV as of the date of exercise that was taken into account to determine the taxable income at the time of allotment of shares.

The Indian government has prescribed the valuation rules to determine the FMV. These rules are summarized below.

Valuation of shares listed on a recognized stock exchange in India. If the shares of a company are listed on a recognized stock exchange in India on the date of exercise of the LTI, the FMV is the average of the opening price and the closing price of the shares on the stock exchange on that date. However, if the shares are listed on more than one recognized stock exchange, the FMV is the average of the opening and closing price of the shares on the recognized stock exchange that records the highest volume of trading in the shares.

If no trading in the shares occurs on any recognized stock exchange on the exercise date, the FMV is the closing price on the closest date preceding the date of exercise of the LTI.

Valuation of unlisted shares or shares listed only on overseas stock exchanges. If, on the date of exercise of the LTI, the shares in the company are not listed on a recognized stock exchange in India, the FMV of the share must be determined by a recognized Merchant Banker.

The FMV can be determined on the date of exercise of the LTI or any date that falls within 180 days before the exercise date.

Deductions. For individuals, a deduction of up to INR150,000 from gross total income may be claimed for prescribed contributions to life insurance, savings instruments and pension funds, such as the National Pension System (NPS).

An additional deduction of INR50,000 is allowed for contributions made by taxpayers to the NPS.

A deduction for contributions made by employers of taxpayers to the NPS is also allowed up to a specified limit.

Tax exemption on partial withdrawal from NPS is allowed to the extent of 25% of the employee's contribution, subject to certain conditions. A withdrawal from the NPS, on account of closure or opting out of the NPS scheme, to the extent of 60% (enhanced from 40% to 60%, effective from 1 April 2019) of the accumulated corpus (consists of the contributions made to the NPS account and the accretions to such amounts) is not taxable and the balance is also not taxable if it is invested in annuities. In addition, a one-time tax exemption is provided for the transfer of an accumulated balance from the Employees' Provident Fund (EPF; see Section C) to the NPS. An amount received by the nominee (must be an individual) under the NPS, on the death of the taxpayer, is not deemed to be income of the nominee under certain specified circumstances.

Interest paid on loans obtained for pursuing higher education is fully deductible. However, no deduction is available for repayment of the principal amount. Taxpayers are also eligible to claim an additional deduction of INR50,000 or INR150,000 (effective from 1 April 2019) for interest paid on loans obtained for the purchase of residential property, subject to certain conditions.

Effective from 1 April 2019, taxpayers will also be eligible to claim an additional deduction of INR150,000 on interest paid on loans to purchase electric vehicles, subject to certain conditions.

A deduction of up to INR10,000 may be claimed by individuals (other than resident senior citizens) with respect to interest on deposits in a savings account with a banking company, specified co-operative society or post office. Resident senior citizens (at least 60 years of age at any time during the tax year) can claim a deduction of INR50,000 for interest earned on savings and fixed deposits, interest on post office deposits and interest on deposits held in cooperative societies engaged in the business of banking.

Medical insurance premiums for recognized policies in India may be deducted, up to a maximum of INR25,000 (INR50,000 if the insured is a resident of India and is age 60 or older) against aggregate income from all sources. An additional deduction up to a maximum of INR25,000 is allowed to an individual for medical

insurance premiums paid by the individual for his or her parents (INR50,000 if the insured is a resident of India and is age 60 or older). The above limit applies to the total amount paid for both parents. Payments up to INR5,000 made for a preventive health checkup is also eligible for deduction within the above limit. "Very senior citizens" (individuals of age 80 or above) are also eligible for a deduction to the extent of INR50,000 on medical expenditure incurred by them if they do not have insurance coverage. In the case of single premium health insurance policies having coverage of more than one year, such deduction is allowed on a proportionate basis for the number of years for which health insurance coverage is provided, subject to the specified monetary limit.

Donations to religious, charitable and other specified funds are eligible for deductions from taxable income of up to 50% or 100%, as prescribed. Donations exceeding INR2,000 paid in cash are not eligible for deduction.

Rates. The following tax rates apply to resident and nonresident individual taxpayers for the 2019-20 tax year.

Taxable income INR	Tax rate %	Tax due INR	Cumulative tax due INR
First 250,000	0	—	—
Next 250,000	5	12,500	12,500
Next 500,000	20	100,000	112,500
Above 1,000,000	30	—	—

Individuals with income up to INR250,000 do not pay the income tax and health and education cess. The exemption limit is INR300,000 for resident senior citizens age 60 to 80 at any time during the financial year. For resident and very senior citizens (defined as individuals at the age of 80 or above), the exemption limit is INR500,000.

For individuals whose total taxable income exceeds INR5 million, a surcharge applies at a rate of 10% of the total tax payable. If the total taxable income exceeds INR10 million, the rate of the surcharge is increased to 15% of the total tax payable. If the total taxable income exceeds INR20 million, the rate of the surcharge is increased to 25% of the total tax payable. If the total taxable income exceeds INR50 million, the rate of the surcharge is increased to 37% of the total tax payable. The increased rate of the surcharge to 25% and 37% is not applicable for capital gains earned on the sale of specified assets such as equity shares in a company, units of an equity-oriented mutual funds and units of a business trust subject to STT. Marginal relief is allowed to ensure that the additional amount of income tax payable, including surcharge, on the excess of income over the respective limits of INR5 million, INR10 million, INR20 million and INR 50 million is limited to the amount by which the income exceeds such limits.

Health and education cess is levied at a rate of 4% on the tax payable and surcharge. The following are the maximum marginal tax rates:

- If total annual income is INR5 million or less, the maximum marginal tax rate is effectively 31.2% (30% + 4% health and education cess).

- If total annual income is more than INR5 million but not more than INR10 million, the maximum marginal tax rate is effectively 34.32% (30% + 10% surcharge + 4% health and education cess).
- If total annual income is more than INR10 million but more than INR20 million, the maximum marginal tax rate is effectively 35.88% (30% + 15% surcharge + 4% health and education cess).
- If total annual income (excluding the capital gains on specified assets) is more than INR20 million but not more than INR50 million, the maximum marginal tax rate is effectively 39% (30% + 25% surcharge + 4% health and education cess).
- If total annual income (excluding the capital gains on specified assets) is more than INR50 million, the maximum marginal tax rate is effectively 42.74% (30% + 37% surcharge + 4% health and education cess).

The following table shows the effective tax rates.

Taxable income INR	Tax rate %	Tax due INR	Cumulative tax due INR
First 250,000	0	0	0
Next 250,000	5.20	13,000	13,000
Next 500,000	20.80	104,000	117,000
Next 4,000,000	31.2	1,248,000	1,365,000
Next 5,000,000	34.32	1,852,500	3,217,500
Next 10,000,000	35.888	3,734,250	6,951,750
Next 30,000,000	39.00	12,304,500	19,256,250
Above 50,000,000	42.74	—	—

Effective from 1 April 2019, resident individuals with total taxable income up to INR5 million are allowed a tax rebate equal to the total amount of tax payable or INR12,500, whichever is less.

Special rates for nonresidents. For nonresident taxpayers, the tax rate for income from royalties and fees for technical services is 10%.

Nonresident Indian nationals (including persons of Indian origin) may exercise an option to be taxed at a flat rate of 20% on gross investment income (without any deductions) arising from foreign-currency assets acquired in India through remittances in convertible foreign exchange.

B. Other taxes

Net wealth tax. Wealth tax was abolished, effective from 1 April 2015.

Estate and gift taxes. India does not impose tax on estates, inheritances or gifts. However, as mentioned in *Transactions above INR50,000* in Section A, any sum of money received by an individual in excess of INR50,000 without consideration is taxable in the hands of the recipient.

Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015. In 2015, the Indian government enacted the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (Black Money Act) to

tax undisclosed foreign income and assets (UFIA) held outside India by individuals who qualify as resident and ordinarily resident. An individual who has UFIA is taxed at a rate of 30% with a penalty of 300% of the tax. In addition, imprisonment of up to 10 years is possible.

If income from any foreign source is not reported on the taxpayer's income tax return, or if a failure to file an income tax return declaring such income occurs, the overseas income is considered to be undisclosed income. Overseas assets include assets, such as financial interests in entities, movable and immovable assets and bank accounts), held directly or beneficially by the taxpayer. The asset is deemed to be undisclosed if the taxpayer is unable to satisfactorily explain the source of investment.

Taxpayers who are ordinarily resident in India have additional disclosure requirements with respect to foreign assets held by them. Failure to comply with such disclosure requirements results in a penalty of INR1 million in addition to tax and a penalty under the Black Money Act.

The 2019 Union Budget has clarified that the taxpayer's residential status in the tax year in which the income is earned or the asset is acquired is the determinative factor for the applicability of the Black Money Act.

C. Social security

Social security in India is governed by the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act). The EPF Act contains the following three principal schemes:
- Employees' Provident Funds Scheme, 1952
- Employees' Pension Scheme, 1995
- Employees' Deposit-Linked Insurance, 1976

Coverage. The EPF Act applies to the following establishments:
- An establishment employing 20 or more persons engaged in a specified industry or an establishment or class of establishments notified by the central government
- An establishment employing less than 20 persons that opts voluntarily to be covered by the EPF Act

Covered employers must make a contribution toward the Employees' Provident Funds Scheme and the Employees' Pension Scheme for their eligible employees including International Workers. Under the EPF Act, the following employees are considered to be International Workers:
- An Indian employee (an Indian passport holder) who has worked or is going to work in a foreign country with which India has entered into a social security agreement and who is or will be eligible to receive benefits under a social security program of that country, in accordance with such agreement
- A person who holds a foreign passport and is working for an establishment in India to which the EPF Act applies

Under a circular issued by the Provident Fund authorities, an Indian employee who returns to work in India after having worked in a country with which India has entered into a social security agreement is not considered an International Worker.

An "excluded employee" is not covered by the EPF Act. An employee is considered to be an "excluded employee" if both of the following conditions are satisfied:

- The employee is an International Worker who is contributing to a social security program of his or her country of origin, either as citizen or resident.
- The employee's home country has entered into a social security agreement with India on a reciprocity basis, and the employee is considered to be a detached worker under the social security agreement and has obtained a Certificate of Coverage from the home country social security authorities.

Social security agreements. India has entered into social security agreements with Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Hungary, Japan, Korea (South), Luxembourg, the Netherlands, Norway, Portugal, Sweden and Switzerland. It has also signed social security agreements with Brazil and Quebec, but these agreements have not yet entered into force. India has not entered into a social security agreement with Singapore. However, benefits under a social security agreement are sought to be provided through a Comprehensive Economic Cooperation Agreement (CECA) between India and Singapore.

Contributions. Every covered employer is required to contribute 24% (12% each for the employer's and the employee's share) of the employee's "monthly pay" (as defined) toward the Employees' Provident Fund and Employees' Pension Fund. The employer has the option to recover the employee's share from the employee.

For employees who are existing members as of 1 September 2014, out of the employer's 12% share of the contribution, 8.33% of monthly pay is allocated to the Employees' Pension Fund. The balance of the contributions is deposited into the Employees' Provident Fund.

For employees (including International Workers) who become members on or after 1 September 2014 and draw monthly pay exceeding INR15,000, the entire contribution is allocated to the Employees' Provident Fund.

Local employees who draw a "monthly pay" of INR15,000 or more are excluded from the legislation unless they are already covered, but this exclusion does not apply to International Workers. Consequently, contributions are required for International Workers even if the monthly pay of the employee exceeds INR15,000.

The employer contributions are exempt from tax up to 12% of monthly pay.

Withdrawal. An International Worker can make a withdrawal from the Provident Fund only in the following circumstances:

- He or she retires or reaches the age of 58, whichever is later.
- He or she suffers permanent and total incapacitation.

However, in the case of an International Worker covered under a social security agreement entered into between India and the home country, the following rules apply to withdrawals by individuals from the Provident Fund:

- Individuals may withdraw their contributions (and interest) from the Provident Fund on ceasing to be an employee in an establishment covered by the EPF Act.
- The amount due to the individual with respect to his or her Provident Fund contributions is payable to the individual's bank account either directly or through the employer.

For International Workers covered under a social security agreement that contains provisions relating to "totalization of period," the period of coverage in India and the period of coverage under the relevant social security scheme of the other country are aggregated to determine eligibility for pension benefits.

D. Tax filing and payment procedures

Income tax filing and payment. All income is taxed using a tax year from 1 April to 31 March. All taxpayers, including nonresidents, must file returns if their taxable income exceeds the exempt amount. Resident and ordinarily resident individuals who have an asset (including a financial interest in an entity) located outside India, signing authority in an account outside India or income from any source outside India must file a return even if they do not have any taxable income.

Effective from 1 April 2019, a new category of taxpayers must file returns if any of the following conditions are met during the tax year:
- The taxpayer's deposits in one or more current accounts exceeds INR10 million.
- The taxpayer's expenditure incurred on foreign travel exceeds INR200,000.
- The taxpayer's electricity expenditure exceeds INR100,000.
- Other prescribed conditions are satisfied.

Income tax returns for salary income must be filed by 31 July; returns for self-employment or business income must also be filed by 31 July or, if the accounts are subject to a tax audit, by 30 September.

Taxpayers who do not file their tax returns by the due dates may file their tax return within one year after the end of the tax year or before completion of a tax audit by the tax authorities, whichever is earlier. A penalty of INR5,000 is required to be paid if such return is filed on or before 31 December following the relevant tax year and a penalty of INR10,000 must be paid in all other cases. In addition, if the taxable income of the taxpayer is less than INR500,000, the penalty payable is INR1,000. Tax returns must be filed electronically by taxpayers who have taxable income exceeding INR500,000 or who are claiming a foreign tax credit or a tax refund on their Indian tax return.

Taxpayers who have filed their tax returns after the due date are eligible to revise such returns at any time within one year after the end of the tax year or before completion of a tax audit by the tax authorities.

Taxpayers who are ordinarily resident in India and have additional disclosure requirements relating to foreign assets held by them for the purpose of investment are also required to file their returns electronically.

India does not have a concept of joint filing. As a result, married persons are taxed separately. If an individual directly or indirectly transfers an asset to his or her spouse for inadequate consideration, income derived from the transferee's asset is deemed to be the income of the transferor spouse. If an individual has a substantial interest in a business, remuneration paid by the business to the individual's spouse is taxed to the individual, unless the remuneration is attributable solely to the application of the spouse's technical or professional knowledge and experience. Passive income of minor children is aggregated with the income of the parent with the higher income.

Taxpayers with employment income pay tax through tax withheld by employers from monthly salaries each pay period. Taxpayers with tax liability exceeding INR10,000 must make advance payments, after deducting credit for tax withheld, in four installments on 15 June, 15 September, 15 December and 15 March.

Taxpayers are required to quote their Permanent Account Number (PAN), which is the tax identification number, in all correspondence with the Indian Revenue. The PAN is now mandatory. All individuals who are required to file an income tax return are required to obtain a PAN. In addition, the quoting of the PAN is now mandatory for every financial transaction above INR200,000.

The law prescribes a tax withholding at the higher of the prescribed rate or 20% if the taxpayer's PAN is not available. However, effective from 1 June 2016, nonresident taxpayers are exempt from furnishing the PAN if a specified alternative document is submitted.

The Unique Identification Authority of India on behalf of the government of India issues the Aadhaar Card, which contains a 12-digit unique identification number. Effective from 1 July 2017, the government has mandated the quoting of the Aadhaar Number/ Aadhaar Enrollment Number (an Aadhaar Enrollment Number is provided before the issuance of a final Aadhaar Number) when filing a tax return on or after 1 July 2017. Under a notification dated 11 May 2017, relief from obtaining an Aadhaar Card is provided to the following taxpayers:

- Taxpayer residing in the state of Assam, Jammu and Kashmir or Meghalaya
- A nonresident taxpayer as per provisions of Indian law
- A taxpayer of the age of 80 years or more at any time during the preceding year
- A taxpayer who is not a citizen of India

The 2019 Union Budget has made PAN and Aadhaar interchangeable. Effective from 1 September 2019, individuals who are required to furnish, intimate or quote their PAN and who have not been allotted a PAN but possess an Aadhaar Number, may furnish the Aadhaar Number in lieu of the PAN.

Nonresidents are subject to the same filing requirements as residents. However, nonresident citizens (including persons of Indian origin) who have only investment income or long-term capital gains on foreign-exchange assets need not file returns if the required tax is withheld at source. Nonresidents are subject to assessment procedures in the same manner as residents.

For taxpayers whose total income exceeds INR5 million, an additional disclosure of immovable property (land and buildings) and movable assets (for example, archaeological collections, such as drawings and paintings), jewelry, bullion, vehicles, boats, yachts, aircraft and financial assets, including all bank deposits, mutual funds, shares, securities, insurance policies, loans and advances, and cash in hand and similar items, must be made in the income tax return. The taxpayer must also provide the liabilities (if any) with respect to the reported assets.

Exit tax clearance. Before leaving the country, any individual not domiciled in India is required to furnish an undertaking to the prescribed authority and obtain a No Objection Certificate if he or she is in India for business, professional or employment activities and has derived income from any source in India. Such undertaking must be obtained from the individual's employer or the payer of the income, and the undertaking must state that the employer or the payer of income will pay the tax payable by the individual. An exemption from obtaining the No Objection Certificate is granted to foreign tourists or individuals visiting India for purposes other than business or employment, regardless of the number of days spent by them in India. At the time of departure of an individual domiciled in India, the individual must provide his or her permanent account number, the purpose of the visit outside India and the estimated time period for the stay outside India to the prescribed authority. However, a person domiciled in India may also be required to obtain a No Objection Certificate in certain specified circumstances.

Quarterly statement of tax withheld at source. Entities must file quarterly statements of tax withheld in a prescribed format with the prescribed authority.

E. Double tax relief and tax treaties

Tax treaties provide varying relief for tax on income derived from personal services in specified circumstances. In certain circumstances, the treaties also provide tax relief for business income if no permanent establishment exists in India. India has entered into comprehensive double tax treaties with the following jurisdictions.

Albania
Armenia
Australia
Austria
Bangladesh
Belarus
Belgium
Bhutan
Botswana
Brazil
Bulgaria
Canada
China Mainland
Colombia
Croatia
Cyprus
Czech Republic
Italy
Japan
Jordan
Kazakhstan
Kenya
Korea (South)
Kuwait
Kyrgyzstan
Latvia
Libya
Lithuania
Luxembourg
Malaysia
Malta
Marshall Islands
Mauritius
Mexico
Qatar
Romania
Russian Federation
Saudi Arabia
Serbia
Singapore
Slovenia
South Africa
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Syria
Tajikistan
Tanzania
Thailand

Denmark
Egypt
Estonia
Ethiopia
Fiji
Finland
France
Georgia
Germany
Greece
Hong Kong SAR
Hungary
Iceland
Indonesia
Ireland
Israel
Mongolia
Montenegro
Morocco
Mozambique
Myanmar
Namibia
Nepal
Netherlands
New Zealand
North Macedonia
Norway
Oman
Philippines
Poland
Portugal
Trinidad and Tobago
Turkey
Turkmenistan
Uganda
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Vietnam
Zambia

India has entered into limited double tax treaties with Afghanistan, Ethiopia, Iran, Lebanon, Maldives, Pakistan, Yemen and the South Asian Association for Regional Cooperation (SAARC) countries.

If no double tax treaty applies, resident taxpayers may claim a tax credit on foreign-source income equal to the lower of the tax imposed by the foreign country or the tax imposed by India on the foreign income.

A foreign tax credit must be claimed in accordance with new prescribed rules and a new Form 67 providing details of foreign tax credit claimed in the return of income must be furnished to the Indian Revenue.

An individual not resident in India who claims exemptions and reliefs from tax under double tax treaties may claim relief under such agreements only if he or she obtains a tax-residency certificate indicating that he or she is a resident of the relevant country or territory outside India from the government of that country or territory and if a specified form is filed in India.

F. Visas and other formalities

Visa guidelines issued by the Ministry of Home Affairs (MHA) provide guidance on obtaining the appropriate visa before entering India. The type of visa to be obtained depends on the purpose of the visit and the nature of activities undertaken in India.

Employment visa. Employment visas are granted to foreign nationals who want to come to India for the purpose of employment.

Under the visa guidelines, employment visas may be granted to the following individuals:

- Foreign nationals coming to India as a consultant on contract for whom the Indian company pays a fixed remuneration (this may not be in the form of a monthly salary)
- Foreign artists engaged to conduct regular performances for the duration of an employment contract given by hotels, clubs or other organizations
- Foreign nationals who are coming to India to take up employment as coaches of national- or state-level teams or reputed sports clubs

- Foreign sportspersons who are given a contract for a specified period by Indian clubs or organizations (this does not include foreign nationals who are engaged in commercial sports events in India on contract [including coaches], for whom the appropriate visa is a B-sports visa)
- Self-employed foreign nationals coming to India to render engineering, medical, accounting, legal or other highly skilled services in their capacity as independent consultants, provided that the rendering of such services by foreign nationals is permitted under law
- Foreign language teachers or interpreters
- Foreign specialist chefs (for foreign specialist chefs employed in commercial ventures, the minimum salary criteria of INR1,625,000 per year applies)
- Foreign circus artists
- Foreign engineers or technicians coming to India for installation and commissioning of equipment, machines or tools in accordance with the terms of the contract for the supply of such equipment, machines or tools
- Foreign nationals deputed for providing technical support or services or for the transfer of know-how or services, for which the Indian company pays fees or royalties to the foreign company
- Foreign journalists who intend to travel to India to work in Indian media organizations
- Employees or managers coming to India for non-journalistic activities within media organizations

Employment visas are not granted for jobs for which a large number of qualified Indians are available to fill the position or for routine, ordinary, secretarial or clerical jobs.

An employment visa is granted to a foreign national if his or her salary exceeds INR1,625,000 per year. However, the salary threshold of INR1,625,000 (this limit includes all cash payments and perquisites that are taxed in India) does not apply to certain individuals, such as the following:

- Ethnic cooks employed by foreign missions in India (this does not include ethnic cooks employed in commercial ventures)
- Language teachers (other than English-language teachers) or translators (this will not include teachers employed to teach particular subjects in a foreign language)
- Staff working for an embassy or high commission in India
- Foreigners seeking honorary work for no salary with non-governmental organizations (NGOs) registered in the country
- Foreign teaching faculty employed in the South Asian University and the Nalanda University
- Circus artists

A change of employer in India is generally not permitted during the duration of the employment visa except for a change of employment from a registered holding company, joint venture or consortium, and its subsidiaries and vice versa, or between subsidiaries of a registered holding company, joint venture or consortium. Change of employment is permitted at a senior level (for example, a managerial or a senior executive position) and/or at a skilled position (for example, a technical expert). The change of

employment in such cases may be subject to fulfilling specified conditions including prior permission from the MHA. The intended legal entity and the location of work in India must be clearly specified when applying for an employment visa.

The intended legal entity and the location of work in India must be clearly specified when applying for an employment visa.

Business visa. Under visa guidelines issued by the MHA, a business visa may be issued to a foreign national visiting India for the purpose of carrying out the following activities:

- Establishing an industrial or business venture
- Exploring the possibility of an industrial or business venture, other than proprietorship firms and partnership firms in India
- Purchase and sale of industrial, commercial or consumer products
- Attending technical meetings or discussions
- Attending board meetings and general meetings for providing business services support
- Recruitment of manpower
- Functioning as partners or directors in a business
- Consultation or participation with respect to exhibitions, trade fairs or business fairs
- Meeting with suppliers or potential suppliers to evaluate or monitor quality, negotiate supplies, place orders and provide specifications for goods procured from India
- Monitoring progress on ongoing projects
- Meeting with Indian customers on ongoing projects
- Meeting to provide high-level technical guidance on ongoing projects
- Activity before and after a sale that does not amount to the execution of a contract
- In-house training at the regional hubs of a foreign company
- Foreign academicians or experts coming under the Global Initiative for Academic Networks
- Serving as a tour conductor or travel agent
- Serving as a crew member of scheduled or non-scheduled flights operated by scheduled airlines, non-scheduled and chartered flights operated by non-scheduled airlines and special flights

Accompanied legal spouses and dependents of business visa holders can come to India with a Business Visa-Dependent Visa.

Business visas and employment visas may be issued only by the Indian missions from the country of origin or from the country of domicile of the foreign national, provided that the period of permanent residence of the foreign national in such country is at least two years.

Tourist visa. Tourist visas are issued to foreign nationals whose sole objective of visiting India is, among other specified objectives, recreation, sightseeing, a casual visit to meet friends and relatives, attending a short-term yoga program, and short duration medical treatment including treatment under Indian systems of medicine. No other activity is permissible on a tourist visa.

E-visa. An e-visa is divided into the following five categories:

- E-tourist visa: issued to foreign nationals whose sole objective of visiting India is recreation, sightseeing and similar activities.

The e-tourist visa is valid for one month (double entry, non-extendable and non-convertible), one year (multiple entry) and five years (multiple entry). For countries except Canada, Japan, the United Kingdom and the United States, a continuous stay during each visit cannot exceed 90 days. For Canada, Japan, the United Kingdom and the United States, a continuous stay during each visit cannot exceed 180 days.

- E-business visa: issued to foreign nationals visiting India for business purposes for a duration of one year with multiple entry allowed. A continuous stay during each visit cannot exceed 180 days.
- E-Conference visa: issued to foreign nationals for attending a conference, seminar or workshop organized by a Ministry or Department of the Government of India, State Governments or Union Territory Administrations and their subordinates, attached organizations and public sector undertakings, and private conferences organized by private persons, companies or organizations. An e-Conference visa is issued for a duration of one month from the date of arrival into India with single entry.
- E-medical visa: issued to foreign nationals who are visiting India to get medical treatment. E-medical visas are issued for a duration of 60 days with triple entry allowed.
- E-medical attendant visa: an e-medical attendant visa is granted to foreign nationals who are accompanying a patient traveling to India on an e-medical visa. Only two e-medical attendant visas will be granted for each e-medical visa.

An e-visa is available for nationals of 168 countries coming to India for tourism, business or medical purposes, as an attendant to an e-medical visa holder, or for attending a conference.

An individual needs to apply for an e-visa online at least four days before the date of arrival in India. E-visas are valid for entry through 28 designated international airports and 5 ports in India.

Visa on arrival. A visa on arrival facility is available to nationals of Japan, Korea (South) and the United Arab Emirates (only for such United Arab Emirates nationals who had earlier obtained an e-Visa or regular or paper visa for India) who are visiting India for business, tourism, conference or medical purposes for a duration not exceeding 60 days. This facility is not available to a person if the person or either of his or her parents or grandparents (paternal or maternal) was born in, or was permanently resident, in Pakistan. This facility is not available to holders of diplomatic or official passports.

Diplomatic and official passport holders. A separate visa regime exists for diplomatic and official passport holders.

Landing permit. A landing permit facility can be given to a foreigner under the following situations for a maximum duration of three days:

- A foreigner who enters India without a valid visa under emergency circumstances, such as death or a sudden illness in the family
- A foreigner who has arrived in India by air or sea and desires to leave the specified precincts of the airport or the ship during its stop at an Indian port
- A foreigner who has arrived by air and desires to resume his or her journey by the next regularly scheduled flight

- A foreigner who has arrived by sea and intends to resume his or her journey from the same place by a scheduled air service for which he or she holds a valid ticket (in such cases, the foreigner is allowed to leave the ship to proceed to the designated airport to catch his or her flight on a landing permit)

The landing permit facility is not available to nationals of Afghanistan, China, Ethiopia, Iran, Iraq, Nigeria, Pakistan, Somalia and Sri Lanka, and foreign nationals of Pakistan origin, even if he or she is transiting through India and has a confirmed onward journey ticket.

Conference visa. The conference visa may be granted to foreign delegates (other than Pakistani nationals) to attend international conferences, seminars or workshop being held in India. The conference visa may not be issued for events that involve politically and/or socially sensitive subjects. At their discretion, Indian missions may grant the visa for the required period.

Journalist visa. Under the visa guidelines, journalist visas may be granted to the following individuals:

- A foreigner who is a professional journalist, photographer, documentary film producer or director (other than of commercial films), a representative of a radio and/or television organization or a travel writer or travel promotion photographer or is engaged in similar activities
- A professional journalist working for an association or a company engaged in the production or broadcast of audio news or audiovisual news or current affairs programs through the print media, or electronic or any other mode of mass communication
- A correspondent, columnist, cartoonist, editor or owner of an association or company referred to above
- A journalist visiting India for any other purpose, such as attending a conference, tourism or meeting relatives

A journalist visa may be granted for up to a three-month stay in India. A six-month journalist visa, with a single or double entry, may be given in rare and exceptional cases. A multiple-entry visa may be issued only with the prior approval of the Ministry of External Affairs (MEA).

Intern visa. Intern visas are granted to foreigners intending to pursue internships in Indian companies, educational institutions and NGOs, subject to the following rules:

- The period of the visa is restricted to the duration of the internship program or one year, whichever is less. The intern visa can be issued at any time during the course of study.
- For an internship with a company, the foreign national being sponsored for internship should draw a minimum remuneration of INR360,000 per year. No minimum salary limit applies to internships in educational institutions and NGOs. Intern visas are not issued for internships in certain strategic sectors.
- An intern visa may not be granted to a national of Pakistan.
- The foreign national is not allowed to take up employment in India immediately after completion of the internship.
- Earnings from internships of foreign nationals with Indian companies, educational institutions and NGOs are subject to the Indian Income Tax Regulations.

Other visas. Other types of visas issued in India include transit, medical entry (X), student, project, yoga, research, missionary, sports, mountaineering and film.

G. Residence permits

Foreign nationals are required to register with the local Foreigner Regional Registration Offices/Foreigners Registration Office (FRRO/FRO) within 14 days after the date of arrival in India if their visas are valid for longer than 180 days or if the visa stamp specifically requires this registration. Certain categories of visitors are also required to register with the police authorities.

Prescribed documentation must be submitted to register with the local registration office. The documentation may vary based on the visa type and location of the local registration office.

Registration is generally valid for the term of the visa or for one year, whichever is less, and may be further extended on application. Failure or delayed registration may result in the immigration authorities' refusal to allow the foreign national to leave the country and a monetary penalty.

Formalities to be observed by registered foreigners. On completion of registration formalities at the FRRO/FRO, foreigners are issued a registration certificate containing his or her photograph, details of residence and certain other information. A foreigner must notify the registration authorities regarding any change in personal particulars, such as his or her passport details and address.

Also, a foreigner must inform the registration officer if he or she proposes to be absent from his registered address for a continuous period of eight weeks or more. Similarly, a foreigner who stays for a period of more than eight weeks in a district other than the district of his or her registered address, must inform the registration officer of that district of his or her presence.

H. Family members

Business Visa-Dependent or Employment Visa-Dependent Visas are issued to accompanying family members of individuals visiting India on business or for employment.

Spouses or dependents of working expatriates must obtain separate employment visas to be employed in India.

Family members intending to reside with a working expatriate must register separately at the local registration office.

I. Other matters

Exchange controls. Under the prevailing foreign-exchange rules, the following individuals are permitted to remit their salaries (net of retirement plan contributions and Indian taxes) to their home countries for maintenance of close relatives abroad:

- Foreign nationals who are residents but not permanently resident in India and who are regularly employed with Indian firms or companies and receive a monthly salary
- Indian nationals on deputation to an office, branch, subsidiary or joint venture in India of an overseas company

The definition of residential status of individuals under the exchange control law differs from the definition under the Income Tax Act, 1961.

A foreign national, who is an employee of a company incorporated in India, may open an Indian bank account, receive salary in an Indian bank account and remit the salary received in India to a foreign bank account maintained by him or her overseas, if statutory dues are paid on the entire salary in India.

A special rule applies to an expatriate employee (whether a foreign national or an Indian citizen) who is employed by a foreign company outside India and is deputed to an office, branch, subsidiary, joint venture of such foreign company or to a company in the foreign company's group. Such an expatriate employee may receive salary in the foreign bank account outside India, if statutory dues are paid on the entire salary accrued in India. However, if an expatriate employee referred to above is deputed to work in India in an entity that is not related to the foreign employer, specific Reserve Bank of India approval for payment of salary outside India may be required.

India regulates the acquisition, holding, transferring, borrowing, or lending of foreign exchange, and the acquisition of foreign security or immovable property located outside India by persons resident in India. However, a person resident in India may hold, own, transfer or invest in foreign currency, foreign security or an immovable property located outside India if the person acquired, held or owned such currency, security, or property when he or she was resident outside India or such person inherited the currency, security or property from a person who was resident outside India.

Under a liberalized remittance scheme for resident individuals, total remittances of up to USD250,000 per individual per financial year are allowed for permissible current-account transactions and permissible capital-account transactions, subject to certain exceptions. The scheme allows individuals to acquire and hold shares and immovable property and maintain foreign-currency accounts or other assets outside India without Reserve Bank of India approval, subject to the fulfillment of specified conditions.

Person of Indian Origin card. Until 8 January 2015, a Person of Indian Origin (PIO) card could be obtained by any individual who was in possession of the passport of any other country except for Afghanistan, Bangladesh, Bhutan, China, Nepal, Pakistan, Sri Lanka or any other country specified by the government, subject to satisfaction of certain conditions. Effective from 9 January 2015, this scheme was closed and existing PIO cardholders are deemed to be Overseas Citizenship of India (OCI; see *Overseas Citizens of India*) cardholders and are eligible for the same benefits as OCI cardholders. All PIO cards are valid until 31 March 2020. After 31 March 2020, the PIO card will be considered an invalid travel document.

Overseas Citizens of India. The OCI card is a multiple entry, lifelong visa for visiting India, which can be obtained by certain categories of individuals. OCI cardholders are exempt from registration with FRRO/FRO and local police for any length of stay in India.

The following individuals are eligible to apply for the OCI facility:
- A foreign national who was a citizen of India or eligible to become citizen of India, as specified in the Citizenship Act, and/or children, grandchildren and great grandchildren of such individual
- Minor children if both of his or her parents are citizens of India or if one of the parents is a citizen of India
- A spouse of foreign origin of an Indian citizen or of an OCI cardholder whose marriage has been registered and subsisted for a minimum of two years, subject to prior security clearance

A person who, or either of whose parents, grandparents or great grandparents, is or has been a citizen of Bangladesh or Pakistan is not be eligible for registration as an OCI cardholder.

Protected and restricted areas. Advance permission is required from Indian diplomatic missions abroad, the MHA in New Delhi or specified authorities to visit certain states or areas within these states. The areas, which require prior approval are the following:
- The whole of Arunachal Pradesh
- Parts of Himachal Pradesh
- Parts of Jammu and Kashmir
- The whole of Manipur
- The whole of Mizoram
- The whole of Nagaland
- Parts of Rajasthan
- Parts of Uttarakhand
- The whole of Sikkim
- Parts of Andaman and Nicobar islands

Under instructions issued by the MHA, the entire area of the states of Manipur, Mizoram and Nagaland has been excluded from the protected area regime up to 31 December 2022, subject to conditions.

Personal baggage rules. An expatriate may import into India bona fide baggage (explained in the Customs Act), which includes personal and household effects (except certain specified items, such as alcoholic liquor and wines in excess of two liters) and jewelry up to specified limits, free of customs duty. This is permitted on a bona fide transfer of residence, subject to the satisfaction of certain specified conditions.

Indonesia

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A. Income tax

Who is liable. Indonesian-resident taxpayers are subject to tax on worldwide income. Nonresidents are subject to tax on Indonesian-source income only. Diplomats and representatives of certain international organizations are excluded from Indonesian tax if the countries they represent provide reciprocal exemptions.

Individuals are considered resident for tax purposes if they are present in Indonesia for more than 183 days within a 12-month period or if, within the calendar tax year, they reside in Indonesia with the intent to stay.

Under a tax regulation, which was issued on 12 January 2009, an Indonesian national who works overseas for more than 183 days within any 12-month period is considered a nonresident.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable income of an employee includes wages, salary, commissions, bonuses, pensions, directors' fees and other compensation for work performed. Compensation in kind for work or services is not taxable income for the employee and is not a deductible expense for the employer. However, this treatment does not apply to employees of the following:

- Oil and gas companies under contracts entered into under pre-1984 law
- Representative offices, which are not subject to Indonesian corporate income tax
- Various international organizations and embassies
- Employers who are taxed based on a "deemed profit" basis
- Employers who are subject to final tax

Although fringe benefits provided to employees, including employer-provided housing and automobiles, are not included in an employee's taxable income, they are allowable deductions for the employer if the employee works in a remote area. Approval for remote area status must be obtained by the employer. Benefits received in the form of cash allowances are taxable.

Termination pay and lump-sum pension payments are subject to final withholding tax at the rates set forth in *Rates*.

An Indonesian national who works overseas for more than 183 days within a 12-month period is not subject to tax on his or her employment income that is earned overseas and that is subject to tax overseas.

Self-employment and business income. Members of partnerships, firms and associations, as well as other individuals, may be subject to tax on self-employment or business income.

Taxable income includes trading profits, profits from the sale of property connected with a business, annuities and waivers of debts (except waivers of debts for a small entrepreneur of up to IDR5 million).

Self-employment and business income is combined with other income and taxed at the rates set forth in *Rates*.

Directors' fees. Directors' fees are included in taxable employment income.

Investment income. Dividends paid to individuals, rents, royalties and certain interest are subject to withholding tax at various rates. These types of investment income generally are combined with other income and taxed at the rates set forth in *Rates*. However, the 20% withholding tax on interest derived from the following investments is a final withholding tax:

- Time deposits, including time deposits placed abroad through a bank established in Indonesia or through a branch of a foreign bank
- Certificates of deposit
- Savings accounts

Income from the rental of land and buildings is subject to a final withholding tax at a rate of 10%.

Dividends paid to resident individuals are subject to a final withholding tax at a rate of 10%.

Final income tax regime for small and medium-size business taxpayers. Effective from 1 July 2018, a new final tax regime applies to the business income of certain individuals and corporate taxpayers, excluding permanent establishments, with a gross turnover of less than IDR4,800,000,000 per year. Qualifying taxpayers are subject to income tax at a rate of 0.5% of their monthly gross turnover, and the income tax is considered to be final. The gross turnover includes a local branch's gross income, except for income from outside Indonesia.

The following taxpayers are excluded from this final tax:

- Individual taxpayers performing trading and/or service activities who use assembled infrastructure and public facilities that are not intended for commercial use

- Corporate taxpayers who have not yet begun commercial operations
- Corporate taxpayers that generate annual turnover in excess of the IDR4.8 billion threshold within a year after beginning their commercial operations

The business income covered by the final tax regime does not include income from independent personal services, such as services provided by lawyers, accountants, medical doctors and notaries.

Taxpayers qualifying for a different final tax regime (for example, construction companies) are not eligible for this 0.5% final tax.

Income derived by qualifying taxpayers other than business income that is subject to this 0.5% final tax, is taxed according to the prevailing tax rules.

The maximum period of imposition of the final income tax is the following:
- Seven tax years for individual taxpayers
- Four tax years for taxpayers in the form of cooperative bodies, partnerships or firms
- Three tax years for corporate taxpayers in the form of a limited liability company

The period referred to in the paragraph above begins in the tax year when the taxpayer is registered for taxpayers who registered since the applicable government regulation was issued. For taxpayers who registered before the issuance of the government regulation, the period begins in the tax year of issuance of the government regulation.

Taxation of employer-provided stock options. Employer-provided stock options are not taxable to an individual at the time of grant or exercise. Income tax at the individual's marginal tax rate is imposed at the time of sale on the difference between the sale price of the shares and the strike price. Sales of stock on the Indonesian stock exchange are also subject to a final withholding tax at a rate of 0.1% on the gross sale value of the stock.

Capital gains and losses. Capital gains are taxed at the same rates as business income and income from employment (see *Rates*). Capital gains are added to income from other sources to arrive at total taxable income.

The transfer of shares listed on the stock exchange is subject to withholding tax at a rate of 0.1% of the gross value of the transfer if the transferred shares are ordinary shares. An additional tax at a rate of 0.5% of the share value is levied on sales of founder shares associated with a public offering. Both withholding taxes are final. Founder shareholders must pay the 0.5% tax within one month after the shares are listed. Founder shareholders who do not pay the tax by the due date are subject to income tax on the gains at the ordinary income tax rates.

Income tax on land and building transfer. A transfer of land and buildings is subject to final income tax on the deemed gain resulting from the transfer or sale. The tax is charged to the

transferor (seller). The tax rate is 2.5% of the gross transfer value (tax base). However, for transfers of simple houses and simple apartments conducted by taxpayers engaged in the property development business, the tax rate is 1%. This tax must be paid on receipt of some or all payments for the transfer of rights to land and buildings. The income tax is calculated based on the amount of each payment received including the down payment, interest, collection fees and other additional payments made by the buyer with respect to the transfer of the land and building.

The tax base is the higher of the transaction values stated in the relevant land and building right transfer deed or tax object sales value (Nilai Jual Objek Pajak, or NJOP). However, for transfers to the government, the tax base is the amount officially stipulated by the applicable government officer in the relevant document. In a government-organized auction, the gross transfer value is the value stipulated in the relevant deed of auction.

The transfer of rights deed can be signed by a notary only if the income tax has been fully paid.

Deductions

Deductible expenses. To determine the taxable income of regular employees, gross income is reduced by the following amounts:

- Standard deduction at a rate of 5% of gross income, up to a maximum of IDR6 million a year
- Contributions to a pension fund approved by the Minister of Finance and to TASPEN (Pension Insurance Saving Agency), as well as old-age savings or old-age allowance contributions to TASPEN and to the Worker Social Security program (BPJS Ketenagakerjaan), paid by employees

To determine the taxable income of a pensioner, the gross pension is reduced by a deduction of 5% of the gross pension, up to a maximum of IDR2,400,000 a year.

Personal allowances. Annual personal allowances are deductible from taxable income.

The following are the amounts of the personal allowances.

Type of allowance	Amount of allowance IDR
Personal allowance	54,000,000
Married persons' additional allowance	4,500,000
Wife's additional allowance if receiving income not related to husband's or other family member's income	54,000,000
Additional allowance for each dependent family member in direct bloodline and for adopted children, up to a maximum of three individuals	4,500,000

Business deductions. A self-employed business person may deduct from gross income ordinary expenses connected with earning income, including costs of materials, employee remuneration, bad debts, insurance premiums and administrative costs. Taxes other

than income tax are deductible. If employee income taxes are borne by an employer, a grossing-up calculation must be made to claim the expense as a deduction from gross profit.

A business may also deduct the following expenses:
- Depreciation and amortization, in accordance with specified rates
- Contributions to approved pension funds
- Losses from the sale of assets or rights used in a business
- Foreign-exchange losses
- Costs of research and development performed in Indonesia
- Scholarship, apprenticeship and training costs
- Fifty percent of the cost of automobiles provided to employees
- Fifty percent of the cost of mobile phones provided to employees
- Office refreshments provided to all employees

The following expenses may not be deducted:
- Provisions or reserves, with exceptions for certain industries
- Premiums for employees' life and health insurance, unless paid by the employers and treated as income taxable to the employees
- Benefits in kind provided to employees, including housing
- Gifts, support and donations, with exceptions for certain donations
- Personal expenses
- Salary paid to a member of an association, partnership or a limited partnership whose capital is not divided into shares
- Income tax and administrative sanctions in the form of interest, fines and surcharges, and criminal sanctions in the form of fines in connection with provisions of the tax laws

Rates. The following tax rates apply to individuals.

Taxable income IDR	Tax rate %	Tax due IDR	Cumulative tax due IDR
First 50,000,000	5	2,500,000	2,500,000
Next 200,000,000	15	30,000,000	32,500,000
Next 250,000,000	25	62,500,000	95,000,000
Above 500,000,000	30	—	—

The final withholding tax rates apply to termination pay.

Taxable income IDR	Tax rate %	Tax due IDR	Cumulative tax due IDR
First 50,000,000	0	0	0
Next 50,000,000	5	2,500,000	2,500,000
Next 400,000,000	15	60,000,000	62,500,000
Above 500,000,000	25	—	—

The final withholding tax rates apply to lump-sum payments of pensions.

Taxable income IDR	Tax rate %	Tax due IDR	Cumulative tax due IDR
First 50,000,000	0	0	0
Above 50,000,000	5	—	—

Nonresident taxpayers are subject to tax at a flat rate of 20% on all Indonesian-source income.

If the resident individual does not have a required Tax Identification Number, the tax rates for withholding tax on employment income are increased by 20%. As a result, the rates range from 6% to 36%.

Credits. If non-employment income is also taxed in the country in which it arises, a foreign tax credit is allowed in computing the Indonesian tax. The credit equals the lesser of the foreign tax or the Indonesian tax applicable to that income.

Relief for losses. In general, losses may be carried forward for up to five years.

A spouse's business losses may be offset against the business profits of the other spouse.

B. Other taxes

Duty on the acquisition of land and building rights. In general, a transfer of land and building rights is subject to duty on the acquisition of land and building rights (Bea Pengalihan Hak Atas Tanah dan Bangunan, or BPHTB). The duty is payable by the buyer or the party receiving or obtaining the rights. Qualifying land and building rights transfers include sale-purchase and trade-in transactions, grants, inheritances, contributions to corporations, rights separations, buyer designations in auctions and executions of court decisions with full legal force. Acquisitions of land and building rights in certain nonbusiness transfers may be exempt from BPHTB.

The tax base for the BPHTB is the Tax Object Acquisition Value (Nilai Perolehan Objek Pajak, or NPOP), which in most cases is the higher of the market (transaction) value or the NJOP of the land and building rights concerned. The tax due on a particular event is determined by applying the applicable duty rate of 5% to the relevant NPOP less an allowable nontaxable threshold. The nontaxable threshold amount varies by region. The maximum is IDR60 million, except in the case of inheritance, for which it may reach IDR300 million. The government may change the nontaxable threshold through regulation.

BPHTB is normally due on the date that the relevant deed of land and building rights transfer is signed before a public notary. The deed of rights transfer can be signed by a notary only if the BPHTB has been paid.

C. Social security

The institution called Badan Penyelengara Jaminan Sosial (BPJS) administers the Indonesia social security program. BPJS has the following two categories:

- Worker Social Security (BPJS Ketenagakerjaan)
- Health Care (BPJS Kesehatan)

Both BPJS Ketenagakerjaan and BPJS Kesehatan are mandatory.

Expatriates are required to participate if they work in Indonesia for more than six months. Indonesia has not entered into a totalization agreement with any country.

The following percentage contributions of monthly salary are required for employers and employees under the Worker Social Security program.

Type of program	Percentage of contribution Employer %	Employee %
Accident benefit (a) (Jaminan Kecelakaan Kerja)	0.24 to 1.74 (b)	0
Life insurance benefits (a) (Jaminan Kematian)	0.3	0
Old-age benefit (a) (Jaminan Hari Tua)	3.7	2
Pension benefit (c) (Jaminan Pensiun)	2	1

(a) There is no salary cap to calculate the contribution.
(b) The rate depends on the type of industry of the company.
(c) The salary is capped at IDR8,512,400 per month, effective from March 2019. The maximum monthly contribution amount is IDR170,248 for the employer and IDR85,124 for the employee. The salary cap is adjusted each year by a factor of one plus the previous year's gross domestic growth. The expatriate is not required to participate in the pension benefit.

The following percentage contributions of monthly salary are required for employers and employees under the Health Care program.

	Percentage of contribution (%)
Employer	4
Employee	1

For the contributions under the Health Care program, the salary is capped at IDR8 million per month. Consequently, the maximum employer contribution is IDR320,000 per month, and the maximum employee contribution is IDR80,000 per month.

D. Tax filing and payment procedures

The tax year in Indonesia is the calendar year.

Married persons can separately file their own income tax returns even if they did not enter into a prenuptial agreement.

Employee taxes are withheld by the employer. The employer must file a monthly return by the 20th day of the following month. The monthly tax return for December serves as the annual return because it also reports the cumulative income and related tax for the respective calendar year.

Individuals are required to file individual income tax returns by 31 March following the end of the tax year. Individuals earning income only from employment are not required to file monthly tax returns.

Withholding tax is levied on a variety of payments to residents. A self-employed professional, including an accountant, lawyer, architect or consultant, has tax withheld at source on the settlement of invoices. The withholding tax rate is 2% of the gross amount. Withholding tax is an advance payment of income tax.

Self-employed individuals must make monthly advance tax payments. The monthly payment amount is based on the previous year's tax liability, reduced by tax withheld at source during the preceding year. The payment is due on the 15th day of the month following the income month.

Nonresident foreign taxpayers are not required to file tax returns in Indonesia, unless they conduct business or activities in Indonesia through permanent establishments.

E. Double tax relief and tax treaties

A taxpayer who has income derived outside Indonesia that is subject to taxation abroad is entitled to a credit, not to exceed the Indonesian tax payable on the foreign income.

Indonesia has entered into double tax treaties with the following jurisdictions.

Algeria
Armenia
Australia
Austria
Bangladesh
Belgium
Brunei Darussalam
Bulgaria
Canada
China Mainland
Croatia
Czech Republic
Denmark
Egypt
Finland
France
Germany
Hungary
Hong Kong SAR
India
Iran
Italy
Japan
Jordan
Korea (North)
Korea (South)
Kuwait
Luxembourg
Malaysia
Mexico
Mongolia
Morocco
Netherlands
New Zealand
Norway
Pakistan
Papua New Guinea
Philippines
Poland
Portugal
Qatar
Romania
Russian Federation
Saudi Arabia
Seychelles
Singapore
Slovak Republic
South Africa
Spain
Sri Lanka
Sudan
Suriname
Sweden
Switzerland
Syria
Taiwan
Thailand
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan
Venezuela
Vietnam

The tax treaties generally provide for the elimination of double taxation of personal income and include specific provisions pertaining to artists, athletes, teachers, students and those engaged in employment and independent personal services.

F. Free visa jurisdictions and visas

Several types of visas are available for a foreigner coming to Indonesia as a visitor. Under Presidential Regulation No. 21 Year 2016, the number of jurisdictions whose nationals are exempted from the obligation to obtain a Visit-Visa in advance to enter Indonesia is increased to 169. This exemption is subject to the following terms and conditions:

- The exemption can be applied to carry out various activities such as for tourism, transit, family visits, social, art and cultural activities, government visits, giving lectures, attending business meetings, seminars and conferences, and certain other activities.
- The exemption cannot be used for journalistic purposes.
- The duration of the stay in Indonesia is limited to 30 days.
- The exemption cannot be renewed, extended or converted into another type of visa.

- Nationals of foreign countries eligible for the exemption may only enter Indonesia through certain immigration checkpoints.

This Visit-Visa Exemption is available to nationals from the following jurisdictions.

Albania
Algeria
Andorra
Angola
Antigua and Barbuda
Argentina
Armenia
Australia
Austria
Azerbaijan
Bahamas
Bahrain
Bangladesh
Barbados
Belarus
Belgium
Belize
Benin
Bhutan
Bolivia
Bosnia and Herzegovina
Botswana
Brazil
Brunei Darussalam
Bulgaria
Burkina Faso
Burundi
Cambodia
Canada
Cape Verde
Chad
Chile
China Mainland
Comoros
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Cyprus
Czech Republic
Denmark
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Estonia
Eswatini
Fiji
Guyana
Haiti
Honduras
Hong Kong SAR
Hungary
Iceland
India
Ireland
Italy
Jamaica
Japan
Jordan
Kazakhstan
Kenya
Korea (South)
Kiribati
Kuwait
Kyrgyzstan
Latvia
Laos
Lebanon
Lesotho
Liechtenstein
Lithuania
Luxembourg
Macau SAR
Madagascar
Malawi
Malaysia
Maldives
Mali
Malta
Marshall Islands
Mauritius
Mauritania
Mexico
Moldova
Mongolia
Monaco
Morocco
Mozambique
Myanmar
Namibia
Nauru
Nepal
Netherlands
New Zealand
Nicaragua
North Macedonia
Norway
Philippines
Poland
Portugal
Puerto Rico
Qatar
Romania
Russian Federation
Rwanda
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Samoa
San Marino
São Tomé and Príncipe
Saudi Arabia
Senegal
Serbia
Seychelles
Singapore
Slovak Republic
Slovenia
Solomon Islands
South Africa
Spain
Sri Lanka
Suriname
Sweden
Switzerland
Taiwan
Tajikistan
Tanzania
Thailand
Timor-Leste
Togo
Tonga
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Tuvalu
Uganda
Ukraine
United Arab Emirates
United Kingdom

Finland
France
Gabon
Georgia
Gambia
Germany
Ghana
Greece
Grenada
Guatemala
Oman
Palau
Palestinian Authority
Paraguay
Panama
Papua New Guinea
Peru
United States
Uruguay
Uzbekistan
Vanuatu
Vatican City
Venezuela
Vietnam
Zambia
Zimbabwe

Visitors from 68 jurisdictions may obtain a visa on arrival and pay a visa-on-arrival fee, which is IDR500,000. The visa has a duration of up to 30 days and can be extended only one time for an additional period of up to 30 days. The following are the jurisdictions whose nationals may obtain a visa on arrival.

Algeria
Andorra
Argentina
Armenia
Australia
Austria
Bahrain
Belarus
Belgium
Brazil
Bulgaria
Canada
China Mainland
Croatia
Cyprus
Czech Republic
Denmark
Egypt
Estonia
Fiji
Finland
France
Germany
Greece
Hungary
Iceland
India
Ireland
Italy
Japan
Korea (South)
Kuwait
Latvia
Libya
Liechtenstein
Lithuania
Luxembourg
Maldives
Malta
Mexico
Monaco
Netherlands
New Zealand
Norway
Oman
Panama
Papua New Guinea
Poland
Portugal
Qatar
Romania
Russian Federation
Saudi Arabia
Seychelles
Slovak Republic
Slovenia
South Africa
Spain
Suriname
Sweden
Switzerland
Taiwan
Timor-Leste
Tunisia
Turkey
United Arab Emirates
United Kingdom
United States

Visitors from other jurisdictions must apply for a visa at an Indonesian embassy or consulate abroad.

Foreign visitors wishing to conduct business meetings or non-commercial activities that have governmental, tourism, social and cultural aspects may obtain one of the following entry visas from an Indonesian embassy or consulate abroad:

- Visa Kunjungan (VK) (single entry/single visit visa)
- Visa Kunjungan Beberapa Kali Perjalanan (VKBP) (multiple entries/multiple visit visa)

A VK is issued for a visit of up to 60 days. The company or sponsor must provide a valid reason for requesting the visa, which may be renewed for additional one-month periods, subject to a maximum duration of the visa of six months (may be renewed four times). A VK application may be submitted directly to the Indonesian embassy or consulate in the home country. A holder of

a VK or VKBP is not eligible for a work permit. A VK becomes invalid on exit from Indonesia, and another similar visa is required for any subsequent similar visits.

The VKBP application must be made by a sponsor to an office of the Directorate General of Immigration in Indonesia. The Directorate General of Immigration informs the overseas Indonesian embassy or consulate through a telex confirmation when the visa application is approved. The applicant must obtain the telex confirmation from the Directorate General of Immigration Jakarta, before submitting a visa application to the embassy or consulate. The embassy or consulate then issues the visa.

A VKBP is valid for a maximum period of 12 months. Under this type of visa, each visit may not exceed 60 days. A multiple-entry visa is recommended for people who regularly visit Indonesia to conduct business meetings and who do not establish residency in Indonesia.

G. Work permits and self-employment

Presidential Regulation Number 20 Year 2018, dated 29 March 2018, regarding Foreign Manpower Utilization was issued. In conjunction with the issuance of this regulation, the Ministry of Manpower (MoM) issued an implementing regulation No. 10 Year 2018 on 11 July 2018, and the Ministry of Law and Human Rights issued regulation No. 16 Year 2018 on 29 June 2018.

The new regulation introduces significant changes with respect to the requirements of foreign manpower utilization. These changes need to be carefully considered by sponsoring companies in Indonesia.

In brief, the new regulation has amendments in the following areas:

- The Foreign Manpower Utilization Plan (Rencana Penggunaan Tenaga Kerja Asing, or RPTKA) is not mandatory for a company shareholder who is on the board of directors or board of commissioners.
- The Work Permit (Izin Mempekerjakan Tenaga Kerja Asing, or IMTA) is no longer required. However, the company is still required to notify the use of foreign workers to the MoM and subsequently pay the Foreign Manpower Utilization Compensation Fund Levy (Dana Kompensasi Penggunaan Tenaga Kerja Asing, or DKPTKA). The MoM then sends the notification to the Directorate General of Immigration (DGI) for further visa process.
- All foreign workers are still required to obtain a Limited Stay Visa (Visa Tinggal Terbatas, or VITAS) and a Limited Stay Permit (Izin Tinggal Terbatas, or ITAS).
- Both the VITAS and ITAS can be applied for directly at the appointed immigration authority located at the Indonesian Embassy or Consulate overseas, which is the representative of the Directorate General of Immigration.
- The ITAS approval is granted by the immigration authority to the foreign worker on arrival at the Immigration Check Point (Indonesian airport). The ITAS is valid as the stay permit for the foreign worker.

The Indonesian government prefers that expatriates be employed in Indonesia only in positions that cannot currently be filled by Indonesian nationals. Companies that wish to hire expatriates must provide the necessary education and training programs for Indonesians who will replace the expatriates within a reasonable time period.

In addition, employers must appoint Indonesian employees as the counterpart of the foreign workers and implement education and training for Indonesian employee as part of a transfer-of-knowledge program. The employer also is obliged to facilitate education and training of and the teaching of Indonesian language to the foreign workers.

Employers must require their expatriate employees to obtain work and stay permits. Obtaining the necessary visas and work permits in Indonesia can be a protracted and complex process. It is strongly recommended that a prospective employer work with a local agent to obtain the permits and visas necessary to employ expatriates. Work permits are usually issued for a maximum period of 12 months and may be extended, subject to approval from the government.

Application procedure. An employer or sponsor must submit a RPTKA to the Ministry of Manpower MoM or to the Investment Coordinating Board (Badan Koordinasi Penanaman Modal). The following should be enclosed with the submission of a manpower plan:

- Business license
- Company deed and its approval from the Ministry of Law and Human Rights (MLHR)
- Organization charts
- Appointment of Indonesian employees as counterparts to be trained to replace the expatriates (not required for expatriates who will hold director or commissioner positions)
- Educational and training programs planned for the Indonesian employees.

With respect to the training of Indonesians to replace expatriates, the employer must train at least one Indonesian counterpart for every expatriate employed. A manpower plan must be approved before the submission of a work permit application.

For the renewal of a permit, the following documents are also required:

- Color copy of Tax Registration Number (Nomor Pokok Wajib Pajak, or NPWP)
- Color copy of the Indonesia social security program registration certificate from both the employer and the employee

Under Article 15 of Presidential Decree 20 of 2018 regarding the Foreign Manpower Utilization, the employer must pay in advance the DKPTKA in the amount of USD100 per month for each foreign person employed.

After the DKPTKA payment is made, the employer can apply for the VITAS and ITAS to the MLHR or the appointed immigration authority.

On arrival in Indonesia with the VITAS, the immigration authority grants the ITAS, which includes the multiple re-entry permit, at the Immigration Check Point. The ITAS is valid as the stay permit for working purpose for foreign workers.

The expatriate and all of his or her family members must register with the regional police office after the ITAS and work permit are issued, to obtain a Police Report Certificate (Surat Tanda Melapor, or STM).

On the expiration of the work permit, a final exit permit, known as the Return on Immigration Document (RID), is required. The RID is valid for seven calendar days after the submission date. The expatriate is required to leave the country within this period.

Self-employment. Only Indonesian citizens may conduct business in Indonesia as self-employed persons. Citizens of other countries must obtain the sponsorship of employers in Indonesia.

H. Residence visas

The residence visa, known as a limited-stay visa (VITAS; see Section G) is valid for up to 12 months. It is issued exclusively to expatriates who are working in accordance with the prevailing government regulations. An expatriate working in Indonesia on a work permit must obtain an ITAS (see Section G) and other relevant stay permits.

The family members' VITAS applications can be submitted after the assignee's VITAS is obtained. The ITAS and other stay permits may also be applied for dependents who accompany the expatriates to reside in Indonesia.

An ITAS is renewable up to five times. Each extension is valid for one year.

I. Family and personal considerations

Family members. A foreign national possessing an ITAS and a work permit may apply for his or her spouse and children (maximum age of 18 years old) to reside in Indonesia if they fulfill the necessary requirements. A copy of the marriage certificate and a complete copy of the passport are required for the spouse, and birth certificates and complete copies of the passports are required for the children.

The spouse of a foreign national who wishes to work in Indonesia must obtain a separate work permit sponsored by the employer.

Driver's permits. Foreign nationals may not drive legally in Indonesia using their home country driver's licenses. International driver's licenses are acceptable. Indonesia provides no driver's license reciprocity with other countries.

To obtain an Indonesian driver's license, foreign nationals must take a written and a physical exam. Photocopies of the passport and the ITAS must be attached to the driver's license application.

In view of the driving conditions and commuting time, it is recommended that foreign nationals hire Indonesian drivers. The base salary for drivers is about USD170 per month.

Iraq

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A. Income tax

Who is liable. Iraqi nationals and foreigners working in Iraq are subject to tax on their income derived from Iraq (including the Kurdistan Region of Iraq). In addition, Iraqi nationals are subject to tax on income earned from all sources (Iraqi and foreign-source income).

Iraqi nationals are considered residents of Iraq for tax purposes if they reside in Iraq for only one day. Non-Iraqi nationals (including nationals of other Arab countries) are considered residents of Iraq for tax purposes if they meet certain residency criteria.

The concept of residency as described above is important to residents of Iraq when determining the availability of certain personal allowances (see *Deductions*).

Income subject to tax

Employment income. Income tax is assessed on all remuneration and benefits earned in Iraq (including the Kurdistan Region of Iraq). This includes directors' fees and employer-paid rent,

school fees and relocation expenses, after taking into consideration applicable deductions (see *Deductions*).

Self-employment and business income. Individuals must pay tax on income earned from all taxable self-employment and business activities in Iraq (including the Kurdistan Region of Iraq) at the personal income tax rates described in *Rates*.

Investment income. In general, dividends paid out of previously taxed income are exempt from tax. Interest is subject to income tax at the normal personal income tax rates (see *Rates*). Royalties are subject to a 15% withholding tax.

Capital gains. Capital gains derived from the sale of fixed assets are taxable at the normal personal income tax rates (see *Rates*). Capital gains derived from the sale of shares and bonds not in the course of a trading activity are exempt from tax. Capital gains derived from the sale of shares and bonds in the course of a trading activity are taxable at the normal personal income tax rates (see *Rates*).

Deductions

Personal deductions and allowances. Individuals are granted the following personal deductions and allowances:

- Personal allowances equal to the following (available to residents of Iraq only):
  - — IQD2,500,000 for an employee who is single
  - — IQD4,500,000 for a nonworking wife
  - — IQD200,000 per child (under 18 years of age or a student under 25 years of age)
  - — IQD3,200,000 for persons over 63 years old
  - — IQD300,000 for a widow or divorcee
- Contributions to the Iraqi social security system
- Delegation or overseas allowances received by foreign employees, up to 25% of the basic salary (available to residents of Iraq only)
- General allowances, up to 30% of the basic salary

Business deductions. Business expenses incurred in generating income are generally deductible. However, certain limitations apply to certain expenses, including entertainment expenses.

Rates. Personal income tax rates for individuals working in Iraq are levied according to the following scale.

Annual taxable income		
Exceeding IQD	**Not exceeding IQD**	**Rate %**
0	250,000	3
250,000	500,000	5
500,000	1,000,000	10
1,000,000	—	15

In the Kurdistan Region of Iraq, the first IQD1 million of the monthly salary is exempt. After subtracting the first IQD1 million of the salary, the employee's social security contribution, and any applicable deductions, the remaining amount is considered to be the employee's taxable income. A flat tax rate of 5% applies to such income.

B. Inheritance and gift taxes

Iraq (including the Kurdistan Region of Iraq) does not impose inheritance and gift taxes.

C. Social security

Rates of social security contributions are applied to the basic salaries of Iraqi and foreign employees as of the date of hire, or the January salary, whichever is earlier. Basic salary is equal to total salary less general allowances and overseas allowances. General allowances of all types, whether cash or non-cash and whether received by Iraqis or foreigners, may not exceed 30% of basic salary. Delegation or overseas allowances received by foreign employees (not applicable to Iraqi employees in Iraq nor to Iraqis and foreigners in the Kurdistan Region of Iraq) may not exceed 25% of basic salary. The general rates of social security in Iraq (including the Kurdistan Region of Iraq) are 12% for employers and 5% for employees. For oil and gas companies in Iraq, the rates for social security contributions are 25% for employers and 5% for employees.

D. Tax filing and payment procedures

In Iraq, employers are responsible for and should guarantee the payment of tax to the General Commission for Taxes. Tax is withheld from the employees' income for each month of the fiscal year. The withheld tax must be sent monthly to the General Commission for Taxes or one of its branches in Iraq by the 15th day of the month following the month of withholding. An annual filing is also required by 31 March of each year.

In the Kurdistan Region of Iraq, employers are responsible for and should guarantee the payment of tax to the General Directorate of Taxation. Tax is withheld from the employees' income for each month of the fiscal year. The withheld tax must be sent quarterly to the General Directorate of Taxation by the 21st day of the month following the end of the calendar quarter. An annual filing is also required by 1 March of each year.

If the tax is not paid by the due date, a penalty of 5% of the tax amount is imposed on the employer after the lapse of 21 days from the due date. This percentage is doubled if the amount is not paid within 21 days after the expiration of the first 21-day period. Interest is also imposed.

E. Entry visas

All foreign nationals who intend to visit Iraq (including the Kurdistan Region of Iraq) must obtain an entry visa. The most common form is a single-entry visit visa from the Iraqi Ministry of Interior. The typical single-entry visit visa allows the visitor to enter Iraq within three months of the visa's issuance. A visa typically allows the person to remain in Iraq for 30 days. Multiple-entry visas are also available. The procedures for entry into the Kurdistan Region of Iraq may vary.

F. Residence permits

Foreign nationals who intend to stay or work in Iraq for longer than 10 consecutive days (whether they are assigned to Iraq

indefinitely or are commuters or rotators) must apply for a residence permit. An Iraqi limited liability company or Iraqi branch of a foreign entity established to undertake work in Iraq must take the following steps to apply for a residence permit:

- Within the first 10 days from the date of entering Iraq, the employee must complete a blood test and obtain a sticker on his or her passport (this sticker shows that the foreigner has informed the concerned authorities of his or her arrival to Iraq), which is effective for three months.
- The company must apply for the employee's residence permit through a request letter from the governmental entity with which the company deals (for example, the Ministry of Transportation) that is addressed to the Department of Immigration and Residency, together with the passports of the employees containing the arrival stickers.
- If the application is approved, the Department of Immigration and Residency informs the company that the request is accepted and that a residence permit valid for one year is granted to the employee.

The procedures for residence permits in the Kurdistan Region of Iraq may vary.

G. Work permits

Work permits are required for foreigners to work in Iraq. The Ministry of Labor and Social Affairs issues work permits in accordance with Article 30 of the Iraqi Labor Law No. 37 of 2015 and the procedures set forth in Labor Instructions No. 18 of 1987, which are still in force and provide specific rules for the employment of foreigners in Iraq.

For the employer to apply for work permits with respect to its foreign employees, it must ensure that its foreign employees have valid entry visas for Iraq (evidenced by a sticker affixed to each employee's passport or any other valid alternative method acceptable to the Iraqi authorities) and that it meets Iraq's minimum local employment threshold, among other requirements.

A work permit is valid for a period of one year, subject to renewal. The renewal of the work permit must be initiated a month in advance of its expiration date. The renewal process requires the employer to follow the same procedure as the procedure used for applying for the initial work permit with the Ministry of Labor and Social Affairs.

Noncompliance with the work permit requirement carries a risk of the employees and their employers being subject to monetary penalties and legal action.

The procedures for work permits in the Kurdistan Region of Iraq may vary.

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The rules regarding work permits and self-employment discussed in Section G of this chapter are regularly changed. Because of these changes, readers should obtain updated information before engaging in transactions.

A. Income tax

Who is liable. Income tax liability in Ireland depends on an individual's tax residence and domicile.

The tax year is the calendar year. For the 2019 tax year, an individual is regarded as an Irish tax resident if he or she meets any of the following conditions:

- He or she spends 183 or more days in Ireland during the period from 1 January 2019 to 31 December 2019.
- He or she spends an aggregate of 280 or more days in Ireland during the two-tax-year period from 1 January 2018

to 31 December 2019, with more than 30 days in Ireland in each tax year.
- He or she elects to become tax resident for the tax year in which he or she comes to Ireland with the intention to be tax resident in the following tax year, and is tax resident under one of the tests listed above in that following tax year.

An individual is considered as present for a day if he or she is present in Ireland at any time during that day.

Tax concessions may apply in the year in which an individual becomes, or ceases to be, Irish tax resident.

An individual becomes ordinarily tax resident in Ireland after being tax resident for three consecutive tax years. An individual who is ordinarily tax resident and who ceases to be tax resident in Ireland is treated as continuing to be ordinarily resident for three tax years after the tax year of departure.

Domicile in Ireland is not defined in the tax law but is a legal concept based on the location of an individual's permanent home. Irish law treats domicile as acquired at birth (usually it is the domicile of the father) and retained until an individual takes positive steps to change to another domicile.

Individuals who are tax resident in Ireland are normally subject to tax on worldwide income, including employment income, regardless of whether the employment is carried on in Ireland or abroad. However, exceptions can apply to the following individuals:
- Foreign-domiciled individuals
- Individuals who commute to work outside Ireland and pay tax on the income from the employment outside Ireland

Individuals domiciled outside Ireland are entitled to a remittance basis of assessment in Ireland on investment income arising outside Ireland and on income from employment duties performed outside Ireland, to the extent that the employment income is paid outside Ireland under a foreign contract.

If an individual is on Irish payroll, Pay-As-You-Earn (PAYE) withholding must be accounted for on all employment earnings, including benefits. If an individual is on a payroll outside Ireland, PAYE withholding is required on the amount of employment earnings (including benefits) attributable to duties performed in Ireland. An exemption may apply if the employee is resident in a treaty country and spends less than 60 workdays in Ireland during one tax year or less than 60 workdays in Ireland over two tax years. There may also be an exemption from PAYE if the employee spends more than 60 workdays but less than 183 days in Ireland (certain strict conditions must be met for this exemption).

Advance approval may be granted by the Irish Revenue on the proportion of the earnings to which PAYE should be applied if earnings are paid outside Ireland and if the proportion is unclear and only a portion of the earnings is likely to be assessable in Ireland.

Tax relief is available to certain non-domiciled employees who are assigned to work in Ireland.

The Special Assignee Relief Programme (SARP) is available to employees who are assigned to Ireland by a relevant employer.

For this purpose, a relevant employer is a company incorporated and resident in a country with which Ireland has entered into a double tax treaty or an information exchange agreement, or an associated company of such a company. Originally the relief was only available if the assignment began in 2012, 2013 or 2014. However, this has been extended to include assignments commencing up to the end of 2020.

Under SARP, a relief from income tax on 30% of employment income in excess of EUR75,000 is granted for up to a maximum of five consecutive years. Effective from 1 January 2019, a ceiling of EUR1 million applies. In addition, the cost of one return trip to certain home locations per year for the employee and his or her spouse and children can be provided tax-free. Also, the employer can pay or reimburse tax-free education costs of up to EUR5,000 per year per child. The relief is available to individuals who earn a base gross salary of at least EUR75,000 per year and who perform their employment duties in Ireland for a minimum period of 12 consecutive months. The employee must not have been resident in Ireland for the five years immediately preceding the year of arrival and must have worked for the foreign employer for at least 6 months before arrival (12 months for individuals who arrived in Ireland before 1 January 2015). In addition, employees who arrived in Ireland before 2015 were required to be tax resident in Ireland in the year in which relief was claimed and must not have been tax resident elsewhere. Employees arriving in Ireland in the period of 2015 through 2020 can be tax resident in another jurisdiction if they are also tax resident in Ireland.

Under an application procedure for the relief, the employer must certify within 90 days of the employee arriving in Ireland to first perform duties that the employee meets the conditions for SARP relief. The Irish Revenue has communicated that because the 90-day deadline is outlined in legislation, they will not accept applications after the deadline. SARP relief applies to income tax only and does not apply to the Universal Social Charge or social security.

Nonresidents are generally subject to Irish tax on income arising in Ireland, unless they are protected by the provisions of a double tax treaty.

The Foreign Earnings Deduction (FED) applies to individuals employed by companies expanding into emerging markets who assign Irish-based employees to perform their employment duties in these markets. The relief applies to employees assigned to the following jurisdictions for the years 2012 to 2020.

Algeria
Bahrain
Brazil
Chile
China
Colombia
Congo (Democratic Republic of)
Egypt
Ghana
India
Indonesia
Japan
Kenya
Korea (South)
Kuwait
Malaysia
Mexico
Nigeria
Oman
Pakistan
Qatar
Russian Federation
Saudi Arabia
Senegal
Singapore
South Africa
Tanzania
Thailand
United Arab Emirates
Vietnam

The relief reduces the income tax liability of the relevant individual by allowing a deduction of up to EUR35,000 against employment income. It is claimed through the annual tax return. To qualify for the relief, the individual must spend 30 (previously 40) qualifying days in a tax year or in a continuous 12-month period in the relevant countries. To count as a qualifying day, a day must be one of three consecutive days throughout which the individual is working in the relevant countries. Days spent traveling to and from the work location count as qualifying days for the purposes of the relief. The deduction does not apply to employees paid out of state revenue, such as civil servants, Gardaí (members of the Irish state police) and similar employees.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Most payments made by an employer, including salary, bonuses, benefits in kind, certain equity income and expense allowances, are subject to income tax, unless a prior agreement is made with the tax authorities.

In general, noncash benefits are taxable and are valued at the cost incurred by an employer in providing the benefits. However, special measures govern the valuation of the following taxable benefits:

- Car: The assessable benefit is up to 30% of the original market value of the car. The taxable benefit is reduced if the employee makes a financial contribution to the employer or if the employee has business mileage in excess of 24,000 kilometers in a year.
- Loans: 13.5% of the amount of the loan, with a reduction for interest paid by the employee. The rate is 4% for a home loan.
- Housing: 4% of the market value of the property (employer-owned accommodation) or rent paid, plus utilities paid by the company.

Employee benefits that are incurred wholly, exclusively and necessarily in the performance of employment duties, are not taxable. Travel expenses from home to work and from work to home may be an exception to this rule.

Education allowances provided by employers to their employees' children 18 years of age and under are taxable for income tax and social security tax purposes.

Employers must withhold Pay Related Social Insurance (PRSI; see Section C) and the Universal Social Charge (USC; see Section B) and apply the PAYE system (see Section D) with respect to the value of benefits in kind provided to employees during the tax year. Employers' PRSI at a rate of 10.95% also applies to any benefits provided to employees.

In general, nonresidents are subject to income tax on employment income, regardless of their domicile, if their duties are carried on and if their salary is paid in Ireland.

Self-employment and business income. Individuals resident in Ireland are subject to tax on income from trades and professions carried on in Ireland and abroad. Nonresidents are taxed on income from trades and professions carried on in Ireland only.

Taxable profits normally consist of net business profits as disclosed in the financial accounts and adjusted to account for deductions not allowed or restricted by tax legislation.

Except for years when a business begins or terminates, taxable profits generally are those for the tax year ending 31 December or for the 12-month accounting period ending in that year.

Investment income. An individual resident and domiciled in Ireland is taxed on worldwide income from dividend and interest income. If resident but not domiciled, an individual is taxed on all investment income arising in Ireland and on income remitted to Ireland from other countries. A credit for foreign taxes paid may be available if a double tax treaty applies. A nonresident is taxed on Irish-source income only.

Dividends received by individuals from Irish tax-resident companies are taxed in full, subject to relief being available under a relevant double tax treaty. Dividends may be subject to withholding tax at a rate of 20%, which is creditable against a resident individual's income tax liability.

Interest on Irish government securities is subject to income tax and is generally not taxed at source, but may not be taxable if received by nonresident individuals.

Interest credited on or after 1 January 2019 on most bank and building society deposits is taxed at source at a rate of 35%, unless it is paid or credited to nonresidents. A credit is given for tax withheld if the person is taxed on the interest. The final income tax on deposit interest taxed at source is 35%.

Losses from Irish rental properties may be offset against other Irish-source rental income or may be carried forward indefinitely and offset against rental income in future years.

Nonresidents are subject to a 20% withholding tax on non-exempt interest, royalties and rental income.

Directors' fees. Directors' fees paid by companies incorporated in Ireland are taxable in Ireland, regardless of the tax residence of the director or the place where duties are performed. Directors' fees paid by non-Irish companies to Irish residents are taxable in Ireland. Non-domiciled individuals do not pay tax on directors' fees received from foreign companies if all of the duties are performed outside Ireland unless that income is remitted to Ireland.

Directors are regarded as employed for tax purposes and as either self-employed or employed for social insurance purposes, depending on the circumstances. Tax is withheld under the PAYE system (see Section D) on the basis of income earned during the tax year. Directors must submit personal tax returns by 31 October following the tax year.

Exempt income. A portion of income from the following sources is exempt from income tax:

- For tax-resident individuals only, income derived from writing, composing music, painting and sculpting. This exemption is limited to profits or gains of EUR50,000.
- Profits or gains from forestry activities.

- Shares provided to an employee under an Approved Profit Sharing Scheme, up to a value of EUR12,700 in a tax year. Such income is liable to the USC and employee PRSI.

An individual may use the first two reliefs mentioned above to reduce the tax liability, subject to restrictions. An individual effectively pays income tax at a minimum rate of 30% if his or her total income exceeds EUR400,000 and if sufficient specified tax reliefs are claimed. The effective tax rate for individuals with total income between EUR125,000 and EUR400,000 is lower because the restriction applies on a tapering basis. For individuals whose total income is less than EUR125,000, the restrictions to the tax relief do not apply.

Taxation of employer-provided stock options. Employer-provided share options are subject to income tax, Universal Social Charge (USC; see Section B) and employee PRSI at the date of exercise on the market value of the shares at the date of exercise, less the sum of the option and exercise prices. Effective from 5 April 2007, a gain arising on the exercise, assignment or release of certain share options granted on or after 1 January 2006 is subject to income tax and employee PRSI in Ireland by reference to the number of work days spent in Ireland during the vesting period. The employee is required to account for income tax PRSI and USC within 30 days of exercise. Effective from 1 July 2012, the responsibility for payment of employee PRSI rests with the employee (before this date, the employer was required to withhold employee PRSI on share option gains through the payroll).

For gains arising after 1 January 2004, an individual may claim a tax credit for foreign taxes paid on the same option gain in a jurisdiction with which Ireland has entered into a double tax treaty. If an income tax charge arises in a non-treaty country, Ireland reduces the gain subject to Irish income tax by the tax payable in the other jurisdiction.

On the disposal of shares, capital gains tax is charged on the difference between the market value of the shares at the date of exercise and the market value at the date of disposal. If the option is capable of being exercised in a period exceeding seven years after the date of grant, income tax may be charged at the date of grant in addition to a charge at the date of exercise.

Restricted stock units (RSUs) are generally taxed at the date of vesting. Individuals are liable to Irish tax on RSU gains by reference to their tax residence on the date of vesting. As a result, the full gain is liable to Irish tax if the individual is tax-resident in Ireland on the date of vesting and no charge to Irish tax arises if the individual is nonresident in Ireland at the date of vesting. A credit for foreign tax payable is allowed against the Irish liability. RSUs are liable to PAYE, USC and employee PRSI, and are taxable through payroll.

Employers must withhold the following from payroll:
- The USC on the taxable value of all share awards (excluding share option schemes; the employee is required to account for USC on share option schemes within 30 days of exercise)
- Employee PRSI contributions

- PAYE on share schemes that are not Revenue approved (excluding share option schemes; the employee is required to account for tax within 30 days of exercise)

Capital gains and losses. Individuals resident in Ireland generally are subject to tax on worldwide capital gains. Non-domiciled individuals are not taxed on gains arising outside Ireland unless the proceeds are remitted to Ireland. Capital gains are taxed at a rate of 33% for disposals on or after 6 December 2012.

Nonresidents are taxable on capital gains derived from the following assets located in Ireland:
- Land and buildings
- Mineral rights
- Exploration or exploitation rights on the Continental Shelf
- Assets used by a trade carried on in Ireland through a branch or agency
- Shares that derive the greater part of their value from the first three items listed above

Gains are calculated by deducting from the proceeds the greater of the cost of the asset or, if the asset was owned by the seller on 6 April 1974, its value on that date. Cost (or the 1974 value) is increased by an index factor to adjust for inflation up to 31 December 2002. The value of the asset cannot be increased for inflation beginning 1 January 2003. Indexation relief is also restricted on land situated in Ireland that is held for development and on shares that derive the greater part of their value from such land.

Exemptions are available for the following capital gains:
- The first EUR1,270 of taxable gains derived during the 2019 tax year
- Capital gains derived from the taxpayer's principal residence
- Assets transferred on death
- Wasting chattels (that is, tangible movable property with a useful life of less than 50 years)

Retirement relief for capital gains is available, subject to certain conditions.

Capital losses may be offset against capital gains derived in the same year or carried forward to offset capital gains in future years.

Income tax deductions

Deductible expenses. Few deductions are allowed for employees. To claim a deduction, an employee first must show that the expense was incurred wholly, exclusively and necessarily in the performance of employment. Tax deductions for expenses incurred by employees are granted only for exceptional items, including purchases of protective clothing.

Personal credits and allowances. The principal credits for the 2019 tax year are listed in the following table. Credits are deducted from the individual's income tax liability.

Credits	Amount (EUR)
Married persons/civil partners (jointly assessed)	3,300
Single person	1,650
Widowed person/surviving civil partner	2,190

Credits	Amount (EUR)
Widowed person/surviving civil partner in year of bereavement	3,600
Pay-As-You-Earn (PAYE) allowance (if salary is subject to tax at source)	1,650
Medical and dental insurance	20% of the gross premium*

* The relief with respect to premiums is restricted to EUR1,000 per adult policy and EUR500 per child policy.

The principal allowances for the 2019 tax year are listed in the following table. Allowances reduce the amount of income of the individual that is taxable at the top income tax rate.

Allowance at top rate	Amount
Pension contributions to approved schemes (a)(b)	Varies from 15% to 40% of earnings, depending on age of individual
Employment and Investment Incentive	EUR150,000
Start-up relief for entrepreneurs	EUR100,000 plus a carryback of EUR100,000 against each of the preceding six years
Employee Approved Profit Sharing Scheme	EUR12,700

(a) Effective from 1 January 2014, the maximum allowable pension fund for tax purposes is set at EUR2 million. Higher thresholds may apply if the value of the pension fund, as of 1 January 2014, exceeds EUR2 million, but does not exceed EUR2,300,000. Any excess is subject to a one-off charge of 40% on drawdown.

(b) Pension contributions are subject to an earnings cap of EUR115,000.

In general, a nonresident is not entitled to tax credits or personal allowances, but exceptions may apply under Irish income tax law or the provisions of a double tax treaty.

Business deductions and capital allowances. Expenses incurred wholly and exclusively for the purposes of a trade or profession are generally deductible. Entertainment expenses for staff functions are deductible if they are reasonable in amount. All other entertainment expenses are not deductible. Deductions for automobile expenses are restricted.

Rates. The following table presents the 2019 income tax rates for single or widowed individuals, or a surviving civil partner.

Taxable income Exceeding EUR	Taxable income Not exceeding EUR	Tax on lower amount EUR	Rate on excess %
0	35,300	0	20
35,300	—	7,060	40

The following are the 2018 income tax rates for a married couple or civil partners (jointly assessed).

Taxable income Exceeding EUR	Taxable income Not exceeding EUR	Tax on lower amount EUR	Rate on excess %
0	44,300*	0	20
44,300	—	8,860	40

* If both spouses or civil partners have income, married couples or civil partners may have more of their income taxed at the 20% rate. The income bracket is increased by EUR1 for every EUR1 received by the other spouse or civil partner, up to a maximum additional EUR26,300. Consequently, for a married couple or civil partners, the maximum amount of taxable income potentially subject to the 20% rate is EUR70,600.

Nonresidents are taxed at the same rates as residents.

Relief for losses. A loss arising from a trade or profession, as calculated for income tax purposes, may be offset against all income for the tax year in which the loss is incurred, or may be carried forward indefinitely and offset against income from the same trade or profession in future years; however, the loss must be used as early as possible in the years when a profit arises. A loss incurred in the final 12 months of a trade or profession may be carried back and offset against profits from the same trade or profession for the three tax years prior to the year of cessation.

B. Other taxes

Universal Social Charge. The Universal Social Charge (USC) is charged at the following rates and income thresholds.

Income		
Exceeding EUR	Not exceeding EUR	Rate %
0	12,012	0.5 (a)
12,012	19,874	2
19,874	70,044	4.75
70,044	—	8 (b)
100,000	—	11 (b)

(a) This income is exempt if income does not exceed EUR13,000.
(b) The 11% rate applies to "relevant income," excluding employment income that exceeds EUR100,000. Consequently, the 8% rate applies to employment income exceeding EUR100,000.

The USC applies to all income, including noncash benefits-in-kind and equity compensation under an unapproved scheme, subject to certain exceptions. It applies to all income before relief for pension contributions and deductions for capital allowances. Chargeable persons are required to pay the USC as part of preliminary tax (see Section D). Employers deduct the USC from payments to employees at the rates shown above.

Inheritance and gift tax. Capital Acquisitions Tax (CAT) includes both gift and inheritance tax and is primarily payable by the beneficiary of a gift or an inheritance.

CAT is payable if any of the following conditions are met:
- The donor or decedent is resident or ordinarily resident in Ireland.
- The beneficiary is resident or ordinarily resident in Ireland.
- The gift or inheritance consists of Irish property.

If the donor or decedent or beneficiary is not domiciled in Ireland, he or she is not regarded as resident or ordinarily resident for CAT purposes unless he or she has been resident for five consecutive years immediately preceding the year of the gift or inheritance.

CAT is imposed at a rate of 33% for gifts and inheritances received on or after 6 December 2012. It is payable on the amount exceeding the relevant tax-free threshold. Three tax-free

thresholds exist. The thresholds vary depending on the relationship between the donor or decedent, and the beneficiary. The following are the relevant thresholds.

Group	Threshold EUR	When applicable
A	320,000	If the beneficiary is a child (including certain foster children), or minor child of a deceased child of the disponer; parents also fall within this threshold if they receive an inheritance from a child
B	32,500	If the beneficiary is a brother, sister, niece, nephew or lineal ancestor or lineal descendant of the decedent
C	16,250	All other cases

Any benefit received since 5 December 1991 within the same group threshold is aggregated for the purposes of determining whether any CAT is payable on the current benefit.

An exemption from CAT applies to gifts or inheritances received by a spouse or civil partner. Gifts of EUR3,000 or less are also exempt. Relief from CAT is available on gifts or inheritances of agricultural property and business property.

Ireland has entered into inheritance tax treaties with the United Kingdom and the United States.

Local Property Tax. Effective from 1 July 2013, an annual Local Property Tax (LPT) is charged on all residential properties in the Republic of Ireland. The LPT is due with respect to residential properties on a specific ownership date in any given year. For 2013, the ownership date was 1 May 2013. Residential property valuations for 2014 to 2020 remain similar to the valuations used for 2013 (even if improvements are made to the property). The ownership date for 2019 was 1 November 2018 and will remain 1 November of the preceding year for subsequent years. LPT depends on the market value of the residential property on 1 May 2013, as assessed by the owner in accordance with Revenue guidelines. Property values are organized into several value bands of EUR50,000, up to EUR1 million. The tax liability is calculated by applying 0.18% to the midpoint of the relevant band. Residential properties valued over EUR1 million are assessed on the actual market value at a rate of 0.18% on the first EUR1 million in value and at 0.25% on the portion of the value above EUR1 million.

C. Social security

Rates. Ireland imposes payroll taxes for Pay Related Social Insurance (PRSI) on all employment income, including most benefits. The following are the rates of social security contributions for 2019.

Social security taxes	Contribution rate (a)
PRSI; paid by	
Employee	4% on gross income (no maximum income)
Employer	10.95% on gross income (no maximum income) (b)
Self-employed	4% on gross income (no maximum income) (c)

(a) If weekly earnings are EUR352 or less, employee contributions are nil.
(b) If weekly earnings are EUR386 or less, employer PRSI is calculated at 8.7%.
(c) The minimum annual PRSI contribution is EUR500.

Social insurance. Employed individuals are generally subject to PRSI on income from employment, including benefits in kind. A contribution based on each employee's salary and benefits is payable by employers. Self-employed persons (or chargeable persons; an individual is a chargeable person if he or she has PAYE-source income and either net assessable non-PAYE income of EUR5,000 or more in a tax year or total gross income from non-PAYE income of EUR30,000 or more in a year) are subject to social insurance contributions on total income, including investment income and rental income.

A PRSI credit, which reduces the amount of PRSI payable, is available for employees earning between EUR352.01 and EUR424 per week. The credit is calculated by subtracting one-sixth of the employment income over EUR352.01 from the maximum credit of EUR12.

PRSI applies to unearned income of the following individuals:
- Employed contributors under 66 years of age
- Individuals under 66 years of age receiving a taxable pension

Individuals are excluded from the above PRSI charge with respect to unearned income if they are not chargeable persons for income tax purposes (in this case, if non-employment income is less than EUR5,000 per year or total gross income from non-employment [PAYE] income is less than EUR30,000 in a year) and accordingly are not required to file an income tax return. If the above threshold is exceeded, the individual must file a Form 11 tax return and is subject to PRSI on this income at a rate of 4%. Individuals who are 66 years of age or older are not liable to pay PRSI and consequently are not affected by the above measure.

The payment of PRSI contributions may secure the following benefits:
- Contributory old-age pension (for employees and self-employed persons)
- Unemployment benefits (now known as Jobseekers Benefits; for employees only)
- Sickness benefits (for employees only)
- Limited dental benefits (for employees only)
- Limited medical (optical and hearing) benefits (for employees only)

Social insurance is payable by individuals employed in Ireland. However, non-European Economic Area (EEA) nationals, other than individuals from Australia, Canada, Japan, Korea (South), New Zealand, Quebec, Switzerland and the United States, are exempt for the first 52 weeks of their assignment in Ireland if the

assignment is temporary and if the employer's principal place of business is outside Ireland, the Isle of Man and the United Kingdom. An application must be made to the Department of Social Protection to exempt such individuals from Irish social insurance.

Individuals from the EEA and nationals from Australia, Canada, Japan, Korea (South), New Zealand, Quebec, Switzerland and the United States may remain covered by their home-country social insurance systems for a specified time period. An application must be made to the relevant authorities to apply for an A1 Certificate/Certificate of Coverage in this regard.

Ireland also has an agreement with the Isle of Man and the Channel Islands (Alderney, Guernsey, Herm, Jersey and Jethou).

Some individuals leaving Ireland on short-term assignments may remain covered under the Irish system for a limited period, subject to approval of social welfare authorities.

D. Tax filing and payment procedures

Filing. The tax year for individuals runs from 1 January to 31 December. Individuals who are subject to income tax for the tax year must file tax returns for earned and investment income and capital gains under the self-assessment rules. To avoid a surcharge penalty, taxpayers must file their returns by 31 October following the end of the tax year. If a return is filed between 1 November and 31 December, the surcharge is 5%. If a return is filed after 31 December, the surcharge is 10%.

Capital gains are included in the tax return or in a separate form for individuals not subject to income tax. Individuals with capital gains in the tax year must declare such gains by the relevant filing date (see *Tax administration dates*).

Non-domiciled individuals are not required to provide details of worldwide investment income or capital gains. However, they must file tax returns and supply information concerning the following: details of employment earnings subject to Irish income tax; and remittances of investment income and capital gains to Ireland during the year. Non-domiciled individuals are subject to the filing dates mentioned above.

Married persons are taxed jointly or separately, at the taxpayers' election.

Payment. Tax on salaries and benefits normally is collected through the PAYE system.

Income tax self-assessment applies to self-employed individuals. These individuals include persons receiving rental income and investment income. Ninety percent of the tax due, including the USC (see Section B), for the year or an amount equal to 100% of the final liability of the preceding year must be paid by 31 October in the tax year to avoid an interest charge. Alternatively, income tax may be paid in 12 equal monthly installments throughout the tax year. The aggregate of these installments must equal 105% of the second preceding year's liability, and must be paid by direct debit mandate (under this system, tax payments are deducted monthly from an individual's bank account) if the individual had

income tax liability in the second preceding year. Any balance of tax due must be paid by 31 October following the end of the tax year. A limited number of cases are selected for subsequent in-depth examination by the Revenue Commissioners.

Capital gains tax on gains arising on disposals during the period from 1 January to 30 November must be paid by 15 December in that tax year, and the tax on gains arising on disposals from 1 December to 31 December must be paid by the following 31 January.

Tax administration dates. The following table presents important tax administration dates for the year ending 31 December 2019.

	Due date
Pay balance of 2018 income tax liability	31 October 2019
File 2018 income tax return	31 October 2019
Pay 2019 preliminary tax equal to 90% of the actual income tax liability or 100% of the previous year's final income tax liability	31 October 2019
Capital gains tax due	
For period of 1 January 2019 through 30 November 2019	15 December 2019
For period of 1 December 2019 through 31 December 2019	31 January 2020
File 2019 return	31 October 2020
Balance of 2019 tax due	31 October 2020

E. Double tax relief and tax treaties

Ireland has entered into double tax treaties to avoid double taxation and to establish a right of taxation between Ireland and those countries. In general, the treaties provide for a credit for foreign taxes paid against the individual's Irish income tax liabilities. Some treaties provide rules to determine the country where the individual is considered to be resident for tax purposes.

Ireland has entered into double tax treaties with the following jurisdictions.

Albania
Armenia
Australia
Austria
Bahrain
Belarus
Belgium
Bosnia and Herzegovina
Botswana
Bulgaria
Canada
Chile
China Mainland
Croatia
Cyprus
Czech Republic
Denmark
Greece
Hong Kong SAR
Hungary
Iceland
India
Israel
Italy
Japan
Kazakhstan
Korea (South)
Kuwait
Latvia
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Moldova
Poland
Portugal
Qatar
Romania
Russian Federation
Saudi Arabia
Serbia
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sweden
Switzerland
Thailand
Turkey
Ukraine

Egypt
Estonia
Ethiopia
Fiji
Finland
France
Georgia
Germany
Montenegro
Morocco
Netherlands
New Zealand
North Macedonia
Norway
Pakistan
Panama
United Arab Emirates
United Kingdom
United States
Uzbekistan
Vietnam
Zambia

A double tax treaty with Ghana was signed on 7 April 2018. Procedures to ratify the convention are underway. However, certain Irish domestic withholding tax exemptions available to residents of treaty jursidictions are extended to residents of these jurisdictions and, effective from 1 January 2009, to residents of a jurisdiction with which Ireland signs a double tax treaty (from the date of signing of such treaty).

If double tax treaty relief is not available, foreign income tax and foreign capital gains tax are deductible from the foreign-source income or capital gain for purposes of computing Irish taxable income.

F. Entry visas

European Union (EU) national passport holders are classified as "non-visa required nationals." Consequently, they are not required to apply for an entry visa for Ireland. Nationals of the following jurisdiction do not require an entry visa for Ireland.

Andorra
Antigua and Barbuda
Argentina
Australia
Austria
Bahamas
Barbados
Belgium
Belize
Bolivia
Botswana
Brazil
Brunei Darussalam
Bulgaria
Canada
Chile
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
El Salvador
Estonia
Eswatini
Fiji
Finland
France
Germany
Greece
Grenada
Guatemala
Guyana
Honduras
Hong Kong SAR
Hungary
Iceland
Israel
Italy
Japan
Kiribati
Korea (South)
Latvia
Lesotho
Liechtenstein
Lithuania
Luxembourg
Macau SAR
Malaysia
Maldives
Malta
Mexico
Monaco
Nauru
Netherlands
New Zealand
Nicaragua
Norway
Panama
Paraguay
Poland
Portugal
Romania
Samoa
San Marino
Seychelles
Singapore
Slovak Republic
Slovenia
Solomon Islands
South Africa
Spain
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Sweden
Switzerland
Taiwan
Tonga
Trinidad and Tobago
Tuvalu
United Arab Emirates
United Kingdom (and colonies)
United States
Uruguay
Vanuatu
Vatican City

An individual holding a non-visa required passport is not automatically guaranteed entry to Ireland. An immigration officer at Immigration clearance has the authority to grant or deny permission to enter Ireland and also has the authority to decide on the duration of a person's stay in Ireland. Consequently, an individual wishing to enter Ireland must satisfy the immigration officer at Immigration clearance that, after arrival in Ireland, the individual intends to act in accordance with their stated purpose of visit to Ireland (appropriate supporting documents at entry are important).

Non-EU national passport holders and nationals of countries not mentioned above must apply for an entry visa before their arrival in Ireland at any Irish consular office or embassy abroad, or to the Department of Justice and Equality (DJE) in Dublin.

In October 2014, the Irish authorities introduced a change for minors (under the age of 18) who are seeking a visa to enter Ireland. When a visa is issued to a minor, the visa (in his or her passport) identifies whether the minor who holds an Irish visa is traveling in the company of a parent(s), legal guardian(s) or other adult(s), or traveling unaccompanied. The visa with respect to an accompanied minor states the name(s) and passport number(s) of the accompanying adult(s), and the minor must travel into Ireland with the accompanying adult(s) named on the visa. Failure to do so can result in refusal of entry. In addition, the Irish authorities have issued further requirements regarding a minor traveling to Ireland. The immigration officer, at his or her discretion, can request proof of the relationship to a child.

Individuals over the age of 5 years who are applying for Irish visas in China, India, Nigeria or Pakistan must provide biometric data as part of their visa application.

Although an Irish entry visa affixed to an individual's passport indicates that a person has permission to travel to Ireland during the dates stated on the visa, it does not automatically guarantee entry to Ireland. An immigration officer at Immigration clearance has the authority to grant or deny permission to enter Ireland and also has the authority to decide on the duration of a person's stay in Ireland. Consequently, an individual wishing to enter Ireland must satisfy the immigration officer at Immigration clearance that the individual intends to comply with the conditions of the visa held by them at the point of entry to Ireland (appropriate supporting documents at entry are important).

In the first instance, non-EEA nationals who are traveling to Ireland with a valid employment permit are granted only a single-entry visa. In May 2019, the Irish Naturalization and Immigration Services (INIS) abolished the re-entry visa requirement that required visa-required nationals to obtain a re-entry visa after they registered their residency in Ireland (see Section H), to travel in and out of Ireland. Going forward after they arrive in Ireland, they must apply for a residence card, which allows them to travel in and out of Ireland while they remain resident without a separate re-entry visa. Non-EU nationals may be required to have employment permits if they intend to take up employment in Ireland. If an employment permit is required, non-EU nationals must have employment permits in their possession at the point of entry to Ireland.

In June 2014, the Irish and British governments issued a joint scheme, the British Irish Visa Scheme, which allows visitors from China and India to travel freely within Ireland and the United Kingdom on either an Irish or UK visa. As a result, tourists and business visitors may visit both Ireland and the United Kingdom, including Northern Ireland, on a single visa. This scheme applies only to individuals holding a short-stay visa (travel for up to 90 days).

G. Employment permits and self-employment

Employment permits. In October 2014, the Irish government enacted the Employment Permits (Amendment) Act 2014, which created nine categories of Irish employment permits. The following are the categories of employment permits:

- Critical Skills Employment Permit (formally Green Card)
- Intra-Company Transfer (ICT) Permit
- General Employment Permit (formally Work Permit)
- Contract for Services Employment Permit
- Dependent/Partner/Spouse Employment Permit
- Internship Employment Permit
- Graduate Employment Permit
- Sports and Cultural Employment Permit
- Reactivation Employment Permit

Each of these categories has their own qualifying requirements and conditions. In general, EEA nationals and Swiss nationals do not require employment permits to live and work in Ireland. The Department of Business, Enterprise and Innovation (DBEI) issues employment permits. Employers wishing to hire a non-EEA individual are required to apply for an employment permit on behalf of the applicant. An individual may also apply for an employment permit if he or she has received a job offer that is conditional on the holding of a valid employment permit. A signed copy of the individual's employment contract is required for the application process. In addition to employment permits, depending on their country of origin, non-EU nationals may also need an entry visa (see Section F). The categories of the most commonly used permits in Ireland are summarized below.

Critical Skills Employment Permit. To obtain a Critical Skills Employment Permit, an individual must be employed under an Irish employment contract and paid directly from an Irish payroll. The minimum remuneration requirement is EUR60,000. Effective from 1 October 2014, remuneration can be made up of Basic Annual Salary (equal to at least the Irish National Minimum Wage) and Health Insurance Payments. Individuals in all occupations except those that are contrary to public interest may qualify for a Critical Skills Employment Permit.

A non-EEA national who has been offered an Irish employment contract and will be paid directly from an Irish payroll may be eligible for a Critical Skills Employment Permit if the salary is between EUR30,000 and EUR59,999. The individual must hold a third-level qualification (at least a degree qualification) and the role must be included in the Highly Skilled Occupations List.

A Critical Skills Employment Permit applies only if the offer of employment is for a period of at least two years. An initial permit is available for a two-year period (EUR1,000 fee). No more than

50% of employees of an Irish employer may be from non-EEA countries.

An individual who is granted an employment permit for the first time in Ireland is expected to stay with the initial employer for a period of 12 months.

Under a new measure, spouses or recognized de facto partners of Critical Skills Employment Permit holders are entitled to seek permission to work directly from INIS. A preclearance application must be submitted and processed for qualifying de facto partners for Critical Skills Permit holders before they can travel to Ireland (this is not required for spouses). Once the de facto partner or spouse of a Critical Skills Employment Permit holder arrives in Ireland, they can seek a Stamp 1G residence card (see Section H), which allows them to work in Ireland. This has removed the need for the Dependent/Partner/Spouse Employment Permit (but has not abolished this permit type).

De facto partners or spouses who are eligible for this permission have greater ease of access to employment in Ireland and may apply for a role with a remuneration of less than EUR30,000 per year (but not less than the Irish National Minimum Wage). They do not require a full-time position and are not restricted in the type of role in which they can work in (except those in a domestic setting).

Extension of a Critical Skills Employment Permit. Effective from 1 April 2015, Critical Skills Employment permit holders who have completed two years of continuous employment in Ireland must submit a request to the DBEI for a letter that confirms their compliance with the terms and conditions of their employment permit. If the DBEI is satisfied, it issues a letter confirming this fact, and the individual must present this letter to the Garda National Immigration Bureau (GNIB) with appropriate documentation to apply for an extension of up to 24 months of the duration of their Irish Residence Permit (IRP) card, formerly known as the GNIB card (see Section H).

General Employment Permit. To obtain a General Employment Permit, an individual must be employed in an eligible occupation under an Irish employment contract and paid directly from an Irish payroll. The role must not be an excluded job category contained in the Ineligible Categories of Employment for Employment Permits.

The minimum remuneration requirement is EUR30,000. Effective from 1 October 2014, remuneration can be made up of Basic Annual Salary (equal to at least the Irish National Minimum Wage) and Health Insurance Payments. The remuneration threshold is reduced from EUR30,000 to EUR27,000 with respect to employment permit applications under the General Employment Permit category for the following individuals:

- Non-EEA graduates of overseas third-level institutions (universities and third-level colleges) that have been offered an Information Technology Graduate position on the Highly Skilled Occupations List
- Non-EEA graduates of Irish institutions who have been offered a graduate position on the Highly Skilled Occupations List
- Technical or sales support roles with non-EEA language requirements

In addition, the employer must advertise the vacancy with the Department of Social Protection's employment services (previously referred to as FAS) in national newspapers and also in local newspapers or on a jobs website, to demonstrate that it was unable to fill the vacancy with an EEA national. Individuals engaged in eligible occupations, except those that are contrary to public interest, may qualify for a General Employment Permit. A General Employment Permit is available for an initial period of either six months (EUR500 fee) or up to two years (EUR1,000 fee). After five years, an indefinite extension may be available for no fee. No more than 50% of employees of an Irish employer may be from non-EEA countries.

An individual who is granted an employment permit for the first time in Ireland is expected to stay with the initial employer for a period of 12 months.

Intra-Company Transfer Permit. To obtain an ICT Permit, an individual must be transferred to a company related to his or her employer in Ireland (that is, sister, parent or subsidiary) and must remain on a foreign employment contract and foreign payroll (full salary must be paid by the foreign employer outside Ireland). An ICT Permit is available only to senior management, key personnel and individuals who are assigned to Ireland for specific training purposes. The relevant transferee must have been working for a minimum period of six months with the overseas company before the transfer.

The minimum remuneration is EUR40,000. Effective from 1 October 2014, remuneration must be made up of Basic Annual Salary (equal to at least the Irish National Minimum Wage), board and accommodation, and Health Insurance Payments. The full Basic Annual Salary must be paid by the individual's home country payroll, but payments with respect to board and accommodation and health insurance can be paid by either the Irish or foreign entity.

An ICT Permit is available for an initial period of six months (EUR500 fee) or two years (EUR1,000 fee). An extension for an additional three years is available (EUR1,500 fee). No further extensions are available. No more than 50% of employees of the Irish entity can be from non-EEA countries.

A Training ICT Permit is available for non-EEA personnel who are in a training program and require a transfer to the Irish entity. This permit is granted for a 12-month maximum period, and the individual must remain on a foreign contract and foreign payroll (the home country entity must pay the full Basic Annual Salary). The minimum annual remuneration is EUR30,000. A detailed training plan must be submitted as part of the application to the DBEI.

The relevant transferee (trainee) must have been working for a minimum period of one month with the overseas company before the transfer.

An individual who is granted an employment permit for the first time in Ireland is expected to stay with the initial employer for a period of 12 months.

Atypical Working Scheme. The DJE introduced the Atypical Working Scheme on 2 September 2013. This scheme covers a situation in which an employee would normally require an employment permit to work in Ireland but because of the short-term nature of the employment (15 to 90 calendar days inclusive), the employee is not eligible for a permit under the existing rules of the DBEI.

Applications must be made to the DJE. Only one application is allowed per individual in a 12-month period. The fee is EUR250.

***Van der Elst* ruling.** Non-EEA nationals whose normal place of work is in another EU country can seek entry to Ireland under the *Van der Elst* ruling, which was issued by the Court of Justice of the EU. This ruling allows a non-EEA national who is legally employed by a company in an EU country to perform services in another European country on a project for a short time. The Irish authorities recognize this ruling. As a result, a non-EEA national can seek permission to remain for up to a maximum of 12 months to work in Ireland on behalf of their European employer.

Posted Worker Declaration. A posted worker is an employee sent by his or her employer to carry out a service in another EU member state on a temporary basis. This applies to all nationals residing in the EU. EU Directive 2014/67 EU was adopted in May 2014 and further transposed into Irish law on 28 July 2016 as Statutory Instrument (SI) 412 of 2016 – European Union (posting of workers) Regulations 2016. This legislation requires EU foreign service providers to notify the Workplace Regulations Commission (WRC) when posting workers to Ireland. A prescribed form that requires certain information must be submitted to the WRC with respect to each posted worker. Failure to submit a declaration can result in a fine of up to EUR50,000.

Other work permit exemptions. The following individuals are not required to obtain employment permits in Ireland:

- A non-EEA national who has obtained explicit permission from the DJE to remain resident and employed in Ireland
- A non-EEA national who has been granted international protection (refugee status or subsidiary protection)
- A non-EEA national who holds appropriate permission under the Immigrant Investor/Start-up Entrepreneur Programme
- A non-EEA national who is a registered student working less than 20 hours a week
- Swiss nationals

Self-employment. Arising from an ongoing review of the business-, entrepreneur- and investor-related migration schemes, the INIS decided to suspend the Business Permission Scheme, effective from the close of business on 16 March 2016 until further notice. This does not affect applications received before 16 March 2016 or the status of persons already holding permission under the scheme.

Other immigration programs. The DJE has also introduced the programs described below, effective from April 2012.

Immigrant Investor Programme. The Immigrant Investor Programme is open to non-EEA nationals and their families who commit to an approved investment in Ireland. Approved

participants in the program and their immediate family members are granted rights of residence in Ireland, which allow them to enter Ireland on multi-entry visas and to remain in Ireland for a defined period, with the possibility of ongoing renewal. The program will facilitate the establishment over time of a permanent relationship in Ireland for the participants. Investors must have a minimum net worth of EUR2 million. To be considered for the program, an investor must propose an investment in one or more of the following categories:

- Enterprise Investment: minimum investment of EUR1 million in a single Irish enterprise or several enterprises for at least three years that supports the creation of employment.
- Investment Fund: minimum investment of EUR1 million in an Approved Investment Fund for a minimum of three years.
- Real Estate Investment Trust (REIT): minimum investment of EUR2 million for at least three years in an Irish REIT that is listed on the Irish Stock Exchange at which stage the investor may divest no more than 50% of the shares. If the shares are divested during year three, then after four years, the investor may divest no more than 25% of the shares from the date of purchase. After five years from the date of purchase, no requirements on the retention of shares apply to investors.
- Endowment: minimum investment of EUR500,000 in a project to benefit the arts, sports, health, culture or education that is regarded as a philanthropic contribution with clear public benefit.

If the required criteria are met, successful applicants can expect to receive residence permission for five years, with an initial review after the first two years, to ensure conditions are still being met. The investor is not required to establish actual residence in Ireland.

Applications for this scheme are made to the INIS.

Start-up Entrepreneur Programme. Under the Start-up Entrepreneur Programme, non-EEA nationals with an innovative business idea for a High Potential Start-up and funding of EUR50,000 for the first founder (and EUR30,000 for any subsequent founders) can acquire residency in Ireland for the purposes of developing their business. No initial job creation targets are set because it is recognized that such a business can take some time to get off the ground. The intention of the program is to support High Potential Start-ups, which are defined as enterprises that satisfy the following conditions:

- They introduce a new or innovative product or service to international markets.
- They are capable of creating 10 jobs in Ireland and realizing EUR1 million in sales within three to four years of starting up.
- They are led by an experienced management team.
- They are headquartered and controlled in Ireland.
- They are less than six years old.

This scheme is not intended for retail, personal services, catering or other similar businesses.

Successful applicants can expect to receive an initial permission of two years. Following a review at this point to ensure that the entrepreneur is continuing to progress with the business proposal,

a further three years will be granted. After the initial five-year period, successful entrepreneurs will be free to apply for long-term residence in five-year periods.

Applications for this scheme are made to the INIS.

H. Residence permits and naturalization

Residence permits. In general, EEA nationals and Swiss nationals are not required to apply for an Irish Residence Permit (IRP) card, formerly known as a GNIB card. Non-EEA and non-Swiss nationals who intend to remain longer than 90 days in the Dublin area must register their residency and obtain an IRP card from the centralized registration office in Dublin. In areas outside Dublin, registration takes place at the local police station.

All individuals who are 16 years of age or older must register with the local registration office to obtain their IRP card. The fee is EUR300 per registration.

Long-term residency. To obtain Irish long-term residency, an individual must have been legally resident in Ireland continuously for over five years (60 months) on the basis of holding an employment permit (work permit, spousal permit or working authorization). The fee per application is EUR500.

Under the current policy, ICT Permit holders (those working under assignments and trainees) are not eligible to apply for long-term residency.

Naturalization (citizenship). In general, an individual applying for naturalization must fulfill several requirements, including the following:

- He or she had continuous reckonable residence (qualifying periods of lawful residence) in Ireland for the one year immediately before the date of application.
- During the eight years preceding the year described in the first bullet, he or she had a total of four years reckonable residence in Ireland.

The fee per application is EUR175. If the naturalization is approved, the fee for certification is EUR950.

I. Family and personal considerations

Family members. If the spouse or dependents of a working expatriate intend to work, they must apply independently for employment permits.

Driver's permits. No time restriction applies to EEA nationals with respect to the use of their home-country driver's licenses in Ireland while the licenses are valid. Non-EEA foreign nationals may drive legally in Ireland using their home-country driver's licenses without restriction for 12 months. After the 12-month period expires, if the individual wishes to continue to drive in Ireland, he or she must apply for an Irish Learners Permit.

To obtain an Irish driver's license, an individual must take written, verbal, practical and vision tests.

Isle of Man

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This chapter reflects the tax rates that are effective from 6 April 2019.

A. Income tax

Who is liable. Residents are subject to tax on worldwide income. Nonresidents are subject to tax on income from Isle of Man sources only.

Individuals are considered resident in Isle of Man if any of the following conditions applies:
- They are present for six months or more during the tax year.
- They are present for an average of 90 or more days per tax year over a period of four or more consecutive years.
- The individual's specific circumstances indicate "a view or intent to establish residence." The Assessor of Income Tax considers several factors in determining the applicability of this condition.

Certificates of residence can be provided if the Assessor of Income Tax is satisfied that the conditions of residence are fulfilled.

Income subject to tax. The taxation of various types of income is described below.

Employment income. An employee is taxed on remuneration and benefits received during a tax year (ending on 5 April). Taxable benefits include company cars and accommodation.

Education allowances provided by the employer to its employees' children 18 years of age and under are taxable for income tax and social security purposes.

Self-employment and business income. Self-employment income includes income from a trade, profession or vocation.

A self-employed individual is assessed on business profits. In general, the assessment for a particular year is based on business profits earned during an accounting period ending in the current tax year. For tax purposes, profits are usually determined in accordance with normal accounting principles, subject to certain adjustments (see *Business deductions*).

Investment income. For tax purposes, investment income, including dividends, interest, royalties and rental income, is included in an individual's total income. Double tax relief is granted on income subject to withholding tax in another country (see Section E).

Relocation of key employees. If an individual is contractually obligated to take up residence in the Isle of Man to facilitate the process of starting up a new business or the diversification or expansion of an existing one and if the necessary approval is obtained, the individual and his or her jointly assessed spouse can be subject to income tax on Manx-source income only for the first three years of residence. For the company, financial assistance may be granted for any reasonable relocation package that needs to be incurred with respect to the new business.

Personal service companies. Deemed employment provisions apply if an individual provides services to a client and if the services are not performed under a contract between the worker and client, but under an arrangement involving a third-party company. If the services had been provided under a contract directly between the worker and client and if the worker would have been an employee of the client, deemed employment exists. As a result, the worker is treated as an employee of the client and not the third party.

Taxation of employer-provided stock options. The Isle of Man has no specific legislation addressing the taxation of employer-provided stock options. In practice, any benefit received is taxable on grant rather than exercise. A capital gain that arises at the exercise of the option is not taxable. Clearance can be obtained in advance with respect to the taxation of specific options in the Isle of Man.

Deductions

Deductible expenses. Expenses are deductible if they are incurred wholly, exclusively and necessarily in the performance of employment duties. No allowance is available for travel between home and work or for office attire. Allowable expenses include membership fees of approved professional bodies and contributions by an employee to a personal pension scheme. The maximum deduction in a tax year for contributions to a personal pension scheme is GBP300,000, or 100% of relevant earnings, whichever is less. The Isle of Man does not provide for a lifetime allowance with respect to benefits from personal pension schemes.

Tax relief for the expenses listed below is granted through a 10% reduction of the individual's tax liability. The 10% tax reduction is granted on the lower of the amount paid or the maximum amount permitted. The following are the relevant expenses:

- Mortgage and loan interest payable to an Isle of Man lender, up to a maximum amount of GBP5,000 (GBP10,000 for married couples or civil partners who are jointly assessed).
- Private medical insurance premiums for residents 60 years of age and older, up to a maximum amount of GBP1,800 (GBP3,600 for jointly assessed couples, if both partners are insured and if at least one partner is over 60).
- Charitable donations, up to a maximum amount of GBP7,000.
- Payments made under Educational Deeds of Covenant, up to a maximum amount of GBP5,500. (An Educational Deed of

Covenant is an irrevocable covenant for the benefit of a person between 18 and 25 years of age who is undertaking a course of higher education. The covenant must be entered into before 5 April 2011 and made by a parent or grandparent of the donee, and the donee must be within the qualifying age band when the covenant is made and when the payment is made.)
- Nursing expenses incurred in caring for a dependent relative up to a maximum amount of GBP12,500.

Personal deductions and allowances. The following personal allowances apply for the tax year ending 5 April 2020.

Type of allowance	Amount (GBP)
Single allowance	14,000
Married couples' and civil partners' allowance	28,000
Single parent	6,400
Blind person (additional)	2,900
Disabled person (additional)	2,900

Business deductions. Expenses incurred wholly and exclusively in producing self-employment or business income are deductible. The following expenses are not allowed for tax purposes:
- Depreciation
- Costs of a capital nature

Although costs of a capital nature are not deductible, capital allowances (tax depreciation) are deductible in computing taxable profits. Capital allowances include a 100% first-year allowance for plant and machinery and a 25% annual allowance on a reducing-balance basis for cars. The car allowance is limited to an annual maximum of GBP3,000.

A 100% first-year allowance is available for qualifying expenditure incurred to acquire, extend or alter qualifying industrial buildings, agricultural buildings and tourist premises.

Rates. The following are the income tax rates for resident individuals for the tax year ending 5 April 2019.

Taxable income			
Exceeding GBP	Not exceeding GBP	Tax GBP	Rate on excess %
0	6,500	650	10 (lower rate)
6,500	—	—	20 (higher rate)

The 10% rate applies to the first GBP6,500 of income for each individual above their personal allowance (see *Personal deductions and allowances*). Married couples and civil partners wishing to be taxed jointly must make an election. If an election is made, the 10% rate applies to the first GBP13,000 of joint income in excess of the married couples' and civil partners' allowance (GBP28,000 for the tax year ending 5 April 2020).

A cap on an individual's annual tax liability is available on application. The maximum amount of income tax payable by an Isle of Man resident taxed under the tax cap is GBP175,000 (GBP350,000 for married couples electing to be taxed jointly) for the year ended 5 April 2020, regardless of the amount of his or her worldwide taxable income.

A resident individual or jointly assessed married couple or civil partners must make an election in order for the tax cap to apply. If an election is approved by the Assessor of Income Tax, it will apply for five consecutive tax years at the amount applicable for the first year of election.

Nonresidents are taxed at a rate of 20% on all income arising in the Isle of Man. Nonresidents are not entitled to a personal allowance. The tax liability of nonresidents with respect to certain types of income is limited to the income tax deducted at source, if applicable.

Relief for losses. Business losses may be carried forward and offset against future profits from the same trade or, carried back to the immediately preceding year and offset against profits from the same trade. Business losses can also be offset against other personal income in the current or preceding year. Business losses incurred in the first four years of assessment may be carried back against other income. On the permanent discontinuance of a trade, a terminal loss may be carried back and offset against profits from the same trade in the three preceding years of assessment. Certain restrictions apply.

B. Other taxes

No capital gains tax, inheritance or estate tax, wealth tax, stamp duty or stamp duty land tax is imposed in the Isle of Man.

C. Social security

In general, National Insurance contributions are payable on the earnings of individuals who work in the Isle of Man.

The Isle of Man has a reciprocal agreement with the United Kingdom that permits National Insurance contributions to be paid in either jurisdiction to count toward total payments required.

For the year ending 5 April 2020, an employee's National Insurance contribution is 11% of weekly earnings between GBP125 and GBP784. The annual ceiling on the amount of wages subject to an employee's National Insurance contributions at a rate of 11% is GBP40,768. Any earnings above this amount are subject to National Insurance contributions at a rate of 1% for the year ending 5 April 2020. An employer must pay contributions of 12.8% of an employee's weekly earnings exceeding GBP125 (GBP6,500 a year) for the year ending 5 April 2020, with no ceiling.

A self-employed individual must pay a weekly flat-rate contribution of GBP5.40 per week if annual profits are expected to exceed GBP6,500 for the year ending 5 April 2020. In addition, an annual contribution equal to 8% of profits between GBP6,500 and GBP40,768 is also payable for the year ending 5 April 2020. This contribution is collected together with the individual's income tax. An additional Class 4 contribution equal to 1% of the profits or gains of self-employed individuals above the annual upper profits limit is payable.

Effective from 6 April 2019, the Treasury announced the introduction of a National Insurance Holiday Scheme. The scheme applies to anyone who takes up residence on the Isle of Man on

or after 6 April 2019 and who has not been resident on the Isle of Man for tax purposes in the five tax years immediately preceding the year in which they take up residence. The scheme also applies to any Isle of Man student who, on or after 6 April 2019, successfully completes a full-time course of education outside the Isle of Man for a university first degree or comparable course.

To benefit from the scheme, a person needs to commence permanent employment within 12 months after arriving on the Isle of Man. A student needs to commence permanent employment within five years of successfully completing his or her course. Other employment requirements apply. A person who meets these requirements is able to apply for a refund of the Class 1 National Insurance contributions paid by him or her as an employee during the first 12 months of his or her permanent employment on the Isle of Man, up to a maximum of GBP4,000.

D. Tax filing and payment procedures

The tax year runs from 6 April to the following 5 April. Resident individuals must complete annual tax returns containing details of worldwide income arising or accruing during the tax year. The tax return must be submitted by 6 October following the end of the tax year. An initial GBP100 filing penalty is imposed for late submissions. A second penalty of GBP200 is charged if the return is still outstanding six months after the due date.

Married couples and civil partners may elect to be taxed jointly, enabling the sharing of allowances and lower rate thresholds.

Income tax and National Insurance contributions are deducted at source from employment income by the employer, in accordance with a tax code issued by the tax authorities, which takes into account available allowances, deductions and thresholds. A payment on account may be due by 6 January in the tax year or 30 days after the notice of assessment if income from which tax is not deducted at source (for example, investment or self-employment income) is expected to arise in the tax year. This payment equals 105% of the tax liability for the preceding tax year if greater than GBP250. If less than GBP250, no payment on account is required.

If total income is assessed in accordance with the tax return at the end of the tax year, any tax liability in excess of tax deducted at source or paid on account becomes payable. Any tax payable is due on 6 January following the end of the tax year or within 30 days of the date of the assessment, whichever is later.

A separate assessment is issued for profit-related National Insurance contributions.

For late income tax payments, interest is charged at an annual rate of 5% on the amount of overdue tax, or 10% if the return is not submitted by 5 April following the year of assessment.

Nonresidents must submit a tax return if any Isle of Man-source income is received in the year, unless the income was subject to withholding tax. Withholding tax at a rate of 20% is imposed on rental payments to nonresident individuals (the rate is 10% for payments to nonresident companies), but no withholding tax is imposed on dividends and interest.

E. Double tax relief and tax treaties

Double tax relief is available for foreign tax paid if evidence of payment is produced. Relief is granted in an amount equal to the lesser of the following amounts:

- The amount of foreign tax paid on the income
- The marginal amount of Isle of Man income tax attributable to the foreign-source income

The Isle of Man has entered into double tax treaties with the following countries.

Bahrain	Luxembourg	Seychelles
Estonia	Malta	Singapore
Guernsey	Qatar	United Kingdom
Jersey		

It has also signed a double tax treaty with Belgium, but this treaty is not yet in force.

The Isle of Man has also entered into agreements with the following jurisdictions that allocate the taxing rights of certain income of individuals.

Australia	Greenland	Norway
Denmark	Iceland	Poland
Faroe Islands	Ireland	Slovenia
Finland	New Zealand	Sweden

The Isle of Man has signed tax information exchange agreements (TIEAs) with 39 jurisdictions, including the United Kingdom and the United States. The TIEAs relate to the exchange of tax information. Under the TIEAs, each jurisdiction may request information from the other, principally to assess and enforce collection of tax.

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A. Income tax

Who is liable. Resident individuals are subject to tax on their worldwide income and worldwide capital gains. Nonresident individuals are subject to tax on income from Israeli sources, which is income accrued or derived in Israel.

An Israeli resident is defined as an individual whose center of living is in Israel, taking into account the person's family, economic and social links, including the following considerations:
- Permanent home
- Place of residence of the individual and his or her family
- Habitual place of business or permanent place of employment
- Place where assets and investments are located
- Place of membership in organizations, associations and institutions

Under the law, a rebuttable presumption of Israeli residency will apply in either of the following circumstances:
- The individual is present in Israel at least 183 days in a tax year ending 31 December.
- The individual is present in Israel at least 30 days in the current tax year and a cumulative total of 425 days in the current and two preceding tax years.

If an individual is relocating for more than four years, he or she may sever residency under a foreign resident definition. This definition states that if during the first two years the individual is

not present in Israel for more than 183 days and if the individual does not have a center of vital interest during the next two consecutive years, the individual is considered a nonresident during these four years (from date of departure).

New Immigrants (Oleh Hadash), First Time Residents or Senior Returning Residents (who were considered nonresident for a period of at least 10 consecutive years according to domestic law) are generally classified as residents for Israeli tax purposes since the earlier of the date of repatriation of the individual or the family, a stay over 183 days or the date of classification as a New Immigrant by the Israeli government. They may enjoy significant income tax, capital gains tax and import tax exemptions or benefits for a 10-year period (that is, tax exemption on foreign-source income and exemption from reporting under certain circumstances). New Immigrants and Senior Returning Residents may be considered nonresident for tax purposes during the first 12 months of their stay in Israel if a special notice form is submitted to the Israeli tax authority within 90 days after arrival. It is possible to approach the Israeli tax authority and obtain a certificate of New Immigrant or Senior Returning Resident through the filing an official application. Such certificate may provide the taxpayer with some assurance regarding his or her tax status and whether he or she is eligible for the associated tax benefits.

A distinctive regime is available for returning residents who spent more than six years outside Israel. The regime includes tax benefits for these individuals on their return to Israel.

Income subject to tax

Employment income. Taxable employment income broadly covers salary and virtually all cash and in-kind benefits and allowances provided directly or indirectly to employees or for their benefit. If benefits are provided on a net-of-tax basis, they must be grossed up for tax purposes.

Company vehicles at an employee's disposal are taxable to the employee based on their prescribed usage value. The usage value for vehicles registered on or before 31 December 2009 depends on the price group of the model shown on the vehicle registration. The usage value for vehicles registered on or after 1 January 2010 equals a certain percentage of the vehicle's cost as defined in detailed regulations. These values are set forth in tax tables published by the tax authorities.

The use of a cell phone provided by the employer is taxable (attributed income of a specific amount, which is ILS105 per month during 2019).

Educational allowances provided by employers to their employees are taxable for income tax and national insurance purposes.

A portion of severance payments granted by employers to employees on termination of employment relationships is exempt from tax, regardless of whether the payments are required by law or are voluntary. The exempt portion is the lesser of one month's salary or ILS12,380 (as of 2019) per year of service.

Some Israeli employers provide a range of social benefits through externally approved provident funds. These funds are administered by Israeli insurance companies, private brokers or the "Histadrut" labor movement. The social benefits for employees typically include some or all of the benefits shown in the following tables.

	Contribution as a percentage of salary	
Benefit	**Employee %**	**Employer %**
Retirement policy		
Comprehensive pension plan	6 (a)	6.5 (a)
Long-term savings plan	6 (a)	6.5 (a)
Severance pay funding	0	8.33
Disability insurance	0	0 to 2.5
Educational funds (b)	2.5 (c)	7.5 (c)

(a) These are the maximum rates. The first 5% of the employer's contributions is matched by a parallel contribution by the employee. The balance of the contribution up to the maximum rate is voluntary. Employers' contributions are exempt from tax if contributions are made on monthly salary not exceeding ILS25,683 (2019). Contributions exceeding this amount are taxable as employment income.
(b) These funds may be used after three years for training in Israel or, after six years, for any reason. Different rules apply to 5% or greater shareholders and to self-employed individuals.
(c) These are the maximum rates. Employers' contributions are exempt from tax if contributions are made on monthly salary not exceeding ILS15,712 (2019). Contributions exceeding this amount are taxable as employment income.

As a result of major amendments to the law, the calculations of the above tax credits and deductions have become very complicated. Readers should seek professional advice before making decisions.

Self-employment income. Residents and nonresidents generally are subject to Israeli income tax on income derived from a business conducted in Israel and on income from one-time commercial transactions. Residents are also subject to tax on overseas income.

Self-employed individuals are subject to tax on business profits at the rates set forth in *Rates*.

Directors' fees. Directors' fees and related expenses for participating in board meetings are taxable as income from self-employment. A 17% value-added tax (VAT) liability also arises, but if the director derives primarily employment income, the payer company may account for the VAT under a reverse-charge mechanism. The company may recover the VAT as input VAT if it is a VAT dealer. Directors' remuneration for other managerial duties is taxable as employment income.

For private, closely held companies (controlled by five or fewer individuals or their relatives), additional rules apply to the deductibility of payments to employee-shareholders who directly or indirectly control 10% or more of such companies.

Investment income. The following tax rates apply to investment income and gains derived by individuals.

Income	**Rate (%)**
Real (inflation adjusted) capital gains derived from publicly traded and untraded securities	

Income	Rate (%)
General rate for individuals on gains accruing from 1 January 2012	25
Individuals who were 10%-or-greater shareholders (material shareholders) in the company concerned at any time within the 12 preceding months	30
General rate for individuals on linear portion of gains accruing during the period of 1 January 2003 through 31 December 2011	20
Gains accruing to material shareholders during the period of 1 January 2003 through 31 December 2011	25
Gains accruing before 1 January 2003; old rates that apply to the time-based linear portion of the gains	Up to 50
Capital gains from securities that are not linked to the consumer price index or foreign currency, such as bonds, short-term government bonds and commercial paper	
General rate	15
Material shareholders	20
Interest	
On "linked" (that is, linked to the consumer price index in Israel) or foreign instruments	25
On "unlinked" Israeli instruments	15
Material shareholders	Up to 50
Dividends	
General rate for individuals	25
Material shareholders	30
Paid from the profits of an approved or privileged enterprise or approved property under the Law for the Encouragement of Capital Investments, 1959	0/4/15
Others	
Real Estate Investment Trust (REIT), if conditions met	Up to 50
Residential rental income derived by an individual landlord from individual tenants, not exceeding ILS5,090 per month (any excess reduces the exemption by the amount of the excess)	Exempt up to ceiling

Double tax relief provisions may apply in certain cases (see Section E).

Taxation of employee share option plans and share purchase plans. Detailed rules apply to employee share option plans and share purchase plans. Capital gains tax treatment is allowed for certain qualified plans called Qualified Section 102 Capital Gain Plans, which are administered by a trustee, if, for options granted on or after 1 January 2006, at least two years have elapsed since the options were granted. Options granted according to the capital gains alternative (see below) before 1 January 2006 are subject to a minimum holding period of 24 months as of the end of the year in which the options were granted or 30 months from the grant

date, depending on the election of the employee. Gains derived from nonqualified plans are treated as an ordinary income subject to income tax (up to 50%) and social security tax (12% tax up to a certain cap).

The tax authorities must approve the trustee and receive notice concerning a Section 102 beneficial plan at least 30 days before the implementation of the plan. Individuals who move to another country to work or reside may request tax rulings from the tax authorities to mitigate uncertainty or address double taxation or tax withholding.

Employers may choose between alternative rules for dividing gains between salary income (the employer deducts an option expense and the employee is subject to income tax at rates of up to 50% plus social security; see Section C) and capital gains (the employer receives no deduction and the employee is subject to capital gains tax at a rate of 25%).

Restricted Stock Units (RSU) plans may be qualified in the same manner as Section 102 beneficial plans by filing an application with the Israeli tax authority and depositing the stock units in the hands of a qualified trustee for a period of at least two years.

Capital gains and losses. Residents and nonresidents are generally subject to Israeli tax on their capital gains relating directly or indirectly to assets in Israel, including Israeli securities, and to rights related to such assets. However, under a relevant tax treaty, a resident of the other tax treaty country may be exempt from Israeli tax on capital gains, except for gains derived from transfers of real estate interests or business assets in Israel and transfers by material shareholders. Special rules apply to publicly traded securities (see below). Resident individuals are also subject to capital gains tax on their capital gains derived abroad.

Exit tax. Persons who cease to be Israeli residents are generally liable for capital gains tax as if they sold their assets one day before they ceased to be residents. The tax is payable on departure or on sale of the assets concerned (including shares and options) based on the linear portion of the gain related to the portion of the holding period during which the person was considered an Israeli resident.

Calculation of taxable amount. Capital gains are divided into real and inflationary components. In general, real gains derived before 31 December 2002 are taxed at the regular personal tax rates (30% to 50%). However, real gains derived from foreign publicly traded securities before 31 December 2004 are generally taxed at a rate of 35%. Any capital gains derived after these dates until 2011 are taxed at a rate of 20%; after 2011, the rate was updated to 25% (or 30% if the person is a 10% or greater shareholder [material shareholder]). The inflationary component is exempt from tax to the extent it accrued after 31 December 1993, and is taxable at the rate of 10% to the extent it accrued before that date.

Capital losses may be used to offset capital gains derived in the same tax year or in subsequent tax years. In some cases, they may be offset against interest or dividends from securities if the losses are derived in the same tax year.

Detailed rules relate to deferrals of capital gains tax in certain cases, including mergers, divisions and shares-for-assets exchanges.

Gains attributable to securities. Israeli residents are taxed at a rate of 25% on the real (inflation adjusted) gains derived from sales of traded securities in Israel and abroad, or 15% on the nominal gain on the sale of certain bonds not linked to the consumer price index or a foreign currency (see above). A tax rate of 30% is applied if the individual claimed real interest deductions.

Gains derived from sales of bonds issued by a foreign country or foreign mutual funds are subject to tax at the rate of 25% (or 30% if a material shareholder). Nonresidents are exempt from Israeli tax on capital gains derived on the Tel-Aviv stock exchange or on Israeli securities on an overseas exchange. However, if an Israeli resident owns at least 25% of a nonresident investor company, such exemption does not apply.

Gains attributable to real estate. Gains derived from sales of Israeli real estate or from sales of interests in real estate entities (entities whose primary assets relate to Israeli real estate) are subject to land appreciation tax at the regular rates of up to 50% for the portion of the gain that relates to the period before 7 November 2001. For the linear portion that relates to the period after that date, the applicable rate is 25% from 2007, with the exception of material shareholders who are taxed at a rate of 30%. Assets acquired in 2002 are eligible for a tax rebate of 20%. Assets acquired in 2003 are eligible for a 10% rebate. Various exemptions apply to residential homes. Also, see *Real estate tax* in Section B.

In addition, the purchaser of real estate must pay transfer fees (acquisition tax) at various rates ranging from 0% to 10%. For an interest acquired in a real estate entity, acquisition tax is imposed on the underlying real estate asset value without offsetting liabilities or borrowings.

Deductions

Deductible expenses. Business-related expenses incurred by employees are deductible only in limited circumstances. For example, expenses incurred to update existing professional knowledge are deductible. However, to claim these deductions, employees generally must file annual personal Israeli tax returns, even if they are otherwise exempt from filing.

To complement the tax deductions available to employees for education, only self-employed individuals may deduct payments made to approved education funds that are used for training or education in Israel (or for any purpose after six years). The amount of payments that may be deducted is subject to the following limitations.

Percent of income, up to limit*	Deduction available
First 2.5	None
Next 4.5	Full amount
Over 7.0	None

* The annual income limit for 2019 is ILS264,000. This limit is adjusted annually.

Personal deductions. In general, tax relief for individuals is in the form of tax credits rather than tax deductions. Consequently, relatively few items are deductible for tax purposes.

As a result of major amendments to the law, the calculation of personal deductions has become complicated. Readers should seek professional advice before making decisions.

Business deductions. Expenses are generally deductible if they are incurred wholly and exclusively in the production of taxable income. Additional rules apply to certain items, including car expenses, travel, entertainment, and research and development. The cash basis is acceptable for certain small businesses, and special inflation-adjustment rules are prescribed for businesses. These adjustments include inflation relief relating to depreciation for certain small businesses.

Special rules for expatriates. If no treaty exemption applies, expatriate nonresidents working in Israel lawfully for an employer may enjoy certain benefits. For the first 12 months in Israel, a "foreign expert" is entitled to a deduction for accommodation expenses incurred and a living expense deduction of up to ILS330 (2019) per day if the employment income exceeds ILS13,300 (2019) per month. To be considered a "foreign expert" under the Israeli income tax regulations, the assignee needs to meet the following criteria:

- He or she is legally allowed to work in Israel.
- He or she is working in his or her field of expertise and was invited to work in Israel by a local entity.
- He or she earns a gross salary exceeding ILS13,300 (2019) per month.

Foreign journalists who are members of the Foreign Press Association in Israel and foreign athletes are entitled to a tax rate of 25% and the abovementioned expatriate deductions for the first 36 months of work in Israel for foreign journalists and the first 48 months of work for foreign athletes.

A levy at a rate of 20% (or 10% or 15%, depending on the employee's field of employment) is imposed on foreign employees' employment income unless the employees are journalists or athletes or unless the employment income exceeds twice the average salary, which equals ILS20,546 (as of January 2019) per month. The levy must be paid by the employer and is not deducted from the employment income.

Rates. The Israeli tax year is the calendar year. In principle, Israeli personal tax liability is computed annually. However, tax is typically withheld from salaries and reported each month. Monthly tax brackets used during a year for payroll and other purposes are updated annually for inflation and are totaled to produce the annual tax brackets. The following table presents the annual taxable income brackets for 2019.

Taxable income ILS	Tax rate* %	Tax due ILS	Cumulative tax due ILS
First 75,720	10	7,572	7,572
Next 32,880	14	4,603	12,175
Next 65,760	20	13,152	25,327

Taxable income ILS	Tax rate* %	Tax due ILS	Cumulative tax due ILS
Next 68,040	31	21,092	46,420
Next 261,960	35	91,686	138,106
Next 145,200	47	68,244	206,350
Above 649,560	50	—	—

* These tax rates are restricted to income earned from employment and self-employment and to rental income derived by persons not over 60 years of age. In other cases, a minimum tax rate of 31% applies to the first ILS242,400, a tax rate of 35% applies to income between ILS242,401 and ILS504,360, a tax rate of 47% applies to income between ILS504,361 and ILS649,560, and a tax rate of 50% applies to income above ILS649,560.

Credits. Israeli resident individuals are entitled to personal tax credits, which are known as credit points. These credit points are deducted from the computed income tax liability of individuals. Each credit point is currently worth ILS218 (2019) per month.

The number of credit points granted to an individual reflects family circumstances. For example, an unmarried male resident generally receives 2.25 credit points, and an unmarried female resident generally receives 2.75 credit points. If, for example, both spouses work and opt for separate tax computations, the male receives 2.25 credit points and the female/spouse receives 2.75 points; the female/spouse also generally receives one credit point for each child under 18 years of age and one-half of a credit point for a child born or reaching 18 in the tax year. Effective from 2012, the male spouse is also eligible for certain credit points for infants up to the age of five years.

The following are other significant tax credits granted to individuals:
- Credits with respect to savings fund contributions (see *Income subject to tax*).
- Tax credit for 35% of charitable contributions to recognized institutions if a taxpayer's annual contributions exceed ILS190. However, no credit is given for annual contributions exceeding 30% of taxable income or ILS9,322,000, whichever is lower.
- Additional credits in various other cases, including new immigrants, returning residents, one-parent families, divorcées, graduates of a higher education institute and residents living and working in various priority areas.

Relief for losses. In general, business losses may be offset against income from any source derived in the same tax year, including salary income. Unrelieved business losses may be carried forward for an unlimited number of years to offset business income or capital gains derived from business activities (see *Capital gains and losses*).

B. Other taxes

Net worth tax. Net worth tax is not levied in Israel.

Estate and gift taxes. Israel does not impose taxes on inheritances or bona fide gifts. For transfers by inheritance or by gift of assets that would normally be subject to capital gains tax or land appreciation tax, the recipient's tax cost base and date of purchase are generally deemed to be the same as those for the transferor of the property.

Real estate tax. In general, sellers of real estate assets are subject to land appreciation tax on capital gains at a rate of 25% on any appreciation, based on the linear portion, before 7 November 2001, at a rate of 20% on any appreciation after that date until 31 December 2011, and at a rate of 25% after that date, with certain exceptions, including exemption provisions for homes owned by an individual.

Purchasers of real estate interests in Israel pay an acquisition tax at rates ranging from 0% to 10%.

C. Social security

Contributions. National insurance contributions are generally payable on taxable income as calculated for income tax purposes. The table below sets out the rates of national insurance contributions. For residents, these rates include a supplementary health levy. Foreign residents generally arrange comprehensive private health care.

	Contribution as percentage of income (2019)			
Category	Employer %	Employee %	Self-employed persons (a) %	Nonworking passive income recipients (a) %
Israeli residents (b)				
Monthly income up to ILS6,164	3.55	3.5	5.97	9.61
Monthly income from ILS6,164 to ILS43,890	7.60	12	17.83	12
Nonresidents				
Monthly income up to ILS6,164	0.59	0.04	—	—
Monthly income from ILS6,164 to ILS43,890	2.65	0.87	—	—
Nonresidents from a social security treaty country				
Monthly income up to ILS6,164	3.55	0.4	—	—
Monthly income from ILS6,164 to ILS43,890	7.6	7	—	—

(a) Fifty-two percent of social security contributions paid during a tax year on unemployment income is deductible for income tax purposes during the year of payment.

(b) Lower contributions may apply to Israeli residents who work abroad as self-employed persons for continuous periods exceeding six months or for non-resident employers, unless they were hired in Israel.

Totalization agreements. Israel has entered into social security totalization agreements with the following jurisdictions.

Austria
Belgium
Bulgaria
Canada (limited)
Finland
France
Germany
Italy
Netherlands
Russian Federation
Slovak Republic
Sweden
Switzerland

Czech Republic	Norway	United Kingdom
Denmark	Romania	Uruguay

D. Tax filing and payment procedures

In principle, Israeli and foreign employers with personnel in Israel must maintain an Israeli payroll withholding tax file. Income tax and national insurance contributions relating to monthly employment income and benefits must generally be reported and remitted by the 15th day of each following month. Various other monthly or bimonthly filings may also be required from the employer, including company tax advances determined by the tax authorities and supplementary company tax advances of 45% for nondeductible expenses incurred, including car maintenance and depreciation, travel and entertainment.

Capital transactions. Capital gains transactions generally are reportable within 30 days after the transaction date. Land appreciation tax transactions are generally reportable within 30 to 50 days. Tax must be settled or paid on account within this period.

Annual tax returns. A general obligation to file an annual tax return exists. Nevertheless, as a result of the withholding tax system, individuals may be exempt from filing annual personal tax returns in Israel. Individuals who are currently required to file annual tax returns include the following:

- Foreign residents who accrue or derive income in Israel. However, an exemption from filing may apply if tax is withheld at source and if the income is derived either from a business or profession conducted for no longer than 183 days in the tax year or from salary, dividends, interest or royalties.
- Resident individuals over 18 years of age at the beginning of the tax year. However, for the 2018 tax return, an exemption from filing may apply if all of the following conditions are satisfied:
  - The salary does not exceed the annual ceiling of ILS651,000 per individual.
  - Interest in Israel does not exceed the annual ceiling of ILS645,000.
  - The amount of each type of other income (rent and foreign income) earned by the individual is less than ILS338,000 for each type of income.

Notwithstanding the above, the following individuals must file annual income tax returns:

- Ten percent or greater shareholders
- Spouses who work together
- Individuals (or their spouses) who receive severance pay or a commuted pension allowed to be spread over several tax years
- Trust settlors for the year in which they settle the trust
- Recipients of a distribution or other transfer of assets from a trust
- Professional athletes and their spouses
- Individuals (or their spouses or children) who had either a lawful right in a non-publicly traded foreign company or other foreign assets worth more than ILS1,878,000 at any time during the tax year or a foreign bank account with a balance exceeding ILS1,878,000 at any time during the tax year
- Individuals required to file returns for the previous year, unless a specific exemption is granted

- Any other person or entity instructed to file a return by a tax assessor
- Individuals who claim detachment of their Israeli residency (see *Residency detachment*)

Individuals must also pay half-year advances for capital gains, which must also be reported, if the full amount of the tax was not withheld at source. The payments and reports are due on 31 January and 31 July.

Online filing. Online filing is required for those who have to file a tax return. Failure to file an online tax return by the due date results in a penalty of ILS510 for each full month of delay.

Residency detachment. As of the 2017 tax year, Israeli individuals who do not meet the numerical presumptions mentioned in *Who is liable*, but claim that their center of living was outside Israel and that they are not Israeli residents, need to file a declaration published by the Israel Tax Authority (ITA), which includes the indication of residency with documents proving their claim. In addition, they are required to file an annual tax return.

Due dates for tax returns. For those who do not have to file an online tax return, the due date is 30 April following the year-end. Taxpayers who are required to file an online tax return must file it by 31 May following the year-end. The tax authorities may grant filing extensions. Individuals represented by an Israeli certified public accountant (CPA) may receive an automatic extension based on the number of tax returns that the CPA must file with the tax authorities.

Assessment. The Israeli tax system is based on the principle of self-assessment. An annual tax return must be accompanied by payment of any balance of tax due computed by the taxpayer for the relevant tax year.

Married persons. Married persons, or the tax assessor, may elect one spouse to be the registered spouse in whose name the couple is assessed. For the election to be binding, the registered spouse's income should be at least 25% of the other spouse's income in the year before the election and in the next five years. If the couple does not elect otherwise, the tax assessor nominates the spouse with the higher taxable income over the two years preceding the assessment as the registered taxpayer. Joint tax computations are allowed. However, if the spouses derive employment or self-employment income from unrelated sources, many couples may benefit by opting to compute tax separately on the second spouse's income.

E. Double tax relief and tax treaties

Unilateral relief. If no double tax treaty applies, Israeli residents may claim relief from double taxation (foreign tax credit) on foreign-source income.

Under Israeli domestic law or applicable tax treaties, foreign capital gains tax on dispositions of foreign assets may be credited by Israeli residents against Israeli capital gains tax on such dispositions. Any excess foreign tax credit may be carried forward for up to five tax years.

Foreign residents who receive little or no relief for Israeli taxes in their home countries may be granted a reduced Israeli tax rate by the Minister of Finance. In practice, the reduced rate is usually at least 25% and applies to capital gains only.

Tax treaties. Israel has entered into double tax treaties with the following jurisdictions.

Austria	India	Romania
Belarus	Ireland	Russian Federation
Belgium	Italy	Singapore
Brazil	Jamaica	Slovak Republic
Bulgaria	Japan	Slovenia
Canada	Korea (South)	South Africa
China Mainland	Latvia	Spain
Croatia	Lithuania	Sweden
Czech Republic	Luxembourg	Switzerland
Denmark	Malta	Taiwan
Estonia	Mexico	Thailand
Ethiopia	Moldova	Turkey
Finland	Netherlands	Ukraine
France	Norway	United Kingdom
Georgia	Panama	United States
Germany	Philippines	Uzbekistan
Greece	Poland	Vietnam
Hungary	Portugal	

Israel is negotiating tax treaties with several jurisdictions, including Armenia and North Macedonia.

F. Visitor visas for tourism or business purposes

All foreign nationals, except those from countries that do not require entry visas, must obtain valid entry visas to enter Israel. Citizens of certain countries may obtain visas at the port of entry. Foreign nationals may enter Israel under visitor visas, temporary residence visas or permanent residence visas.

Visitor visas are divided into the following categories:

- B1: For foreign nationals who wish to work in Israel on a temporary basis.
- B2: For foreign nationals who wish to visit Israel, typically for tourism or business purposes.
- B3: For foreign nationals whose entry status is not clear. This visa is of limited duration (one month) until the entry status is clarified and the entry visa is reclassified. The duty of reclassifying the entry status rests on the foreign national granted the B3 visitor visa.
- B4: For foreign nationals who wish to volunteer (work without earnings) in Israel.

Israel has visa exemption agreements with many jurisdictions. Tourist visa exemption applies to national and official passports only, and not to other travel documents. Citizens of the following jurisdictions are exempt from obtaining transit and class B2 visitor visas.

Albania	Grenada	Palau
Andorra	Guatemala	Panama
Argentina	Haiti	Papua New Guinea
Australia	Honduras	

Austria
Bahamas
Barbados
Belarus
Belgium
Belize
Botswana
Brazil
Bulgaria
Canada
Chile
Colombia
Cook Islands
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Dominican Republic
Ecuador
El Salvador
Estonia
Eswatini
Fiji
Finland
France
Georgia
Germany
Greece
Hong Kong SAR
Hungary
Iceland
Ireland
Italy
Jamaica
Japan
Korea (South)
Latvia
Lesotho
Liechtenstein
Lithuania
Luxembourg
Macau SAR
Malawi
Malta
Mauritius
Mexico
Micronesia
Moldova (a)
Monaco
Mongolia
Montenegro
Nauru
Netherlands
New Zealand
Niue
North Macedonia
Norway
Paraguay
Peru
Philippines
Poland
Portugal
Romania
Russian Federation (b)
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
San Marino
Serbia
Singapore
Slovak Republic
Slovenia
Solomon Islands
South Africa
Spain
Suriname
Sweden
Switzerland
Taiwan
Tonga
Trinidad and Tobago
Ukraine
United Kingdom
United States
Uruguay
Vanuatu

(a) The exemption applies only to citizens of Moldova who hold biometric passports.
(b) The exemption applies only with the approval of the immigration authorities in Jerusalem.

In general, all visitor visas, with the exception of B1 and B3 type visas, are valid between 30 and 90 days and may be renewed up to 180 days.

The application takes place at an Israeli consulate or at the local Ministry of Interior.

Each jurisdiction has a unique filing procedure for obtaining a visitor visa.

Both B1 and B4 class visas may be applied for by the employer. A B1 visa may be renewed annually for up to 63 months. A B1 visa may be extended beyond 63 months under very limited circumstances.

Indian and Chinese nationals, under certain circumstances, may be eligible for a B2 visitor visa for business purposes for five years or one year, respectively, if each visit will not exceed 90 days in Israel.

G. Work permits

A foreign national may work in Israel only if he or she enters the country with a permanent residence visa or a temporary residence visa or holds a B1, B4 or A1 visa.

An applicant and his or her employer can apply for a work permit valid for 2 years, 1 year, 90 days or 45 days. An applicant and his or her employer must file certain items to obtain a work permit and a B1 work visa. The B1 work visa is always issued for a maximum period of one year and may be renewed annually, assuming that the employer and employee comply with the terms of the work permit.

The following are examples of the items that must be filed (other forms or submissions may be required):
- Recommendation of the Ministry of Interior
- Employee's certificate of valid medical insurance
- Salary letter with verification of the expert's salary threshold (twice the average salary in the Israeli market, approximately USD5,750; amount is subject to change and needs to be checked)
- An employer's undertaking that assures the employee's departure on termination of the employment contract
- The employee's accurate personal data, including his or her passport number, *curriculum vitae* (CV) and diploma (police clearance and medical checks are being requested by the Israeli embassy or consulate during the consular procedure)
- Letter from an Israeli employer or other Israeli party, explaining the reasons why the employee's presence is needed
- Affidavit on a specified form concerning the above items

The following can apply for a B1 visa:
- An Israeli-based employer
- A foreign employer that has business ties or has entered into a service agreement with an Israeli-based entity.

Detailed rules apply to employers and employees regarding, among other matters, pre-arrival medical examinations, as well as housing and medical care. As of January 2019, the amount of government registration fees for a work permit and B1 work visa application (per principal applicant for one year) is approximately USD3,160.

In December 2015, the immigration authorities issued new regulations for foreign experts in Israel. The following are significant aspects of the regulations:
- The regulations distinguish between experts whose work activities require academic certification and experts whose work activities do not require academic certification.
- New requirements have been set for experts whose work activities do not require academic certification, such as payment of the expert's salary to a bank account in Israel and providing proof of salary payments.
- Foreign experts are now required to provide to Israeli embassies and consulates abroad additional documents (police record and medical examinations) as part of the consular process. Foreign experts should check these requirements.

A possibility was recently introduced to utilize the B-1 visa for 90 days continuously or intermittently in the same calendar year, provided that the total number of days in a calendar year does not exceed 90 days. Each visit to Israel will require a new work permit and visa application and a consular process for the applicant to follow in the overseas Israeli consulate. The salary requirement for the B-1 visa for 90 days is currently USD1,500 (subject to annual adjustment), which represents the minimum wage in Israel.

In addition, an alternative option exists for employees who arrive to Israel for a work purpose for a time period not exceeding 45 days. Under this option, the foreign expert can stay and work in Israel for up to 45 days in a calendar year, continuously or intermittently. The counting of the days starts with the first day of arrival to Israel. The procedure is only available for citizens from visa-exempt jurisdictions (see Section F). It applies only to foreign experts who are needed in Israel to perform a temporary expertise assignment, such as advising, supervising, repairing equipment, training or making presentations.

In February 2018, a new B1 High Tech work visa was introduced by the Israeli immigration authorities to allow Israeli companies, which are recognized as "High-Tech Companies," to employ foreign experts. This visa is valid for up to 12 months with a possibility for renewal, and offers a streamlined visa process. The expert's salary threshold mentioned above applies. Spouses of the primary visa applicant are granted a B1 work visa and are able to work for an employer of their choice while the visa is valid.

H. Residence visas

Temporary residence visas are divided into the following categories:

- A1: For Jewish foreign nationals only who wish to obtain Israeli citizenship and are eligible under the Law of Return. The A1 class visa is valid for one year and may be renewed twice, for a total of five years.
- A2: For foreign nationals who wish to study in Israel.
- A3: For members of the clergy who are invited to Israel by a religious institute. The institute must apply for the visa.
- A4: For the spouse or children (under 18 years of age) of an A2 or A3 class visa holder.
- A5: For foreign nationals wishing to stay in Israel for any reason other than those listed above.

Unless the individual is staying in Israel for the reasons mentioned in categories A1 to A4 above, a permanent residence visa is granted for an unlimited duration of stay. Applications are considered by the Ministry of the Interior on a case-by-case basis. An application may be filed after several years of temporary residence.

I. Family and personal considerations

Family members. In certain circumstances, a B2 visa may be granted to the spouse and dependent children of a foreign national who receives a B1 visa. In these cases, the duration of the B2 visa corresponds to that of the B1 visa.

Common law partners. No official regulation specifies the requirements for spouse status. Each case needs to be examined separately. However, proof of the sincerity of the relationship must be supported by documents, including, among others, an affidavit from an attorney declaring that the couple is living together and joint bank account documents.

Driver's permits. Foreign visitors who hold valid foreign or international driver's licenses may drive a car legally in Israel for up to 12 months per visit to Israel. If a visit exceeds 12 months, the visitor must pass a short vehicle control test and receive an Israeli driver's license. Different rules apply to commercial vehicles.

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A. Income tax

Who is liable. Tax residents of Italy are subject to tax on their worldwide income. Individuals who are not tax resident in Italy are subject to tax on their Italian-source income only.

An individual is considered resident for income tax purposes if, for the greater part of the tax year, he or she satisfies any of the following conditions:
- His or her habitual abode is in Italy.
- The center of his or her vital interests is located in Italy.
- He or she is registered at the Office of Records of the Resident Population in Italy (Anagrafe Popolazione Residente).

Italian citizens who move their residence for tax purposes to countries considered to be tax havens (“black list” countries) are

deemed to be tax resident in Italy in all cases, unless they provide specific evidence of their nonresident status.

Income subject to tax. Taxable income for personal income tax purposes consists of income from the following categories:
- Income from employment
- Income from self-employment
- Business income
- Income from real estate
- Income from capital (primarily, dividends and interest)
- Miscellaneous income, including capital gains

Each category, including miscellaneous income, is defined by law. If income falls under a category not specifically mentioned in the law, further investigation is needed to determine the tax treatment. Uncategorized income may not be automatically aggregated with miscellaneous income.

Employment income. Employment income is income derived from work performed for an employer. It includes any compensation, either in cash or in kind, received during a tax period in connection with employment, including any payments received as shares, as acts of generosity or as reimbursement for expenses incurred in the production of the income. Benefits in kind are valued for tax purposes at the "normal value," as defined by the Italian tax code. For certain benefits in kind, the Italian tax code provides specific rules for determining the applicable tax value. All compensation received in connection with employment is considered employment income, even if the compensation is paid by a third party (for example, the legal employer's parent company).

Employment income also includes income known as "income deriving from a collaboration," unless the activity is performed by an individual who is registered for value-added tax (VAT) purposes, and income derived by directors, auditors and contractors.

An Italian employer, which qualifies as a withholding tax agent, must withhold income taxes monthly from payments of gross employment income, including benefits in kind. Employment income is also subject to social security contributions (see Section C). The same rules apply to the determination of the tax base for both income taxes and social security contributions.

The following items are not included in the taxable employment income:
- Mandatory contributions paid by an employer and by an employee for social security as provided by law
- Contributions, up to a ceiling of EUR3,615.20, paid by an employer or an employee to entities or funds for the sole purpose of medical assistance in accordance with collective labor contracts or company agreements and regulations
- Goods provided to and services rendered for the employee if the overall value of goods and benefits does not exceed EUR258.23 per year
- Business trip daily indemnity, up to a maximum of EUR46.48 for trips within Italy and up to EUR77.47 for trips abroad if the employer reimburses only the travel expenses

- Certain benefits in kind, including meals in factory cafeterias and transportation services provided to a majority of employees, up to certain amounts and under specified conditions

Additional tax exemptions may be granted for some benefits in kind if the employer sets up welfare plans (so called flexible benefits plans) for all employees or categories of employees.

Nonresidents are subject to tax on income from employment derived from services performed in Italy and pensions paid by the state or by Italian residents.

A special tax regime applies to outbound employees who meet all of the following conditions:
- The individual is resident for tax purposes in Italy.
- The employment activity is rendered in a continuous and exclusive manner outside Italy for more than 183 days in a 12-month period.
- The employee's assignment outside Italy is regulated by an employment contract or by another written agreement signed by the parties.

Under the tax regime mentioned in the preceding paragraph, an individual is subject to tax in Italy on a notional employment remuneration, as determined each year by the Italian Ministry of Finance.

Effective from 2016, a special tax regime (impatriate tax regime) applies to an inbound employee who meets all of the following conditions:
- He or she becomes as Italian tax resident under Italian domestic law.
- He or she has been a non-Italian tax resident for the five years before the change in residency status and qualifies as an executive or highly specialized employee, as defined by specific law provisions, or has graduated with at least a bachelor's degree and has been studying or working abroad at least 24 months before moving to Italy.
- He or she qualifies as an Italian tax resident for the following two years.
- He or she works mainly in Italy under an employment contract with an Italian tax resident employer or with a company of the same group.

If all the conditions listed in the preceding paragraph are met, for the 2019 tax year, the taxable employment income of the employee who qualifies for this special tax regime is reduced to 50% of the total amount for the tax year in which the employee changes residency and for the following four years.

Starting from January 2020, the impatriate tax regime will change.

Under the new rules, taxpayers are eligible to benefit from the special tax regime, provided that they meet certain conditions. The following are the main conditions:
- The taxpayers qualify as non-tax resident in Italy for at least two years (instead of the previous five years) prior to the transfer to Italy.

- The taxpayers commit to be Italian tax residents for the following two years and to work mainly in the Italian territory.

If all the conditions provided by the new Italian tax law are met, from the 2020 tax year, the Italian-source taxable employment income of the employee who qualifies for this special tax regime is reduced to 30% of the total amount for the tax year in which the employee becomes Italian tax resident and for the following four years. Under a different measure, a 90% reduction applies to taxpayers who transfer their residency to certain regions of southern Italy.

In addition, special extensions of the regime up to an additional five years, with an exemption of 50% of the Italian taxable employment income, are provided for the following:
- Taxpayers with at least one underage child or a dependent child
- Taxpayers who become owners of a housing unit in Italy after their transfer to Italy or in the 12 months preceding their transfer to Italy

Alternatively, a special extension of the regime up to an additional five years, with an exemption of 90% of the Italian taxable employment income, is provided if the taxpayers have more than three underage children or dependent children.

This new impatriate tax regime also applies to income that is considered as assimilated to employment income according to the Italian tax law and to self-employment income.

Starting from 2017, a resident regime for high net worth individuals allows taxpayers who have not qualified as Italian tax resident for at least 9 of the past 10 years to opt for a flat tax of EUR100,000 on their foreign-source income, regardless of the actual amount of income and its remittance to Italy. The same favorable tax regime may also be applied to their family members if they also meet the required conditions; in this case, the flat tax equals EUR25,000 for each family member.

To have certainty of the tax regime application, it is advisable to file for an advance ruling with the tax authority (not mandatory), supported by a specific checklist and documentation regarding the previous years' tax resident status.

The Italian tax authority has confirmed that the regime for resident high net worth individuals and the impatriate tax regime are not cumulative.

Directors' fees. For tax purposes, directors' fees are treated as employment income, subject to progressive income tax rates and withholding tax. This tax treatment does not apply if the services are performed by a professional individual who is registered for VAT purposes (see *Self-employment income*).

Nonresident directors are subject to a final withholding tax at a rate of 30% on directors' fees received.

Self-employment income. Self-employment income consists of income from a profession, including accounting, law and medicine. As mentioned in *Employment income*, income from a collaboration is treated as employment income, unless the activity is performed by an individual who is registered for VAT purposes.

Residents are subject to tax on worldwide self-employment income at the rates described in *Rates*; a 20% withholding tax applies to income derived from Italian sources. Nonresidents are subject to tax on income from self-employment derived from services performed in Italy. Nonresidents are subject to a final withholding tax of 30% on self-employment income.

For professionals, taxable self-employment income consists of the difference between compensation received during a tax period and related expenses incurred during the same period, subject to certain limits. Self-employment income is determined according to the cash-basis principle. Effective from 2017, the impatriate tax regime mentioned above with respect to inbound employees applies to self-employed individuals who transfer their tax residency status to Italy provided that the required conditions are met.

Professional income is subject to VAT and to regional tax (IRAP) at a statutory rate of 3.9%. Such rate may vary depending on the region of Italy in which the activity is performed (see *Business income*). Bookkeeping is required.

Professionals taxable as self-employed individuals who meet certain specific conditions and who have total gross earnings of lower than EUR65,000 per year can benefit from a special tax regime, which provides for the application of a 15% flat tax (substitutive tax) on the taxable income instead of ordinary progressive tax rates. The tax base is determined according to specific profitability rates approved by the Italian tax authorities, and these taxpayers are also subject to a special (simplified) VAT and bookkeeping regime.

Real estate income. Under certain circumstances, income from unrented real estate located in Italy may be subject to personal income tax. The related tax base equals 50% of a notional income called "cadastral value." Rental income derived from real property is taxed as ordinary income (see *Rates*). Rental income derived from rented real estate located in Italy may be subject to a fixed tax rate (so-called *cedolare secca*) of 10% or 21%, if specific conditions are met.

Effective from 1 June 2017, new Italian legislation for short-term rentals gives landlords the option to apply a flat 21% tax to rentals no longer than 30 days.

Italian tax residents must report income from real estate located outside Italy in their Italian tax return, unless otherwise provided in an applicable double tax treaty.

Real estate is also subject to the tax on Italian real estate (IMU; see Section B).

Business income. Business income consists of income derived from the commercial or industrial activities (entrepreneurial activities) described in the Civil Code.

Taxable business income consists of profits disclosed in the financial statements, adjusted for exemptions, disallowed expenses, special deductions and losses carried forward. Business income is determined using the accrual method.

Taxable business income is subject to personal income tax at the rates described in *Rates*. In addition, business income is subject to IRAP, a regional tax on productive activities. IRAP is levied at an ordinary rate of 3.9%, which can be increased by each Italian region to 4.82%. Such rate may further vary depending on the region of Italy in which the activity is performed and on the kind of activity performed. The tax base is the amount of net production income derived from activities carried out in Italy. Net production income is calculated by adding to taxable business income certain costs that are not deductible for IRAP purposes.

Effective from 2020, the impatriate tax regime mentioned above with respect to inbound employees applies to business income produced by self-employed individuals who transfer their tax residency status to Italy, provided that the required conditions are met.

Self-employed individuals who meet some specific conditions and who have total gross business income lower than EUR65,000 per year can benefit from a special tax regime, which provides for the application of a 15% flat tax (substitutive tax) on the taxable income instead of ordinary progressive tax rates. The tax base is determined according to specific profitability rates approved by the Italian tax authorities, and these taxpayers are also subject to a special (simplified) VAT and bookkeeping regime.

Nonresidents are subject to tax on business income from a permanent establishment in Italy.

Investment income. Starting from 2018, dividends derived from qualified and nonqualified participations that are paid to Italian tax residents by resident and nonresident entities are subject to a separate final withholding tax of 26%. The tax base for dividends on nonqualified participations that are paid by nonresident entities is net of foreign taxes, subject to the maximum withholding rate provided by the applicable double tax treaty (generally ranging from 5% to 15%).

Dividends derived from qualified participations that are paid out of the company's profits accrued until 31 December 2017 can be partially (58.14%) subject to progressive taxation.

For listed companies, a nonqualified participation is a participation representing no more than 2% of the voting rights in the ordinary shareholders' meeting and representing no more than 5% of the issued capital. For unlisted companies, a nonqualified participation is a participation representing no more than 20% of the voting rights in the ordinary shareholders' meeting and representing no more than 25% of the issued capital.

Dividends received by an Italian tax resident individual deriving (directly or indirectly) from an unlisted company liable in the foreign country (other than European Union [EU] and European Economic Area [EEA] countries) to a nominal tax rate lower than half of the Italian rate are generally taxed as ordinary income. Dividends received through Italian resident intermediaries by an Italian tax resident individual that are derived from a listed company resident in these countries are subject to a 26% substitute tax.

Dividends paid by Italian resident entities are subject to a 26% withholding tax. Tax treaties may provide for a lower tax rate for dividends paid to nonresidents.

Italian-source interest paid to residents is subject to a final withholding tax at a rate of 26%. Consequently, such interest is not aggregated with other taxable income. Foreign-source interest may be included with other income and taxed at the rates described in *Rates* or taxed separately at a rate of 26%.

Interest paid to nonresidents is subject to a final withholding tax of 26%; tax treaties may provide for a lower tax rate. Interest derived from bank and postal accounts that is paid to nonresidents is exempt from tax.

Residents are subject to tax on royalties derived from patents, trademarks and know-how at the rates set forth in *Rates*.

Nonresidents are subject to a final withholding tax on these royalties at a rate of 30%.

In some cases, this tax is imposed on 60% or 75% of the amount of royalties received.

Capital gains and losses

Securities—residents. The taxation of capital gains from the sale of securities (including shares representing capital and other similar interests, convertible obligations, stock options and similar rights) not related to business activities are subject to Italian taxation in accordance with the following rules:

- If the transaction involves a nonqualified percentage (see *Investment income*) of the company's shares, the related capital gain is subject to substitute taxation at a rate of 26%.
- If the transaction involves nonqualified shares of a listed company residing in a country (other than EU or EEA countries) with a nominal tax rate lower than half of the Italian rate, the related capital gain is taxed separately at a rate of a 26%.
- If the transaction involves nonqualified shares of an unlisted company residing in a country with a nominal tax rate that is lower than half of the Italian rate, ordinary rates are applied to 100% of the gain.
- Starting from 2019, if the transaction involves qualified shares, the related capital gain is subject to substitute taxation at a rate of 26%. However, ordinary rates apply to 100% of the gain if the shares sold relate to qualified shares residing in countries (other than EU or EEA countries) with a nominal tax rate lower than half of the Italian rate.
- If a transaction involving qualified shares from non-blacklisted countries occurred up to 31 December 2017, the ordinary rates are applied to 49.72% of the gain.
- If the transaction of qualified shares from non-blacklisted countries occurred during 2018, the ordinary rates are applied to 58.14% of the gain.

In general, the capital gain or loss equals the difference between the sales proceeds and the purchase cost, or the value that has already been subject to taxation. If the taxpayer's losses exceed gains, the difference may be carried forward up to a maximum of four years against future capital gains. The capital gains tax must

be paid by the same date as the balance of ordinary tax due shown in the taxpayer's annual income tax return. If the security is held with an Italian resident intermediary (for example, an Italian bank) and if the transaction does not involve a qualified percentage of the company shares, an election may be made under which the tax due is withheld at source by the Italian resident intermediary and the transaction does not need to be reported in the individual's annual income tax return.

Securities—nonresidents. Capital gains derived by nonresidents from the sale of securities (including shares representing capital and other similar interests, convertible obligations, stock options and similar rights) not related to business activities are subject to the tax treatment applicable to residents (see above) if the securities are issued by an Italian entity. However, capital gains or losses arising from nonqualified shares issued by Italian companies listed on the stock exchange are not subject to Italian tax.

Real estate. Capital gains derived by individuals from the sale of real estate are taxable if the sale occurs within five years after the date on which the property was purchased or built and if the property had not been used as a principal abode for the major part of the period of ownership. The gain is subject to tax as ordinary income, unless, in the transfer deed, the vendor asks the Italian Public Notary to apply a separate final tax at a rate of 20%. Capital gains derived from sales of real estate after the five-year period of ownership are not subject to tax.

Deductions

Personal deductions, tax credits and allowances. Tax deductions are allowed for various items, including the following:

- Mandatory social security contributions paid by an individual to the social security authorities
- Social security contributions made to qualified and individual complementary pension funds, within specified limits
- Social security and welfare contributions required by law that are paid on behalf of servants and babysitters
- Alimony payments to a spouse from whom the taxpayer is legally separated or divorced (children's maintenance is not deductible)
- Medical expenses paid to disabled individuals

A tax credit of up to 19% is granted for various items, including the following:

- Interest paid to European entities on mortgage loans for real estate located in Italy that is used as a principal abode, up to a maximum amount of EUR4,000
- Medical expenses, including specialized medical treatment, surgical expenses and prostheses, for the taxpayer or dependents if the expenses exceed EUR129.11
- Life and health insurance premiums, up to a maximum amount of EUR530, EUR750 or EUR1,291, depending on the type of insurance contract and the related risks covered
- School fees up to a maximum of EUR786 and university tuition expenses not exceeding tuition charged at state universities
- Funeral expenses, up to a maximum amount of EUR1,549.37

A tax credit for family members may be claimed by resident taxpayers, regardless of the category of income earned. The following are the amounts of the tax credit.

Type of tax credit	Theoretical amount (EUR)
Dependent spouse (a)	800 (b)
Each dependent child (a)	950 (b)(c)

(a) A taxpayer's spouse or child is considered a dependent if he or she earns less than EUR2,841.
(b) A formula is used to determine the actual tax credit available. The dependent spouse tax credit is not granted for taxpayer income higher than EUR80,000. The child tax credit is not granted for taxpayer income higher than EUR95,000.
(c) For each dependent child under three years of age, the theoretical amount is increased by EUR270. For each handicapped child under three years of age, the theoretical amount is increased by EUR400. If the parents have more than three dependent children, an additional amount of EUR200 for each child is granted. An additional theoretical amount is provided to parents if they have four or more dependent children.

The tax credit for each dependent child can be either shared between the two spouses or claimed by the spouse earning the higher taxable income. However, if one spouse is a dependent of the other spouse, the tax credit for dependent children must be fully claimed by the other spouse.

Foreign taxes paid by resident taxpayers on foreign-source income may be credited against personal income tax. The maximum amount of foreign tax that may be credited is the lower of the amount of foreign taxes and the full amount of Italian tax attributable to the foreign-source income, based on the proportion of the foreign-source income to the aggregate income. However, the foreign tax credit cannot exceed the net income tax due from the taxpayer.

Other deductions. In addition to deductible expenses specifically allowed, other expenses may be deducted from aggregate income for personal tax, depending on the category of income.

Rates. The income tax rates applicable to individuals are described below.

Personal income tax. The following are the rates of the personal income tax (*imposta sul reddito delle persone fisiche*, or IRPEF).

Taxable income		Rate on
Exceeding EUR	Not exceeding EUR	excess %
0	15,000	23
15,000	28,000	27
28,000	55,000	38
55,000	75,000	41
75,000	—	43

Additional regional tax. For 2019, additional regional ordinary tax rates may range from 0.7% to 3.33% on taxable income as calculated for income tax purposes.

Additional municipal tax. An additional municipal tax applies at rates up to 0.9% on taxable income as calculated for income tax purposes.

Additional income tax on variable remuneration earned by employees working in the financial sector. Additional income tax of 10% is imposed on employees and collaborators (self-employed individuals who are not registered for VAT purposes) working in the financial sector on their variable remuneration (which may be represented by cash bonuses, stock options or shares) exceeding the yearly fixed remuneration.

Nonresidents. Nonresidents are taxed on Italian-source income at the rates described above.

B. Other taxes

Tax on real estate held abroad by Italian tax resident individuals. A tax on real estate held abroad for Italian tax resident individuals (*imposta sul valore degli immobili situati all'estero*, or IVIE) took effect in 2012. The standard tax rate is 0.76%. However, a 0.4% rate may apply if particular circumstances exist. The tax base is the purchase cost or, only for EU and EEA countries, the cadastral value (if applicable) used to calculate and pay the wealth tax. The taxpayer is entitled to a credit for wealth tax paid abroad on the properties. IVIE is calculated and paid through the Italian tax return filing process.

Tax on financial assets held abroad. A tax on financial assets held abroad by Italian tax resident individuals (*imposta sul valore delle attività finanziarie detenute all'estero*, or IVAFE) took effect in 2012. The tax rate is 0.20% from 2014 onward. The tax base is generally the market value of the financial asset at the end of the year. In the case of double taxation, it is possible to deduct the wealth tax paid in the country where the financial asset is held. IVAFE is calculated and paid through the Italian tax return filing process.

Tax on Italian real estate. Imposta Unica Comunale (IUC) is a municipal tax on real estate composed of Imposta Municipale Unica (IMU), Tasi and Tari.

IMU is a tax on Italian real estate that is due to the municipality where the real estate is located. The tax base is calculated starting from the cadastral value attributable to the real estate. To calculate the tax base, the cadastral value is multiplied by a coefficient that varies depending on the nature and characteristics of the real estate. The standard tax rate is equal to 0.76%. Each municipality can decide whether to increase or decrease the standard rate.

Tasi is a tax due for services rendered by the municipality for real estate, and Tari is a municipal tax for garbage. Tasi and Tari are local taxes due with respect to the possession of real estate located in Italy. The tax rate depends on the Municipal Decree.

Inheritance and gift taxes. Inheritance and gift taxes apply to residents and nonresidents. The tax base is related to the value of the assets. The following are the applicable tax rates:

- 4% for recipients in a direct relationship (spouse and children) with the deceased or the donor, to the extent that the assets have a taxable value of greater than EUR1 million
- 6% for brothers, to the extent that the assets have a taxable value of greater than EUR100,000
- 6% for other relatives, with no assets exclusion

- 8% for recipients who are not related to the deceased or the donor, with no assets exclusion

For disabled recipients, the same rates apply to the extent that the assets have a taxable value of greater than EUR1,500,000.

In addition to the above taxes, an additional fixed amount of EUR200 is due for each gift.

Cadastral and mortgage taxes apply if immovable properties are inherited or given as a gift. The applicable tax rate is 3%. However, if the real estate inherited or gifted is classified as a primary home, the cadastral and mortgage taxes are imposed at a fixed amount of EUR50 each.

To prevent double taxation of estates, Italy has entered into estate tax treaties with Denmark, France, Greece, Israel, Sweden, the United Kingdom and the United States. In the absence of a treaty, a tax credit may be available for foreign taxes paid on assets located abroad.

C. Social security

Coverage. Italian law provides for a comprehensive system of social insurance covering the following:
- Disability, old age and survivorship
- Illness and maternity
- Unemployment and "mobility"
- Family allowances
- Health care
- Labor injuries
- Professional diseases

The system is controlled by the government, with various sections administered by separate public institutions, most notably, the National Institute for Social Security (Istituto Nazionale Previdenza Sociale, or INPS).

Collective labor agreements provide for compulsory additional coverage through pension and health funds. Both employers and employees usually make contributions to these funds.

Contributions

Employees. In general, social security contributions are payable at varying percentages of gross remuneration, depending on the employee's qualification level and the employer's activity sector.

In general, employees' social security contributions range from approximately 9% to 10% of their gross remuneration.

Employees must make an additional 1% contribution on the part of gross remuneration exceeding the threshold of EUR47,143 for 2019.

The employers' part of the contributions ranges from approximately 27% to 32%.

Employees with no record of social security contributions before 1 January 1996, are subject to pension contributions on gross income up to a maximum of EUR102,543 for 2019.

Self-employed individuals. Self-employed individuals, directors and consultants must enroll with the so-called Gestione Separata (INPS), unless other specific rules apply (for example, certain professionals, such as lawyers, engineers and accountants, are required by law to enroll in specified pension plans). The contributions to the INPS are calculated at a flat rate of 25.72%. If the individual already contributes to another mandatory social security system or if he or she is retired, the applicable flat rate is 25%. In both cases, the flat rates apply on annual income up to a maximum of EUR102,543 for 2019.

In addition, foreign citizens, such as nonresident directors, must enroll with the INPS.

Under certain circumstances, a totalization agreement may provide an exemption from the abovementioned contributions.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Italy has concluded totalization agreements with various jurisdictions. In addition, an EU regulation on social security applies to all of the EU countries, including all of the new member states (plus Switzerland).

Italy has entered into totalization agreements with the following jurisdictions.

Argentina	Croatia	Turkey
Australia	Israel	United States
Bosnia and Herzegovina	Korea (South)	Uruguay
Brazil	Monaco	Vatican City
Canada and Quebec	North Macedonia	Venezuela
Cape Verde	San Marino	Yugoslavia (former) (b)
Channel Islands (a)	Tunisia	

(a) The Channel Islands consist of Alderney, Guernsey, Herm, Jersey and Jethou.
(b) This treaty applies to Montenegro and Serbia.

Most of Italy's totalization agreements allow an employee temporarily seconded abroad to remain covered under the social security scheme in the employee's home country for a two-year period that may be extended to five years or more. The agreement with the United States does not provide a time limit. Italy's totalization agreements with the United States and a few other countries do not cover all the mandatory social security contributions payable in Italy. As a result, US and other foreign companies must pay minor contributions in Italy.

D. Tax filing and payment procedures

In Italy, the tax year is the calendar year. Income tax returns for the preceding year must be filed by 30 November. Married persons may not file joint returns.

A failure to make a filing is subject to a penalty ranging from EUR250 to EUR1,000 (if no income tax is due) or ranging from 120% to 240% of the tax due, plus interest (if a tax liability arises). If a tax return is filed within the filing deadline for the following year, the penalty ranges from EUR200 to EUR500 (if no income tax is due) or ranges from 60% to 120% of the tax due, plus interest. The penalties increase by one-third with respect to income taxes due on foreign-source income.

If the tax return is filed within up to 90 days after the due date, under a special procedure to reduce penalties called *ravvedimento operoso*, the ordinary penalties mentioned above may be reduced to EUR25.

Income tax must be paid by 30 June for income earned in the preceding calendar year. Advance tax payments must be made, equal to 100% of the preceding year's tax liability. Advance tax payments may be reduced if the individual has a lower estimated tax liability in the current year. Forty percent of the advance tax payments must be paid by 30 June, and the remaining 60% must be paid by 30 November. Individuals who make tax payments during the period of 1 July to 31 July must pay 0.4% additional interest calculated on the tax amount due. If a late payment is made on or after the 31 July deadline, ordinary penalties and interest apply. However, under the special procedure to reduce penalties called *ravvedimento operoso*, it is possible to avoid the application of the ordinary penalty (30%) by paying a reduced penalty, which ranges from 0.1% to 5%, depending on the length of the delay.

Monitoring of foreign investments. Italian tax resident individuals must declare in Italy their investments held outside Italy during the tax year for monitoring purposes. Persons with a proxy (in this context, a person with a proxy is a person who is not the owner of the assets but has the right to dispose of them) are subject to the same filing obligations. This declaration is made through the filing of the foreign investment return (RW Form).

The purpose of the RW form is to report the following:
- All foreign investments
- All foreign bank accounts held outside Italy if they exceed EUR15,000 during the tax year

The RW form is filed jointly with the Italian income tax return.

Penalties ranging from 3% to 15% apply in the case of omitted or incorrect filings of the RW Form. The penalties may increase to rates ranging from 6% to 30% in the case of assets held in a non-cooperative country as indicated in the list published by the Italian tax authorities.

E. Double tax relief and tax treaties

A tax credit for taxes paid abroad on foreign-source income is available; however, it is limited to the portion of Italian tax due based on the ratio of foreign-source income to total income.

Italy has entered into double tax treaties with the following jurisdictions.

Albania	Hungary	Qatar
Algeria	Iceland	Romania
Argentina	India	Russian Federation
Armenia	Indonesia	San Marino
Australia	Ireland	Saudi Arabia
Austria	Israel	Senegal
Azerbaijan	Japan	Singapore
Bangladesh	Jordan	Slovak Republic
Barbados	Kazakhstan	Slovenia

Belarus
Belgium
Brazil
Bulgaria
Canada
China Mainland
China
Colombia
Congo (Republic of)
Côte d'Ivoire
Croatia
Cyprus
Czech Republic
Denmark
Ecuador
Egypt
Estonia
Ethiopia
Finland
France
Georgia
Germany
Ghana
Greece
Hong Kong SAR
Kenya (a)
Korea (South)
Kuwait
Latvia
Lebanon
Lithuania
Luxembourg
Malaysia
Malta
Mauritius
Mexico
Moldova
Mongolia
Morocco
Mozambique
Netherlands
New Zealand
North Macedonia
Norway
Oman
Pakistan
Panama
Philippines
Poland
Portugal
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Syria
Tanzania
Thailand
Trinidad and Tobago
Tunisia
Turkey
Uganda
Ukraine
United Arab Emirates
United Kingdom
United States
USSR (b)
Uzbekistan
Venezuela
Vietnam
Yugoslavia (former) (c)
Zambia

(a) The treaty has been ratified, but it is not yet in force.
(b) Italy honors the USSR treaty with respect to the republics of the Commonwealth of Independent States.
(c) This treaty applies to Bosnia and Herzegovina, Montenegro, and Serbia.

The above treaties generally follow the Organisation for Economic Co-operation and Development (OECD) model treaty. In general, the treaties provide that employment income is taxable only in the employee's country of residence, unless it is derived from work performed in Italy. Income derived from work performed in Italy, however, is not taxed if all of the following conditions apply:

- The recipient is present in Italy for a period not exceeding 183 days in the relevant fiscal year (a different time frame applies under certain treaties).
- The remuneration is not paid by, or on behalf of, an employer in Italy.
- The remuneration is not borne by an employer's permanent establishment or fixed base in Italy.

Self-employment income is generally taxable only in the country of residence of the recipient, with the following exceptions:

- Professional income produced in Italy by a fixed base
- Directors' fees paid by an Italian company (see Section A)

F. Temporary visas

Visas for temporary stays in Italy include transit visas, Schengen Type C Visas, tourist visas, student visas and business visas. They entitle non-EU citizens to spend up to 90 days in Italy and the other Schengen countries.

Foreign nationals must apply for temporary visas at the Italian consulates or embassies in their country of residence.

International travelers, who are nationals of Visa Waiver Program countries, do not require a visa to enter Italy for short-term visits. However, their stay in the whole Schengen area cannot exceed 90 days within any 180-day period.

G. Visas for employment and self-employment

EU, EEA and Swiss nationals do not need permits to work in Italy. An EU, EEA or Swiss national who intends to reside and work in Italy must enroll with the Office of Records of the Resident Population in Italy if his or her stay exceeds 90 days.

Non-EU nationals must enter Italy with a National Type D Visa if they intend to carry out professional activities. In this context, a professional activity is intended as "work" and differs from travel to Italy under a "business" status. In particular, if a foreign worker comes to Italy to perform work activities, he or she needs a National Type D Visa even if the duration of the stay does not exceed 90 days. Determining whether an activity falls within the "professional/work" category or "business" category typically requires a case-by-case assessment.

The type of permit and visa required, as well as the procedures to obtain the immigration clearances, differ depending on the nature of the work to be performed (for example, as a self-employed worker or a subordinate worker).

The procedure for obtaining an employment visa for a foreign national is initiated by the prospective Italian employer (or the Italian entity for which the employee is assigned to work), which must first submit an application to the Italian Immigration Office (Sportello Unico per l'Immigrazione) for a Work Permit (Nulla Osta al Lavoro). The approval and issuance of such authorization usually takes up to 3 months (90 days). As result, expedited procedures exist for intracompany transferees under which the Work Permit is approved within 45 days of the request. Italian Work Permits are typically issued subject to the availability of the quotas, which are released on a yearly basis by the Ministry of Internal Affairs. However, some immigration permits are exempted from this numerical limitation.

Workers who can be exempted from the entry-quota limit and for whom a Work Permit can be requested any time during the year are primarily the following:

- Executives, highly skilled workers or trainees in the framework of an Intra-Company Transfer
- Highly skilled workers assigned to an Italian company in accordance with a Service Level Agreement in place between the foreign employer and the Italian host

Other categories of workers, such as translators and interpreters, university lecturers, trainees and health care assistants, can apply for a Work Permit out of the quota limit. Each situation needs to be assessed on a case-by-case basis.

In addition, Italy is one of the countries that has implemented the EU Blue Card directive, which enables companies to locally hire executives and high-skilled workers, avoiding the quota system. To obtain the EU Blue Card, an individual must prove at least three years of university education through a Declaration of Value (Dichiarazione di Valore), which is issued by the Italian

consulate in the country where the university was attended. In addition, some restrictions are imposed on the employment contract with the Italian company. This contract must have a minimum validity of one year and grant a minimum annual gross compensation of approximately EUR25,000.

As soon as the Immigration Office issues the Work Permit, the document is automatically sent to the competent Italian consulate abroad. The employee is then allowed to request the employment visa at the Italian consulate in his or her last country of residence.

After the employment visa is obtained, the individual must sign the Residence Contract within eight days after his or her arrival in Italy; the signature of the Residence Contract allows the individual to start the work activity. Subsequently, a Permit of Stay (Resident Permit; Permesso di Soggiorno) for employment reasons must be requested.

Under certain conditions, a holder of a residence permit for employment reasons may engage in self-employment activities and vice versa, if the activity for which the Permit of Stay (Resident Permit) was requested remains the predominant activity.

Foreign nationals may engage in the following self-employment activities in Italy:
- They may be directors of companies (that is, members of boards).
- They may pursue freelance or other professional activities.

In both cases, foreign nationals must obtain a Self-employment Visa (Visto di Lavoro Autonomo).

H. Permits of Stay (Resident Permits)

Within eight days after arrival in Italy with the proper visa, a non-EU foreign employee must request a Permit of Stay (Resident Permit; Permesso di Soggiorno).

A simplified registration process applies to non-EU citizens entering Italy for short-term reasons (business or tourism). These individuals are not required to apply for a Permit of Stay but only have to report their presence in Italy at the local police station.

I. Family and personal considerations

Family members. Family members who accompany a non-EU foreign national to Italy or wish to join a foreign national in Italy must request special visas from the Italian consulate in their last country of residence. These visas (Visto per Familiare al Seguito or Visto per Ricongiungimento Familiare) allow family members to work in Italy after the relative residence permit for family purpose is obtained (see below).

After the competent consulate abroad issues the visa, within eight days after their arrival in Italy, family members accompanying a foreign national must report to the police in the area where they will live to request their Permits of Stay (Permesso di Soggiorno per Motivi Familiari).

A special rejoining procedure (*coesione familiare*) can be favorable for family members who legally entered Italy and hold valid residence permits or visas (even for tourism).

Family Permit applications can be filed by the following categories of relatives:

- Spouses (same-sex marriages are currently not recognized in Italy)
- Children younger than 18
- Parents, provided that they are older than 65 and are not able to financially support themselves in their home country

Permits of stay for study reasons are convertible into permits for employment reasons within the quota limits. However, if a foreigner graduates from an Italian university, the conversion is not subject to the quota restriction.

Driver's permits. Foreign nationals may drive legally in Italy using their home country driver's licenses if they also possess international driver's licenses. If the individual resides in Italy, he or she should carefully investigate if he or she may continue to drive legally without any action (specific rules apply depending on the country that issued the driver's license). Italy has driver's license reciprocity with all EU member countries and certain non-EU countries, but not, for example, with the United States.

To obtain an Italian driver's license, foreign nationals must take a driver education course, undergo written, physical and medical examinations, and register with the Office of Records of the Resident Population in Italy.

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A. Income tax

Who is liable. Individuals who are resident and domiciled in Jamaica are taxed on worldwide income. Individuals who are resident but not domiciled in Jamaica are generally taxed on their Jamaican-source income and on foreign-source income that is remitted to Jamaica. However, if the individual is present in Jamaica in a tax year for a total of three months or more, any foreign employment income that relates to work done in Jamaica or elsewhere in relation to Jamaica, is subject to tax in Jamaica regardless of where it is received. Nonresidents are taxed only on Jamaican-source income and on remittances of foreign income to Jamaica.

In general, individuals are considered resident if they stay in Jamaica for six months or longer. Other factors that may be considered include whether they (or their spouses) have a place of abode available for their use in Jamaica, and if they habitually visit Jamaica for substantial periods. The tax authorities are likely to regard periods totaling three months as substantial and visits as habitual if the individual is present in Jamaica for approximately three months annually for four consecutive years.

For an individual who is in Jamaica for a temporary purpose only and not with an intent to establish residence, and who has not actually resided in Jamaica in any tax year for a period of six months (or periods aggregating to six months), income arising outside Jamaica is not subject to income tax in Jamaica.

All resident employees with annual income exceeding JMD1,500,096 for the 2019 tax year are subject to tax. Nonresidents are generally not eligible for the JMD1,500,096 exemption available to Jamaican residents. To benefit from the income tax threshold of JMD1,500,096, a person must be in Jamaica for 183 days or more in the tax year.

Nonresidents are subject to tax on all Jamaican-source employment income (unless specifically exempted under applicable double tax treaty provisions). A nonresident employed by a

resident employer is treated as resident from the first day of employment.

A nonresident employed in Jamaica by a foreign employer for less than three months is taxed on remittances to Jamaica only. However, if the employee performs the work over a period of three months or longer in the tax year he or she is taxable in Jamaica, regardless of whether the payment is received in Jamaica.

Income subject to tax. The taxation of various types of income is described below.

Employment income. All compensation arising in Jamaica or accruing to any person from an office or employment in Jamaica is subject to tax. This includes salaries, wages and bonuses. Benefits in kind and allowances are taxable, but the Tax Commissioner may allow a portion to be exempt.

Accommodation supplied by an employer to an employee is a benefit that is fully taxable to the employee.

The taxable value of the personal-use portion of a company car is determined in accordance with the following table.

Cost of motor vehicle		Value of car benefit			
		Up to five years old		Over five years old	
Exceeding JMD	Not exceeding JMD	(a) JMD	(b) JMD	(a) JMD	(b) JMD
0	300,000	40,000	48,000	30,000	36,000
300,000	700,000	50,000	60,000	40,000	48,000
700,000	1,000,000	75,000	80,000	60,000	65,000
1,000,000	1,500,000	90,000	100,000	72,000	80,000
1,500,000	—	120,000	140,000	98,000	100,000

(a) Up to 50% private use during the year.
(b) More than 50% private use during the year.

Self-employment and business income. Residents are subject to tax on profits from self-employment and business activities as ordinary income at the rates described in *Rates*.

Investment income. Interest paid by specified entities (called "prescribed persons") to individuals is subject to withholding tax at a rate of 25%. Prescribed persons include financial institutions, licensed securities dealers, life insurance companies, building societies, issuers of commercial paper, unit trust management companies, certain industrial and provident societies, the Ministry of Finance and certain other entities specified under the Income Tax Act.

Income tax of 15% is imposed on ordinary dividends paid by Jamaican resident companies to Jamaican resident shareholders, effective from 1 April 2013. Preference dividends paid to Jamaican residents that qualify for income tax deduction are subject to tax in the hands of the recipients. Ordinary dividends or preference dividends paid by Jamaican resident companies to nonresident individuals are subject to tax at a rate of 25% or at a lower rate prescribed by an applicable double tax treaty.

Directors' fees. Directors' fees are treated as taxable income for the tax year to which they relate and are subject to tax with other income at the rates described in *Rates*. Payments made to directors as directors' fees by an employer fall in the category of emoluments (because these individuals are holders of office) and are consequently subject to deduction of income tax at the current rate of 25%. If these directors are employed by the companies (organizations) for which they serve as board members, they are also subject to other statutory deductions.

Concessionary loans. Directors and employees who, by reason of their employment in a specified financial institution, receive concessionary loans (loans at a rate of interest lower than the prescribed rate), are taxable on the cash equivalent of the benefit of the loan, that is, the difference between the interest at the prescribed rate and the interest actually paid at the concessionary rate.

Exempt income. If received from a superannuation or pension scheme approved by the Commissioner of Tax Administration Jamaica, lump-sum payments up to the prescribed limit specified by the Income Tax Act may be exempt from income tax. Lump sums paid from the government's Consolidated Fund are not subject to income tax.

Individuals receiving a pension from an approved superannuation fund or from a pension or retirement scheme approved by the Tax Commissioner are exempt from tax on up to JMD80,000 of the income. The exemption is restricted to the lower of the pension income or JMD80,000 if the pensioner is under 55 years of age. Individuals 65 years of age and older enjoy an additional age exemption of JMD80,000.

Individuals classified as handicapped under the Income Tax Act are exempt from tax on all salary and pension income.

The above exemptions are available to both residents and nonresidents.

Resident self-employed individuals are entitled to an income tax exemption for the first JMD1,500,096 of their income. This exemption does not apply to nonresidents.

Capital gains. Jamaica does not impose tax on capital gains.

Taxation of employer-provided stock options. In practice, employer-provided stock options are taxable only at grant on the difference between the actual grant price and the market price at the grant date.

Deductions

Personal deductions and allowances. Pension contributions of up to 10% of an employee's annual remuneration to approved pension schemes and contributions to the national insurance scheme are deductible for the employee. However, if an employer contributes less than 10% of the employee's annual remuneration, the employee may contribute the difference between the employer's actual contribution and the maximum contribution payable by the employer (that is, 10%). The difference contributed by the employee is also deductible for income tax purposes.

Business deductions. All expenses incurred wholly and exclusively in producing self-employment or business income are deductible. In addition, individuals who are self-employed and who make charitable donations to charities may deduct these expenses, up to a maximum of 5% of taxable income.

Rates. A flat income tax rate of 25% applies to the annual statutory income of individuals of JMD6 million and below. Individuals who earn annual statutory income over JMD6 million must pay an additional 5% tax on the statutory income in excess of JMD6 million. As a result, statutory income in excess of JMD6 million is subject to the 30% rate instead of the 25% rate.

Withholding tax is levied on overseas payments of management and technical service fees, dividends, interest, royalties and directors' fees.

Minimum business tax. The Minister of Finance and the Public Service, in his National Budget Presentation in March 2019, announced the abolishment of the Minimum Business Tax (MBT), effective from 1 April 2019.

Relief for losses. Tax losses from trading may be carried forward for offset against trading profits generated in subsequent years, but the tax losses that are deductible in any tax year may not exceed 50% of the aggregate amount of income of the taxpayer from all sources for that year, after allowing the appropriate deductions and exemptions. However, this limitation does not apply for the first five years of trade. It also does not apply if the taxpayer's gross revenue from all sources for the relevant tax year is less than JMD10 million. No carryback is permitted.

B. Other taxes

General Consumption Tax (GCT) is imposed on certain goods and services at a standard rate of 16.5%. Effective from 1 April 2019, any person who carries on a taxable activity and whose annual turnover exceeds JMD10 million (approximately USD77,000) must be registered as a "registered taxpayer" for GCT purposes. This threshold was JMD3 million (USD23,000) before 1 April 2019.

Some goods and services that are zero-rated for GCT purposes, and others are exempt for GCT purposes.

GCT on imported services. Effective from 1 January 2014, the reverse-charge mechanism applies to services that are supplied by nonresidents to persons resident in Jamaica (referred to as imported services).

The GCT applies to imported services if all of the following conditions are satisfied:

- The service is supplied by a nonresident to a resident of Jamaica.
- The service is intended to be or is used, consumed or enjoyed in Jamaica.
- The supply of the service would have been a taxable supply if it was made in Jamaica by a registered taxpayer in the course or furtherance of the taxpayer's taxable activity.

If the above conditions are satisfied, the law requires the Jamaican recipient of the service to account for and report the 16.5% on top of the agreed invoice price for the services. If the recipient is a registered taxpayer that has taxable supplies for GCT purposes, the recipient may claim a GCT credit (for the applicable GCT) subject to any restrictions that are contained in the GCT Act.

The reverse-charge mechanism does not apply if the recipient of the service is an individual who uses the service for his or her private use.

Transfer tax. Although Jamaica has no estate tax, transfer tax is payable on the transfer or other disposal of Jamaican property and interests in or rights in or over property. For purposes of the transfer tax, property includes land, leases of land and shares in Jamaican companies. The following are the rates of the transfer tax.

	Rate (%)
Transfer by an individual while alive	2*
Transfer on death	
On the first JMD10 million	0*
On the balance	1.5

* Effective from 1 April 2019, the transfer tax rate applicable to property transfers (land and shares) was reduced from 5% to 2%. Also, the transfer tax threshold applicable to the estate of deceased persons increased from JMD100,000 (USD769) to JMD10 million (USD76,923).

Wills are probated in accordance with the laws of the country of domicile of the deceased, and real property is transferred according to the laws of the country where the property is located.

Stamp duty. If a mortgage is refinanced for an equal or lesser amount, stamp duty is payable at a rate of JMD100. If the refinancing is for a greater amount than the original amount, a stamp duty rate of 1.25 cents per JMD200 or part thereof applies to the additional amount secured (the difference between the refinanced amount and the original amount secured). Effective from 1 April 2019, the ad valorem stamp duty applicable to certain transactions was removed, and a flat rate of stamp duty was introduced. In particular, the ad valorem stamp duty that was imposed on documents and documented transactions was replaced by a flat rate of JMD100 (USD0.76) per document or parcel relating to transactions valued below JMD500,000 (USD3,846) and JMD5,000 (USD38) per document or parcel relating to transactions valued at JMD500,000 or more. The flat rate applies to the disposal of shares and real estate.

Withholding tax on specified services. Effective from 1 September 2015, recipients of specified services (as defined in the legislation) are required to withhold a 3% tax from payments made to suppliers of these services. The tax must be withheld in either of the following circumstances:

- The gross payment relates to a single transaction with an invoice value of JMD50,000 or more (before application of GCT).
- A series of gross payments of less than JMD50,000 (before GCT) aggregating to JMD100,000 or more are made to the same service provider in a 30-day period.

For the tax year in which the tax is withheld, the service provider from whom the tax is withheld may claim a tax credit for the withholding tax against any quarterly income tax obligation or tax due in the annual income tax return. Any excess credit for that tax year may be claimed as a refund or carried forward to be used in a future tax year.

Tax compliant service providers can apply for an Exemption Certificate from Tax Administration Jamaica that allows them to benefit from an exemption from the 3% withholding tax. As a result, persons who make payments to them in relation to the specified services, do not withhold the tax.

C. Social security

Contributions. The applicable social security contributions and other payroll taxes are described in the following paragraphs.

Until 31 March 2019, the national insurance rates were 5% for employed and self-employed workers, other than domestics, on annual earnings of up to JMD1,500,000. For employees, the 5% was payable one-half by the employee and one-half by the employer. For domestic workers, the employer and the employee each paid JMD100 a week. Effective from 1 April 2019, the Ministry of Labour and Social Security announced an increase in the national insurance rate from 2.5% each (employer and employee) to 5.5% (employer pays 2.75% and employee pays 2.75%). However, the maximum annual insurable wage ceiling of JMD1,500,000 (USD11,538) remains in effect. In addition, the contribution rate for domestic workers was increased from JMD100 (USD0.76) to JMD150 (USD1) per week, effective from 1 January 2019. These contributions are mandatory.

National housing trust contributions are made at a rate of 5% of salary, borne 2% by the employee and 3% by the employer. Self-employed persons contribute at a rate of 3% of gross taxable income. Contributions by employees and self-employed persons, together with a bonus, are refundable to the contributor on an annual basis after seven years of contribution or in full after retirement at 65 years of age.

An education tax is payable at a rate of 5.75% of salary, borne 2.25% by the employee and 3.50% by the employer. Self-employed persons are subject to education tax at a rate of 2.25% of net taxable income (after deduction of pension and national insurance contributions).

Totalization agreements. To prevent double social security taxes and to assure benefit coverage, Jamaica has entered into totalization agreements with Antigua and Barbuda, Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago and the United Kingdom.

For purposes of the UK totalization agreement, the United Kingdom is defined to include Alderney, the Channel Islands of Guernsey, Herm, Jersey and Jethou, England, the Isle of Man, Northern Ireland, Scotland and Wales.

D. Tax filing and payment procedures

The income tax year in Jamaica is the calendar year. The relevant payroll taxes (income tax, national insurance contributions, education tax and national housing trust contributions) are withheld by employers from the wages of employees monthly under the Pay-As-You-Earn (PAYE) system. Taxes withheld must be paid to the Collector of Taxes by the 14th day of the following month or the last working day before the 14th of the month if the 14th falls on a weekend. The Jamaican government has proposed that all employees be required to file income tax returns. However, this change will be implemented in phases. If required, annual income tax returns must be filed, and the final income tax paid, by 15 March following the tax year.

Nonresident employees must file tax returns if requested by the Tax Commissioner or if tax is overpaid and a refund is requested. Nonresident self-employed persons who engage in business in Jamaica must file tax returns.

To prevent double taxation of the income, an individual may obtain a tax credit in Jamaica if tax is deducted at source from investment income. Prescribed persons such as banks and other financial institutions as described by the Income Tax Act normally withhold tax at a rate of 25% from investment income.

E. Double tax relief and tax treaties

Jamaica has entered into double tax treaties with Canada, China, Denmark, France, Germany, Israel, Mexico, Norway, Spain, Sweden, Switzerland, the United Kingdom, the United States and CARICOM nations (Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago are signatories to this treaty). These treaties generally provide for reduced rates of withholding tax on dividends, interest, royalties, and technical or management fees.

In January 2018, Jamaica signed a double tax treaty with Italy, but the treaty has not yet been ratified.

F. Temporary visas

Foreign nationals from certain specified countries may visit Jamaica without a visa depending on the landing options available to them. The specified countries are the CARICOM member states and British Commonwealth countries except for the British Virgin Islands, the Cayman Islands, Nigeria, Pakistan and Sri Lanka. A visa is required for all foreign nationals coming to Jamaica to work except for the countries specified above.

G. Work permits and self-employment

The right to work in Jamaica is relatively restricted. The Ministry of Labour and Social Security and the Ministry of National Security are responsible for ensuring that employment opportunities are made available to Jamaican citizens and permanent residents before being offered to foreign nationals.

Foreign nationals coming to Jamaica to work are required to have valid work permits and visas if they are not citizens from specified CARICOM and British Commonwealth countries. Work permit exemptions may be available to citizens from CARICOM member states who have obtained CARICOM Skills Certificates. Foreign nationals married to Jamaican citizens may also obtain Marriage Exemption Certificates from the Ministry of Labour and Social Security to obtain exemption from work permit requirements. If a work permit exemption is obtained, a visa is then required for foreign nationals who are not British Commonwealth or CARICOM citizens.

No legal restrictions are imposed on the employment of foreign nationals in Jamaica. However, the Work Permit Review Board must be satisfied that the category of employment for which application is made is not available locally.

The duration of the work permit period can be based on the employment contract and may be granted for a maximum of three years. Work permits are renewable but are not transferable. The Ministry of Labour and Social Security requires 8 to 12 weeks to process a work permit application. The Ministry of National Security requires three working days to process a resident permit and a visa.

The work permit process requires the Jamaican employer to submit the work permit application on behalf of the foreign national to the Ministry of Labour and Social Security prior to the national commencing an assignment in Jamaica. If approval is granted, the foreign national must apply to a Jamaican consulate abroad to obtain a visa before arriving in Jamaica. An application to the Immigration Department and the Ministry of National Security must then be completed to register the foreign national for employment.

A self-employed person must apply to the Ministry of Labour and Social Security for a work permit and then apply to the immigration department of the Ministry of National Security for a visa and registration.

H. Residence permits

Spouses and children are dependents of a work permit holder, and an application for temporary residence must be submitted to the Immigration Services, Ministry of National Security for spouses and children under 16 years old. Children who are 16 or older and who are students must obtain students' visas.

An alien registration is also required for foreign nationals (non-British Commonwealth and CARICOM citizens) over 16 years old whose stay in Jamaica exceeds six months.

I. Family and personal considerations

Family members. A foreign national married to a Jamaican citizen or person born in Jamaica does not need a work permit. All other family members, however, must obtain work permits.

Marital property regime. The Family Property (Rights of Spouses) Act recognizes the union of a single man and single woman who have lived together continuously for a five-year period. The act

grants the same property rights to common law unions as those granted to married couples.

Driver's permits. Foreign nationals may drive legally in Jamaica using their home-country driver's licenses for up to one year. Jamaica has driver's license reciprocity with the United States and most British Commonwealth countries. To obtain a local Jamaican driver's license, an applicant is required to take a written examination and a road test.

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A. Income tax

Who is liable. In Japan, the tax liability of individuals is determined by their residence status. Individual taxpayers are classified into the following three categories:

- A permanent resident is an individual who is a Japanese national or a non-Japanese national who has been present in Japan for at least 5 years within the past 10 years.
- A nonpermanent resident is an individual of non-Japanese nationality who has not resided or maintained his or her domicile in Japan for 5 years or more within the past 10 years.
- A nonresident is an individual who does not meet the requirements for qualification as a permanent resident or a nonpermanent resident.

Foreign nationals arriving in Japan are considered to have established residence in Japan, unless employment contracts or other documents clearly indicate that they will stay in Japan for less than one year.

Permanent residents are subject to income tax on their worldwide income, regardless of source. Nonpermanent residents are subject to tax on income earned in Japan (for example, employment income from services performed in Japan, regardless of payroll location) plus any non-Japan source income that is paid in or remitted to Japan. Also, for securities acquired on and after 1 April 2017 and within the period in which the individual was a nonpermanent resident in the past 10 years, the capital gains derived from such securities are included in the scope of taxable income for the nonpermanent resident even if the transaction is

made via a foreign stock exchange. Nonresidents are subject to tax on their Japanese-source income only.

Income subject to tax. The taxation of various types of income is described below.

Employment income and deductions. Individuals with employment income are subject to income tax. Employment income includes salaries, wages, directors' fees, bonuses and other compensation of a similar nature. Benefits in kind provided by the employer, including the private use of an employer-provided automobile, tuition for dependent children, private medical insurance premiums and private pension contributions, are included in employment income. However, certain employer-paid benefits, including moving expenses and home-leave expenses, are excluded from taxable income.

Favorable tax treatment is available for employer-provided housing if the following conditions are satisfied:
- The lease is in the employer's name.
- The employer pays the rent directly to the landlord.
- The individual pays to the employer an amount equal to the "legal rent" for the premises from after-tax monies.

For purposes of the last condition above, the legal rent is computed using different formulas for directors and employees. For directors, the legal rent is the greater of one-half (35% if used for business) of the monthly rent paid by the employer or an amount computed by a formula involving the area and assessed value of the rented property. If the private living space exceeds 240 square meters, if amenities are located on the premises such as a swimming pool, tennis courts or other similar facilities, or if luxury amenities are provided that cater to the director's personal tastes, the favorable tax treatment does not apply, and the director's housing is taxed at full value. For other employees, the legal rent equals one-half of an amount computed by a formula involving the area and assessed value of the rented property. Experience indicates that this amount is approximately 5% to 15% of the rent actually paid by the employer.

Taxable employment income equals gross receipts minus an employment income deduction, which is progressive. The maximum amount of such deduction is JPY2,200,000 for income exceeding JPY10 million.

Self-employment and business income. Individuals who derive income from business and professional activities are subject to income taxes at the rates set forth in *Rates*. Taxable income consists of gross receipts, minus reasonable and necessary expenses incurred in connection with the business. Certain advantages are available to individual taxpayers filing a "blue form" tax return (see Section D) if they meet the necessary bookkeeping requirements.

Investment income. Dividends from unlisted shares and dividends received by shareholders who own 3% or more of listed shares are included in taxable income and taxed at progressive rates (see *Rates*). Dividends from listed shares are taxed at a flat rate of 20% (15% national tax plus 5% local inhabitant tax). For dividends from listed shares that are received through a Japanese paying agent (securities company or trust company in Japan), a

withholding tax is deducted by the Japanese paying agent. A taxpayer does not need to report the dividends as income on the tax return if the dividends are from listed shares and are received through a Japanese paying agent.

Interest income includes interest on public bonds, corporate debentures, deposits and postal savings, as well as interest on distributions of earnings of joint operation trusts, public bonds and debenture investment trusts. No deductions are allowed for expenses. Interest on public bonds, corporate debentures and deposits paid in Japan is generally taxed separately from other income and is subject to a 15% withholding tax (plus a 5% local withholding tax) at source. Interest from "specified bonds" is taxed separately from other income through a tax return if received through a paying agent outside Japan. "Specified bonds" include, but are not limited to, Japan government bonds, local government bonds, foreign government bonds, listed or publicly offered corporate bonds, and bonds issued on or before 31 December 2015. Interest from deposits and "general bonds" is taxed at progressive rates through a tax return if received through a paying agent outside Japan. "General bonds" are bonds that are not specified bonds, such as privately placed bonds.

Directors' fees. Directors' fees paid by a Japanese corporation to nonresidents are considered Japanese-source income and are subject to tax in Japan, even if the services are performed outside Japan.

Capital gains. Capital gains derived from the sale of shares are generally taxed at 20% (15% national tax plus 5% local inhabitant tax).

Capital gains derived from the sale of land and buildings are taxed separately from other income and at different rates. Gains from the sale of land and buildings held for no longer than five years are considered short-term, and gains from the sale of similar assets held for longer than five years are treated as long-term gains. Long-term gains are defined as income from the transfer of land and buildings that have been owned for more than five years as of 1 January of the year of transfer.

Short-term gains are taxed at a rate of 30%, plus a 9% inhabitant tax on taxable gains. Long-term gains are taxed at a rate of 15%, plus a 5% inhabitant tax on taxable gains.

Deductible expenses. Typically allowable deductible expenses include the expenses listed in the following table.

Expenses	Deductible amount
Casualty losses	The greater of (amount of loss, including expenditure incurred in relation to the casualty) – (insurance reimbursement) – (10% of adjusted total income), or (expenditure incurred in relation to the casualty – JPY50,000)
Medical expenses	(Medical expenses) – (insurance reimbursement) – (the lesser of 5% of adjusted total income or JPY100,000); maximum deduction is JPY2 million

Insurance premiums. Social insurance premiums are fully deductible. Life insurance premiums are deductible, up to a maximum JPY40,000. Individual pension premiums are deductible, up to JPY40,000. Nursing care insurance premiums are deductible, up to JPY40,000. For casualty insurance premiums, the maximum deductible amount is JPY50,000 for earthquake insurance contracts and JPY15,000 for long-term insurance contracts entered into by 31 December 2006. The maximum total deduction for earthquake and long-term casualty premiums is JPY50,000.

Contributions. Contributions to the government or local authorities, to institutions for educational, scientific or other public purposes designated by the Ministry of Finance, and to institutions for scientific study or research specifically provided for in the tax law are deductible. The deductible amount is the lower of total contributions, or 40% of adjusted total income reduced by JPY2,000.

Personal deductions and allowances. The following personal deductions are available for national income tax purposes.

	JPY
Spouse	380,000 (a)
Senior spouse (70 years of age or older)	480,000 (a)
Dependent (16 years of age or older)	380,000 (b)
Basic deduction	380,000

(a) This is the maximum amount. The amount of the spousal deduction varies in accordance with the taxpayer's income and the spouse's income.
(b) For eligible dependents who are at least 19 years of age but less than 23 years of age, an additional education deduction of JPY250,000 is allowed.

Personal deductions for inhabitant tax purposes are lower than those for national income tax purposes.

Rates. Individual income taxes consist of national income tax and local inhabitant tax.

Normally, a 20% withholding tax is levied on nonresidents, with no deductions available; however, depending on the type of income, tax may be levied at progressive rates through self-assessment. Dividends and salaries paid by Japanese companies, interest income, annuities and prizes are subject to a 20% withholding tax if paid to nonresidents.

National individual income tax rates. National income tax rates are progressive. The rates range from 5% (on taxable income of up to JPY1,950,000) to 45% (on taxable income exceeding JPY40 million), as shown in the following table.

Taxable income		Tax on lower amount	Rate on excess
Exceeding JPY	Not exceeding JPY	JPY	%
0	1,950,000	0	5
1,950,000	3,300,000	97,500	10
3,300,000	6,950,000	232,500	20
6,950,000	9,000,000	962,500	23
9,000,000	18,000,000	1,434,000	33
18,000,000	40,000,000	4,404,000	40
40,000,000	—	13,204,000	45

Special surtax for reconstruction assistance. A special surtax for reconstruction assistance with respect to the Tohoku earthquake disaster is imposed from 2013 to 2037. The surtax at a rate of 2.1% is applied to the amount of national income tax. As a result, the effective tax rate for the highest bracket is 45.945% for 2016.

Local inhabitant tax rates (prefectural and municipal). Local inhabitant tax consists of prefectural tax (a flat rate of 4% plus JPY1,000 of per capita levy) and municipal tax (a flat rate of 6% plus JPY3,000 of per capita levy). Effective from 2014, an additional JPY1,000 is charged to residents when they pay local inhabitant tax. Local inhabitant tax is imposed on individuals who are registered at a municipality as of 1 January.

Relief for losses. Losses from the sale of listed shares and specified bonds (see *Investment income*) can offset gains from the sale of listed shares and specified bonds. In addition, losses from the sale of listed shares and specified bonds through a securities company or bank in Japan may offset dividends from listed shares and interest from specified bonds. The net loss remaining after using all available losses to reduce dividends from listed shares and interest from specified bonds may be carried forward for three years by a taxpayer filing a tax return.

Losses from the sale of unlisted shares and general bonds (see *Investment income*) can only offset gains from the sale of unlisted shares and general bonds.

B. Other taxes

Inheritance tax. Inheritance tax is levied on heirs and legatees who acquire properties by inheritance or bequest. Because the determination of taxability is a complicated issue, professional advice should be sought.

Gifts made within three years before death are treated as inherited property and are included in taxable property for purposes of inheritance tax. Certain exemptions and allowances are permitted in the computation of total net taxable property. A basic exemption of JPY30 million, plus JPY6 million multiplied by the number of statutory heirs, is deductible from taxable properties. The inheritance tax is calculated separately for each statutory heir. The aggregate of the calculated tax is then prorated to those who actually receive the property.

Inheritance tax rates range from 10% to 55%, with a 20% surtax on transfers to heirs, other than the spouse, parents and children of the decedent, as shown in the following table.

Taxable amount		Tax on lower amount	Rate on excess
Exceeding JPY (millions)	Not exceeding JPY (millions)	JPY (millions)	%
0	10	0	10
10	30	1	15
30	50	4	20
50	100	8	30
100	200	23	40
200	300	63	45
300	600	108	50
600	—	258	55

Japan has entered into an estate tax treaty with the United States.

Gift tax. Gift tax is levied on individuals receiving gifts from other individuals. Because the determination of taxability is a complicated issue, professional advice should be sought.

The following table presents the gift tax rates.

Taxable amount Exceeding JPY	Taxable amount Not exceeding JPY	Tax on lower amount JPY	Rate on excess %
0	2,000,000	0	10
2,000,000	3,000,000	200,000	15
3,000,000	4,000,000	350,000	20
4,000,000	6,000,000	550,000	30
6,000,000	10,000,000	1,150,000	40
10,000,000	15,000,000	2,750,000	45
15,000,000	30,000,000	5,000,000	50
30,000,000	—	12,500,000	55

C. Social security

Social security programs in Japan include health insurance, nursing care insurance (for employees who are 40 to 64 years of age), welfare pension insurance, unemployment insurance and workers' accident compensation insurance. The rates described below are the applicable rates as of 1 May 2019.

The premium for health insurance is 9.9% of monthly remuneration and bonus, up to a maximum premium of JPY137,610 (bonus ceiling of JPY567,270 per year). The premium for nursing care insurance is 1.73% of monthly remuneration and bonus, up to a maximum premium of JPY24,047 (bonus ceiling of JPY99,129 per year). For welfare pensions, the premium is 18.3% of monthly remuneration and bonus, up to a maximum premium of JPY113,460 (bonus ceiling of JPY274,500 per month). Costs are borne equally by employers and employees for the types of insurance mentioned in this paragraph.

The premium for unemployment insurance is 0.9%, of which 0.6% is borne by the employer and 0.3% by the employee. The premium for workers' accident compensation insurance is borne entirely by the employer at a rate of 0.3% of total compensation paid to employees (for general office workers).

D. Tax filing and payment procedures

Individual income taxation in Japan is based on the principle of self-assessment. In general, taxpayers must file tax returns to declare income and deductions and to pay the tax due. However, national income tax liability of individuals compensated in yen at gross annual amounts not exceeding JPY20 million is settled through employer withholding if income other than employment income does not exceed JPY200,000. If tax is withheld from payments to nonresidents and if the amount withheld satisfies the Japanese tax liability, the nonresidents need not file income tax returns.

Married persons are taxed separately, not jointly, on all types of income.

Income tax returns must be filed, and the final tax paid, between 16 February and 15 March for income accrued during the previous calendar year. For those taxpayers who filed tax returns for the preceding year and who reported tax liabilities of JPY150,000 or more after the deduction of withholding tax, prepayments of income tax for the current year are due on 31 July and 30 November. Each prepayment normally equals one-third of the previous year's total tax liability, less amounts withheld at source. To the extent that prepaid and withheld payments exceed the total tax due, they are refundable if a return is filed.

E. Double tax relief and tax treaties

A foreign tax credit is allowed, with limitations, for foreign income taxes paid by a resident taxpayer if the income is taxed by both Japan and another country. The credit is generally limited to the lesser of foreign income tax paid or the Japanese tax payable on the foreign-source income. If the foreign tax paid exceeds the limit, the excess may be carried forward for three years. A taxpayer may elect to deduct foreign tax from taxable income under certain conditions.

If a nonresident is resident in a country with which Japan has entered into a tax treaty, income may be either exempt from tax or subject to a lower tax rate. Japan has entered into double tax treaties with the following jurisdictions.

Armenia
Australia
Austria
Azerbaijan
Bahamas
Bangladesh
Belarus
Belgium
Bermuda
Brazil
British Virgin Islands
Brunei Darussalam
Bulgaria
Canada
Cayman Islands
Chile
China Mainland
Czech Republic
Denmark
Egypt
Fiji
Finland
France
Georgia
Germany
Guernsey
Hong Kong SAR
Hungary
India
Indonesia
Ireland
Isle of Man
Israel
Italy
Jersey
Kazakhstan
Korea (South)
Kuwait
Kyrgyzstan
Latvia
Liechtenstein
Luxembourg
Macau SAR
Malaysia
Mexico
Moldova
Netherlands
New Zealand
Norway
Oman
Pakistan
Panama
Philippines
Poland
Portugal
Qatar
Romania
Samoa
Saudi Arabia
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Taiwan
Tajikistan
Thailand
Turkey
Turkmenistan
Ukraine
USSR*
United Arab Emirates
United Kingdom
United States
Uzbekistan
Vietnam
Zambia

* Japan honors the USSR treaty with respect to the Russian Federation only.

Most of the above treaties reduce the tax rates on Japanese-source interest, dividends, royalties and similar income, and also provide relief from double taxation through tax credits.

F. Entry into Japan

Before entering Japan, foreign nationals must obtain a visa corresponding to the purpose of their visit from a Japanese embassy or consulate abroad.

Foreign nationals from countries that have entered into reciprocal visa exemption agreements are not required to obtain visas if they intend to stay in Japan for not more than a specified time period for the purpose of limited activities. See Section G for examples of the limited activities.

Japan has entered into reciprocal visa exemption agreements with various jurisdictions, including, but not limited to the following.

Australia	Iceland	Norway
Austria	Ireland	Portugal
Belgium	Italy	Singapore
Canada	Korea (South)	Spain
Denmark	Liechtenstein	Sweden
Finland	Luxembourg	Switzerland
France	Netherlands	United Kingdom
Germany	New Zealand	United States
Hong Kong SAR		

G. Visitor visas

Persons admitted to Japan under the status of temporary visitors may undertake the following activities during a short period of stay in Japan:

- Sightseeing
- Recreation
- Sports
- Visiting relatives
- Going on inspection tours
- Participating in lectures and meetings
- Liaison activities
- Activities similar to the above during a short period of stay in Japan

H. Work visas and self-employment

Foreign nationals accepting employment in Japan must obtain a work permit (visa) at a Japanese embassy or consulate. To obtain a work permit, foreign nationals must first apply for a Certificate of Eligibility (CoE) from the Japanese Immigration Authority. The CoE is issued by the Ministry of Justice in Japan. The CoE certifies that the holder has met the criteria established for a certain status of residence in Japan (see Section I).

It is possible for expatriates to be self-employed in Japan; however, it is very difficult. The expatriate must also obtain a CoE.

I. Residence permits

Residence status, as defined by the Immigration Control Act, refers to the status of a foreign national under which he or she is permitted to conduct certain activities while residing in Japan.

Categories of residence. The following are several of the different categories of residence status available in Japan and the activities in which each category of resident is authorized to engage:

- Diplomat: activities on the part of constituent members of diplomatic missions or consular offices of foreign governments hosted by the government of Japan.
- Official: activities on the part of those who engage in the official business of foreign governments or international organizations recognized by the government of Japan, and activities on the part of their family members.
- Professor: activities involving research or education at colleges or equivalent educational institutions.
- Business Manager: activities involved in conducting, investing in, or operating or managing an international trade or business, or in operating or managing a trade or business on behalf of a foreign national.
- Legal/Accounting Services: activities involved in law or accounting, which are required to be carried out by attorneys legally recognized as foreign law specialists or by certified public accountants legally practicing foreign accounting.
- Researcher: research activities on the basis of a contract with a public or private organization in Japan. However, activities included in the Professor category are excluded.
- Engineer/Specialist in Humanities or International Services: activities requiring knowledge pertinent to jurisprudence, economics, sociology or other human science fields, or to areas that require specific ways of thought or sensitivity acquired by experience with a foreign culture, based on a contract with a public or private organization in Japan, and activities requiring technology or knowledge pertinent to physical science, engineering or other areas of natural science, based on a contract with a public or private organization in Japan.
- Intra-Company Transferee: activities of personnel transferred for a limited period of time to offices in Japan from foreign offices of public or private organizations who engage in the activities included in the Engineer or Specialist in Humanities or International Services categories.
- Skilled Labor: activities requiring industrial techniques or skills in special fields based on a contract with a public or private organization in Japan.
- Trainee: activities in learning and acquiring skills or knowledge at public or private organizations in Japan.
- Technical Intern Trainee: activities for the purpose of acquiring skill, technology and knowledge by engaging in the operational activities of a public or private organization based on an employment contract with such public or private organization in Japan.
- Spouse or Child of Japanese National: daily activities of a relative of a Japanese citizen living in Japan.
- Dependent: daily activities of spouses and unmarried minor children of those in Japan with any status of residence mentioned above (except Diplomat, Official and Temporary Visitor).

- Designated activities: activities that are specifically designated by the Minister of Justice for foreign individuals.
- Specified Skilled: activities involved in work requiring a significant degree of knowledge or experience with respect to a specific industry field. The Specified Skilled visa (Tokutei Ginou visa) was introduced on 1 April 2019. This visa is applicable for employees with requisite technical and Japanese language skills. Foreign nationals can engage in business activities in 14 specified industrial fields, such as construction, shipbuilding and marine, automotive maintenance, nursing care, and food service.
- Highly Skilled Foreign Professionals: may receive preferential immigration treatment based on a points-based system.

Foreign nationals with a valid passport and residence card may leave and return to Japan without holding a re-entry permit if the period of absence from Japan is less than one year.

The period of stay for those with residential statuses is for a maximum of five years.

Extension. If foreign nationals desire to remain in Japan beyond the authorized period of stay, they must obtain an extension. In practice, an application for extension should be made not earlier than three months before the expiration date of the authorized period of stay. Applications for extension are not automatically approved. The Immigration Authority gives permission only under reasonable grounds based on the strength of documents submitted by the applicant. Applications are not approved if the applicants have already attained the purposes of their visit or if the applicants' continuous stay in Japan is found to be detrimental to the interest of Japan.

Anyone who stays in Japan beyond his or her authorized period of stay may be subject to punishment and/or deportation.

Permanent residence. The Minister of Justice may grant permanent residence only if a foreign national fulfills all of the following conditions, which are generally difficult to meet:
- The applicant has adequate moral standing.
- The applicant has sufficient assets or skills to be able to make an independent living.
- The applicant's permanent residence is in accordance with the interests of Japan.

With regard to the third condition above, generally, the applicant is required to reside in Japan for 10 years or longer, with a few limited exceptions. In April 2017, new exceptions to the 10-year rule were enacted. According to the guidelines concerning permanent residence, if the applicant's points calculated in accordance with a points-based system for Highly Skilled Foreign Professionals are 70 points or more, residing in Japan for three years suffices. In addition, if the applicant's points are 80 points or more, residing in Japan for one year suffices. The points relate to various items, such as academic background, professional career, annual salary and research achievement.

J. Family and personal considerations

Family members. If a foreign national wants to bring his or her family to Japan, the family members may apply together for

dependent visa status. Any family member of a working expatriate who wishes to work in Japan must obtain the proper permit independently of the working expatriate.

Driver's permits. Foreign nationals may not drive legally in Japan using their home jurisdiction driver's licenses. Nationals of Belgium, Estonia, France, Germany, Monaco, Slovenia, Switzerland and Taiwan are exempt from this rule because Japan has driver's license reciprocity with these jurisdictions.

Foreign nationals may use an international driver's license issued by a signatory jurisdiction of the Geneva Treaty. An international driver's license is valid for one year from the foreign national's date of entry into Japan or for one year from the issuance date of the international driver's license, whichever is earlier.

Three licensing offices in Tokyo handle procedures for changing a foreign license to a Japanese license. Applicants must have spent a total of at least three months in the jurisdiction where the license was obtained.

To acquire a driver's license for the first time in Japan, an individual must attend a driving school and take written and physical examinations at a licensing office. The written exam is available in English or in the simple hiragana script.

A driver's license is valid for a maximum of five years. Renewal may be made one month before the expiration date.

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A. Income tax

Who is liable. Individual income taxation in Jersey is based on residence. Taxpayers are categorized as resident and ordinarily resident, resident and not ordinarily resident, or nonresident.

Individuals are considered resident in Jersey in any year of assessment if they meet any of the following qualifications:
- They are present in Jersey for more than six months.
- They are physically present in Jersey for an average of three months a year over any consecutive four-year period.
- They have accommodation available in Jersey and stay there for a minimum of one night during the year.

Individuals are considered ordinarily resident in Jersey in any year of assessment if they meet any of the following qualifications:
- They normally spend all of their time in Jersey other than periods spent away on holiday or business.
- They have accommodation available in Jersey and visit on average for more than three months each year.
- They are expecting to permanently reside in Jersey for a period of five years or more.

Persons moving to Jersey who are on employment contracts may be considered ordinarily resident in Jersey if they have available accommodation in Jersey and if their employment contract exceeds three years. This may be affected by several factors, such as whether the accommodation is provided by the employer and the intended length of the stay. The rules are currently under review and subject to change; therefore, current professional advice should be sought.

Resident and ordinarily resident individuals are subject to Jersey income tax on their worldwide income.

Resident but not ordinarily resident individuals are subject to Jersey income tax on their Jersey-source income and their non-Jersey-source income remitted to Jersey.

Nonresident individuals are subject to tax on Jersey-source income only. Nonresidents are exempt from tax in Jersey on the following types of income:

- Interest on Jersey bank deposits
- Cash and stock dividends issued by a company resident in Jersey that is taxable at a rate of 0%
- Income from a purchased life annuity
- Interest received from a company resident in Jersey
- Earnings from serving as director of a Jersey company
- Royalties or other amounts paid with respect to the use of patents
- Jersey state pensions

Jersey residents receiving pension income from a country that has entered into a double tax agreement with Jersey may be exempt from tax in that country, depending on the terms of the double tax agreement. Nonresidents receiving income from a Jersey pension may be exempt from income tax in Jersey on such pension income. Professional advice should be obtained if necessary.

Income subject to tax

Employment income. Taxable income includes salaries, wages, directors' fees, bonuses, gratuities, pensions and benefits in kind. The first GBP250 of taxable benefits in kind from all sources is exempt from tax, and several specific exemptions exist, including but not limited to, health insurance.

Education allowances provided by employers to their employees' children aged 18 years and under are taxable for income tax purposes. Housing benefits are also subject to tax. Shareholder benefits (for example, loans) may also be subject to tax.

Termination payments paid by, or on behalf of, an employer to an employee are chargeable to Jersey income tax. The first GBP50,000 of a termination payment is exempt from income tax. However, if a termination payment is made as a result of injury, death or disability, it is completely exempt from tax.

Self-employment and business income. All self-employed individuals carrying on a trade, business or profession are subject to tax on business profits.

Tax on self-employment and business income is imposed on the accounting profits, adjusted for tax purposes, of non-corporations at a rate of up to 20%. Adjusted profits are assessed on a current year basis.

The general corporate income tax rate is 0%. A 10% rate applies to certain regulated financial services companies, certain insurance businesses and to companies providing credit facilities. In addition, the 20% rate applies to income derived from the rental of Jersey land and property, development profits derived from Jersey land, and income from extraction trades relating to Jersey land. Jersey-based retailers with profits exceeding GBP500,000 are also subject to tax at a rate of up to 20%.

Investment income. Dividends, interest, royalties and income from property are taxed on an actual-year basis at a rate of 20%. Property rental expenses are fully deductible.

Additional shareholder taxation rules exist for Jersey-resident individuals who are shareholders of Jersey tax-resident companies. The rules are complex, and professional advice should be obtained. Broadly, the rules impose income tax on a Jersey resident shareholder with respect to any extraction of value from a Jersey company. This can include income tax on share redemption proceeds and the advancement or repayment of loan capital.

Taxation of employer-provided stock options. A Jersey tax liability generally arises at the time an option is granted to an employee. The liability equals 20% of the difference between the fair market value of the stock at the date of grant and the strike price. If the individual cannot exercise the option for a period of three years or more, the following discounts may be applied:

- Three years: 30%
- Four years: 40%
- Five years or more: 50%

No additional tax is levied at the time the option is exercised. The sale of the stock is not taxed because Jersey does not tax capital gains. Stock options fall under the benefit-in-kind rules (see *Employment income*) and, accordingly, the GBP250 exemption can be claimed. For cases that are more complex than a simple option, it is suggested that the agreement on the tax treatment be obtained from the Comptroller of Taxes in advance.

Scrip dividends are exempt from income tax in Jersey by concession.

Capital gains. Jersey does not impose tax on capital gains.

Deductions

Deductible expenses. Deductible expenses must be incurred wholly and exclusively for the purpose of employment. These include amounts incurred on subscriptions to approved professional bodies.

Personal deductions and allowances. All taxpayers may deduct payments made to an approved superannuation fund or pension scheme and premiums paid under a retirement annuity contract, with certain restrictions. The total amount of pension scheme contributions that are deductible is limited to the lower of GBP50,000 and the related earnings of individuals during the year of assessment. The relief available to individuals whose income is GBP150,000 or more is restricted by a phasing-out process. Under this process, GBP1 of relief is withdrawn for each GBP1 of income over GBP150,000.

Life insurance premium payments are not deductible for income tax purposes.

In addition to the personal deductions discussed above, marginal-rate taxpayers (see *Exemptions limits and marginal relief*) may claim a deduction of GBP3,000 for each child of the taxpayer who is under 16, or over 16 and in full-time education. Child allowances are reduced if the child's own income exceeds GBP3,000.

Interest paid on personal loans and debts is not a deductible expense, unless the loan was obtained for an allowable purpose, such as for buying into a business. Qualifying interest payments are deductible for all taxpayers.

Medical insurance premium payments are not deductible for income tax purposes.

If an individual is not taxed on the basis of being fully resident in Jersey throughout the year of assessment, allowances, deductions and exemption limits to which he or she is entitled may be reduced to reflect the proportion of the year the individual is present in Jersey.

Exemption limits and marginal relief. The following are the income tax exemption thresholds for 2019:
- Single person: GBP15,400
- Single person (age 65 and over): GBP15,900
- Married or civil partnership: GBP24,800
- Married or civil partnership (age 65 and over): GBP26,100

For taxpayers earning less than the applicable exemption threshold, no tax liability arises.

For taxpayers whose total income exceeds their exemption threshold (including the additional allowances described below plus some of the allowances described above), two tax calculations are required. The amount of income that exceeds the exemption threshold is subject to tax at a rate of 26%. This is compared with the tax position if no exemption is applied and total income is taxed at 20%. The calculation method producing the lower liability is then applied. This allows low- and middle-income earners to benefit from an additional deduction, namely "marginal relief," which is the difference between the two calculations when the calculation using the exemption limits is lower than the standard calculation.

In addition to the exemption thresholds, a marginal-rate taxpayer can add certain additional allowances to the allowances and reliefs discussed above. The following are the allowances that may be added to the exemption thresholds:
- Child care tax allowance (maximum of GBP6,150, which can be increased to GBP16,000 for children below school age).
- Second earner's allowance (100% of wife or civil partner's earnings, up to a capped amount of GBP6,000).
- Additional allowance for children of GBP4,500. This is available for single parents or couples of which one parent is wholly incapacitated through illness or injury.
- Qualifying interest payments (including interest payments on a loan taken out to purchase a taxpayer's main residence, subject to limits (restricted to capital of GBP300,000 and maximum relief of GBP10,500). This relief will be phased out by 2026.

Business deductions. Disbursements or expenses incurred wholly and exclusively for the purpose of trade are allowable. Capital allowances are granted for machinery and equipment at an annual reducing-balance rate of 25% and for greenhouses at an annual rate of 10%.

Rates. Income tax is imposed on taxable income either at a rate of 20% or on the marginal-rate basis explained in *Exemption limits and marginal relief*.

Tenants paying rent to nonresident landlords are required to withhold Jersey income tax at a rate of 20%. Landlords can apply to the Taxes Office for permission for the rent to be paid gross.

Relief for losses. Noncorporate business losses may be carried forward indefinitely if the business continues to operate. In some cases, current year losses can be utilized against other income arising in the year or can be carried back and utilized against profits derived from the same trade in the preceding year.

Different rules for the use of business losses apply to companies.

B. Other taxes

Wealth tax and estate tax. No wealth tax or estate tax is levied in Jersey. For probate to be granted on death, stamp duty may be payable. The amount payable depends on the domicile of the deceased, the situs of property and whether the property is immovable or movable.

Land transaction tax. Land transaction tax applies to the sale of shares in a company that give the owner of the shares the right to occupy a dwelling. The rates range from 0% to 9%. Land transaction tax is equal to the stamp duty levied on the sale of freehold property.

C. Social security

Contributions. Jersey has a compulsory social security scheme. Everyone between school-leaving age and pension age is insurable in either Class 1 (employed persons) or Class 2 (self-employed or unemployed individuals).

Class 1. Employers and employees must make contributions based on salaries at rates of 6.5% (secondary contributions) and 6% (primary contributions), respectively, with a standard earnings limit (SEL) of GBP4,442 per month. These limits are updated on 1 January of each year.

In addition, an upper earnings limit (UEL) of GBP14,686 per month exists.

A 2% rate also applies only to employer (secondary) contributions on earnings above the SEL (GBP4,442 per month) and up to the UEL (GBP14,686 per month).

Class 2. Self-employed individuals are required to pay Class 2 contributions at a rate of 12.5% on earnings up to the SEL (GBP4,442 per month). This rate equals the combined total of the employer's and employee's Class 1 maximum contribution amounts. A 2% rate also applies to earnings above the SEL and up to the UEL (GBP14,686 per month). The maximum Class 2 contribution is GBP760.13 per month.

A Class 2 individual can make an application to pay reduced rate contributions during 2019, based on the 2017 and 2018 income tax assessments and business accounts, if income for 2017 and 2018 was between the LEL (GBP4,442 per month) and UEL

(GBP14,686 per month). Individuals who recently established businesses may be eligible to pay a deferred rate of contribution on application to the Social Security Department.

The Taxes Office collects contributions to the long-term care fund on behalf of the Social Security Department. The fund provides financial support to Jersey residents who are likely to need long-term care for the rest of their lives, either in their own home or in a care home. Contributions are payable at a maximum rate of 1% on taxable income, subject to a cap. This is payable by individuals earning enough to pay income tax.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Jersey has entered into totalization agreements, which usually apply for a maximum of 12 months. However, it may be possible to obtain an extension if agreed to by the Social Security Department. Totalization agreements are currently in effect with the following jurisdictions.

Austria	Ireland	Norway
Barbados	Isle of Man	Portugal
Bermuda	Italy	Spain
Canada	Jamaica	Sweden
Cyprus	Japan	Switzerland
France	Korea (South)	United Kingdom
Guernsey	Netherlands	United States
Iceland	New Zealand	

D. Tax filing and payment procedures

Income tax is assessed on a calendar-year basis (termed the year of assessment). Married persons and persons in a civil partnership are assessed jointly, not separately, on all types of income, unless they elect otherwise. Separate assessment does not provide a financial advantage. Returns are required to be filed by 6:00 p.m. on the last Friday in May following the year of assessment (last Friday in July if an agent has been appointed). A penalty of GBP250 is imposed for returns not submitted by the deadline.

Employers in Jersey are required to operate a pay-as-you-earn system for employees called the Income Tax Instalment System (ITIS).

Under the ITIS, income tax payments for persons registered for income tax on or after 1 January 2006 are deducted from an employee's salary and applied toward settlement of the current year's tax liability. Persons registered for income tax in Jersey prior to 1 January 2006 are taxed on a prior year basis; that is, income tax payments under ITIS are applied against the preceding year's tax liability. A prior year basis taxpayer can elect to move to the current year basis.

Taxpayers are normally notified of tax assessments in the year following the year of assessment. Tax must be paid to the Comptroller of Taxes on the day after the day on which the assessment is issued. However, in practice, a reasonable amount of time to pay is allowed. A 10% surcharge is levied on any remaining tax unpaid by the specified date, which is the Friday following the first Monday in December in the year following the

year of assessment. For taxpayers who suffer tax under the ITIS, it is not usually necessary to make a balancing payment if more than 80% of the tax due was paid under the ITIS.

A new tax administration law, which may be introduced in 2020, will change filing dates, penalties and payment dates.

E. Double tax relief and tax treaties

Foreign tax paid is allowed as a deduction from taxable income.

Jersey has entered into double tax treaties with Australia, Cyprus, Denmark, Estonia, the Faroe Islands, Finland, France, Germany, Greenland, Guernsey, the Hong Kong SAR, Iceland, Isle of Man, Luxembourg, Malta, New Zealand, Norway, Poland, Qatar, Rwanda, Seychelles, Singapore, Sweden, the United Arab Emirates and the United Kingdom.

The majority of these treaties are extremely limited in scope. The treaty with France addresses only the exemption of air transport and shipping profits. The treaties with Australia, Germany and New Zealand address only the avoidance of double taxation on individuals. The treaties with Denmark, the Faroe Islands, Finland, Greenland, Iceland, Norway, Poland and Sweden address the avoidance of double taxation on individuals and the exemption of air transport and shipping profits. The treaties with Estonia, Guernsey, the Hong Kong SAR, Malta, Qatar and the United Kingdom provide a credit for tax levied on all sources of income, excluding dividends and debenture interest in the UK treaty.

Jersey has entered into tax information exchange agreements (TIEAs) with the following jurisdictions.

Argentina	Germany	New Zealand
Australia	Greenland	Norway
Austria	Hungary	Poland
Belgium	Iceland	Portugal
Brazil	India	Romania
Canada	Indonesia	Slovenia
Chile	Ireland	South Africa
China	Italy	Sweden
Czech Republic	Japan	Switzerland
Denmark	Korea (South)	Turkey
Faroe Islands	Latvia	United Kingdom
Finland	Mexico	United States
France	Netherlands	

Several double tax treaties and TIEAs are currently under negotiation.

F. Work permits and self-employment

Non-European Economic Area (EEA) nationals wishing to work in Jersey must obtain work permits through their intended employers. The Jersey Customs and Immigration Department issues permits to employers who demonstrate that they are unable to fill a vacancy locally, or to foreign persons who are free of permit restrictions. A visa or entry certificate is also required and is available from the British high commission, embassy or consulate in the country where the person lives.

Work permits may also be issued to people with specialist skills if their appointment is of particular benefit to the island or to foreign nationals who are free of work permit restrictions in the United Kingdom.

In addition, under the Control of Housing and Work (Jersey) Law 2012, an employer must apply for a license to engage any person who has not worked in Jersey for at least five years to fill a vacancy within an existing undertaking.

British subjects and nationals of the member states of the EEA, which includes the EU, do not require work permits (although employers on the island are required to obtain licenses to employ them) and, in the majority of cases, may enter and exit Jersey freely.

Self-employed individuals are subject to the same visa, work permit and residential permit guidelines outlined in this chapter. Additional restraints may also apply.

G. Residence permits

Economic grounds. The Housing Minister may grant individual permission to a high-value resident to reside in Jersey if the permission can be justified on social or economic grounds. Consent is not granted unless the Housing Minister is satisfied that the applicant would make a major contribution to the island's tax revenues while residing in Jersey. Each application is considered on its individual merits.

High-value residents are subject to a different tax regime than other residents in Jersey. Tax is charged at 20% on the first GBP725,000 of worldwide income, generating GBP145,000 of tax, and a further 1% tax is charged on all income in excess of the GBP725,000 limit. High-value residents are expected to make a minimum tax payment of GBP145,000, which can be offset against the person's tax liability, thereby ensuring all such residents pay a minimum amount of GBP145,000. The GBP725,000 threshold may increase every five years from 2018 in line with inflation.

As a guideline, residents admitted on economic grounds are expected to purchase freehold property with a value in excess of GBP1,750,000 (or GBP900,000 for an apartment). It is also possible that an individual may be allowed to rent property with a market value of approximately GBP1,750,000.

After a high-value resident admitted on economic grounds emigrates from Jersey, he or she loses his or her residence status.

Employment grounds. The Regulation of Undertakings and housing laws were combined into a new Control of Housing and Work (Jersey) Law 2012. This law, which took effect on 1 July 2013, introduced registration cards. An individual moving to Jersey must obtain a registration card before he or she can begin to work or lease a property. This allows employers and landlords to confirm an individual's work and housing status before the individual relocates or begins employment.

It is possible to take up residence in Jersey as an essentially employed individual. This status was commonly known as a "J cat," but is now referred to as a "licensed" employee.

Employers are granted licenses for a certain number of employees if the Housing Minister deems that this is in the best interests of the community. Employers can then issue these licenses to suitable employees or recruits.

Licensed employees are granted permanent residential status after completing a continuous period of 10 years of essential employment in Jersey.

Other possibilities to take up residence in Jersey exist for individuals who are in neither of the above categories, including living in a guest house or hotel, lodging in a private dwelling, or occupying certain unqualified residences. After 10 years of continuous residence in Jersey, such persons gain permanent residential status.

H. Family and personal considerations

Family members. If a non-EEA national wishes to enter Jersey as the fiancé or spouse of either a person settled in Jersey or a person free from immigration controls who is coming to settle on the same occasion, he or she must first obtain an entry clearance, which is in the form of either a visa or an entry certificate. Application for an entry clearance should be made to the British high commission, embassy or consulate in the country where the person lives. If the fiancé or spouse is in Jersey, he or she should contact the Jersey Customs and Immigration Department for further advice and to arrange an interview.

The child of a person granted residential status under either economic grounds or Licensed status is granted residential status in his or her own right after he or she has completed a continuous period of 10 years' residence, provided the residence commenced when the child was a minor.

Driver's permits. A non-Jersey driver's license must be exchanged for a Jersey license within seven days if the holder's intention is to stay in Jersey longer than 12 months.

Jersey has driver's license reciprocity with the following jurisdictions.

Alderney	Falkland Islands	Liechtenstein
Australia	Finland	Malta
Austria	France	Monaco
Barbados	Germany	Netherlands
Belgium	Gibraltar	New Zealand
British Columbia	Guernsey	Norway
British Virgin Islands	Hong Kong SAR	Poland
	Iceland	Portugal
Croatia	Ireland	Romania
Cyprus	Isle of Man	Singapore
Czech Republic	Italy	Switzerland
Denmark	Latvia	United Kingdom

Jersey also accepts driver's licenses from the following jurisdictions for exchange, but no reciprocal agreements are in force with these countries.

Andorra	Hungary	Slovenia
Bulgaria	Japan	South Africa
Canada	Korea (South)	Spain
Estonia	Lithuania	Sweden
Faroe Islands	Luxembourg	Zimbabwe
Greece	Slovak Republic	

To obtain a driver's license in Jersey, an individual should take driving lessons from a qualified instructor on the island. The driving test includes a vision test, a short drive and a touchscreen PC theory test.

Jordan

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A. Income tax

Who is liable. Jordanian nationals and foreign individuals working in Jordan are subject to tax in Jordan on their income earned in, or derived from, Jordan, regardless of their residency status.

An individual is considered a resident of Jordan for tax purposes if he or she resides in Jordan for a period of at least 183 consecutive or non-consecutive days per calendar year. Residents may claim personal allowances.

Income subject to tax

Ordinary income. Income tax is assessed on all income earned by residents and nonresidents of Jordan from taxable activities performed in Jordan, including employment income and rental income. The income tax is levied at the graduated rates set forth in *Rates.* In addition, a national contribution tax of 1% is levied on the taxable income of natural persons exceeding JOD200,000.

Interest income. For natural persons, interest income is subject to withholding tax at a rate of 5%. Banks are required to withhold at source the tax from the interest.

Other income. Net income realized by a resident of Jordan from foreign sources is taxable in Jordan at a rate of 10% if such income is generated from Jordanian monies or deposits.

Capital gains. In general, capital gains resulting from the sale of shares in Jordan are taxable at different rates.

For the sale of shares on the Amman Stock Exchange by natural persons, general partnerships, limited partnerships and nonresidents in Jordan, the buyer and seller are subject to income tax at a rate of 0.08% of the shares' sales price for each sales

transaction. For other sale of shares transactions in Jordan, domestic personal income tax rates, set forth in *Rates*, may be applicable to the income of individuals.

A tax rate of 10% applies to the capital gains from the sale of shares outside Jordan, provided that such gain is generated from Jordanian monies or deposits.

A national contribution tax of 1% may also be applicable if the capital gains exceed JOD200,000.

For Jordanians, the capital gains tax should be due as part of the normal annual tax return filing process for the period in which the transaction occurs for residents.

For non-Jordanians, prior to the closing date of the transaction, a tax clearance certificate must be obtained from the Income and Sales Tax Department (ISTD), the Jordanian tax authority, and the capital gains tax must be paid. Formal clarifications from the ISTD in this regard are excepted to be forthcoming. These will potentially provide for an alternative treatment that may base capital gains on a percentage of the sale consideration.

Deductions

Personal and family allowances. The following annual allowances are granted.

	2019 JOD	2020 onward JOD
Personal allowance	10,000	9,000
Dependents allowance	10,000	9,000
Additional allowances for payments of medical expenses, educational expenses, rent, home loan interest or morabaha (interest paid by banks applying Islamic banking principles), technical services, engineering services and legal services	1,000 for each child up to 3,000	1,000 for individuals, 1,000 for spouses, and 1,000 for each child up to 3,000

Business deductions. In general, business expenses incurred in generating income are deductible. However, certain limitations apply.

Rates. Ordinary income earned by individuals in Jordan is subject to tax at the following graduated tax rates.

Annual taxable income Exceeding JOD	Not exceeding JOD	Rate %
0	5,000	5
5,000	10,000	10
10,000	15,000	15
15,000	20,000	20
20,000	1,000,000	25

Annual taxable income exceeding JOD1 million is taxed at a flat rate of 30%.

For payments made by resident taxpayers to nonresidents for taxable services in Jordan, taxpayers must withhold 10% of gross payments and remit this withholding tax to the tax authorities within 30 days after the due date or payment date, whichever is earlier. This tax is final.

For payments made by resident taxpayers to individual and corporate service providers and resident professionals, such as engineers, auditors or lawyers, taxpayers must withhold 5% of gross payments and remit this withholding tax to the tax authorities within 30 days after the due date or payment date, whichever is earlier.

Relief for losses. Taxpayers may carry forward losses up to five years to offset profits if the losses are supported by proper accounting records, are acknowledged by the tax assessor and relate to taxable sources of income.

B. Other taxes

Jordan does not levy net worth tax, inheritance tax or gift tax.

C. Social security

Social security contributions are levied at a rate of 21.75% on gross salary except overtime. The employer's share is 14.25%, and the employee's share is 7.5%. The social security system provides retirement and death benefits as well as certain benefits for work-related injuries.

D. Tax filing and payment procedures

The tax year is the calendar year. Tax returns must be filed in Arabic using a prescribed form within four months after the end of each fiscal year. The total amount of tax due must be paid at the time of filing.

Married individuals are taxed jointly or separately, at the taxpayers' election, on all types of taxable income.

E. Tax relief

Under the law, foreign income tax is considered a deductible expense for income tax purposes. However, if a double tax treaty exists between the foreign country and Jordan, the provisions of the treaty may apply.

F. Temporary visas

All visitors must obtain entry visas to visit Jordan.

The following temporary visas are available to foreign nationals who want to enter Jordan:

- Transit visa, which is valid for a maximum of 48 hours.
- Business visit visa, which is granted to foreign nationals who intend to attend meetings and training courses in Jordan. The visa is valid for one to three months and may be renewed once.
- Student visa, which is valid for the period that the foreign national is attending an educational institution in Jordan.
- Medical visa, which is valid for the time required to complete the medical treatment.
- Tourist visa, which is valid for three months.

Nationals of Australia, Canada, the European Union, the United Kingdom and the United States may obtain a business visit visa and a tourist visa on entry. Other nationalities are required to obtain the approval of the Ministry of Interior before entry.

In general, these visas may be applied for either in the foreign national's home country or in Jordan. Temporary visas may be renewed once for three additional months.

G. Work and residency permits

Individuals of all nationalities must apply for work and residency permits if they want to work in Jordan, with a priority given to Arab nationals. Work and residency permits are issued with the approval of the Ministry of Labor and the Ministry of Interior.

An applicant may not begin working in Jordan before obtaining work and residency permits. Work and residency permits may not be transferred from one employer to another; therefore, if an employee changes employers, the previous work and residency permits must be canceled, and the employee must apply for new work and residency permits.

The work and residency permits are valid for one year and may be renewed on an annual basis.

As a prerequisite to obtain work and residency permits, the Ministry of Labor requires the employer to submit a bank letter of guarantee to the order of the Ministry of Labor for each expatriate employee seeking work and residency permits in Jordan.

Under the Jordanian Labor Law, certain occupations are exclusively reserved to Jordanians and may not be filled by non-Jordanians, such as those in the fields of medicine, engineering, accounting and administration, as well as clerical work, such as data entry and secretarial work, warehousing, hairdressing, teaching, and mechanical and car repair type of work.

Foreign investors may engage in almost any type of economic activity. In general, Jordan does not impose limitations on foreign investments. Except for certain sectors, including construction and trade, in which foreign ownership may not exceed 50%, non-Jordanians may have full ownership in any economic project in Jordan. Full ownership by a foreign investor is permitted in the following sectors:

- Agriculture
- Hotels
- Health care
- Mining
- Industrial
- Telecommunications

H. Family members

The spouse of a foreign national who has a work permit in Jordan does not automatically receive the same type of work permit as the spouse holding the work permit. He or she must file independently of the primary work-permit holder if he or she also wants to work in Jordan.

Kazakhstan

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Because the legislative system of Kazakhstan is in a state of development and is subject to frequent and not always predictable changes, readers should obtain updated information before engaging in transactions.

The average exchange rate for the first half of the 2019 calendar year was KZT379 = USD1.

A. Income tax

Who is liable. Residents are taxed on their worldwide income. Nonresidents are taxed on Kazakhstan-source income only, regardless of where it is paid. Income is deemed to be from a Kazakhstan source if it is derived from work performed in Kazakhstan. Kazakhstan-source income also includes, but is not limited to, interest income from residents and nonresidents having a permanent establishment in Kazakhstan and dividends from resident legal entities.

For tax purposes, individuals are considered residents if they are present in the country for more than 183 days in any consecutive 12-month period ending in the current tax year.

Kazakhstan citizens or residence permit holders are always considered residents of Kazakhstan if their center of vital interests is located in Kazakhstan. The center of vital interests is deemed to be located in Kazakhstan if all of the following conditions are fulfilled simultaneously:

- The individual is a Kazakhstan citizen or has permission to live in Kazakhstan on a permanent basis (residence permit).
- The spouse and/or close relatives of the individual reside in Kazakhstan.

- The individual and/or his or her spouse and/or his or her close relatives own, or otherwise have at their disposal, immovable property in Kazakhstan permanently available for residence.

Double tax treaties may provide different rules to determine tax residency.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Income from employment consists of all compensation, whether received in cash or in kind (including shares), subject to minor exceptions, regardless of the place of payment of such income.

Self-employment and business income. The income of Kazakh citizens engaged in self-employment activities (individual entrepreneurs) is subject to income tax.

Tax is levied on an individual's annual business income, which consists of gross income (less adjustments and deductions) less expenses incurred in earning such income. However, to deduct expenses, individual entrepreneurs must be specially registered with the tax authorities and provide supporting documentation for such expenses. The tax rates for self-employment income are the same as those applicable to employment income as set forth in *Rates*, with the exception of individual entrepreneurs using a special taxation regime.

Investment income. In general, investment income is included in taxable income. The tax rates are set forth in *Rates*.

Certain investment is exempt from tax (see *Exempt income*).

Exempt income. Certain items are exempt from tax, including but not limited to, the following:

- Business trip per diems within established norms and reimbursement of certain business trip expenses.
- Accommodation and meal expenses within established norms for rotators while they are at the work site.
- Transportation expenses incurred by the employer connected with the delivery of employees from their residing place (place of stay) in Kazakhstan to their workplace if an agreement between the service provider and the employer is available.
- The excess of the market value of the underlying shares covered by a stock option at the exercise date over the exercise price of the option. The exercise price of the stock option is the price fixed in the relevant document based on which the stock option is granted to an employee.
- Alimony.
- Medical expenses within established norms.
- Dividends and interest on securities if, at the time of the accrual of such dividends and interest, the securities are on the official list of a stock exchange operating in Kazakhstan (that is, the Kazakhstan Stock Exchange [KASE] and the Astana International Exchange [AIX]).
- Dividends received from a resident legal entity if all of the following conditions are satisfied simultaneously:
  - The shares or participating interests have been held for more than three years.

— The resident legal entity is not a subsurface user for the period for which the dividends are paid.
— At the date of payment of the dividends, not more than 50% of assets of the legal entity paying the dividends is attributable to the assets of a company that is not a subsurface user.

The exemption does not apply to dividends received from a legal entity that reduces its corporate income tax by 100% if the accrual of such dividends is made in the tax period in which the corporate income tax reduction is made.

- Capital gains derived from the sale of securities or participating interests in resident legal entities or consortiums if all of the following conditions are met simultaneously:
  — At the date of disposal, the shares or participating interests have been held for more than three years.
  — The legal entity or consortium that is the issuer of the shares or participating interests sold is not a subsurface user.
  — At the date of disposal, no more than 50% of the value of assets of the legal entity or consortium that is the issuer of the shares or participating interests sold is attributable to the assets of a subsurface user entity (entities).
- Capital gains derived from the securities that are listed on a stock exchange operating in Kazakhstan (the KASE or the AIX) at the date of realization.
- Interest income on deposits paid to tax resident individuals by licensed organizations in Kazakhstan.
- Income from Kazakhstan state securities.

Taxation of stock options. Income derived through the exercise of an employer stock option is not considered taxable income (see *Exempt income*). At the disposal of shares, the respective capital gain is subject to income tax (see *Capital gains*).

Capital gains. According to the Kazakhstan Tax Code, a capital gain is the difference between the sale price and the acquisition price supported by the documents. Capital gains are subject to tax at the rates set forth in *Rates.*

Capital transactions of individuals are not currently addressed by Kazakhstan tax legislation. Consequently, it is not possible to deduct capital losses from capital gains for tax purposes, and capital losses may not be carried backward or forward to other tax periods. Therefore, income for tax purposes may significantly exceed income shown in financial statements prepared by a financial institution.

Deductions. The minimum monthly salary (MMS), which amounts to KZT42,500 per month for 2019 for an employee who is tax resident, is deductible from an employee's monthly salary.

Other deductions include, but are not limited to, the following:
- Obligatory pension fund contributions
- Voluntary pension fund contributions made by the individual for his or her own benefit under the Kazakhstan legislation on pension coverage
- Medical expenses
- Premiums on mortgage loans in specified banks
- Insurance premiums for the individual's own benefit under accumulative insurance agreements

If the amount of income taxable at the source of payment (after adjustments and deductions) is negative, the excess of tax deductions can be carried over to subsequent tax periods within the calendar year to reduce the employee's taxable income.

The total amount of the standard deduction of 1 MMS for a calendar year may not exceed 12 times MMS (KZT510,000).

If an individual's workplace changes during the tax period, the excess amount of deductions from the previous employer does not apply to the individual's new workplace except in cases of reorganizations.

Rates. The following withholding tax rates apply to resident and nonresident individuals for various types of income.

Type of income	Rate (%)
Employment income of residents and nonresidents taxed by the local employer	10
Income of advocates and private notaries	10
Capital gains, interest and winnings of residents	10
Dividends received by residents from Kazakhstan companies	5
Capital gains, dividends, interest and royalties paid to nonresidents by Kazakhstan legal entities	15
Any other Kazakhstan-source income paid to nonresidents that is not received from a tax agent (local legal entity)	20

Income received in foreign currency is converted into tenge at the exchange rate on the last business day preceding the date of payment.

B. Other taxes

Property tax. Individuals are subject to property tax at rates ranging from 0.05% to 2% of the residual value of the property owned by them.

Vehicle tax. Individuals are subject to vehicle tax on vehicles owned by them, either up to a maximum annual tax of 200 Monthly Calculation Index (MCI), which equals KZT505,000, or 1% to 4% of MCI for each kilowatt of power for specific types of vehicles (aircraft and railway vehicles).

C. Social security

Social tax. A social tax is payable by employers. This tax is an additional direct tax imposed on employers that is not earmarked for the social benefit of employees.

The tax base for social tax equals the employer's expenses related to employees' income.

Exemptions from social tax include, but are not limited to, the following:
- Payments made through grants
- Employee contributions to the Social Medical Insurance Fund
- Obligatory pension fund contributions

Employers must pay social tax at a flat rate of 9.5% of gross income, less the obligatory pension fund contributions for Kazakhstan citizens and foreigners with a residence permit. The minimum tax base for social tax per employee is 1 MMS.

Monthly social tax liability is reduced by the monthly amount of obligatory social insurance contributions (see *Obligatory social insurance contributions*).

Pension fund contributions. Obligatory pension fund contributions of 10% of the gross salaries of employees (local citizens and foreigners with a residence permit) must be withheld and remitted to the Unified Accumulative Pension Fund by the employer on a monthly basis. For 2019, income received in excess of KZT2,125,000 per month is not subject to obligatory pension fund contributions. Obligatory pension fund contributions are deductible for personal income tax and social tax purposes.

Under the Kazakhstan Law on Pension Coverage, employers must also make at their own expense professional pension fund contributions at a rate of 5% of the gross salaries of employees of certain professions in 17 industry sectors, including, but not limited to, mining, oil and gas, pharmacy and consumer good manufacturing.

Obligatory social insurance contributions. Employers must make social insurance contributions, which is a part of the social tax, at a rate of 3.5% on income paid to employees (local citizens and foreigners with a residence permit). The contributions are capped at KZT10,412.5 per month for 2019. The minimum tax base for obligatory social insurance contributions per employee is 1 MMS.

Under the Eurasian Economic Union Agreement of 29 May 2014 between Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation, from 1 January 2015 (12 August 2015 for Kyrgyzstan), for individuals who are citizens of the members of the Eurasian Economic Union and working under employment contracts, employers must make at their own expense social insurance contributions in the amount of 3.5% of the gross salaries of the employees, regardless of whether the employee has a residence permit in Kazakhstan.

Obligatory social medical insurance contributions

Employers. Employers must make, at their own expense, employer contributions to the Fund of Social Medical Insurance on a monthly basis (applicable to Kazakhstan citizens, repatriated Kazakhs, citizens of the Eurasian Economic Union and foreign citizens holding a residence permit) in the following amounts:

- From 1 July 2017: 1% of the income paid by the employer to its employees
- From 1 January 2018: 1.5% of the income paid by the employer to its employees
- From 1 January 2020: 2% of the income paid by the employer to its employees
- From 1 January 2022: 3% of the income paid by the employer to its employees

Employees. Employees (applicable to Kazakhstan citizens, repatriated Kazakhs, citizens of the Eurasian Economic Union and foreign citizens holding a residence permit) and individuals receiving fees under civil contracts must make, at their own expense, contributions to the Fund of Social Medical Insurance on a monthly basis in the following amounts:

- From 1 January 2020: 1% of the object of the calculation of the contributions (subject to limits)
- From 1 January 2021: 2% of the object of the calculation of the contributions (subject to limits)

The contributions are capped at KZT6,375 per month for 2019.

"Independent payers," including Kazakhstan citizens who left Kazakhstan, will also be liable to pay contributions in the amount of 5% of 1 MMS, starting from 1 January 2020. According to the legislation, "independent payers" are individuals who pay obligatory social medical insurance contributions by themselves (that is, in cases in which the contributions are not administered by an employer), including Kazakhstan citizens who left Kazakhstan.

D. Tax filing and payment procedures

The tax year in Kazakhstan is the calendar year.

A tax agent is responsible for withholding and remitting income tax from payments made to resident and nonresident individuals.

If employment-related, Kazakhstan-source income is paid outside Kazakhstan, the local tax agent is generally still required to run a shadow payroll. Income is generally considered to be from a Kazakhstan source if it is paid for work performed in Kazakhstan and, accordingly, regardless of where it is paid, it is subject to tax in Kazakhstan.

Under the withholding mechanism, a tax agent withholds actual personal income tax on a monthly basis no later than the date on which the income is paid and remits the tax to the Kazakhstan state budget not later than 25 calendar days after the end of the month in which income was paid. The tax agent must file a personal income tax and social tax report, which includes pension fund contributions, professional pension fund contributions and social and medical insurance contributions, on a quarterly basis by the 15th of the second month following the reporting quarter.

If a tax agent is not available in Kazakhstan, resident and nonresident individuals are responsible for the calculation of personal income tax liabilities and filing a Kazakhstan tax return. The filing deadline for a Kazakhstan tax return is 31 March of the year following the reporting year, and the income tax liability, if any, must be settled within 10 calendar days after the filing deadline.

Kazakhstan tax returns must be filed by tax resident individuals, including but not limited to, the following:

- Individual entrepreneurs
- Individuals who receive property income
- Individuals who receive income not taxed at the source of payment in Kazakhstan, including income outside Kazakhstan
- Kazakhstan citizens, repatriated Kazakhs and individuals with a residence permit having cash in foreign bank accounts outside Kazakhstan, if the amount is higher than 141 MCI (KZT356,025)

- Kazakhstan citizens, repatriated Kazakhs and individuals with a residence permit having the following types of property:
  - Real estate, which is subject (or the rights to which are subject or the transaction of which is subject) to state or other registration (reporting) with the competent authority of a foreign state in accordance with the laws of that foreign state
  - Securities whose issuers are registered outside Kazakhstan
  - Shares in the authorized capital of legal entities registered outside Kazakhstan

Individuals who are tax nonresidents of Kazakhstan are not required to file a Kazakhstan tax return if their Kazakhstan-source income is subject to withholding in Kazakhstan.

The law provides for late payment interest for the late payment or nonpayment of tax due on taxable income.

Administrative sanctions for individuals. Administrative sanctions for individuals are discussed below.

The following are the sanctions for a failure to submit personal income tax returns by the deadline:
- First time: warning
- Repeated violation within a year: a fine of 15 MCI (KZT37,875)

The following are the sanctions for the concealment of taxable items:
- First time: a fine of 200% of tax payable for each concealed taxable item
- Repeated violation within a year: a fine of 300% of the tax payable for each concealed item

The following are the sanctions for the concealment of information about property outside of Kazakhstan as well as funds in foreign bank accounts:
- First time: a fine of 100 MCI (KZT252,500)
- Repeated violation within a year: a fine of 200 MCI (KZT505,000)

Administrative sanctions for payroll violations. The sanction for the understatement of taxes in tax returns is up to 80% of the understated amount of personal income tax and social tax.

The sanction for the non-withholding or underwithholding of taxes is up to 50% of the personal income tax that was not withheld.

The sanction for the non-remittance or underremittance of withheld taxes is up to 20 MCI (KZT50,500).

The following are the sanctions for a failure to submit personal income tax returns by the deadline:
- First time: warning
- Repeated violation within a year: fine of up to 70 MCI (KZT176,750)

The following are the sanctions for a failure to remit, untimely calculation and/or undercalculation, underwithholding and/or underpayment (underremittance) of obligatory pension contributions and obligatory professional pension contributions to the Unified Accumulative Pension Fund:
- First time: warning

- Repeated violation: up to 50% of the amount of non-remitted, untimely calculated and/or undercalculated, underwithheld and/or underpaid (underremitted) obligatory pension contributions and obligatory professional pension contributions

The following are the sanctions for the nonpayment (non-remittance) and untimely and/or underpayment (underremittance) of social contributions:
- First time: warning
- Repeated violation: up to 50% of the unpaid (non-remitted) and untimely and/or underpaid (underremitted) social contributions

E. Double tax relief and tax treaties

Under the Tax Code, income tax paid outside Kazakhstan by tax residents may be credited against the income tax payable in Kazakhstan on the same income, but may not exceed the amount of Kazakhstan tax accrued. To apply for a foreign tax credit, a document confirming income received and income tax paid or withheld must be enclosed with the Kazakhstan tax return. The document must be issued and/or verified by the foreign tax authorities.

An individual receiving Kazakhstan-source income who meets the conditions of a double tax treaty may apply a treaty exemption if the individual provides one of the following types of documents confirming the residency status of an individual in a double tax treaty country issued by the competent tax authority:
- Original of the document verified by the competent state authority and legalized as per Kazakhstan legislation.
- Duly notarized copy of the document mentioned in the first bullet above. The notary signature and stamp should be legalized as per Kazakhstan legislation.
- Paper copy of the electronic document confirming the residency status published on the internet resource of the competent state authority.

Kazakhstan has entered into double tax treaties with the following countries.

Armenia
Austria
Azerbaijan
Belarus
Belgium
Bulgaria
Canada
China
Czech Republic
Estonia
Finland
France
Georgia
Germany
Hungary
India
Iran
Ireland
Italy
Japan
Korea (South)
Kyrgyzstan
Latvia
Lithuania
Luxembourg
Malaysia
Moldova
Mongolia
Netherlands
North Macedonia
Norway
Pakistan
Poland
Qatar
Romania
Russian Federation
Saudi Arabia
Serbia
Singapore
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Tajikistan
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan
Vietnam

F. Visas

Kazakhstan authorities issue the following categories of visas:

- Category A: diplomatic, official and investor
- Category B (for short-term stay): visa for business trips; visa for international road trips; visa for crew members of air, sea, and river vessels, and for train crews; visa for religious activities; visa for practical training or internships; visa for permanent residence in Kazakhstan; visa for private trips; visa for adoption of Kazakhstan citizens; tourist visa; transit visa and exit visa to leave Kazakhstan
- Category C (for long-term stay): visa for permanent residence in Kazakhstan of ethnic Kazakhs, visa for reuniting family, work visa, visa for missionary activity, visa for humanitarian reasons, education visa, visa for private trips (ethnic Kazakhs), visa for minors and visa for treatment

The visas under the categories listed above may be issued for a single or multiple entry, depending on the category and the type of visa. Exit visas may be issued only as a single visa.

Work visas (Category C) are issued to foreign individuals entering or located in Kazakhstan to perform work duties, as well as members of their families. In general, a work visa is issued based on a work permit. See Section G.

Business visas (Category B) are issued to foreign individuals arriving in Kazakhstan for business purposes (for example, negotiations, concluding contracts, provision of consultancy or audit services, provision of installation, repair or maintenance services and attending conferences, symposiums, forums, exhibitions and concerts).

In Kazakhstan, visas are issued by the Ministry of Internal Affairs in Kazakhstan and, abroad, by Kazakhstan consulates (for example, the Consular Department of the Embassy of Kazakhstan). Business and work visas are issued based on a letter of invitation issued by a local Kazakhstan company or a branch or representative office of a foreign company. The state duty for the execution of invitations is 0.5 of the MCI (KZT1,262.5 for 2019). The fee for issuing a visa ranges between USD20 to USD1,000, depending on the country of residence of the invited party and the type of visa sought. A visa should be issued within five business days.

An individual may obtain certain types of official business and private trip visas without a letter of invitation by submitting a written application to the Kazakhstan consular establishment in the respective country if he or she is a citizen of one of the following countries.

Australia	Ireland	Oman
Austria	Israel	Poland
Belgium	Italy	Portugal
Brazil	Japan	Qatar
Bulgaria	Jordan	Romania
Canada	Korea (South)	Saudi Arabia
Croatia	Latvia	Singapore
Cyprus	Liechtenstein	Slovak Republic
Czech Republic	Lithuania	Slovenia
Denmark	Luxembourg	Spain

Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Malaysia
Malta
Monaco
Netherlands
New Zealand
Norway
Sweden
Switzerland
United Arab Emirates
United Kingdom
United States

Kazakhstan has a visa-free regime with certain countries based on international treaties (for example, Belarus and the Russian Federation). Under the Kazakhstan migration legislation, citizens of the following countries can enter and exit Kazakhstan without visas.

Australia
Austria
Bahrain
Belgium
Bulgaria
Canada
Chile
Colombia
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Indonesia
Ireland
Israel
Italy
Japan
Korea (South)
Kuwait
Latvia
Liechtenstein
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Monaco
Netherlands
New Zealand
Norway
Oman
Philippines
Poland
Portugal
Qatar
Romania
Saudi Arabia
Singapore
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Thailand
Turkey
United Arab Emirates
United Kingdom
United States
Vatican City
Vietnam

Under this visa-free regime, citizens of the above countries may enter and transfer in Kazakhstan without a visa for a period not exceeding 30 calendar days from the date of crossing Kazakhstan's border. If a foreign individual needs to stay in Kazakhstan for a longer period, he or she should apply for a business or an investor visa. The investor visa is issued to certain categories of business immigration applicants and provides certain privileges (for example, registration with the local migration authorities is not required).

Post-arrival registration. As a general rule, foreign individuals arriving in Kazakhstan for more than five calendar days must register their passports at the Ministry of Internal Affairs (MIA). Depending on the citizenship of the foreign individual, such registration may either be completed when passing passport/border control (for example, for citizens of most visa-free countries mentioned above) or on arrival at the MIA at the place of stay in Kazakhstan.

Foreign individuals in possession of a visa issued after 1 July 2018 do not need to register their passport at the MIA. This data is automatically recorded in the Berkut electronic database, based on information provided in the letter of invitation. If foreign individuals enter Kazakhstan under a visa-free regime, they should be registered based on the standard process. The period of

stay in Kazakhstan ends on the expiration of the visa or, under the visa-free regime, of the registration period indicated in the migration card and/or certificate of temporary registration.

Registration is not required for the following:
- Holders of diplomatic and official passports
- Individuals arriving in Kazakhstan with "diplomatic," "official" or "investor" visas and holders of "investor status" confirmed by the relevant state authority on investments (only for visa-free regime visitors)
- Members of air, sea or river vessels' crews
- Individuals under the age of 16

In addition, the inviting company must notify the MIA within three working days of arrival of the foreign individual in Kazakhstan.

Kazakhstan legislation provides for several sanctions imposed on foreign individuals and the inviting company for noncompliance with the immigration requirements. For further details, see Section H.

G. Work permits

Types of work permits. The following are the two types of permits allowing foreign individuals to work in Kazakhstan:
- A work permit for attraction of foreign labor force (the Work Permit).
- A permit issued to a foreign individual who independently arrived in Kazakhstan to work in a particular specialty (the Permit for Employment). The government approves the list of such specialties.

The employer obtains the Work Permit through the submission of the documents to the local authorities under two main procedures, which are the general regime and intra-corporate transfer.

General regime

Work Permit quota. Work Permits are issued by the local authorities within the quota allocated by the Ministry of Labor and Social Protection on an annual basis. The quota is the maximum number of foreign individuals who can be hired to work in Kazakhstan for different regions and industries. The quota is mainly formed based on the annual applications of employers due by 1 August.

For 2019, the quota for attraction of foreign labor force equals 0.54% of the labor force of Kazakhstan.

Ratio requirement. For the purpose of obtaining a Work Permit under the general regime, all foreign individuals are classified into the following categories:
- Category 1: Chief-executive officers (CEOs) and deputy CEOs of companies
- Category 2: Leaders of business divisions/departments
- Category 3: Professionals
- Category 4: Qualified workers

There is a restriction on the number of foreign employees that can be hired by a Kazakhstan employer/local host entity, which is the so-called "ratio requirement." Currently, the total number of

foreign employees of a Kazakhstan employer/local host entity should not exceed the following:
- 30% of the total number of the Category 1 and Category 2 employees.
- 10% of the total number of Category 3 and Category 4 employees.

An exemption from the ratio requirement applies to small business enterprises, government enterprises and agencies, self-employed foreign individuals, work permits issued within the limits of a quota by countries of origin if international agreements on cooperation in labor migration and social protection of working migrants ratified by Kazakhstan are in place, and representative offices and branches of foreign legal entities with at most 30 employees.

State duty. When obtaining or extending work permits, an employer is charged a state duty for the issuance or extension of the work permit. The amount of the duty is established by the government of Kazakhstan and depends on the type of business of the employer and the category of the foreign employee. The amount of state duty ranges from approximately USD900 to USD3,500, depending on the sector of the economy, category of the employee and validity period of the Work Permit.

Other conditions. To obtain a work permit, each foreign individual must meet the qualification requirements set by the rules.

A Work Permit under the general regime is issued for the following durations:
- Category 1: for one, two and three years with an annual extension for one, two or three years
- Category 2: for 12 months, with an annual extension for 12 months, but no more than 3 times
- Category 3: for 12 months, with an annual extension for 12 months, but no more than 3 times
- Category 4: for 12 months with no extension

Intra-corporate transfer. An intra-corporate transfer (ICT) is a temporary transfer of a foreign individual from a legal entity established in the territory of a member state of the World Trade Organization (WTO) other than Kazakhstan to its Kazakhstan branches, subsidiaries or representative offices.

A foreign individual engaged under an ICT remains employed by the home company, but should comply with the requirements of the host employer in terms of work schedule and health and safety requirements. The foreign individual should meet the respective qualification requirements and should have at least one year of work history in the entity established in a member state of the WTO.

Work Permits under ICT are issued free of state duties and separately from the quota for foreign labor.

Ratio requirement. For the purpose of obtaining a Work Permit under ICT, all foreign individuals are classified into the following:
- Specialists
- Managers
- Executives

Under the ratio requirement for ICT, the number of foreign employees should not exceed 50% of the total number of managers and specialists. No ratio requirement applies with respect to executives.

Other conditions. The local authorities issue the work permit under ICT for the transfer period, but for no more than 3 years (36 months) with a right of a one-time extension for 1 year (12 months).

However, before hiring a foreign specialist to Kazakhstan under ICT, the local host entity should complete a search for suitable candidates on the Kazakhstan labor market and obtain a work permit only if no candidates are found.

For each work permit for a manager or specialist received under ICT, the employer should fulfill one of the relevant special conditions (for example, creation of a new job for Kazakhstan citizens and retraining of Kazakhstan citizens). When hiring executives, no special conditions are imposed on the host company.

Work Permit exemptions. Certain categories of individuals are not required to obtain Work Permits. These include, among others, the following:

- Nationals of member countries of the Eurasian Economic Union, regardless of their position or the duration of their employment in Kazakhstan
- Individuals arriving in Kazakhstan on a business trip for a cumulative period not exceeding 120 calendar days per calendar year
- Business immigrants arriving in Kazakhstan to do business
- CEOs of local branch offices or representative offices of foreign companies as well as CEOs and deputy CEOs of local wholly foreign-owned companies
- CEOs of companies that have entered into agreements with the government of Kazakhstan to invest more than USD50 million in the country and CEOs of local companies running investment projects in key industries under agreements with the local state authority on investment
- Crew members of sea and river vessels, aircraft and railroads, and automobile transport
- Artists, film directors, conductors, choir masters, choreographers, sportspersons and coaches
- Foreign nationals engaged by participants or bodies of the International Finance Center of Astana
- Individuals working in the Astana Hub International technology park or hired by its participants in the positions of managers and specialists with higher education
- Managers and professionals with higher education working with either local companies that have entered into contracts to implement investment projects in priority areas or companies in the architecture, city planning and construction industry contracted by such investors, for a period until the end of the first year after the commissioning date of the project's facility, or as qualified workers in accordance with the list of occupations and employee numbers approved as part of investment contracts
- Employees of companies registered in one of Kazakhstan's 10 Free Economic Zones (FEZs) to implement projects worth more than KZT2,525,000 (in 2019) or companies contracted by

a FEZ resident, for the period of construction and installation work in the FEZ and during the first year after the commissioning date of the project facility, in accordance with the list of employee categories and numbers adopted by a special committee of competent authorities

- Individuals working for a national managing holding (state-owned company) in positions not lower than the heads of structural units, having completed higher education and with supporting documents as required by legislation of Kazakhstan, and individuals hired by a national managing holding in the capacity of members of the board of directors

H. Sanctions for noncompliance with the immigration legislation

Kazakhstan legislation provides severe sanctions for companies and foreign citizens for noncompliance with the migration legislation. The upper end of administrative sanctions applied to a company can reach USD6,600 (per foreign individual per violation). The worst-case scenario can include administrative custody for up to 15 days or administrative deportation of the individual from the country and a company being banned from engaging any foreigners for up to one year (that is, no issuance of a Work Permit and no acceptance of a letter of invitation from the company for a visa application). Foreign individuals are not allowed to enter Kazakhstan for five years after the administrative deportation from Kazakhstan.

I. Residence permits

Kazakhstan issues residence permits. No quota system is in effect for immigration into Kazakhstan under residency permits.

J. Family and personal considerations

Family members. The spouse of a holder of a Kazakhstan Work Permit does not automatically receive the same type of Work Permit. If he or she wishes to undertake employment, a Work Permit application must be filed independently.

Driver's permits. Foreign nationals may drive legally in Kazakhstan with their international driver's licenses. Foreign country driver's licenses are valid in Kazakhstan if they comply with 1968 Vienna Convention on road traffic. However, an official Russian or Kazakh translation of the foreign driver's license by a confirmed translator is required; therefore, it is advisable to have an international driver's license.

Kazakhstan has driver's license reciprocity with some of the Commonwealth of Independent States (CIS) countries, including, but not limited to, Belarus, Kyrgyzstan, the Russian Federation, Ukraine and Uzbekistan.

A foreign individual may obtain a Kazakhstan driver's license after passing written, practical and medical examinations.

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This chapter refers to proposed changes in the 2019 Finance Bill, which was issued in June 2019. Because the Finance Bill could be revised before enactment, readers should obtain updated information before taking any actions.

A. Income tax

Who is liable. Individuals are subject to income tax on employment earnings if they meet either of the following conditions:
- They are resident during the time of employment, regardless of whether their duties are performed within or outside Kenya.
- For nonresidents, their employer is resident or has a permanent establishment in Kenya.

An individual is considered resident in Kenya if he or she has no permanent home in Kenya and is present in Kenya for 183 days or more during a fiscal year or for an average of more than 122 days in that year and in the two preceding years. If an individual has a permanent home in Kenya and spends any time in Kenya, he or she is considered resident.

It is irrelevant for tax purposes where an employment contract is signed or remuneration is paid.

Income subject to tax

Employment income. Employment income includes directors' fees and almost all cash and noncash remuneration, allowances and benefits arising from employment. Taxable benefits arising from employment include the following:
- Housing. The taxable benefit from employer-provided housing equals the higher of rent paid by the employer or 15% of employment income excluding the value of housing premises. If the premises are provided under an agreement with a third party that is not at arm's length, the benefit is valued at the higher of the fair market rental value of the premises or the rent paid by the employer. If the employer owns the premises, the benefit is taxed at the fair market rental value of the premises.
- Education. Education fees paid by employers for their local or expatriate employees' relatives are taxable for income tax purposes if the employer has claimed the fees as a tax deduction.

- Motor vehicles. The value of the benefit of an employer-provided motor vehicle is the higher of 2% per month of the initial capital expenditure by the employer on the car or the actual cost to the employer. If an employee is provided with a leased or hired car, the taxable benefit is the cost of lease or hire of the vehicle. For employees who have restricted use of motor vehicles, the Commissioner of Income Tax determines a lower rate of the benefit depending on the usage of the motor vehicle if the Commissioner is satisfied based on proof provided by the employer that use of the motor vehicle is restricted.
- Furniture. The taxable value of a furniture benefit provided by an employer equals 1% of the cost to the employer.
- Loans. The benefit from employer loans is taxable to the employer as fringe benefit tax for loans granted after 11 June 1998 and for loans granted before that date if the terms or conditions of the loan have been changed since 11 June 1998. The tax is imposed on the benefit at the resident corporate tax rate of 30% and is payable by the 10th day of the month following the imposition of the tax by the employer. For loans granted on or before 11 June 1998, the benefit is taxable to the employee as a low interest rate benefit. The benefit is valued at the difference between the interest rate on the employer's loan and the rate prescribed by the Commissioner of Income Tax.
- Employer-provided stock options. The value of the benefit from employer-provided stock options under a scheme that is registered with the Commissioner of Income Tax as a collective-investment scheme, as defined by the Capital Markets Authority Act, is the difference between the market value per share and the offer price per share on the date on which the option is granted by the employer. The benefit is deemed to accrue to the employee at the end of the vesting period. If the equity scheme is not registered, the taxable benefit is the higher of the cost to the employer or the fair market value.

Specific exemptions include the following:

- The cost of medical services or medical insurance borne by the employer on behalf of full-time employees or their beneficiaries. Medical insurance should be provided through an insurance company that is approved by the Commissioner of Insurance in Kenya.
- Employer contributions to accredited pension or provident fund schemes if the employer is subject to tax in Kenya.
- Withdrawal benefits from a pension or provident fund. The limit is KES60,000 for each year worked, up to a maximum of KES600,000.
- The first KES300,000 of annual pension income.
- Refunds from National Social Security Fund contributions plus interest. The limit is KES60,000 for each year worked, up to a maximum of KES600,000.
- For non-citizens recruited outside Kenya and their families, the cost of passage on joining the company, for annual leave and for departure.
- The first KES2,000 paid to an employee per day as an allowance while on official duty. This amount is deemed to be a reimbursement and, consequently, not taxable.
- Noncash benefits, up to a maximum of KES36,000 per year.
- Meals served in canteens and cafeterias operated by an employer or provided by a third party that is a registered taxpayer

(regardless of whether the meals are in the employer's or the third party's premises) if the value of the meals does not exceed KES48,000 per employee per year.

The 2019 Finance Bill contains a proposal to exempt from tax income earned by an individual who is registered under the Ajira Digital Program for three years, beginning 1 January 2020, on payment by such individual of a registration fee of KES10,000 per year.

The first KES150,000 per month for persons with disabilities is not taxable. In addition, up to KES50,000 per month of costs relating to health care services and facilities for persons with disabilities are allowable deductions for tax purposes.

Self-employment and business income. All income accrued in or derived from Kenya is subject to income tax. For a resident, this includes profits from a business carried on both inside and outside Kenya.

Business income includes income derived from any trade, profession or vocation, as well as from manufacturing or other related operations. A partnership is transparent for tax purposes, with the individual partners taxed on their shares of partnership profits.

Business profits and losses are determined using normal commercial methods, matching expenses with income from similar activities and using the accrual method of accounting.

Initially, a business may select any accounting period, but generally must continue using the same accounting date thereafter. The Domestic Taxes Department must be notified of a change in the accounting date. All individuals and unincorporated businesses must have a 31 December year-end.

The 2019 Finance Bill contains a proposal providing that income chargeable to tax includes income accruing from a digital marketplace.

Investment income. Dividends and interest income from investments in Kenya are subject to a withholding tax in the year received. For residents, the tax rates are 5% on dividends and 15% on interest.

The principal sources of exempt investment income are the following:

- Interest derived from savings accounts held with the Post Office Savings Bank
- For each resident individual, up to KES300,000 of gross interest derived from investments in housing bonds, except for a 10% withholding tax deducted at source
- Interest and dividend income accruing to a resident from investments outside Kenya
- Interest that is earned on deposits of up to KES3 million with a registered Home Ownership Savings Plan (HOSP)

Residential rental income tax. Effective from January 2016, landlords earning annual gross residential rental income of more than KES144,000 per year (KES12,000 per month) and not exceeding KES10 million per year (KES833,333 per month) must pay residential rental income tax at a rate of 10% of gross receipts. However, a person may make an application in writing to the

Commissioner of Domestic Taxes to be excluded from this tax, at least three months before the end of the year of income. If the exclusion is granted, the net rental income is taxable at the graduated tax rates (see *Rates*). The exclusion from residential rental income tax takes effect in the subsequent year of income.

Capital gains. Effective from 1 January 2015, Capital Gains Tax applies to gains realized by companies and individuals on the transfer of property located in Kenya. The general tax rate is 5%. The 2019 Finance Bill contains a proposal increasing the Capital Gains Tax rate to 12.5%. The gain equals the amount by which the transfer value exceeds the adjusted cost of the property. The adjusted cost equals the sum of the acquisition cost of the property and other costs incurred subsequently to enhance or preserve the property, if such costs had not been previously allowed for tax purposes. Effective from 1 January 2016, gains on transfers of securities traded on a securities exchange are not taxable.

Also, see *Stamp duties* in Section B.

Deductions and reliefs. An individual not resident in Kenya for tax purposes is not entitled to any tax relief. Expatriate employees of accredited regional offices of foreign corporations who spend at least 120 days during the fiscal year working outside Kenya may deduct one-third of their total income.

Deductible expenses. Individuals may deduct the following expenses in computing taxable income:
- Contributions to a registered pension or provident fund, up to a maximum of KES240,000 per year
- Interest, up to a maximum of KES300,000 per year, on borrowings to finance the purchase of owner-occupied residential property
- Contributions to a home ownership savings plan, up to a maximum of KES96,000 per year

Reliefs. Resident taxpayers are granted the following reliefs against tax payable:
- Personal relief in the amount of KES16,896 per year.
- Insurance relief (including education and health insurance) in the amount of 15% of premiums paid, up to a maximum relief of KES60,000 per year.
- Affordable housing relief of 15% of an employee's contribution (proposed change in the 2019 Finance Bill), up to a maximum relief of KES108,000 per year. This applies to individuals who are saving for a purchase under an approved affordable housing scheme, have applied and are awaiting the allocation of a house.

Business deductions. In general, expenses are not deductible unless incurred wholly and exclusively to produce taxable income.

Accounting depreciation is not deductible, but capital allowances are available. A first-year investment deduction of 100% of qualifying expenditure on the following is allowed:
- Manufacturing premises
- Plant
- Electric power generating projects with capacity to supply the national grid or to transform and distribute electricity through the national grid

- Hotel buildings
- Farm works

The investment deduction is increased to a rate of 150% for an investment for manufacturing purposes that is made outside the city of Nairobi or the municipalities of Kisumu or Mombasa and that has an investment value of KES200 million or more. Allowances are available on a straight-line basis for other industrial buildings and hotels, and on the amount remaining after subtracting the investment deductions, at a rate of 10% (manufacturing), 25% (commercial buildings as well as rental residential buildings constructed in a planned developed area approved by the minister responsible for housing), 10% (hotel buildings) and 50% (hostels and buildings used for educational and training purposes). A first-year deduction of 100% applies to capital expenditure on farm works. The rates for plant and machinery are 12.5%, 25%, 30% or 37.5%, according to the type, using the declining-balance method. The qualifying cost of a non-commercial vehicle is restricted to KES2 million. The rate for software and telecommunication equipment is 20%. The rate for the irrevocable right to use fiber optic cable is 5%. A deduction may be claimed with respect to concessionary arrangements on a straight-line basis over the period of the concession.

Other deductible capital expenditure includes expenses incurred for scientific research and development, the prevention of soil erosion by a farmer, the development of agricultural land and structural alterations to rental premises. Realized foreign-exchange losses on capital borrowings are also deductible.

Deductions are allowed for employer and employee contributions to registered pension and provident funds, with certain restrictions.

Rates. The following tax rates apply for employment, self-employment and business income (sole proprietors and partnerships).

Taxable income KES	Tax rate %	Tax due KES	Cumulative tax due KES
First 147,580	10	14,758	14,758
Next 139,043	15	20,856	35,614
Next 139,043	20	27,809	63,423
Next 139,043	25	34,761	98,184
Above 564,709	30	—	—

Tax is withheld from payments to nonresidents at the following rates.

Income category	Rate (%)
Management and professional fees, training fees, royalties and performance fees	20
Use of immovable property	30
Use of other property	15
Interest	15
Dividends	10
Pensions and retirement annuities	5
Telecommunication service fees	5
Disposal of interest in a person derived from	

Income category	Rate (%)
immovable property	20*
Natural resource income	20
Winnings payable by bookmakers to punters	7.5

* This ordinarily refers to the sale of equity in companies operating in the extractive (mining or petroleum) industry. The amount of taxable gain is usually based on the value of immovable property held by the company.

Relief for losses. Tax-adjusted profits and losses from the following specified sources must be categorized separately:
- Agricultural activities
- Rental or other use of immovable property
- Services rendered (including employment)
- A wife's employment and professional income (including self-employment, rent, dividend and interest income)
- Surplus funds withdrawn or refunded to an employer from a registered pension or provident fund
- Other business activities

Profits are aggregated. Losses may be carried forward to offset future profits from the same specified source without monetary limits. They may be used in the income year in which they arise and in the following nine years. Losses may not be carried back.

B. Other taxes

Property tax. Kenya does not levy property tax.

Stamp duties. Property transfers are subject to stamp duties at a rate of 4% on urban property and a rate of 2% on rural property.

C. Social security

The only social security tax levied in Kenya is the National Social Security Fund (NSSF). The NSSF is a statutory savings scheme to provide for retirement. The rate of contribution is 5% of an employee's salary, with employers and employees each required to pay up to a maximum monthly amount of KES200.

New NSSF legislation (the NSSF Act 2013) was enacted on 24 December 2013 to replace the NSSF Act Cap 258. The new legislation was scheduled to take effect on 31 May 2014, but the effective date for the legislation was delayed. The employer and the employee will each be required to contribute 6% of the employee's monthly pensionable earnings, subject to defined limits. Contributions into the scheme are divided into Tier I and Tier II categories. All Tier I contributions will be remitted to NSSF while Tier II contributions will be made to either the NSSF or a registered private pension scheme of which the employee is a valid member. A transitional arrangement will be in place in the lead-up to the full implementation of the Tier 1 contributions.

Before 1 April 2015, individuals earning more than KES1,000 per month were required to contribute to the National Hospital Insurance Fund (NHIF). The monthly contributions depended on the level of income and ranged from KES30 per month to KES320. Effective from 1 April 2015, individuals are required to contribute NHIF at rates on a graduated scale with the lowest contribution being KES150 and the highest contribution being KES1,700.

D. Tax filing and payment procedures

Employee withholding. For employees, tax is withheld at source under the Pay-As-You-Earn (PAYE) system.

Installment tax. Individuals who have income other than employment income must pay estimated tax in four equal installments during the financial year. The payments are due on the 20th day of the fourth, sixth, ninth and twelfth months.

Individuals with no income other than employment income that is taxed at source are not required to pay installment tax. Individuals whose total annual tax payable does not exceed KES40,000 are also exempt from paying installment tax, but are required pay the tax balance.

Final returns. Individuals subject to employment tax in Kenya are required to file a self-assessment return by 30 June following the end of the preceding calendar year.

Assessment. A taxpayer may be assessed further after a self-assessment return is filed. However, for most taxpayers, the self-assessment is final.

Married couples. Married women have an option to file self-assessment returns with respect to their income from all sources or to aggregate their income with the income of their husbands.

E. Double tax relief and tax treaties

Foreign taxes are deductible from taxable income as an expense. Kenyan citizens working outside Kenya are allowed a tax credit for foreign tax paid on the following types of income earned outside Kenya:

- Income from employment
- Income earned by artists and sportsmen

Kenya has entered into double tax treaties with the following countries.

Canada	Iran	Sweden
Denmark	Korea (South)	United Arab Emirates
France	Norway	United Kingdom
Germany	Qatar	Zambia
India	South Africa	

In general, the treaties above provide that foreign income taxes may be offset against equivalent Kenyan taxes payable on the same income.

F. Temporary visas and passes

All visitors other than East African citizens must have visas to enter Kenya, unless they are from a country for which visa requirements have been eliminated. These countries include, among others, most of the British Commonwealth countries, Ethiopia, Ghana, Guyana, Namibia and San Marino. Visitors from these countries are issued visitors' passes at the point of entry. In addition, visas are not required for holders of a re-entry pass to Kenya as well as transit passengers continuing their journey by the same or first connecting aircraft if they hold valid onward or return documentation and do not leave the airport.

Visas can be obtained at the point of entry into Kenya or by applying online via the e-visa portal before entry into Kenya. Foreign nationals wishing to visit Kenya are advised to confirm the entry requirements before departing from their home countries.

Visas are usually granted without delay. They are issued for a maximum period of three months and may be extended for an additional three months on application. A foreign national wishing to stay in Kenya for longer than six months must have an entry permit (see Section G).

The types of temporary visas and passes issued by the government of Kenya are described below.

Visas. The following types of visas are issued:
- Transit visa, which is issued to individuals in transit whose nationalities require visas to enter Kenya. It is valid for a maximum of three days. A fee of USD20 is payable on application.
- Ordinary visa, which is issued for single or multiple entries to persons whose nationalities require visas to enter Kenya for visits or residence. A fee of USD50 is payable for a single journey visa and USD100 for a multiple journey visa.
- Diplomatic visa, which is issued free of charge to holders of diplomatic passports on official business.
- Courtesy/Official visa, which is issued free of charge to holders of official or service passports on official visits.
- East Africa Tourist visa, which is a joint tourist visa entitling holders multiple entries to and between Kenya, Rwanda and Uganda for the purpose of tourism. It is valid for 90 days. A fee of USD100 is payable on application.

Passes. The following types of passes are issued:
- Visitors' pass, which is issued to foreign nationals who wish to enter Kenya for the purpose of holiday, visit or other temporary purpose as may be approved by the immigration officer.
- Dependents' pass, which is issued to accompanying family members of foreign nationals with work/entry permits.
- Students' pass, which is issued to foreign students who wish to study in Kenya.
- Internship or research pass, which is issued to individuals seeking to enter or remain in Kenya for the purposes of internship or academic research.
- Prohibited immigrants' pass, which is issued to foreign nationals who do not have valid entry documents or to foreign nationals who have contravened certain immigration rules. These individuals must make an application before arriving at the point of entry.
- Transit pass, which is issued to individuals in transit to a destination outside Kenya.
- Re-entry pass, which is issued to dependent pass holders to allow them multiple entries into the country.
- Special pass, which is issued to foreign nationals wishing to work in Kenya on a short-term assignment. A special pass is valid for three months and may be extended once.

G. Work permits and self-employment

Certain classes of entry permits allow foreign nationals to work in Kenya and are generally referred to as work permits. An entry

permit that allows a foreign national to work in Kenya is obtained by an employer on behalf of a foreign national. Employers are required to justify employment of a foreign national instead of a Kenyan. If the foreign national changes employment, his or her new employer is responsible for obtaining a new work permit.

Individuals requiring entry permits may enter Kenya on visas or visitors' passes while their applications for the permits are being processed, but they cannot engage in any work-related or income-generating activities. Foreign nationals who are over 18 years of age and stay in the country for more than 90 days are required to register as foreigners.

Different classes of entry permits are issued in Kenya including permits for the following categories of expatriates:

- Class A, which is issued to a person engaged in prospecting for minerals and mining in Kenya.
- Class B, which is issued to a person who intends to engage, alone or in partnership, in the business of agriculture or animal husbandry in Kenya.
- Class C, which is issued to a member of a prescribed profession who intends to practice that profession in Kenya, alone or in partnership.
- Class D, which is issued to a person who is offered specific employment by a specific employer.
- Class F, which is issued to a person who intends to engage, alone or in partnership, in specific manufacturing in Kenya.
- Class G, which is issued to a person who intends to engage, alone or in partnership, in a specific trade, business or profession (other than a prescribed profession) in Kenya.
- Class I, which is issued to a person who intends to engage, alone or in partnership, in approved religious and charitable activities.
- Class K, which is issued to a person who is not less than 35 years of age; and has in his or her own right and at his or her full and free disposition an assured annual income of not less than USD24,000.
- Class M, which is issued to a refugee recognized by the government of Kenya. The permit is issued gratis, and a recognition letter from the United Nations High Commissioner for Refugees (UNHCR) and the Department of Refugee Affairs is required.

The permits are issued only to persons whose employment, business or presence will benefit the country.

A foreign national wishing to carry out business in Kenya must obtain the necessary licenses and registrations required and must have sufficient capital or resources for investment.

H. Residence permits

Foreign nationals wishing to reside permanently in Kenya must apply for permanent residence. To obtain permanent residence, foreign nationals must satisfy the requirements contained in the Kenya Citizenship and Immigration Act.

The Permanent Residence section of the Kenya Department of Immigration issues residence permits.

I. Family and personal considerations

Vaccinations. Individuals entering Kenya must have International Immunization Certificates.

Family members. Family members of entry permit holders are entitled to dependents' passes. Any dependent wishing to take up employment must obtain a separate work or entry permit.

Marital property regime. Kenyan law does not provide for a community property or a similar marital property regime.

Driver's permits. Foreign nationals with international driver's licenses or driver's licenses issued in a British Commonwealth country may drive in Kenya for a maximum period of 90 days. Foreign nationals living in Kenya for longer than 90 days must obtain Kenyan driver's licenses.

Holders of international driver's licenses or licenses issued in British Commonwealth countries may obtain Kenyan driver's licenses on application.

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A. Income tax

Who is liable. Residents are subject to income tax on worldwide income. Nonresidents are subject to income tax on Korean-source income only. A resident is a person who maintains a domicile or residence in Korea for 183 days or longer.

A foreign national who is a tax resident in Korea and who has resided in Korea for 5 years or less during the preceding 10 years as of the end of the tax year is regarded as a nonpermanent resident and only taxed on Korean-source income unless any of the foreign-source income is paid in Korea or remitted into Korea.

Income subject to tax. Personal income is divided into the following categories:
- Composite Income, which includes employment income (wages, salaries and similar income), interest income, dividends, business income (including rental income), pension income and other income
- Severance income
- Capital gains

Employment income. Employment income includes the following payments in addition to basic monthly payroll:
- Reimbursement for personal expenses, entertainment expenses and other allowances provided to the employee that are not considered legitimate business expenses of the employer.
- Various allowances for family, position, housing, health, overtime and other similar payments made to the employee.
- Insurance premiums paid by the company on behalf of the employee. However, an exclusion of up to KRW700,000 per

year applies to premiums relating to insurance satisfying the following conditions:
— The insurance proceeds are paid as a result of an employee's death, injury or disease.
— The employee is both the insured party and beneficiary of the insurance contract.
— The paid-in premiums are not refundable at the maturity of the policy or the amounts that are refundable do not exceed the amount of the paid-in premiums at its maturity.

The following are nontaxable items:
- Automobile allowances up to KRW200,000 a month, paid to employees for business use of their own cars, instead of reimbursements of actual automobile operating expenses
- Meal allowances up to KRW100,000 a month, paid to employees who are not provided meals or other food through internal meal services or similar methods
- Salary paid for providing labor abroad up to KRW1 million a month (or KRW3 million a month for providing labor on a pelagic fishing vessel or a vessel serving overseas routes, in an overseas construction site or in certain other circumstances)

Employment income is classified into two different types; the reporting method differs for each type.

The first type of employment income is the earned income that is paid and deducted by a Korean entity for corporate tax purposes. Salaries paid by a foreign entity but charged back (or to be charged back under a prior agreement) to the Korean entity fall under this category. A Korean entity has monthly income and social tax withholding and reporting obligations with respect to such income.

The second type of income is the earned income that is paid by a foreign entity but not claimed as a corporate deduction in Korea by any Korean entities. The individual recipient, not the payer, is responsible for declaring the income on a Composite Income tax return annually or through a registered taxpayers' association on a monthly basis. For income declared through a registered taxpayers' association in a timely manner, the individual taxpayer is entitled to a tax credit of 5% of the adjusted tax liability (see Section D).

Previously, the above types of income were known as Class A income and Class B income, respectively, under the Korea tax law. However, this terminology has been abolished. Other than the terminology change, the reporting method remains the same.

Foreign employees' employment income earned under the following conditions is exempt from personal income taxes:
- Foreigners assigned to Korea under bilateral agreements between governments are exempt from taxes on employment income received from either government without limitation.
- Certain foreign technicians who render services to domestic companies or persons are exempt from 50% of taxes on the relevant employment income for two years from the date on which they began to render employment services in Korea up to the month in which two years have passed (for those who began to render employment services in Korea for the first time on or after 1 January 2019, five years from the date on which they

began to render employment services in Korea up to the month in which five years have passed). The 50% exemption applies to foreign technicians who render employment services in Korea for the first time on or before 31 December 2021. The following are the technicians who qualify for the 50% exemption:

— A person who provides technology in Korea under engineering technology license agreements prescribed by the Ministerial Decree of the Tax Incentives Limitation Law (TILL)
— A person who works as a researcher at a specified research institution subject to the requirements prescribed by the Ministerial Decree of the TILL

To enjoy the tax exemption mentioned above, foreign engineers must submit an application for the tax exemption to the tax authorities by the 10th day of the month following the month in which the services are first rendered.

Self-employment and business income. Self-employment and business income is income derived from the continuous operation of a business by an individual and includes all income derived from businesses and personal services, including services provided by the following individuals:

- Entertainers
- Athletes
- Lawyers, accountants, architects and other professionals
- Persons with expert knowledge or skills in science and technology, business management or other fields

Business income is combined with the taxpayer's other Composite Income and taxed at the progressive tax rates (see *Rates*).

Financial income. Interest income and dividends are generally categorized as Composite Income and are taxed at the rates set forth in *Rates*. However, dividends paid by domestic companies to minority shareholders and interest income are subject to a 15.4% (including local income tax) withholding tax, and no additional tax reporting is required if the total annual amount of the dividends and interest income is KRW20 million or less.

Korean-source interest income and dividends of nonresidents that are neither substantially related to any domestic place of business nor attributable to such domestic place of business are subject to a 22% (including local income tax) withholding tax, and no additional tax reporting is required regardless of the income amount. However, a reduced rate under a tax treaty between the taxpayer's tax residency country and Korea may apply if the taxpayer prepares an application form for entitlement to the reduced tax rate and submits the form to the withholding agent.

Capital gains and losses. Capital gains are taxed separately from Composite Income.

Preliminary capital gains tax returns must be filed within two months after the end of the month of the sale transaction (or within two months after the end of the half calendar year in which the transaction took place if the transaction involves sale of shares). Penalties are assessed for a failure to file a preliminary return by the due date. In addition to the preliminary returns,

taxpayers must file final annual capital gains tax returns based on the preliminary returns filed and pay any additional taxes by 31 May of the year following the tax year during which the capital gains are earned. However, if only a single sales transaction occurs during the tax year, the reporting obligation with respect to the capital gain can be satisfied through the filing of a preliminary return. Capital gains arising from the sale of foreign shares and designated derivatives are not subject to the capital gains preliminary tax return obligation.

In general, capital gains derived from the transfers of the following are taxable in Korea:
- Land
- Buildings
- Rights related to real estate
- Goodwill transferred with fixed assets for business
- Rights or membership for the exclusive or preferential use of installations (for example, facilities)
- Transactions or activities involving derivatives prescribed by the Presidential Decree of the Individual Income Tax Law (IITL)
- Shares of unlisted companies

Although capital gains derived from the transfer of shares in a company listed on the Korean stock market are not taxable, the shareholder of a listed company is subject to capital gains tax on gains derived from the transfer of the shares if the shareholder, together with related parties, owned at least 1% (2% for Korean Securities Dealers Automated Quotations [KOSDAQ]-listed companies and 4% for Korea New Exchange [KONEX]-listed companies) of the total outstanding shares or at least KRW1.5 billion (KRW1.5 billion for KOSDAQ-listed companies and KRW1 billion for KONEX-listed companies) worth of the shares based on the market value at the end of the preceding year. The transfer of unlisted shares is subject to capital gains tax, regardless of the quantity or value of the shares.

Capital gains derived from specified assets are taxed at the rates set forth in the table below. If a property is subject to two or more of the tax rates listed in the table, the highest rate among them is applied.

Capital asset	Rate (%) (a)
Land, buildings and rights related to real estate	
Held by the seller for at least one year, but less than two years (excluding houses and association occupation rights)	40
Held by the seller for less than one year (excluding houses and association occupation rights)	50
Houses and association occupation rights held by the seller for less than one year	40
Rights as tenants of houses located in specified areas (exceptions apply)	50

Capital asset	Rate (%) (a)
Land not used for business or securities of a corporation of which more than 50% of the value of the total assets of the corporation is attributable to land that is not used for business activities	16 to 52 (depending on the tax base)
Securities or shares	
Securities transferred by a majority shareholder	
Securities of companies that are not small or medium-sized and held for less than one year	30
Securities or shares not covered in the above category	20 or 25 (b)
Securities that are transferred by a non-majority shareholder	
Securities of small and medium-sized corporations	10
Securities or shares not covered in the above category	20
Derivatives prescribed by the Presidential Decree	20 (c)
Assets not registered with the court in the seller's name	70
Others including business rights transferred with fixed assets for business and rights or memberships for the exclusive or preferential use of installations	Progressive rates listed in *Income tax rates*

(a) In addition, local income taxes are imposed as surtaxes to the income tax at progressive rates as discussed in *Local income tax rates*.
(b) Effective from 1 January 2020, the rates (20% for capital gains tax base up to KRW300 million and 25% for the tax base above that amount) are only applied to capital gains from securities or shares of specific unlisted small or medium-sized corporations.
(c) Capital gains on specific derivatives as prescribed in the Presidential Decree of the IITL are taxed at an income tax rate of 10%.

Special deductions are generally available to reduce the amount of capital gains. These deductions are designed to eliminate the effects of inflation and to encourage long-term possession.

Capital losses may be offset against capital gains derived from transferring assets within the same categories, which are the following:
- Securities and shares
- Land, buildings, rights related to real estate and other assets specified in the IITL
- Derivatives prescribed by the Presidential Decree of the IITL

Capital losses may not be carried forward.

Gains derived from the disposal of foreign assets are taxable if the transferor has been a Korean tax resident for five consecutive years or more at the time of sale.

Deductions

Earned income deduction. The following table sets forth the amounts of the earned income deduction.

Gross employment income Exceeding KRW	Not exceeding KRW	Amount of earned income deduction
0	5,000,000	70% of gross employment income
5,000,000	15,000,000	KRW3,500,000 plus 40% of the amount exceeding KRW5,000,000
15,000,000	45,000,000	KRW7,500,000 plus 15% of the amount exceeding KRW15,000,000
45,000,000	100,000,000	KRW12,000,000 plus 5% of the amount exceeding KRW45,000,000
100,000,000	—	KRW14,750,000 plus 2% of the amount exceeding KRW100,000,000

Personal deductions. The personal deductions described below are available in determining the tax base.

Taxpayers receive a basic deduction of KRW1,500,000 each for themselves, their spouses and each eligible dependent who are financially supported by the taxpayer and do not have a certain level of income in the relevant tax year. For purposes of this basic deduction, the following are qualified dependents:

- Parents and grandparents (aged 60 or older).
- Children including adopted children (aged 20 or less).
- Siblings (aged 20 or less or aged 60 or older).
- Children aged less than 18 who were "raised" for 6 months or more during the tax year (including the immediately preceding year if a basic deduction was not claimed for the children concerned in that preceding year) by the authorized taxpayer and who have been financially supported by the taxpayer and have had income less than a certain amount (depending on income type) for the relevant tax year. For this purpose, "raised" means bringing up a child who is not a person's own child (for example, a foster child).

Additional deductions. An additional deduction of KRW1 million each is available for persons aged 70 or older. An additional deduction of KRW2 million for disabled persons is available. An additional deduction of KRW500,000 is available for a working woman who has KRW30 million or less of adjusted Composite Income, who is the head of a household with dependents or who has a spouse. For a taxpayer who does not have a spouse but has dependent children, including adopted children, a deduction of KRW1 million is allowed (that is, a single-parent deduction). However, if the taxpayer is simultaneously eligible for both the additional deduction of KRW500,000 available for a working woman with dependents or a spouse and the single-parent deduc-

tion of KRW1 million, only the single-parent deduction of KRW1 million can be claimed.

Itemized deductions. A taxpayer who has employment income in the tax year is eligible for the following itemized deductions:

- Insurance premiums paid according to the National Health Insurance law, Unemployment Law, or Long-Term Care Law are fully deductible from the employment income of the relevant tax year.
- Forty percent of the deposits made to certain housing fund savings by 31 December 2019 by a taxpayer who is the head of household, has taxable employment income of KRW70 million or less and does not own a house is deductible up to KRW2,400,000 per year (housing fund savings deduction).
- Principal and interest payments made by a taxpayer who obtained a loan to lease a house that is limited to the size defined by the Presidential Decree of the IITL are deductible up to 40% of the amount of the principal and interest payments (house lease deduction). The sum of the housing fund savings deduction and the house lease deduction are deductible up to KRW3 million per year.
- Interest payments on a long-term (that is, 15 years or longer) housing mortgage to purchase a house that has a standard value announced by the Korean authorities at the time of purchase of no more than KRW500 million are fully deductible if the taxpayer owns no more than one house at the time of purchase and owns one house at the end of the applicable tax year (long-term housing mortgage loan deduction). The sum of the housing fund savings deduction, the house lease deduction and the long-term housing mortgage loan deduction are deductible up to KRW5 million (up to KRW18 million if the interest on the long-term mortgage loan is paid at a fixed interest rate stipulated by the Presidential Decree of the IITL and if the principal or principal and interest are repaid in installments without any grace period stipulated by the Presidential Decree of the IITL, or up to KRW15 million if the interest on the long-term mortgage loan is paid at a fixed interest rate or if the principal or principal and interest are repaid in installments without any grace period). A deduction for a 10-year or longer long-term housing mortgage loan is available up to KRW3 million if the interest is paid at a fixed interest rate or the principal or principal and interest are repaid in installments without any grace period. For the purposes of the above, the grace period is the period during the life cycle of the loan when repayment of the principal amount is not required (that is, only interest is payable during the grace period).

The sum of certain deductions cannot exceed KRW25 million. Those deductions include, but are not limited to, itemized deductions (excluding the social security contribution deductions), housing fund savings deduction, and credit card usage deductions.

Business deductions. Most legitimate business-related expenses are deductible, including depreciation and bad debts, provided that they are booked in a manner stipulated in the law.

In addition to deductions for business expenses, taxpayers engaged in small and medium-sized businesses are allowed an

exemption equal to the tax amount computed by applying the following exemption ratios to income tax on income accruing from the relevant business for the tax year to the extent of KRW100 million (less KRW5 million multiplied by the number of reduced full-time employees compared to the previous tax year, if any):

- 10% for small enterprises prescribed by the Presidential Decree of the Tax Incentives Limitation Law (TILL) that are engaged in wholesale business, retail business or medical service business
- 20% for small enterprises located in the Seoul metropolitan area that are engaged in a qualified business stipulated under the TILL, except for businesses listed in the first bullet above
- 30% for small enterprises located outside of the Seoul metropolitan area that are engaged in a qualified business stipulated under the TILL, except for businesses listed in the first bullet above
- 5% for medium-sized enterprises located outside the Seoul metropolitan area that are engaged in a business listed in the first bullet above
- 10% for medium-sized enterprises located in the Seoul metropolitan area that are engaged in a knowledge-based business that is prescribed by the Presidential Decree of the TILL
- 15% for medium-sized enterprises located outside of the Seoul metropolitan area that are engaged in a qualified business stipulated under the TILL, except for businesses listed in the first bullet above.

Taxpayers engaged in small and medium-sized businesses meeting the criteria outlined in the TILL may be able to claim additional exemption for the items listed above. Such income tax exemption benefits are granted for the income generated at the relevant business site until the tax year ending on or before 31 December 2020.

Rates

Income tax rates. Tax rates applied to Composite Income in 2019 are set forth in the following table.

Tax base KRW	Tax rate %	Tax due KRW	Cumulative tax due KRW
First 12,000,000	6	720,000	720,000
Next 34,000,000	15	5,100,000	5,820,000
Next 42,000,000	24	10,080,000	15,900,000
Next 62,000,000	35	21,700,000	37,600,000
Next 150,000,000	38	57,000,000	94,600,000
Next 200,000,000	40	80,000,000	174,600,000
Above 500,000,000	42	—	—

Local income tax rates. In addition, local income tax (replacing the previous resident surtax) are imposed as a surtax to income tax at the following progressive rates.

Tax base KRW	Tax rate %	Tax due KRW	Cumulative tax due KRW
First 12,000,000	0.6	72,000	72,000
Next 34,000,000	1.5	510,000	582,000
Next 42,000,000	2.4	1,008,000	1,590,000
Next 62,000,000	3.5	2,170,000	3,760,000

Tax base KRW	Tax rate %	Tax due KRW	Cumulative tax due KRW
Next 150,000,000	3.8	5,700,000	9,460,000
Next 200,000,000	4.0	8,000,000	1,740,600
Above 500,000,000	4.2	—	—

Flat tax rate. Foreign employees and executive officers who do not have a special relation with the company as per the Presidential Decree of the TILL (excluding the case of a tax-exempt foreign-invested company) and who begin working in Korea between 1 January 2014 and 31 December 2021 may elect to apply a 20.9% flat tax rate (including local income tax) without any exemptions, deductions or credits with respect to their employment income received for their services in Korea until the end of the tax year within the fifth year of their first day of working in Korea if this provides a more favorable result than the progressive tax rate system (see *Rates*). However, for foreign employees and executive officers who began working in Korea before 1 January 2014 and were working in Korea as of 1 January 2014, the flat tax rate election will not be subject to the five-year limitation but can only be claimed on employment income earned until 31 December 2018 (that is, the sunset expiration date). Foreigners who work for a qualified regional headquarters in Korea can apply the flat tax rate until the end of the tax year within five years since the start of Korea assignment or employment regardless of the sunset expiration date.

To elect the flat tax rate system, a foreign employee must file an application to apply the flat tax rate. This application must be filed at the time of the year-end true-up settlement of the tax on employment income with the withholding agent by the date on which salaries for the month of February in the following year are paid. Alternatively, he or she can file such application with the competent tax office, together with the Composite Income tax return, in May following the close of the calendar tax year.

The flat tax rate can also be elected for the monthly withholding tax calculation. To elect the flat tax rate system for monthly withholding tax reporting, an application must be submitted to the tax office by the 10th day of the month following the month of services rendered.

Severance income tax rates. The income tax on the severance income of resident taxpayer is calculated in accordance with the following steps:

- Step 1: Apply the progressive income tax rates for Composite Income to the severance income tax base of the relevant tax year.
- Step 2: Divide the result of Step 1 by 12.
- Step 3: Multiply the result of Step 2 by the number of years of service.

Severance income arising from termination of employment between 2016 and 2019 is subject to different rates for each year as prescribed in the supplementary provision to the IITL.

Credits

Earned income tax credits. The tentative tax calculated on employment income may be reduced by an earned income tax

credit of 55% up to the tentative tax of KRW1,300,000 and by 30% on any excess. The tax credit is capped at the following amounts:

- KRW740,000 if taxable employment income is KRW33 million or less
- The greater of KRW740,000 less 0.8% of the amount of taxable employment income over KRW33 million, and KRW660,000 if taxable employment income is more than KRW33 million but not more than KRW70 million
- The greater of KRW660,000 less 50% of the amount of taxable employment income over KRW70 million, and KRW500,000 if taxable employment income is more than KRW70 million

Child tax credits. The following are the child tax credits:

- KRW150,000 for one child.
- KRW300,000 for two children.
- KRW300,000 plus KRW300,000 per each child exceeding two children.
- Effective from 1 January 2019, the above child tax credits apply only for a child aged 7 or older (including a child under 7 years old who enters school).

For each child born or adopted on or after 1 January 2017, the following child tax credits also apply:

- KRW300,000 for a first child
- KRW500,000 for a second child
- KRW700,000 for each additional child

Pension fund tax credits. Twelve percent of pension premiums paid by residents to the pension fund (excluding the income for which taxation was deferred, such as severance income from which tax was not withheld or a payment made as a result of a transfer between pension funds) are creditable up to KRW480,000 (12% of the premium threshold of KRW4 million). The premium threshold is reduced to KRW3 million for a total credit of KRW360,000 for taxpayers who have taxable employment income in excess of KRW120 million or adjusted Composite Income in excess of KRW100 million. Taxpayers who only have taxable employment income of KRW55 million or less or have adjusted Composite Income of KRW40 million or less are allowed to claim up to 15% of the contributions as tax credits, capped at KRW600,000. If the payment for the pension savings account exceeds KRW4 million per year or if the sum of the payments to the personal pension savings account (up to KRW4 million) and company-enrolled retirement pension account exceeds KRW7 million per year, the excess is not eligible for the tax credits.

Special tax credits. A taxpayer who has employment income in the tax year can claim the following special tax credits against the tentative income tax:

- Tax credit for insurance premiums paid: a tax credit is available for 12% of insurance premiums paid if the refunds of the premiums at the maturity of the insurance policy do not exceed the amount of the paid-in premiums. The tax credit for premiums paid for the taxpayer and dependents apply up to KRW120,000 (12% of the premium threshold of KRW1 million). A tax

credit for 15% of insurance premiums paid is available to disabled individuals, which applies up to KRW150,000 (15% of the premium threshold of KRW1 million).

- Tax credit for medical expenses: a tax credit is available for 15% of medical expenses (20% for medical expenses related to infertility treatments) paid by the taxpayer for himself or herself or on behalf of qualified dependents (not subject to the limitation of age and income level) in accordance with the following rules:
  - — Medical expenses paid by the taxpayer on behalf of qualified dependents, other than disabled persons and elderly persons aged 65 or older, are eligible for a tax credit. The tax credit is granted to the extent that the expenses exceed 3% of total taxable employment income of the taxpayer and is available up to KRW1,050,000 (15% of the KRW7 million threshold exceeding the 3% of total taxable employment income).
  - — Medical expenses paid for the taxpayer and on behalf of disabled persons, elderly persons aged 65 or older, designated intensive-care patients and certain other individuals are eligible for a tax credit. If the medical expenses described in the item above are less than 3% of the taxpayer's taxable employment income, the difference between the two amounts would decrease the total amount of medical expenses eligible for a tax credit.
  - — Medical expenses for infertility treatment are eligible for a tax credit. If the sum of medical expenses described in the two items above is less than 3% of the taxpayer's taxable employment income, the difference between the two amounts would decrease the total amount of medical expenses eligible for a tax credit.
  - — Medical expenses paid by a taxpayer whose total taxable salary income is KRW70 million or less to a maternity care center for the cost of postpartum care and treatment less than KRW2 million per child are eligible for a tax credit.
- Tax credit for education expenses: a credit is available for 15% of education expenses (primarily tuition, including tuition for graduate school for taxpayers, related registration fees, costs for school meals and textbooks, fees for extracurricular activities and school uniforms [up to KRW500,000 per middle school and high school student]) are available for credit. However, other fees, such as bus fees, do not qualify for the credit. Education expenses (excluding expenses for graduate school) for each qualifying student, which includes the spouse, dependent children and siblings, are available for the following credits:
  - — University or college: KRW1,350,000 (15% of the expense threshold of KRW9 million)
  - — Kindergarten, and elementary, middle and high school: KRW450,000 (15% of the expense threshold of KRW3 million)
- Tax credit for donations: A credit is available for 15% of donations (30% of the excess donations over KRW10 million) made to the government and designated schools and organizations (Legal Donations) by the taxpayer, spouse or dependents who meet the income level criteria for personal deductions. Other specified donations are eligible for tax credit to the extent of

30% of the amount of adjusted Composite Income less Legal Donations. However, if the taxpayer makes donations to religious organizations, the donations are eligible for tax credit to the extent of the sum of the following:

— 10% of the amount of adjusted Composite Income less Legal Donations
— The lesser of non-religious donations and 20% of the amount of adjusted Composite Income less Legal Donations

A taxpayer with employment income who does not claim any special tax credits can apply a standard tax credit of KRW130,000 (KRW120,000 for a good-faith, self-employed taxpayer designated in the tax law) against the tentative income tax for the year, while a taxpayer without employment income can apply a standard tax credit of KRW70,000 against the tentative income tax for the year.

Nonresident taxation. A nonresident with a place of business in, or employment income derived from, Korea is generally taxed at the same rates that apply to a resident. Nonresidents satisfying certain conditions may use a flat tax rate (see *Flat tax rate*). However, nonresidents are not eligible for personal deductions for the spouse and dependents, itemized deductions, child tax credits and special tax credits.

The Korean-source income of a nonresident without a place of business in Korea is subject to withholding tax at the rates indicated in the following table.

Income category	Rate
Business income and income from leasing ships, airplanes, registered vehicles, machines, and similar items	2%
Income from professional services, technical services or services of athletes or entertainers performed in Korea	20%
Interest, dividends, royalties and other income (excluding income generated from bonds issued by governments and domestic companies)	20%
Income from professional services or technical services performed overseas, but deemed to be sourced in Korea as prescribed in any relevant tax treaties	3%
Income generated from bonds issued by governments and domestic companies	14%
Capital gains	Lower of 10% of sales price or 20% of capital gains

In addition, local income tax is imposed as surtax at a rate of 10% of the above income withholding taxes.

Reduced rates may apply, depending on tax treaty provisions (see Section E).

Relief for losses. Business losses of a self-employed person (including losses arising from a business of renting residential

properties) can be used to offset other business income, as well as other sources of Composite Income, such as employment income, pension income, interest income, dividends and other income. However, business losses from rental activities (other than rental losses from residential properties) can be used only to offset other rental income. Business losses can be carried forward for 10 years and can also be carried back to the preceding year if the self-employed person's business qualifies as a small or medium-sized company.

B. Inheritance and gift taxes

Heirs and donees who are Korean tax residents are subject to inheritance and gift taxes on assets received worldwide. Nonresident inheritors and donees are subject to inheritance and gift taxes on assets located in Korea only.

The following rates apply after the deduction of exempt amounts (see below) for the purposes of both inheritance and gift taxes.

Tax base KRW	Tax rate %	Tax due KRW	Cumulative tax due KRW
First 100,000,000	10	10,000,000	10,000,000
Next 400,000,000	20	80,000,000	90,000,000
Next 500,000,000	30	150,000,000	240,000,000
Next 2,000,000,000	40	800,000,000	1,040,000,000
Above 3,000,000,000	50	—	—

The following amounts are exempt in determining the taxable amount of property for the purposes of inheritance tax.

Type of allowance	Exempt amount
Basic deduction	KRW200 million
Family business deduction	Asset value of family business inherited, subject to different ceilings, depending on the number of years of operation
Personal deductions	
Spouse allowance	Minimum KRW500 million, maximum KRW3 billion
Lineal descendant allowance	KRW50 million per person
Allowance for a minor (younger than 19 years of age)	KRW10 million x number of years remaining until 19 years of age
Old age allowance (65 years of age or older)	KRW50 million per person
Allowance for the disabled	KRW10 million x number of years up to the expected remaining years of life announced by Statistics Korea, considering the gender and age
Financial asset deduction	
Net value of financial asset is KRW20 million or less	Total net value of the asset
Net value of asset of more than KRW 20 million	Greater of KRW20 million and net value of asset x 20%, up to a maximum of KRW200 million

Heirs (except for a spouse who is the sole heir) may deduct the greater of the sum of the above deductions or KRW500 million. The amount of the deduction is KRW500 million if no report is filed.

Donees who receive property must pay gift tax at the same rates that apply for inheritance tax after deducting the following exempt amounts.

Type of donation	Exempt amount KRW (millions)
Donation from spouse	600
Donation from lineal ascendant	50
Donation from lineal ascendant (if the donee is a minor)	20
Donation from descendant	50
Donation from other relatives	10

C. Social security

National pension. Under the National Pension Law, an ordinary workplace with at least one employee must join the national pension program. The contribution to the national pension fund is 9% of an employee's salary. The 9% contribution is shared equally at 4.5% between the employee and the employer. The maximum amount for both the employer's and employee's share of the monthly premium for the national pension is KRW218,700 per employee from 1 July 2019. This amount is computed based on an average monthly salary of KRW4,860,000. The premium must be paid by the 10th day of the month after the month in which the salary is paid.

National health insurance. Under the National Health Insurance Law, an ordinary workplace with at least one employee must join the national health insurance plan. The rate for the National Health Insurance is 7.0098% (including an additional contribution for long-term care insurance) of an employee's salary, which is shared equally between the employee and the employer. The maximum amount of the employer's and employee's share of the monthly premium for national health insurance is KRW3,453,610 per employee. This amount is computed based on an average monthly salary of KRW98,537,462. The premium must be paid by the 10th day of the month after the month in which the salary is paid. If an employee who is participating in the National Health Insurance scheme through his or her workplace also has additional employment income not subject to payroll withholding and/or has personal income of KRW34 million or more, the employee is subject to an additional contribution for the additional employment income not subject to payroll withholding and pension income at a rate of 1.0515% (30% of 3.5049%), while an additional contribution at a rate of 3.5049% to the National Health Insurance must be made for additional income that is neither employment income nor pension income (for example, investment income). However, the sum of the additional contribution per month is capped at KRW3,453,610 per employee.

Foreigners may be exempt from the mandatory National Health Insurance requirement on application and approval if they are covered by their home country's statutory insurance or by a company-provided foreign medical insurance program that provides a level

of medical coverage equivalent to the coverage provided under the Korean National Health Insurance or if their employer guarantees to pay all medical expenses incurred in Korea. Documents required for the exemption differ according to the types of existing insurance plans.

Unemployment insurance. A company with at least one employee must pay unemployment insurance premiums and employee ability development premiums. Annual unemployment insurance premiums are payable at a rate of 1.3% of an employee's salary. These premiums are shared equally at a 0.65% rate by the employer and employee. Employee ability development premiums are payable by employers only at a rate ranging from 0.25% to 0.85%, depending on the number of full-time employees.

Unemployment insurance does not apply to chief executive officers (CEOs) or representatives (in Korean companies, equivalent to CEOs or presidents) of Korean entities. It is optional for foreign nationals, but foreigners with certain visa types, such as D-7, D-8 or D-9, may be exempt on a reciprocity principle, while F-2 or F-5 visa holders must pay for unemployment insurance.

Accident insurance. Under the Industrial Accident Compensation Insurance Law, an ordinary workplace with at least one employee must join the workmen's accident compensation insurance program and pay the premium annually. The premium, which is paid by the employer only, is normally calculated at a rate ranging from 0.75% to 22.65%, depending on the industry.

Social security agreements. Korea has entered into social security agreements with the following jurisdictions as of 1 July 2019.

Australia	France	Poland
Austria	Germany	Quebec
Belgium	Hungary	Romania
Brazil	India	Slovak Republic
Bulgaria	Iran	Spain
Canada	Ireland	Sweden
Chile	Italy	Switzerland
China	Japan	Turkey
Czech Republic	Mongolia	United Kingdom
Denmark	Netherlands	United States
Finland	Peru	Uzbekistan

Most of the social security agreements listed above apply to national pensions only.

D. Tax filing and payment procedures

The income tax year in Korea is the calendar year.

For employment income (salary payments to the employees) eventually borne and deducted by a Korean entity (including salaries paid by a foreign entity but charged back to the Korean entity), taxes on such employment income should be withheld by the Korean entity. Taxpayers who receive other types of income, such as interest, dividends or business income (including rental income), must file a Composite Income tax return between 1 May and 31 May of the year following the tax year. Taxes due must be

paid when the return is filed. No extensions of time are granted for the filing of Composite Income tax returns.

Taxpayers reporting employment income eventually borne by a foreign entity have the following options:

- They may file a Composite Income tax return and pay relevant taxes in the month of May of the year following the income tax year.
- They may join an authorized taxpayers' association through which monthly tax payments are made to the tax authorities. In return for timely payments made through a registered taxpayers' association, taxpayers receive a 5% credit on the adjusted income tax liability (the adjusted income tax liability is computed based on a complicated formula provided in the law).

A representative office established in Korea has payroll withholding and reporting obligations if the salaries are paid to employees through a bank account of the representative office.

Married persons are taxed separately, and no joint tax returns are allowed.

In principle, a resident who has a Composite Income tax return filing obligation should make the filing at least one day before departing from Korea.

Self-employed persons operating certain types of businesses must make interim tax payments during the tax year.

Foreign financial account reporting. Residents, including foreigners who have resided in Korea for 5 years or more during the past 10 years as of the year-end, must report their financial assets held in foreign countries (such as bank accounts, stock brokerage accounts including, but not limited to, unvested restricted stock units, derivatives accounts and other accounts) to the Korean tax authorities. This rule applies only if the aggregate value of the foreign financial accounts exceeds KRW500 million at the end of any month during the calendar year. The report for the preceding calendar year must be filed with the relevant tax office during the period of 1 June to 30 June of the year following the calendar year. Failure to file the reporting in a timely or truthful manner or to comply with tax authorities' requests to submit or supplement the reporting triggers penalties.

Foreign real estate reporting. Residents who have acquired, leased or sold real estate located outside Korea or have a right to such real estate of which the acquisition price or sale price was KRW200 million or more must report their foreign real estate acquisition and operation to the competent tax authorities by the statutory deadline of the Composite Income Tax return, which is 31 May in the year following the year of the acquisition. Failure to file the reporting in a timely or truthful manner or to comply with tax authorities' requests to submit or supplement the reporting triggers penalties. However, a foreign-national who is a tax resident in Korea satisfying certain conditions (whose total period of stay in Korea is less than 5 years during the preceding 10 years at the end of the tax year) is regarded as a nonpermanent tax resident and is exempted from the foreign real estate reporting obligation.

Proxy withholding. Korean entities that meet certain revenue- and industry-type conditions must withhold payroll taxes of 20.9% (including local income tax) on the fees paid to foreign entities that hire inbound expatriates to provide services in Korea and pay the taxes withheld to the tax office. Like employment income subject to payroll withholding, the withheld fees must be settled on an annual basis through the year-end payroll true-up settlement under which the obligation to file falls on the foreign entity that hired the inbound expatriates. A Korean entity can also assume this obligation.

E. Double tax relief and tax treaties

A credit for foreign income taxes paid is available, up to the ratio of foreign-source adjusted taxable income, to worldwide adjusted taxable income.

Korea has entered into double tax treaties with the following 93 jurisdictions as of 1 July 2019.

Albania
Algeria
Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Belarus
Belgium
Brazil
Brunei Darussalam
Bulgaria
Canada
Chile
China Mainland
Colombia
Croatia
Czech Republic
Denmark
Ecuador
Egypt
Estonia
Ethiopia
Fiji
Finland
France
Gabon
Georgia
Germany
Greece
Hong Kong SAR
Hungary
Iceland
India
Indonesia
Iran
Ireland
Israel
Italy
Japan
Jordan
Kazakhstan
Kenya
Kuwait
Kyrgyzstan
Laos
Latvia
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Mongolia
Morocco
Myanmar
Nepal
Netherlands
New Zealand
Norway
Oman
Pakistan
Panama
Papua New Guinea
Peru
Philippines
Poland
Portugal
Qatar
Romania
Russian Federation
Saudi Arabia
Serbia
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Tajikistan
Thailand
Tunisia
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Venezuela
Vietnam

F. Temporary visas

To enter Korea, a foreign national must have a valid passport and a visa. Foreign nationals may obtain temporary visas from the local Korean embassy or consulate, allowing them to remain in

Korea for up to three months. On application, a foreign national's sojourn may be extended through a visa conversion process in the country.

Visa waiver agreement. As of May 2019, qualified nationals of the 108 jurisdictions listed below, which have a reciprocal visa exemption agreement with Korea, may enter Korea without visas for, in general, a period of up to 90 days. For some nationals or citizens, this rule applies to diplomatic and official passport holders only. The following are the relevant jurisdictions.

Algeria
Angola
Antigua and Barbuda
Argentina
Armenia
Austria
Azerbaijan
Bahamas
Bangladesh
Barbados
Belarus
Belgium
Belize
Benin
Bolivia
Brazil
Bulgaria
Cambodia
Cape Verde
Chile
China
Colombia
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Estonia
Finland
France
Gabon
Georgia
Germany
Greece
Grenada
Guatemala
Haiti
Hungary
Iceland
India
Iran
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kazakhstan
Kuwait
Kyrgyzstan
Laos
Latvia
Lesotho
Liberia
Liechtenstein
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Moldova
Mongolia
Morocco
Mozambique
Myanmar
Netherlands
New Zealand
Nicaragua
Norway
Oman
Pakistan
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Romania
Russian Federation
Singapore
Slovak Republic
Spain
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Suriname
Sweden
Switzerland
Tajikistan
Tanzania
Thailand
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
Uruguay
Uzbekistan
Vanuatu
Venezuela
Vietnam

No visa entry. Most foreigners who want to visit Korea for a short-term tour or are in transit may enter Korea with no visa in accordance with the principles of reciprocity or priority of nationals' interests with a tourist/transit visa status (B-2: 30 days to six months stay is allowed). Nationals from the 48 jurisdictions listed below may enter Korea without a visa as of September 2018. For some nationals or citizens, this rule applies to diplomatic and official passport holders only. The following are the relevant jurisdictions.

Albania
Andorra
Argentina
Australia
Bahrain
Bosnia and Herzegovina
Botswana
Brunei Darussalam
Canada
Croatia
Cyprus
Ecuador
Eswatini
Fiji
Guam
Guyana
Honduras
Hong Kong SAR
Indonesia
Japan
Kiribati
Kuwait
Lebanon
Macau SAR
Marshall Islands
Mauritius
Micronesia
Monaco
Montenegro
Nauru
New Caledonia
Oman
Palau
Paraguay
Qatar
Samoa
San Marino
Saudi Arabia
Serbia
Seychelles
Slovenia
Solomon Islands
South Africa
Taiwan
Tonga
Tuvalu
United States
Vatican City

G. Work permits and self-employment

Korean authorities are relatively restrictive in granting working rights to foreign nationals. As a result of the degree of difficulty in obtaining permits, readers should obtain appropriate professional assistance.

A foreign national may engage in only those activities relating to the working status of his or her sojourn. A foreign national in Korea who intends to engage in activities other than those relating to his or her status of sojourn must obtain a permit from the Ministry of Justice. A foreign national who does not hold a working status of sojourn may not be employed in Korea.

Categories of working status of sojourn. The maximum sojourn periods for the various categories of working status of sojourn range from 90 days to five years. However, depending on individual circumstances and the discretion of relevant immigration offices, the duration of the period is often one to two years per application for initial sojourn or extension.

As a result of the amendment of the Korean Immigration Act on 10 October 2013, the sojourn period is extended up to five years for various jobs and visa types.

Five years. The following categories of individuals have a maximum five-year period of sojourn:

- E1 – Professor: foreigners qualified by the Higher Education Act who are seeking to give lectures or conduct studies in educational facilities, and individuals who have expertise in science and high technology
- E3 – Research: individuals engaged in the fields of natural science or high technology, scientists that are engaged in a study at an institute that is operated by the Special Treatment Law as to Defense Industry Company, and individuals who have expertise in science and high technology
- E4 – Technological Guidance: individuals who offer special technology or expertise at a public or private organization and individuals who offer special technology or expertise not available in Korea

- E5 – Professional Employment: aircraft pilots, medical doctors, interns or residents at hospitals, individuals invited by businesses approved for the Geumgang Mountain tourism development business and individuals seeking work as essential staff of shipping services hired by Korean transportation corporations
- D8 – Corporate Investment: indispensable professional workers seeking to engage in the administration and/or management of foreign investment companies prescribed by the foreign investor promotion law (excluding workers hired domestically)

Three years. The following categories of individuals have a maximum three-year period of sojourn:
- E7 – Specially Designated Activities
- E9 – Non-professional Employment
- F4 – Overseas Koreans
- F6 – Spouse of a Korean national
- H2 – Working Visit

Two years. The following categories of individuals have a maximum two-year period of sojourn:

- D1 – Cultural Arts: individuals who perform not-for-profit artistic or academic activities.
- D3 – Industrial Training: individuals fulfilling conditions set by the Minister of Justice and individuals seeking industrial training.
- D4 – General Training: Individuals who obtain education or training as an intern or engage in research at a foreign-investment company or at a company that made an investment abroad.
- D5 – Journalism: journalists.
- D6 – Religious Affairs: individuals who are dispatched to a chapter registered in Korea by a foreign religious body or social welfare organization, individuals who are engaged in missionary work or social welfare and are invited by medical or educational facilities operated by their organization, individuals who practice asceticism or train or study at a Korean religious body on the recommendation of that body and individuals who are invited by a Korean religious body or social welfare organizations that are engaged only in social welfare.
- D7 – Intra-Company Transfer: individuals who have worked for foreign public institutions or the main office, branch office or other establishments of a company for more than a year, and individuals who are dispatched as indispensable professional workers to the branch office, subsidiary, supervising office or an interrelated company established in Korea that is approved and processed by the Minister of Justice.
- D8 – Corporate Investment: Individuals who wish to invest. They must report in advance to the head of the Korean trade and investment promotion agency or the head of the foreign-exchange bank.
- D9 – Treaty Trade: individuals who are engaged in company management, trading, or profit-making business, individuals who are engaged in the installation, operation or repair of equipment (machines) to be exported and individuals engaged in the supervision of shipbuilding and the manufacturing of equipment.
- E2 – Foreign Language Teaching: individuals seeking positions as foreign language instructors at foreign language institutions or educational facilities.

- E6 – Arts/Entertainment: individuals seeking to profit from performances related to music, fine arts, literature, or similar fields and individuals seeking to profit through performing arts, such as entertainment, music, play, sports, advertisement, fashion modeling and similar activities.
- F1 – Family Visitation: Sojourn for the purpose of visiting relatives, family or dependents, organizing household and other similar activities.

Six months. Individuals in Category D10 – Job Seeking have a maximum six-month period of sojourn. This category consists of individuals seeking jobs or vocational training programs for employment in the relevant field as a professional.

Ninety days. The following categories of individuals have a maximum 90-day period of sojourn:
- C1 – Temporary Journalism: sojourn of journalists or representatives of foreign media seeking to cover news.
- C3 – Short Term General: sojourn for the purpose of business meetings, business communication, tourism, transit or visiting relatives.
- C4 – Short Term Employment: sojourn for the purpose of short-term employment activities or provision of services. Effective from March 2017, in accordance with Korean immigration law, individuals who wish to travel to Korea to conduct installation, repair, operation of machinery or supervision of shipbuilding and industrial facilities are required to obtain the C-4 visa. Effective from July 2018, C-4 visa approval is required for a short-term assignment performed under any type of contract that provides for compensation, such as the cost of staying.

Procedure. In general, Korean immigration law requires a foreign national who wants to obtain a work permit to submit an application together with a résumé, a copy of his or her passport, an employment agreement or assignment letter, a diploma, and corporate documents of the visa-sponsoring company to the Korean immigration office. However, the supporting documents to obtain a work permit may differ by type of visa. The work permit includes the applicant's visa type and period of sojourn.

Foreign nationals may be self-employed in Korea if they obtain the appropriate trade licenses or registration.

H. Residence permits

A foreign national who wishes to enter Korea must obtain a permit, which specifies the status and period of sojourn, from the Ministry of Justice. A foreign national who plans to stay in Korea for longer than 90 days must apply for an Alien Registration Card at the district immigration office within 90 days after the date of entry. Under the Immigration Control Law, individuals who are aged 17 or older must register their biometric details (fingerprinting) to apply for an Alien Registration Card.

Foreign nationals who intend to change their status of sojourn or diplomatic status must obtain permits to change the status of sojourn from the Ministry of Justice prior to commencing new activities.

A foreign national who intends to extend the sojourn period must obtain a permit of extension or a renewal of sojourn from the Ministry of Justice before expiration of the Alien Registration Card.

I. Family and personal considerations

Family members. Family members need separate permits and visas to accompany expatriates. These permits may be applied for jointly with an expatriate's permits.

A family member of a working expatriate must obtain a separate work permit to be employed legally in Korea. This permit may be applied for independently with the working expatriate.

Children of working expatriates do not need student visas to attend schools in Korea.

Driver's permits. Foreign nationals may not drive legally in Korea with their home country driver's licenses. However, an expatriate may drive for up to one year in Korea with an international driver's license. After one year, the expatriate must apply to have the license converted to a Korean license.

If an individual wishes to obtain a Korean driver's license, he or she must take a written exam and a standard physical exam.

Kosovo

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Kosovo declared its independence from Serbia on 17 February 2008. This chapter provides information on taxation in the Republic of Kosovo only. Because of the rapidly evolving economic situation in Kosovo, readers should obtain updated information before engaging in transactions.

A. Income tax

Who is liable. Individuals who are resident in Kosovo are subject to tax on their worldwide income. Nonresidents are subject to tax on income derived from Kosovo sources only.

The following are considered resident for tax purposes in Kosovo:
- An individual who has a principal residence in Kosovo
- An individual who is physically present in Kosovo for at least 183 consecutive or non-consecutive days in any 12-month period
- A personal business enterprise, partnership or association of persons that is established in Kosovo or has its place of effective management in Kosovo

Income subject to tax. Individuals are subject to tax on the following types of income:
- Employment income
- Rental income
- Income from the use of intangible property
- Income from interest
- Capital gains derived from sales of capital assets including movable and immovable property and securities
- Income derived from lottery gains
- Pensions paid according to the Law on Pensions in Kosovo
- Income from economic activity
- Other income, including other capital gains

Employment income. Employed persons are subject to income tax on remuneration and all benefits received from employment. Employment income includes the following:
- Salaries, bonuses, per diems and other forms of compensation; income from temporary work performed by an employee; and

income from prospective employment, such as a transition bonus
- Health and life insurance premiums paid by an employer for the employee
- Forgiveness of an employee's debt or obligation to the employer
- Payment of an employee's personal expenses by an employer
- Benefits in kind granted by an employer to an employee that exceed the amount of EUR65

Gross income from employment does not include the following:
- Reimbursement of travel expenses in accordance with the Instruction of the Personal Income Tax Law
- Indemnity for accidents at work
- Benefits in kind in the form of meal and transport

Self-employment and business income. Self-employment income consists of income generated, in cash or in goods, by a natural person who works for personal gain and who is not covered by the definition of an employee under the personal income tax law, including a personal business enterprise and a partner engaged in an economic activity.

Business income consists of income generated from economic activities, which include the following:
- Activities of producers, traders or other persons supplying goods or services, including mining and agricultural activities
- Activities of the professions
- Exploitation of tangible or intangible property for the purposes of obtaining income on a continuing basis

Taxpayers with gross income from business activities must make quarterly payments no later than 15 days after the close of each calendar quarter. The amounts of the quarterly payments are described below.

Taxpayers with annual gross income from business activities of up to EUR50,000 who are not required and do not opt to keep books and records must make the following quarterly payments:
- 3% of each quarter's gross income from trade, transport, agriculture and similar economic activities, but not less than EUR37.50 per quarter
- 9% of each quarter's gross income from professional, vocational and entertainment services and similar activities, but not less than EUR37.50 per quarter

Taxpayers with annual gross income in excess of EUR50,000 and taxpayers who are required or opt to keep books and records (including partnerships and groupings of persons) must make the following advance payments for each calendar year:
- For the first quarter, 25% of the total tax liability for the current tax period based on estimated taxable income, reduced by any amount of tax withheld
- For the second and subsequent tax quarters, one-fourth of 110% of the total tax liability for the tax period immediately preceding the current tax period, reduced by any amount of tax withheld

Rental income. Rental income includes any periodic compensation realized from the rental of real estate and other kinds of movable property.

Income from the use of intangible property. Income from the use of intangible property includes income from the following:

- Patents, inventions, formulas, processes, designs, patterns, trade secrets and know-how
- Copyrights including rights relating to literary, musical or artistic compositions
- Trademarks, trade names or brand names
- Franchises, licenses or contracts
- Methods, programs, systems, procedures, campaigns, surveys, studies, forecasts and estimates
- Customer lists
- Technical data
- Computer software
- Other similar rights

Taxpayers who receive income from intangible property must make quarterly payments of 10% of the taxable income received from intangible property in the calendar quarter.

Income from interest. Income from interest includes interest from loans, bonds or other securities and from bank deposits or saving accounts in other financial institutions except for interest from the assets of the Kosovo Pension Savings Trust or any other pension fund defined under the legislation on pension savings in Kosovo.

Capital gains. Capital gains income is discussed in *Capital gains and losses*.

Income derived from lottery gains. The organizer of a lottery must withhold a 10% tax from each payment to the winner and remit it to the tax authorities by the 15th day of the month following the month of payment.

Other income. Other income consists of all other types of income not identified in the categories mentioned above, including but not limited to gifts received by residents, if the value of such gifts exceeds EUR5,000 in a tax period (see Section B), and income from debt forgiveness.

Exempt income. The following types of income are exempt from personal income tax:

- Wages of foreign diplomatic and consular representatives and foreign personnel of embassies and foreign liaison offices in Kosovo and of specified representatives of the United Nations (UN) and certain other international governmental organizations
- Compensation for the damage or destruction of property
- Proceeds of life insurance policies payable as the result of the death of the insured person
- Replacement income, such as reimbursement or compensation for medical treatment and expenses, including hospitalization and medication, other than wages paid during periods of absence from work as a result of sickness or injury
- Wages of persons with disabilities as provided by the relevant laws for these categories
- Interest paid to resident or nonresident taxpayers on financial instruments that are issued or guaranteed by a public authority of Kosovo

- Income of a prime contractor or subcontractor, other than a resident, generated from contracts for the supply of goods and services to the UN and certain other international organizations in support of programs and projects for Kosovo
- Dividends received by resident and nonresident taxpayers
- Pensions and social welfare payments paid by the government
- Value of assets received as a result of inheritance if the heir is a spouse, biological or adopted child or parent of the deceased, if the inheritance value does not exceed EUR5,000
- Educational expenses paid by an employer on behalf of an employee provided that such expenses are paid directly to an educational institution that is legally recognized and that the employee remains employed by the employer for at least 24 months after the completion of the education
- Scholarships received by an individual to attend an institution of higher learning, trade school or vocational school, provided that the scholarship is paid directly to the institution and is not refundable to the student
- Training expenses paid by an employer for an employee to attend formal job-related training
- Subsistence expenses while attending a formal training program, up to a maximum specified in the relevant act
- Other training expenses, not including amounts equivalent to wages and salaries that are paid to beginners or apprentices
- Income received, including income in cash or in kind for nonbusiness natural persons, for expropriations made by the state for public interest
- Mandatory contributions paid by employers for health insurance for employees
- Compensation received through final decisions by courts and certain compensation for court costs
- Income in the form of remuneration from state institutions for achievements in science, sports and culture
- Income in the form of financial compensation to former political prisoners and other compensation for similar categories
- Income in the form of grants, subsidies and donations in accordance with the terms and conditions of the benefits
- Income subject to tax holidays and other special facilities for new businesses

Taxation of employer-provided stock options. No specific rules in Kosovo govern the tax treatment of employer-provided stock options. Stock options are subject to personal income tax at the moment of exercise.

Capital gains and losses. Income is realized through the sale or disposition of capital assets including real estate and securities. The tax base equals the amount by which the sale price exceeds the acquisition cost. The sales price of the capital asset is the sum of money received, plus any other compensation received for the sale, and is adjusted to the open market value if the parties are related persons and if the sale price is lower than the open market price. The cost of the capital asset is the amount that the taxpayer paid for the acquisition of the asset, increased for the cost of improvements and reduced by depreciation and other allowable expenditures.

Capital gains are recognized as business income and capital losses as business losses.

A capital gain is not recognized on the involuntary alienation of property to the extent that the consideration received for the alienation consists of either property of the same character or nature or that money is invested in property of the same character or nature within a replacement period of two years.

Gross income from capital gains does not include capital gains realized from the sale of assets of the Kosovo Pension Savings Trust or any other pension fund defined under the legislation on pensions in Kosovo.

If the price of a capital asset is to be paid in installments and if ownership is retained until the settlement of the price, the capital gain must be amortized on a straight-line basis over the life of the installment agreement. The amount of the gain attributable to a tax year must be reported on the tax declaration as income in that tax year.

Deductions

Personal deductions and allowances. Individuals may deduct pension contributions.

Business deductions. The following are considered to be business deductions:

- Expenses paid or incurred during the tax period that are wholly, exclusively and directly related to the generation of gross income from intangible property, rents or business activities, including premiums for health insurance paid on behalf of an employee and those dependents eligible to be included on the insurance policy of the employee
- Pension contributions paid by an employer provided they do not exceed the amount of pension contributions allowed by the applicable law
- Bad debts provided that certain criteria provided in the law are met
- For businesses with annual gross income of EUR50,000 or more and businesses that have opted to maintain books and records, expenses that are allowed and paid or accrued during the tax period
- Expenses, including the expenses of depreciation, related to operations and financial leasing
- Representation costs, limited to 1% of annual gross income
- Costs of advertising and promotion made through different forms of media
- Expenses for travel, meals, lodging and transportation limited to the amounts specified in a normative act by the Minister of Finance
- Compensation or emoluments paid to a related person, limited to the lesser of the actual salary or the open market value
- Interest, rent and other expenses paid to a related person, limited to the lesser of the actual amount and the open market value
- Depreciation expenditures, other than expenditures for land, works of art and certain other assets, owned by the taxpayer and used for the taxpayer's economic activity

- Depreciation of livestock, only if such animals are used in the course of economic activity
- Repair or improvement expense of EUR1,000 or less for any asset (may be deducted as an expense in the year that it is paid or incurred)
- Amortization of expenditures on intangible assets that have a limited useful life, including but not limited to patents, copyrights, licenses for drawings and models, contracts, and franchises (if the term of use is not defined by an agreement, amortization expenses are allowed up to 20 years)
- Amortization of research and development costs with respect to natural reserves of minerals and other natural resources and interest on amounts borrowed to finance such research and development, if they are added to a capital account

Deduction for charitable contributions. Contributions that are made for humanitarian, cultural, health, religious, scientific, sport and environmental purposes are allowed as deductions up to a maximum of 10% of taxable income computed before the charitable contributions are deducted.

Rates. Taxable income is subject to tax at the following rates.

Annual taxable income EUR	Tax rate %	Tax due EUR	Cumulative tax due EUR
First 960	0	0	0
Next 2,040	4	81.6	81.6
Next 2,400	8	192	273.6
Above 5,400	10	—	—

Credits. Resident taxpayers may credit the foreign income tax paid in other countries on the income realized in such countries. The amount of the foreign tax credit may not exceed the amount of Kosovo tax calculated on the foreign income.

Relief for losses. Business losses may be carried forward for up to six successive years and claimed as a deduction against any income in those years. If the business has an ownership change of more than 50% or if a personal business enterprise is changed to any other form of business (for example, legal entity or partnership), the tax loss is forfeited.

B. Other taxes

Property tax. Annual property tax is imposed on land and construction. The property tax is assessed every year and is determined by multiplying the taxable value of the property by the applicable tax rate. The tax rate ranges from 0.05% to 0.1% of the taxable value of the property. The taxable value is the appraised value of property after the principal residence deduction. The appraised value is determined every three to five years through a survey and is affected by the building area in square meters, value category, value zone and quality. An individual may deduct EUR10,000 from the appraised value if the property is established as the principal residence. The annual property tax rates for principal residences in Pristina and Peja are 0.11% and 0.09%, respectively.

Taxation of gifts. Kosovo does not impose estate, specific inheritance or gift taxes. However, as described below, gifts may be included in income.

The amount of monetary gifts or gifts in kind that exceed a value of EUR5,000 in a tax period is included in income and is subject to income tax. Gifts between spouses, from a parent to a child, or from a child to a parent are exempt from income tax, regardless of the amount or value of the gift. In addition, gifts given for educational purposes are exempt from tax if the gift is in the form of tuition paid directly to an educational institution recognized by the law, regardless of the relationship between the donor and recipient.

C. Social security

Employers and employees must each make pension contributions at a rate of 5% of the gross monthly salary, which cannot be lower than the minimum salary. The minimum base for the calculation of the pension contribution is the minimum national wage set by the Social Council of Kosovo. Currently, the minimum wage is EUR130 for employees under the age of 35 and EUR170 for other employees. Employers must pay the total amount of the contribution by the 15th day of the month following the month of the salary payment.

Employers and employees may each make voluntary contributions up to a total of 10% of monthly salary, resulting in a total maximum contribution of 15% of salary.

If wages are paid substantially in kind, employers and employees must each pay 5% of the market value of the payments in kind.

Self-employed individuals must make a contribution of 10% to 30% of the net amount of income (gross income less allowable deductions). Self-employed individuals must file quarterly statements of individual pension contributions and make quarterly payments of contributions within 15 days after the end of each calendar quarter.

D. Tax filing and payment procedures

The tax year in Kosovo is the calendar year.

Employers must submit a statement of tax withholding to the tax authorities by the 15th day of the month following the month of withholding. Each employer must provide to each employee a certificate of tax withholding in the form specified in a normative act issued by the Minister of Finance by 1 March of the tax year following the year of the withholding.

All taxpayers, including partnerships and groupings of persons, must submit an annual tax declaration on or before 31 March of the following tax year. Taxpayers who receive or accrue income from only the following sources are not required but may opt to submit an annual tax declaration:

- Wages
- Interest
- Rent if full payment of quarterly tax on rent has been made
- Lottery gains
- Income from intangible property
- Economic activities for which tax is paid quarterly
- Income for special categories (farmers, collectors of recycling materials, berries, herbs and similar categories)

E. Double tax relief and tax treaties

Kosovo has entered into double tax treaties with the following countries.

Albania	Hungary	United Arab Emirates
Austria	North Macedonia	United Kingdom
Belgium*	Slovenia	
Finland*	Switzerland	
Germany*	Turkey	

* Kosovo is applying these treaties, which were entered into by the former Republic of Yugoslavia.

Kosovo has signed double tax treaties with the Czech Republic, Luxembourg and Malta, but these treaties have not yet been ratified by the respective countries and are therefore not yet effective. Kosovo is negotiating a double tax treaty with Ireland.

The Kosovo government has introduced temporary international measures. Under these measures, if the existing laws relating to the international taxation of income and capital of persons in Kosovo do not address such taxation, they must be supplemented by application of the principles the Organisation for Economic Co-operation and Development Model Tax Convention of Income and Capital to avoid double taxation. However, after Kosovo enters into a mutual tax convention with another state, such temporary measures no longer apply.

F. Entry visas

In general, foreigners must obtain a visa before entering Kosovo. The government has provided a list of countries that are exempt from the visa requirements for entry into and travel and stay in Kosovo for up to 90 days for every six months. Citizens of European Union (EU) states, the Schengen area, Albania, Andorra, Monaco, Montenegro, San Marino, Serbia and Vatican City may enter into and travel and stay in Kosovo by presenting a valid biometric identification card.

Citizens who hold diplomatic and service passports issued by China, Egypt, Indonesia, the Russian Federation and Ukraine may enter Kosovo and stay for up to 15 days.

Citizens of countries subject to the Kosovo visa regime who hold a valid residence permit or multi-entry visa issued by countries of the EU, the Schengen area, Australia, Canada, Japan, New Zealand and the United States can enter into or travel or stay in Kosovo for up to 15 days.

Holders of travel documents issued by Taiwan are exempt from the visa obligation if they preliminarily notify the Diplomatic or Consular Mission of the Republic of Kosovo at least two weeks in advance.

Holders of valid travel documents issued by the Hong Kong Special Administrative Region (SAR) and the Macau SAR are exempt from the obligation to obtain a visa to enter Kosovo. Holders of travel permits issued by the Council of Europe, the EU, the North American Treaty Organization, the Organization for Security and Co-operation in Europe or UN organizations are exempt from the visa requirement, regardless of nationality.

G. Work permits

Foreigners can work in Kosovo on the basis of a work registration certificate if the work period does not exceed 90 days within a one-year period. Foreigners who intend to stay for work purposes for a longer period also need a residence permit. The competent authority responsible for the issuance of work registration certificates is the Department of Labor and Employment within the Ministry of Labor and Social Welfare.

To obtain a work registration certificate, the applicant must submit the following documentation:
- Application form
- Employment contract
- Certificates of education and other training
- Business registration certificate of the employer
- Evidence of payment of the relevant administrative fee

H. Residence permits

Foreigners may stay in Kosovo for up to three months in a six-month period without a residence permit. If the individual intends to stay for more than three months in Kosovo, an application for a residence permit must be made at the Department of Citizenship, Asylum and Migration under the Ministry for Internal Affairs of Kosovo. Temporary residence permits are issued for a period of up to one year. Foreigners who have been residents of Kosovo for an uninterrupted five-year period may obtain a permanent residence permit. For a permanent residence permit for the purpose of family reunification on the grounds of marriage, an uninterrupted three-year stay is required. The applicant's presence is required at the moment of application, registration and obtaining the residence permit. To obtain a temporary or permanent residence permit, the applicant must submit the following documentation:
- Application form
- Passport
- Bank account statement or other evidence certifying the possession of sufficient means for living
- Evidence of appropriate housing such as a lease contract or property-ownership certificate
- Health insurance policy
- Criminal record certificate issued from the last place of residence
- Employment contract and certificates of education and training or certificate of enrollment from the relevant educational institution
- Family or marriage certificate, as applicable
- Business extract from the commercial register
- Certificate issued by the Kosovo tax administration that certifies the settlement of tax liabilities by the company

Notification of the approval or rejection of a temporary or permanent residence permit request is given 30 days or 60 days, respectively, from the application date.

I. Family and personal considerations

Work visas for family members. A foreigner resident in Kosovo on the basis of a temporary residence permit for the purpose of family reunification may apply for a work permit.

Marital property regime. The marital property regime in Kosovo is based on the principle of the joint ownership of subsequently acquired property. In accordance with this principle, property acquired after the marriage is deemed to be jointly owned by the spouses in equal parts, unless otherwise stated in a written agreement complying with the formal requirements of the property law. The law distinguishes separate properties from the joint property of spouses even after a civil marriage.

The following are considered to be the separate property of spouses:
- Property that belonged to the spouse before entering into marriage and that remains his or her property
- Property acquired during marriage through inheritance, donation or other forms of legal acquisition
- Product of art, intellectual work or intellectual property, which is the separate property of the spouse who created the product
- Property belonging to the spouse based on the proportion of common property

Each spouse independently administers and possesses his or her separate property during the course of the marriage.

The following are considered to be the joint property of the spouses:
- Property acquired through work during the course of the marriage and income derived from the property
- Intangible and obligatory rights of the spouses
- Property acquired jointly through gambling games

The apportioning of joint property can be carried out when spouses determine or request a determination of their shares in their joint property. In the absence of an agreement between the spouses, the share of each spouse is decided by the court. The decision is based on an evaluation of all circumstances, including the personal income and other revenues of each spouse and assistance provided by one spouse to the other spouse, such as children's care, conduct of housework, care and maintenance of property and other forms of work and cooperation pertaining to the administration, maintenance and increase of the joint property.

Forced heirship. Kosovo succession law provides for forced heirship with respect to compulsory heirs. The following are compulsory heirs:
- Decedent's spouse, parents, descendants and adopted children
- Descendants of decedent's descendants and adopted children
- Decedent's grandparents and siblings, but only if they suffer from permanent and total disability that prevents them from working and if they lack means for living

The compulsory heirs have the right to the part of the hereditary property that the decedent cannot dispose of. This is called the compulsory share. The compulsory share of the descendants and of the spouse is one-half, and the compulsory share of other compulsory heirs is one-third of the share that the compulsory

heir would have obtained as heir at law, according to the provisions on inheritance by rank.

Driver's licenses. Foreign citizens may drive legally in Kosovo with their valid home-country driver's licenses for a term of one year from their date of entry into Kosovo.

Kuwait

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A. Income tax

No income taxes are currently imposed on individuals in Kuwait.

B. Other taxes

Net worth, estate and gift taxes are not imposed on individuals in Kuwait.

C. Social security

For Kuwaiti employees, contributions are payable monthly by both the employer and employee under the Social Security Law. The employer's social security contribution is 11.5%, up to a salary ceiling of KWD2,750 per month. Consequently, the maximum employer contribution is KWD316.25 per month. The employee social security contribution rate is 10.5%. For calculation purposes, the cap amounts vary. For 2.5%, the cap amount is KWD1,500 and for 8%, the cap amount is KWD2,750. Consequently, the maximum employee's contribution is KWD257.50.

Benefits provided, which are generous, include pensions on retirement and allowances for disability, sickness and death.

For employees who are nationals of other Gulf Cooperation Council (GCC) member countries, contributions are payable monthly by both the employer and the employee at varying rates, which are applied to the employee's monthly salary.

A health insurance scheme applies for all expatriate residents of Kuwait. The annual premium is payable at the time of initial application or renewal of the expatriate's residence permit. The premium is KWD50 for expatriates working in Kuwait, from KWD30 for their children, KWD40 for the spouse and KWD50 for children who are more than 18 years old. For other resident expatriates, KWD4 is added to the premium as government charges. No other social security obligations apply to expatriates. However, expatriate employees are entitled to end-of-service benefits, which are described in *End-of-service benefits*.

End-of-service benefits. End-of-service benefits for expatriate employees are described below.

Employees who are paid on daily, weekly, hourly or piecework basis are entitled to 10 days' remuneration for the first five years of service and 15 days' remuneration for each year thereafter.

Employees who are paid on monthly basis are entitled to 15 days' remuneration for each of the first five years of service and one month remuneration for every year thereafter. However, for employees whose work contract has an indefinite term, in case of resignation, they are entitled to half of the end-of-service benefits for a period of service not less than three years and not more than five years. If the period of service is more than 5 years but not more than 10 years, the employee is entitled to two-thirds of the benefit. For a period of service above 10 years, the employee is entitled to the entire end-of-service benefit. In case of a termination, the employee receives the end-of-service benefits even if the service period is less than three years.

Many employers choose not to follow the above rule of providing half or two-thirds of the entitlement.

D. Tax treaties

Kuwait has entered into double tax treaties with more than 60 countries. In addition, double tax treaties have been signed or initialed, but not yet ratified, with several other countries.

E. Entry visas

Nationals of GCC member countries do not require visas to visit Kuwait.

Nationals of certain specified countries, which are Canada, the United States, several European countries and a few Far Eastern countries, are given entry visas on arrival at the Kuwait airport. Nationals from other countries must arrange for entry permits before traveling to Kuwait.

The tourist permit obtained on arrival enables a visitor to stay for a maximum of one month in Kuwait. A fine of KWD10 per day is imposed for staying in the country after the expiration of the visa, and violators may also be imprisoned.

All visas in Kuwait are issued for a definite time period. Visas for short visits, usually one month, are issued to business visitors and to certain family members of residents (see Section H).

Business visas are issued to employer-sponsored or business-sponsored applicants. These may be obtained by a sponsor or host in Kuwait (for example, local hotels, local agents or partners in joint ventures) from the Department of Immigration or the Ministry of Interior before travel. To obtain a business visa, photocopies of a passport showing the personal information of an applicant (validity not less than six months from expiration date) and the applicant's university degree, as well as an application form signed by a Kuwaiti sponsor, are normally required. After the visa is obtained by the sponsor, it may be collected by the visitor at the Kuwait International Airport. It is also possible to obtain a business visa by personal application to the nearest Kuwait embassy or consulate.

F. Work permits and self-employment

Procedures. Under Kuwait labor law, work permits are issued by the Public Authority of Manpower. As a result of a shortage of qualified Kuwaitis, a large part of the workforce in Kuwait is made up of non-Kuwaiti Arabs, Europeans, Americans and Asians. It is expected that the employment of expatriate workers will continue to be essential for the foreseeable future.

Employers must obtain work permits from the Public Authority of Manpower for foreign, nationals, GCC nationals and Kuwaitis. Foreign nationals, other than the GCC nationals, get residency in Kuwait based on the period of the work permit, to take up employment. All expatriates must have Kuwaiti sponsors to obtain work permits.

Work permits are issued by the Public Authority of Manpower after the authority considers various factors, including an employer's requirement for the labor, the availability of labor in the country and the composition of the population of the country. Issuance of work permits is sometimes banned temporarily based on the aforementioned factors. It usually takes one month to obtain a work permit if no ban is in effect. Work permits must be activated by employees when they arrive to take up residence in Kuwait, with a fee of KWD60, KWD70 or KWD80 for one, two or three years, respectively. The permits are valid for a maximum of three years from the date of issuance.

To obtain a work permit, an employer must submit a copy of the employee's passport (not less than two years from the expiration date) and sign an application form. In certain cases, authenticated copies of the educational certificates of the employees must also be submitted. After the work permit is issued, it is sent by the employer to the country of origin of the foreign national for presentation at the point of entry into Kuwait.

It is no longer possible to convert a visit visa into a work permit. The employee must have a work visa to enter Kuwait. The employer arranges for the work visa. The employee is required to obtain attested copies of his or her university degree and police clearance certificate from his or her country of residence and provide these to the employer after he or she arrives in Kuwait. After the employee enters Kuwait on a work visa, the employer will have the work visa converted into a work permit. Medical examination is required twice, in the home country of the employee and before getting the residency on the passport.

Payment of salaries through local bank accounts. The Ministry of Social Affairs has announced that it will impose stiff penalties if companies fail to comply with the requirement to pay salaries to employees through local bank accounts in Kuwait.

Noncompliance with such regulations may also affect the ability of the companies to obtain or renew work permits for workers in Kuwait.

G. Residence permits

On arrival in Kuwait, an employee with a work permit must apply to the Department of Immigration for a residence permit. The residence permit, which costs KWD10 per year, is usually

arranged within two months after arrival in Kuwait. Residence permits can be issued for up to three years at a time, with renewal for maximum additional three-year periods available at the request of the employer. All residents in Kuwait (employees and workers in the private sector) must take government medical insurance, which costs KWD50 per year.

All residents in Kuwait must obtain identity cards (Civil ID), which must be carried at all times. The Civil ID is obtained from the Public Authority for Civil Information after a residence permit is issued.

Foreign nationals with resident status in Kuwait may travel in and out of the country without restriction if the stay outside of Kuwait does not exceed six consecutive months. Resident status is canceled if a resident stays outside Kuwait longer than six consecutive months. No exit permit is required.

Procedures for obtaining a residence permit include a medical examination, which costs KWD10 and this includes tests for HIV antibodies and for tuberculosis. The procedures also involve fingerprinting. International vaccination certificates are not required for entry into Kuwait.

H. Family and personal considerations

Family members. Expatriates with residence permits in Kuwait may obtain visit or dependent visas for their spouses and dependent children, and visit visas for other family members. Dependent visas may be issued for a period of up to three years and are renewable for additional periods. Family visit visas for the spouse and children are issued for a period of three months. The family visit visa for parents is issued for a period of one month. The family visit visa for parents is granted only if the year of birth of the parents is after 1950. A person who enters Kuwait on a dependent or visit visa may not take up employment until they complete one year under the sponsorship of family.

Family visit visa. Family visit visas may be obtained by residents of Kuwait for certain family members. These visas are valid for one month from the date of issuance and allow visitors to stay in Kuwait for a maximum period of three months. The following documents are normally required to apply for a family visit visa:

- Copy of the passport of the prospective visitor
- Affidavit in Arabic stating the relationship of the prospective visitor to the resident (sponsor) applying for the visa, attested to by the embassy of the sponsor's home country and by the Ministry of Foreign Affairs of Kuwait
- Marriage certificate if the visa applicant is a spouse, attested to in the same way as the affidavit mentioned above
- Copies of the work permit and Civil ID of the sponsor
- Application form signed by the sponsor

Dependent visa. Spouses and dependent children 18 years of age or younger may obtain family or dependent visas if the monthly salary of the employee is at least KWD450 (this amount could be higher in some cases) for private-sector employees (female children who are older than 18 years and not married may also obtain dependent visas). Persons holding dependent visas may not take

up employment in Kuwait until they complete one year under the sponsorship of family.

Education. Kuwait places great emphasis on providing schools at all levels for its population. Education is compulsory for children 6 to 14 years of age. The free government schools are for Kuwaiti nationals, nationals of Somalia and Yemen, and the children of the foreign nationals' teachers who are working in the Ministry of Education; however, a wide range of private schools is available. These come under the inspection program of the Ministry of Education, but are otherwise self-governing. Private education is relatively expensive, with normal fees ranging from KWD700 per year at the kindergarten level to KWD3,800 per year for high school. British, American, French and other curricula are available.

Children on dependent visas may study in any of the private schools. Admission to Kuwait University is restricted to Kuwaitis, dependent children of Kuwait University professors and members of diplomatic missions in Kuwait. For other expatriate residents, special permission is required from the Minister of Education for admission to Kuwait University. Such permission is given in rare cases.

Driver's permits. Holders of foreign driver's licenses, except for driver's licenses issued by GCC countries and the other countries mentioned below, may not drive in Kuwait. Holders of visitors' visas may drive with international driver's licenses, which should be endorsed at the Traffic Department after local insurance is obtained.

Kuwait has driver's license reciprocity with GCC countries, most European Union (EU) countries, Australia, Canada, Japan, Korea (South) and the United States. Nationals and residents of these countries may drive in Kuwait with driver's licenses from the countries.

Holders of resident visas must obtain Kuwait driver's licenses. These may be obtained quickly on presentation of a European or American driver's license. Other applicants must apply for learner's permits and then take driving tests. In these instances, unless a person has a driver's work visa, driver's licenses are restricted to certain categories of professionals, including medical professionals, engineers and accountants.

To obtain a learner's permit, an applicant must have his or her eyesight tested at one of the government hospitals. Copies of the person's home country driver's license and a certificate of qualification are required. These documents must be translated into Arabic and attested to by the embassy in the expatriate's home country and by the Ministry of the Interior in Kuwait.

After a learner's permit is obtained, a verbal examination is administered at the Traffic Department. A practical driving test is then given. Private driving schools are available to help prepare for these tests. The whole process of obtaining a driver's license usually takes one to two months.

To obtain a driver's license, the conditions mentioned below need to be fulfilled. Exceptions to these conditions exist in some cases and vary on a case-by-case basis. The following are the conditions:

- The gross monthly salary of the applicant must be a minimum of KWD600.
- The designation mentioned on the residence permit should be in the qualifying list for a driver's license (for example, engineers, accountants and medical professionals)
- The applicant must have a minimum stay of two years in Kuwait.

Laos

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A. Income tax

Who is liable. Under Tax Law No. 70/NA, dated 15 December 2015, income tax is imposed on the income of individuals and legal entities that generate income in Laos. The following persons, among others, must pay income tax in Laos:

- Persons who generate income in Laos
- Individuals resident in Laos who work and generate income in a foreign country and are exempted from having to pay income tax abroad
- Lao employees who work in embassies, consular offices or international organizations in foreign countries and generate income in Laos
- Foreigners who work in Laos and receive salary in Laos or foreign countries, unless an applicable double tax treaty provides otherwise

Income subject to tax

Employment income. Employment income includes salaries, wages, bonuses, overtime payments, salary advances, honoraria, allowances for members of boards of management and other benefits in cash or in kind.

Business income. Under Tax Law No. 70/NA, dated 15 December 2015, profit tax is a direct tax imposed on the profits of enterprises, including individuals who engage in business activities. For the rates of profit tax, see *Rates*.

Other income. The following types of income are also subject to tax:

- Dividends and profits or other benefits paid to shareholders or partners and profits from the sale of shares
- Interest income from loans, commissions from brokerage or agency and income from guarantee fees received according to contracts or other binding obligations
- Income from prizes, lotteries in cash or in kind over LAK5 million

- Income from leases such as leases of land, houses, vehicles, constructions, machines or other property
- Income from intellectual property such as patents, copyrights, trademarks or other rights
- Income from the sale or transfer of land, constructed items or land with construction

Exempt income. The following are significant types of exempt income:
- Salary of up to LAK1 million
- Profit from the sale of shares on the Laos Securities Exchange
- Allowances for a wife or child of up to 18 years old, maternity, sickness, occupational accident, one-time allowances, pensions and per diems for students, as provided under the current regulations
- Dividends paid to partners or shareholders of the companies listed on the Lao Securities Exchange unless otherwise indicated in specific rules
- Income from the provision of public services, such as artistic activities, sports and other activities approved by relevant agencies
- Interest on deposits and on government bonds or debentures
- Individual or corporate life and property insurance payments

Personal deductions and allowances. Amounts withheld for pension funds and certain other welfare funds are deductible.

Rates

Employment income. The following progressive tax rates are imposed on employment income.

Taxable income LAK	Tax rate %	Tax due LAK	Cumulative tax due LAK
First 1,000,000	0	0	0
Next 2,000,000	5	100,000	100,000
Next 3,000,000	10	300,000	400,000
Next 6,000,000	12	720,000	1,120,000
Next 12,000,000	15	1,800,000	2,920,000
Next 16,000,000	20	3,200,000	6,120,000
Above 40,000,000	24	—	—

Business income. The following are the progressive rates of profit tax, is imposed on private enterprises, including freelancers who engage in business activities.

Taxable income LAK	Tax rate %	Tax due LAK	Cumulative tax due LAK
First 3,600,000	0	0	0
Next 4,400,000	5	220,000	220,000
Next 7,000,000	10	700,000	920,000
Next 10,000,000	15	1,500,000	2,420,000
Next 15,000,000	20	3,000,000	5,420,000
Above 40,000,000	24	—	—

Other income. The following are the flat tax rates applicable to other types of income.

Type of income	Rate (%)
Dividends or other benefits received by shareholders or partners	10
Profits from the sale of shares	
Sale with supporting documents for cost (tax rate applied to gain)	10
Sale without supporting documents for cost (tax rate applied to gross sales price)	2
Interest, commission from brokerage or agency and income from guarantees according to contracts or other binding obligations	10
Income from prizes and lotteries in cash or in kind over LAK5 million	5
Income from the leasing of land, houses, vehicles, machines or other properties	10
Income from intellectual property such as patents, copyrights, trademarks and other rights	5
Income from the sale or transfer of land-use rights, constructions or land with construction	
Sale with supporting documents for cost (tax rate applied to gain)	5
Sale without supporting documents for cost (tax rate applied to gross sales price)	2

Foreign investment enterprises entitled to a 10% income tax rate for their employed foreigners under the provisions of the Law on Promotion of Foreign Investment in Laos No. 11/NA, dated 22 October 2004, may continue to apply the preferential 10% income tax rate on the income paid under labor contracts and/or agreements signed and/or extended before 1 March 2011 until expiration of such labor contracts/agreements.

B. Social security

Contributions. Under the Law on Social Security System No. 34/NA, the rates for social security contributions in Laos are 5.5% for employees and 6% for employers. These rates are applied to salaries up to LAK4,500,000, effective from 1 January 2017. Consequently, the maximum monthly contributions are LAK247,500 for employees and LAK270,000 for employers.

Coverage. Social security applies to the following:
- State organizations
- Public and social organizations
- Enterprises and other business entities that employ labor and pay salary
- Individual freelancers and volunteers

Under Instruction No. 2751/MLSW, dated 24 July 2015, foreign employees who work for a labor unit in Laos and have salary or wages are subject to Lao social security contributions.

C. Tax filing and payment procedures

Payroll taxes are deducted at source and payable by the 15th day of the following month to the tax authorities. The employer is

responsible for the filing of the return and payment of the taxes with the authorities.

Tax on rental income must be declared within 10 days after receipt of the income. The recipient of the income must file a tax declaration with the authorities.

Entities or individuals who make certain payments must withhold tax and file a declaration within 10 days after making such payments. The following are the payments:
- Dividends
- Interest on loans
- Payments for intellectual property
- Payments for the transfer of shares
- Payments for the transfer of land and constructions
- Payments for prizes and lottery wins over LAK5 million

D. Tax treaties

Laos has entered into double tax treaties with several countries, including Belarus, Brunei Darussalam, China, Indonesia, Korea (North), Korea (South), Luxembourg, Malaysia, Myanmar, Singapore, Thailand and Vietnam.

E. Entry visas

Types of visas. The various categories of visas for foreign nationals entering Laos are described below.

Diplomatic and Official (D-A1 and S-A2). Diplomatic (D-A1) visas are issued to diplomats from United Nations' agencies and other international organizations and their dependents (spouse and children) holding diplomatic passports. Official (S-A2) visas are issued to staff members of diplomatic missions, consulates, United Nations' agencies, and other international agencies and their dependents (spouse and children) holding official passports.

Courtesy (C-B1). Courtesy (C-B1) visas are issued to foreign experts holding diplomatic, official and ordinary passports and performing assignments under bilateral cooperation or grant assistance projects for the government of Laos. They are also issued to the dependents of such persons.

Business (NI-B2 or I-B2). Business (NI-B2 or I-B2) visas are issued to foreign businesspersons and their family members who invest in or collect information about business in Laos.

Expert (E-B2). Expert (E-B2) visas are issued to the following:
- Experts and staffs of nongovernmental organizations (NGOs) who are authorized to operate in Laos
- Experts and scholars, including their family members, who enter into hire contracts or business contracts with the government, private companies or other international organizations

Student (ST-B2). Student (ST-B2) visas are issued to students who come to Laos to study, research, collect information or technically train.

Media (M-B2). Media (M-B2) visas are issued to foreign journalists and media operators who convey news in Laos.

Labor (LA-B2). Labor (LA-B2) visas are issued to foreigners who become employees in Laos, including their family members.

Spouse (SP-B3). Spouse (SP-B3) visas are issued to foreigners who marry Lao citizens in accordance with the government's regulations and procedures.

Tourist (T-B3). Tourist (T-B3) visas are issued to foreign visitors for the purpose of holiday and tourism in Laos.

Short-term (NI-B3). Short-term (NI-B3) visas are issued to the following:
- Foreigners who are authorized to join a meeting, training or temporary study tour in Laos
- Foreigners who want to visit parents, cousins and friends or collect information for investment, trading and other purposes that are legal and follow the regulations of Laos

Long-term (I-B3). Long-term (I-B3) visas are issued to the following:
- Foreigners having a mission to protect and build the nation, including people who are beneficial to Laos and intend to have long stay in Laos
- Foreigners who intend to have long stay in Laos and deposit at least USD20,000 in a bank account of a bank in Laos if they intend to stay in Laos for six months or at least USD40,000 if they intend to stay in Laos for a year

Permanent (P-B3). Permanent (P-B3) visas are issued to foreigners who are authorized to have permanent stay in Laos.

Transit (TR-B3). Transit (TR-B3) visas are issued to foreign visitors who travel through Laos to a third country.

Visa application procedures. Embassies or general consulates of Laos in foreign countries can approve tourist visas, short-term visas and transit visas for foreigners who want to enter and leave Laos not more than two times. Other types of visas must be first approved by the Ministry of Foreign Affairs.

The immigration authority at the International Checkpoint Unit in the country can approve tourist visas, short-term visas and transit visas for foreigners who want to enter and leave Laos only one time. Other types of visas must be first approved by Ministry of Foreign and Affairs.

Documentary requirements. An applicant must submit the following documents to obtain a visa:
- An application form completed and signed by the applicant
- Two recent 4 cm x 6 cm photographs

In addition, the individual must have a passport with a remaining validity of at least six months.

F. Work permits

To work in Laos, a foreign national must obtain a labor visa and apply for a work permit and foreign identity card.

Labor units that receive authorization to import foreign labor must register and apply for a work permit within one month from the date of receiving authorization.

A work permit is issued at the same time as a labor visa and expires in accordance with the employment contract.

The duration of temporary work permits may not exceed three months for labor imported for a probationary period, for monitoring and evaluation of projects or for the installation and reparation of machinery in accordance with an equipment sales contract.

Work permits are issued for a period of not more than 12 months and an extension may be requested for a period of not more than 12 months. The total working period may not exceed five years.

The employer must submit an application dossier to the Labor and Social Welfare Department. The application dossier must contain the following items:

- Letter requesting the issuance of a work permit for the employee
- Application form for an identification card
- Invitation letter to the foreign employee
- Copy of passport
- Copy of labor visa

Any document certified in a foreign country must be translated into Lao and legally notarized.

G. Family and personal considerations

Family members. The spouse of a multiple-entry visa and work permit holder does not automatically receive the same type of authorization. A separate application must be filed jointly with the expatriate's application.

Driver's permits. A foreign national with a home country driver's license can apply for an equivalent driver's license in Laos.

Latvia

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A. Income tax

Who is liable. Residents are subject to Latvian personal income tax on their worldwide income. Nonresidents are subject to tax on their Latvia-source income.

Under the Latvian law, an individual is considered to be a resident of Latvia if any of the following conditions are satisfied:
- The individual's registered (declared) place of residence is located in Latvia.
- The individual stays in Latvia for 183 days or longer in a 12-month period beginning or ending during the tax year.
- The person is a citizen of Latvia and is employed abroad by the government of Latvia.

In general, individuals who do not meet the above requirements are considered to be nonresidents of Latvia for tax purposes. In determining residency for tax purposes, the provisions in Latvia's double tax treaties must be considered.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Progressive personal income tax is imposed on employment income earned by individuals at the following rates.
- Up to EUR20,004 per year (EUR1,667 per month): 20%
- From EUR20,004.01 to EUR62,800 per year (from EUR1,667.01 to EUR5,233 per month): 23%
- More than EUR62,800 per year (more than EUR5,233 per month): 31.4%

For employees who are subject to the Latvian social security system, the employer withholds tax at 20% and 23% rates from total employment income. The 20% tax rate can be applied only by an employer to which the employee submitted a salary tax book (an electronic set of data summarizing information that affects the application of personal income tax). For employees who are subject to a foreign social security system (in possession of a valid A1 Certificate or Certificate of Coverage), the employer is responsible for withholding and payment of personal income tax at rates of 20%, 23% and 31.4%.

Fringe benefits, including employer-provided lodging and car usage, are also taxable.

Self-employment and business income. The income of individuals engaged in self-employment activities is subject to personal income tax at the following progressive rates:
• Up to EUR20,004 per year: 20%
• From EUR20,004.01 to EUR62,800 per year: 23%
• More than EUR62,800 per year: 31.4%

For purposes of determining income tax on self-employment income, taxable income equals gross income minus eligible expenses.

Individuals performing business activities in certain specified areas (for example, florists and beauty and hair-care services) may choose to pay the fixed patent fee instead of paying personal income tax and social security contributions based on the amount of income. Pensioners are allowed to pay a reduced patent tax on their economic activity. The option of paying a fixed patent fee and reduced patent fee is available if certain conditions specified by the law are satisfied. The amount of the patent fee varies from EUR50 to EUR100 per month, depending on the type of business activities performed and the place where these activities are carried out. The amount of the reduced patent fee is EUR17 per year or EUR9 per half year.

Investment income. For residents and nonresidents, the following investment income is taxed at a rate of 20% as income from capital other than capital gains:
• Dividends and income related to dividends
• Interest income and income related to interest
• Income from contributions in private pension funds
• Income from concluded life insurance contracts with the accumulation of funds
• Income from individual management of financial instruments according to the investor's mandate
• Income from investment account

Directors' fees. Board members of resident and nonresident companies are subject to personal income tax at progressive rates, regardless of whether the fees are paid by Latvian-registered companies or foreign companies. The personal income tax rates are the same as those for employment income.

Rental income. Income from rent of own property is subject to personal income tax at a rate of 10% if the individual registers the rent agreement with the tax authorities within the period set by

legislative acts and does not incur a substantial amount of business-related expenses.

Lotteries and gambling. Lotteries and gambling wins are subject to personal income tax at progressive rates if the amount (value) of the prizes during the tax year exceeds EUR3,000. The personal income tax rates are the same as those for employment income.

Taxation of employer-provided stock options. Under Latvian laws, employee income from employer-provided stock options is exempt from tax if the following conditions are met:

- The holding period of the stock options is 36 months or longer.
- During the period of holding the stock options, the employee is employed by the company (or an affiliated company) that issued the stock options.
- The employer submits certain information required by the personal income tax law to the tax authorities.

If the abovementioned conditions are not met, income derived from the exercise of employer-provided stock options is subject to personal income tax at progressive rates (social security contributions also need to be paid). The personal income tax rates are the same as those for employment income. Income derived from the exercise of employer-provided stock options is calculated as the difference between the market value at the time of exercise and the acquisition value.

Income from a substantial participation in a foreign entity. Income from a substantial participation in a foreign entity that is registered in a low-tax country is subject to income tax, regardless of whether the profit is distributed to the individual.

Benefit from use of company's car. The use of an employer's car for private purposes is considered to be a benefit to the employee that is subject to personal income tax, unless the employer has paid tax on the use of its vehicles. The amount of tax for the use of vehicles ranges from EUR29 to EUR62, depending on the vehicle's engine capacity.

Capital gains. Capital gains are taxed at a rate of 20% in Latvia.

Capital gains equal the difference between the disposal price of a capital asset and the acquisition price of that capital asset. In the event of the liquidation of a company, the capital gains on investments in share capital equal the difference between the liquidation quota and the investment value.

The following are considered to be capital assets:

- Shares, investments in partnerships and other financial instruments
- Investment fund certificates and other transferable securities
- Debt securities (promissory notes, certificates of deposit and short-term debt instruments issued by companies) and other money instruments
- Real estate (with certain exceptions)
- Investment in cryptocurrency
- A company within the meaning of the commercial law
- Intellectual property

- Investment gold and other precious metals, and transaction objects in currency trading exchanges or goods' exchanges

Capital gains derived from the sale of real estate are not taxable if any of the following circumstances exist:

- The individual has owned the real estate for more than 60 months, and the address of the real estate had been the person's declared place of residence for at least 12 months before the sale.
- The individual has owned the real estate since it was registered in the Land Register for more than 60 months, and the real estate had been the only real estate possessed by the individual.
- The individual had owned only the real estate declared in the Land Register and the income from the property sale is invested in functionally similar property within 12 months after the sale of the real estate.

Sales of other types of personal property in one-off transactions that are not part of a commercial activity are not subject to personal income tax.

Income, including sales income, from government promissory notes is not subject to personal income tax.

Deductions

Deductible expenses. Individuals may deduct the employees' portion of social security contributions from the income reported on their tax returns. They also may deduct the employees' portion of payments in other European Union (EU)/European Economic Area (EEA) member states that are essentially similar to social security contributions and that are determined by legislative acts of such states if the respective payments have not been deducted in the other state.

Personal deductions and allowances. Individuals may deduct the following expenses from the income reported on their tax returns:

- Contributions to private pension funds and to life insurance schemes with the accumulation of contributions. However, the deduction for the sum of both types of contributions is limited to 10% of annual taxable income, but not more than EUR4,000 per year.
- Contributions to life insurance schemes without the accumulation of contributions and to health or accident schemes. However, both types of contributions are limited to 10% of annual taxable income but not more than EUR426.86 per year.
- Medical expenses, expenses for professional education and donations to acceptable charitable organizations and governmental institutions. However, such expenses are limited to 50% of annual taxable income, but not more than EUR600 per year.

The current differentiated nontaxable minimum (used to reduce the amount of taxable income) ranges from EUR0 to EUR230 per month, depending on an individual's income. For an individual whose monthly income does not exceed EUR440, the full amount of the nontaxable minimum applies. However, for income between EUR440 and EUR1,100 per month, the nontaxable minimum decreases, and if the income exceeds EUR1,100 per month, the nontaxable income minimum equals EUR0.

A parent may deduct EUR230 per child per month.

The above tax allowance in the amount of EUR230 cannot be applied for unemployed spouses, parents, grandparents and other family members, unless these persons have a disability status and do not receive a state pension. Effective from 1 July 2018, the allowance in the amount of EUR230 applies to an unemployed spouse if any of the following conditions are satisfied:

- He or she has a dependent child under the age of 3.
- He or she has three or more children under the age of 18 or 24 and at least one child is under 7 years old, and the children pursue basic, professional, higher or special education.
- He or she has five children under age of 18 or 24, and the child pursues professional, higher or special education.

Income tax paid abroad may be credited against tax payable in Latvia. The amount of the credit is limited to the amount of the tax paid on the income in Latvia.

If a Latvian resident earns employment income for work in the EU, EEA or in a country with which Latvia has entered into a double tax treaty, and if the respective income is subject to income tax in the work country, the income is non-taxable in Latvia. As a result of the automatic exchange of information between tax authorities, Latvian tax residents who work in EU countries are exempt from the submission of an annual personal income tax return in Latvia. However, Latvian tax residents who work in other countries must declare the foreign employment income in their annual personal income tax returns in Latvia and must attach a document issued by the foreign tax administration stating the type, amount of income received and amount of tax paid.

Personal deductions for medical and educational expenses may not be claimed by nonresidents, except for nonresidents who are residents of another EU/EEA member state and have derived more than 75% of their total income from Latvia in the tax year.

Business deductions. Costs for materials, goods, fuel and energy, salaries, rent and leases, repairs and depreciation on fixed assets, and other costs may be deducted from the taxable income of a self-employed individual.

Expenses incurred to obtain intellectual property rights are deductible, subject to limits set forth in rules of the Cabinet of Ministers.

Rate. The following progressive personal income tax rates are imposed on taxable income earned by individuals at the following rates.

- Up to EUR20,004 per year: 20%
- From EUR20,004.01 to EUR62,800 per year: 23%
- More than EUR62,800 per year: 31.4%

Relief for losses. Self-employed individuals may carry losses forward for three years.

B. Other taxes

Property tax. Property tax is imposed on individuals, legal entities and nonresidents that possess or hold Latvian land, buildings and engineering constructions. The property tax rate, which is set

by the municipalities, ranges from 0.2% to 3% of the cadastral value of land, buildings and constructions (however, see below the rates for houses and flats not used for commercial purposes). A municipality can apply a rate exceeding 1.5% of the cadastral value only if the property is not maintained in accordance with the required standards. Agricultural land that is not cultivated (except for land that has an area not exceeding one hectare and land subject to limitations on its use for agricultural activities), collapsed buildings that are environment-degrading and buildings hazardous to personal safety are subject to 3% real estate tax. Engineering constructions that are owned by natural persons and that are not used for commercial activities and ancillary buildings (if certain conditions are met) are exempt from property tax.

The following are the property tax rates for houses and flats not used for commercial purposes:
- 0.2% of the cadastral value below EUR56,915
- 0.4% of the cadastral value exceeding EUR56,915 but below EUR106,715
- 0.6% of the cadastral value exceeding EUR106,715

For immovable property located in Riga, the owner of the property must pay property tax at a rate of 1.5% to the municipality if no person is registered (declared) for the immovable property.

Estate and gift taxes. Estate and inheritance taxes are not imposed in Latvia. Gifts above EUR1,425 received from non-relatives are taxed as personal income. Royalties received by legal successors of deceased persons are taxable as personal income. State authorities may impose duties on the value of inheritances at rates ranging from 0.125% to 7.5%.

Microenterprise tax. On meeting certain requirements, a company may apply for the microenterprise tax payment procedure. Under this procedure, the company pays microenterprise tax at a rate of 15% of turnover. The rate is increased to 20% if the turnover exceeds EUR40,000 (on the amount that exceeds the threshold). If turnover or the applicable tax amount does not exceed EUR50, the microenterprise must pay a tax of EUR50. The microenterprise tax payment includes corporate income tax, state social insurance contributions, personal income tax and the state corporate risk duty for the employees of a microenterprise.

C. Social security

Employers and employees make social security contributions on monthly salaries at general rates of 24.09% and 11%, respectively.

Foreign employees, who do not have a permanent place of residence in Latvia, but who remain in Latvia for more than 183 days in any 12-month period and who are employed by a non-EU company, pay quarterly social security contributions at a rate of 32.72%.

The income cap for social security contributions is EUR62,800. However, solidarity tax is imposed on income that exceeds the cap at the same rates as the social security contributions. Part of solidarity tax covers the highest rate of personal income tax (that is, used as credit against personal income tax imposed at a 31.4% rate).

If a company from an EU/EEA member state employs citizens of Latvia, it must register with the State Revenue Service in Latvia for the purpose of social security contributions or the employee can register as a social security contribution payer. Regulation (EC) No. 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems applies to nationals of a member state, stateless persons and refugees residing in an EU member state who are or have been subject to the legislation of one or more of the EU member states, as well as to the members of their families and to their survivors.

D. Tax filing and payment procedures

The tax year in Latvia is the calendar year.

Employers must withhold taxes and social security contributions on personal salary and then remit the withheld amounts to the fiscal authorities monthly on the same day the salary is paid.

Every taxpayer receives a tax code number from the fiscal authorities. Individual taxpayers must submit an annual tax return, but they may authorize a certified auditor to submit the return on their behalf. For income received after 1 January 2018, in general, the tax return must be filed during the period of 1 March to 1 June of the year following the tax year. However, if income for the tax year exceeds EUR62,800, the tax return must be filed during the period of 1 April to 1 July of the year following the tax year.

A nonresident who permanently leaves Latvia before year-end must file an annual tax declaration within 30 days after he or she stops receiving income.

If the tax payable exceeds EUR640, the tax may be paid in three equal installments. These installments are due on 16 June, 16 July and 16 August of the year following the tax year if the filing deadline is 1 June. If the filing deadline is 1 July, the installments must be paid by 16 July, 16 August and 16 September.

The following are the rules for the filing of a capital gains tax return:

- If capital gains do not exceed EUR1,000 per quarter, a capital gains tax return must be filed by 15 January of the year following the tax year.
- If capital gains exceed EUR1,000 per quarter, a capital gains tax return must be filed for the quarter by the 15th day of the month following the respective quarter.

If an individual realized capital gains and incurred capital losses during the tax year, he or she can submit an annual capital gains tax return by 1 March of the year following the tax year to calculate tax on capital gains based on a summary procedure.

E. Double tax relief and tax treaties

Foreign taxes paid may be credited against Latvian tax liability on the same income. The exemption method applies to income derived in Lithuania.

Latvia has entered into double tax treaties with the following jurisdictions.

Albania
Armenia
Austria
Azerbaijan
Belarus
Belgium
Bulgaria
Canada
China Mainland
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Georgia
Germany
Greece
Hong Kong SAR
Hungary
Iceland
Ireland
Israel
India
Italy
Japan
Kazakhstan
Korea (South)
Kuwait
Kyrgyzstan
Lithuania
Luxembourg
Malta
Mexico
Moldova
Montenegro
Morocco
Netherlands
North Macedonia
Norway
Poland
Portugal
Qatar
Romania
Russian Federation
Serbia
Singapore
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Tajikistan
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan
Vietnam

Latvia has initialed but not yet signed tax treaties with Bosnia and Herzegovina, Egypt, Kosovo, Mongolia, Pakistan, Saudi Arabia and Tunisia.

Latvia is currently negotiating double tax treaties with Andorra, Bahrain, Ethiopia, Iran, South Africa and Sri Lanka.

F. Entry visas

All member states of the Schengen Agreement have unified procedures and conditions for issuing Schengen visas. The Schengen visa is a visa that provides to a foreigner the right to stay in Latvia and in other Schengen member states for a period indicated in the visa sticker.

Types of visas. The types of Schengen visas are described below.

Airport transit visa (Category A). An airport transit visa (Category A) may be issued for a stay in an international transit zone at the airport of a Schengen member state. An airport transit visa is required for nationals of certain countries who need to change an airplane at the airport of a Schengen member state or whose airplane lands in the airport of a Schengen member state on the way from one non-Schengen member state to another non-Schengen member state.

Short-term visa (Category C). A short-term visa (Category C) is issued for a short-term visit to Schengen member states or for transit through such states. Depending on the purpose of the visit, it may be issued for one, two or multiple entries. An entry means crossing the border between a Schengen member state and a non-Schengen member state. A foreigner holding a C visa may stay in Schengen member states for up to 90 days in a half-year period after the first crossing of the border between a Schengen member state and a non-Schengen member state.

Long-term visa (Category D). Depending on the circumstances, a foreigner who needs to stay in Latvia more than 90 days in a

half-year period can apply for a long-stay visa (or a residence permit).

Visa with a limited territorial validity. If a third-country national needs to enter a Schengen member state, but circumstances forbid such person from having a uniform visa that is valid in all Schengen member states, he or she may be granted a visa with a limited territorial validity. This means that visa is valid for entering only those Schengen member states that are indicated on the visa. If a visa states that it is valid only for Latvia, a foreigner is barred from entering other Schengen member states.

Visas with limited territorial validity may be issued for transit or a short-term visit in a Schengen member state that does not exceed 90 days in a half-year period.

Rules applicable to citizens of various countries. Citizens of EU/EEA member states and Switzerland must obtain a residence card if their stay in Latvia exceeds 90 days in a half-year period, counting from the date of entry. The following is a list of these countries.

Austria
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Ireland
Italy
Liechtenstein
Lithuania
Luxemburg
Malta
Netherlands
Norway
Poland
Portugal
Romania
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
United Kingdom

Citizens of the following jurisdictions may enter and stay in Latvia for 90 days within a 180-day period without visas.

Albania (a)
Andorra
Antigua and Barbuda
Argentina
Australia
Bahamas
Barbados
Bosnia and Herzegovina (a)
Brazil
Brunei Darussalam
Canada
Chile
Colombia
Costa Rica
Dominica
El Salvador
Georgia (a)
Grenada
Guatemala
Honduras
Israel (c)
Japan
Kiribati
Korea (South)
Macau SAR
Malaysia
Marshall Islands
Mauritius
Mexico
Micronesia
Moldova (a)
Monaco
Montenegro (a)
New Zealand
Nicaragua
North Macedonia (a)
Northern Mariana Islands
Palau
Panama
Paraguay
Peru
St. Lucia
St. Vincent and the Grenadines
Samoa
San Marino
Serbia (c)
Seychelles
Singapore
Solomon Islands
Taiwan (b)
Timor-Leste
Tonga
Trinidad and Tobago
Tuvalu
Ukraine (a)
United Arab Emirates
United States
Uruguay
Vanuatu

Hong Kong SAR	St. Kitts and Nevis	Vatican City Venezuela

(a) Only for holders of biometric passports.
(b) Only for holders of passports with personal identification number.
(c) Only for holders of biometric passports (excluding holders of Serbian passports issued by the Serbian Coordination Directorate ([Koordinaciona uprava]).

G. Work and residence permits

A residence permit is required if a foreigner wants to reside in Latvia for a time period exceeding 90 days within a half year, beginning from the date of first entry. EU citizens are not required to obtain a residence permit. However, they must register and obtain a residence card or permanent residence card (with the exception of an EU citizen who works in Latvia but travels back to his or her residence country on a weekly basis).

Residency permit for non-EU citizens. Non-EU citizens can obtain five-year residency permits in Latvia, which allow unrestricted travel within the territory of Schengen member states. An individual can apply for a residency permit if he or she makes the following investments in Latvia and complies with certain criteria provided by law:
• Investment in a company
• Purchase of real estate
• Investing in a bank's subordinate capital (deposit)

H. Family and personal considerations

Family members. Spouses and dependents of expatriates may apply jointly with the expatriate for residence permits as well as work permits. They must provide legalized copies of marriage and birth certificates to obtain Latvian visas or residence permits.

Marital property regime. The default marital property regime in Latvia is one of community property. Spouses may establish, alter or terminate their property rights by marital contract before or during the marriage. Under the community property regime, property owned by a spouse prior to marriage and property acquired during the marriage is community property, unless specifically reserved as separate property by contract.

Forced heirship. Forced heirs in Latvia include a surviving spouse and any descendants, or the most closely related ascendants. The amount of their legal portion varies, according to the number of forced heirs surviving.

Driver's permits. Latvia recognizes foreign driver's licenses in accordance with the European Convention on Road Transport, including international driver's licenses. In other cases, if a foreign national resides in Latvia longer than 12 months, he or she must exchange the foreign driver's license for a Latvian driver's license. To obtain a Latvian license, the foreign national must take a driving test. Licenses issued by EU-member countries are valid in Latvia.

Lebanon

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A. Income tax

Who is liable. All resident and nonresident individuals are subject to income tax on their income derived in Lebanon. However, certain individuals, such as agricultural workers, nurses and clergymen, are exempt from tax.

Income subject to tax. The following are the three categories of taxable income:
- Profits of sole traders from industrial, commercial and non-commercial professions
- Salaries, wages and pensions
- Income from movable capital (dividends, interest and other types of investment income)

Employment income. Individuals are subject to tax on their salaries and wages earned in Lebanon.

Gross employment income includes total salaries and allowances, wages, indemnities, bonuses, gratuities and other benefits in cash and in kind.

In determining net employment income, the following deductions may be claimed:
- Representation allowances up to 10% of basic salary
- Transportation allowance provided under the Labor Law
- Personal allowances
- Schooling allowances allowable by the Labor Law
- In general, all allowances granted to cover disbursements incurred in connection with the performance of employment duties if they are supported by invoices or similar documents

The maximum allowed per diem is LBP50,000 for national trips and LBP150,000 for international trips.

Net employment income is taxed at progressive rates ranging from 2% to 20%. For a table of the rates applicable to employment, see *Rates*.

Self-employment income. Sole traders are taxed on the basis of lump-sum profits, which are equal to a specified percentage of gross income.

Sole traders must submit to the Ministry of Finance before 1 February of each year a statement showing their total gross income and sales during the preceding year. They are taxed at progressive rates ranging from 4% to 21% (for a table of rates applicable to self-employment income, see *Rates*).

Gross income is defined as the total gross proceeds from all operations concluded by the taxpayer during the year preceding the year of assessment. It includes the value of commodities, goods, instruments or materials sold or hired, commissions, brokerage fees, interest, exchange differences and fees.

Deductions

Personal deductions and allowances. Resident individuals are entitled to the following family exemptions, which are deducted from taxable income.

Status	Annual exemption (LBP)
Taxpayer	7,500,000
Spouse	2,500,000
First child	500,000
Second child	500,000
Third child	500,000
Fourth child	500,000
Fifth child	500,000

If both parents work, the allowance of LBP500,000 per child for the taxpayer's first five children is granted equally.

Rates. The following tax rates apply to employment income.

Taxable income LBP	Tax rate %	Tax due LBP	Cumulative tax due LBP
First 6,000,000	2	120,000	120,000
Next 9,000,000	4	360,000	480,000
Next 15,000,000	7	1,050,000	1,530,000
Next 30,000,000	11	3,300,000	4,830,000
Next 60,000,000	15	9,000,000	13,830,000
Next 105,000,000	20	21,000,000	34,830,000
Above 225,000,000	25	—	—

The following tax rates apply to the lump-sum profits of sole traders derived from industrial, commercial and noncommercial professions.

Lump-sum profits LBP	Tax rate %	Tax due LBP	Cumulative tax due LBP
First 9,000,000	4	360,000	360,000
Next 15,000,000	7	1,050,000	1,410,000
Next 30,000,000	12	3,600,000	5,010,000
Next 50,000,000	16	8,000,000	13,010,000
Next 121,000,000	21	25,410,000	38,420,000
Above 225,000,000	25	—	—

Nonresident persons and entities that do not have a workplace to conduct business in Lebanon and that earn income subject to

income tax in Lebanon or generate revenues by themselves in Lebanon are taxed on a deemed profit of the amounts received from Lebanon. The deemed profit percentage is 50% on services and 15% on products, and the tax rate is 15%. Consequently, the effective tax rate is 7.5% for income derived from services and 2.25% for income derived from the supply of products. The tax must be withheld by the resident party and paid to the tax authorities.

B. Other taxes

Built property tax. Built property tax is generally imposed on rental income, including fees for services provided by the landlord to the tenant. However, it is imposed on estimated rental income determined by the Department of Built Property Tax if any of the following conditions apply:

- No rent contract exists.
- The property is occupied by the owner.
- The property is occupied by another party for no rent (free of charge).

Tax is calculated on the net income from property, which equals the gross rental income subject to Built Property Tax, as described above, less allowable expenses as stated in the rent contracts. These expenses are specified by law and are limited to a certain percentage of income.

To qualify unoccupied property for exemption from the Built Property Tax, the owner must file the relevant declaration to the competent authorities within a month from the date on which the property was vacated.

The following tax rates are applied to the net income from each property to determine the Built Property Tax.

Taxable income		Tax
Exceeding LBP	Not exceeding LBP	rate %
0	40,000,000	4
40,000,000	80,000,000	6
80,000,000	120,000,000	8
120,000,000	200,000,000	11
200,000,000	—	14

Built property tax can be waived if the property is used by its owner who is conducting commercial or industrial activities subject to corporate income tax.

Inheritance and gift tax. Inheritance and gift taxes are imposed in Lebanon and consist of a flat tax and a proportional tax.

The flat tax is imposed at a rate of 0.5% of the gross inheritance or gift amount less an exemption of LBP40 million.

The net amount of the inheritance, after the deduction of the flat tax, is distributed among the various heirs in accordance with the law. Each heir, depending on his or her relationship with the deceased, may claim deductions ranging between LBP24 million and LBP120 million. The following inheritance tax rates apply to the amount of the inheritance, reduced by the deduction.

Children, spouses and grandchildren

Amount of inheritance Exceeding LBP	Not exceeding LBP	Rate %
0	30,000,000	3
30,000,000	60,000,000	5
60,000,000	100,000,000	7
100,000,000	200,000,000	10
200,000,000	—	12

Parents

Amount of inheritance Exceeding LBP	Not exceeding LBP	Rate %
0	30,000,000	6
30,000,000	60,000,000	9
60,000,000	100,000,000	12
100,000,000	200,000,000	16
200,000,000	—	18

Siblings

Amount of inheritance Exceeding LBP	Not exceeding LBP	Rate %
0	30,000,000	9
30,000,000	60,000,000	12
60,000,000	100,000,000	16
100,000,000	200,000,000	20
200,000,000	—	24

Cousins

Amount of inheritance Exceeding LBP	Not exceeding LBP	Rate %
0	30,000,000	12
30,000,000	60,000,000	16
60,000,000	100,000,000	21
100,000,000	200,000,000	26
200,000,000	350,000,000	31
350,000,000	—	36

Other beneficiaries

Amount of inheritance Exceeding LBP	Not exceeding LBP	Rate %
0	30,000,000	16
30,000,000	60,000,000	21
60,000,000	100,000,000	27
100,000,000	200,000,000	33
200,000,000	350,000,000	39
350,000,000	—	45

Gift tax rates are the same as the inheritance tax rates.

Stamp duty. Under the Lebanese Stamp Duty Law, fiscal stamps at a rate of 4 per 1,000 must be affixed to all deeds or contracts. Payment of stamp duty is due within five days from the date of signature of the deed or contract. A fine equal to five times the duty is imposed if the stamp duty is paid after the deadline or if it is not paid at all.

If the value of the contract or subcontract is not determined or will be determined at a later stage, a fixed stamp duty of LBP5,000 (USD3.3) must be affixed on the contract. In addition to the fixed stamp duty, the beneficiary must settle a proportional stamp duty of 4 per 1,000 on raising an invoice.

Rent contracts must be registered each year and are subject to stamp duty at a rate of 4 per 1,000 of the rent.

Capital Gain Tax. Gains on the disposal of real estate properties are subject to Capital Gain Tax at a rate of 15% if either of the following circumstances exists:

- They are realized by persons who are not subject to income tax or who previously benefited from permanent, special or exceptional exemptions from this tax.
- They are realized by persons who are subject to income tax, but the real estate property is not part of their profession.

The taxable gain equals the difference between the disposal value and the cost of the asset, and taxpayers (meeting the above definition) may deduct 8% of the gain per year for every full year between the date of acquisition and the date of disposal of the property. An owner as classified above is exempt from tax on the sale of a real estate property if the owner holds the asset for at least full 12 years. Otherwise, the owner must pay Capital Gain Tax on the difference described above in the year of disposal.

C. Social security

Lebanon operates a compulsory social security scheme that requires contributions from both employers and employees. The social security scheme in Lebanon covers the following areas:

- Sickness and maternity
- Family allowance
- End-of-service indemnity

Contributions. All companies that have at least one employee must register with the Social Security National Fund within one month of beginning operations. New employees must be registered within 15 days from the date of their employment.

Contributions to the social security scheme are calculated as percentages of monthly salaries and wages including overtime, gratuities and fringe benefits. For the sickness and maternity and family allowance schemes, the maximum amounts on which contributions are calculated are LBP2,500,000 and LBP1,500,000, respectively.

For the sickness and maternity scheme, the contribution rates are 8% for employers and 3% for employees. Only employers make contributions to the family allowances and end-of-service indemnity schemes. The contribution rates are 6% and 8.5%, respectively.

Non-Lebanese employees need not be registered with the Social Security National Fund if their contracts are signed outside Lebanon with foreign entities and if they can prove that they enjoy social security benefits in their home country similar to the benefits granted in Lebanon.

Totalization agreements. Lebanon has entered into totalization agreements with Belgium, France, Italy and the United Kingdom to prevent double payment of social security contributions by expatriates working in Lebanon.

D. Tax filing and payment procedures

Under the Lebanese income tax law, employers are responsible for withholding payroll tax and employees' social security contributions from employees' salaries on a monthly basis and remit the withholdings to the tax authorities every three months. Employees are not required to file tax returns. Social security contributions by employers are payable on a quarterly basis for companies with fewer than 10 employees and on a monthly basis for larger companies. Employee contributions are withheld by the employer and paid to the authorities together with the employer's contribution.

E. Double tax relief and tax treaties

Lebanon has signed double tax treaties with the following countries.

Algeria
Armenia
Bahrain
Belarus
Bulgaria
Cuba*
Cyprus
Czech Republic
Egypt
France
Gabon*
Iran
Italy
Jordan
Kuwait
Malaysia
Malta
Morocco
Oman
Pakistan
Poland
Qatar
Romania
Russian Federation
Senegal
Sudan*
Syria
Tunisia
Turkey
United Arab Emirates
Ukraine
Yemen

* These treaties are not yet being enforced.

F. Entry visas and work permits

All expatriates working in Lebanon must have a work permit and a residence permit. Such permits may be issued only at the request of an employer.

To obtain a work permit, the following items must be submitted:

- A special work permit application completed and signed by the applicant and the employer.
- A list of the names of the foreign employees (if any) at the office of the employer that must be signed and sealed by the employer.
- The address of the employer.
- The passport or the identity card of the expatriate. The Minister of Labor retains a photocopy of this document.
- A medical report evidencing that the expatriate is free from epidemic diseases.
- A photocopy of the employer's registration in Lebanon.
- A list of authorized signatures of the employer.
- A certified copy of the employment contract entered into between the employer and the expatriate.
- A quittance (discharge or clearance certificate) issued by the Social Security National Fund.

Lesotho

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A. Income tax

Who is liable. Citizen residents and permanent residents are taxable on Lesotho-source income and on income brought into Lesotho. Tax-resident expatriates are taxed on income from all sources. However, expatriates are not taxed on property income derived from foreign sources or on income derived from disposals of investment assets generating foreign-source income.

Income subject to tax

Employment income. All compensation from sources within or deemed to be within Lesotho is taxable. Compensation includes salaries, wages, overtime or leave pay, commissions, directors' fees, bonuses, gratuities, benefits in cash or in kind, allowances, gifts, pensions and retirement benefits. Compensation does not include fringe benefits, but employers are subject to tax on them.

War and disability pension benefits and amounts received from agricultural activities are tax-exempt.

Self-employment and business income. Any individual who earns self-employment or business income from a source within Lesotho or a source deemed to be within Lesotho is subject to tax in the year the income is earned.

To be taxable, self-employment or business income must arise from a source in Lesotho or a source deemed to be within Lesotho. Business income is defined as all profits or gains arising from a business, including capital gains. Business income is calculated by subtracting exempt income and allowable deductions from gross income. If a taxpayer's gross income is less than LSL150,000, the cash basis of accounting may be used to determine business income.

Investment income. Resident shareholders are not subject to tax on dividends.

In general, interest is taxed with other income at the rates set forth in *Rates*. The following interest income is exempt:

- Up to LSL500 received by a resident individual from a single savings account

- Interest received by a resident individual on which a 10% withholding tax is imposed

Other investment income, including the profit or loss on the sale of an investment asset, is taxed with other income at the rates described in *Rates*.

Capital gains and losses. Gains or losses derived from the sale of business and investment assets are included in the normal taxable income of an individual. Gains or losses derived from the sale of personal assets are not included in taxable income.

Deductions

Deductible expenses. Expenses directly related to employment are deductible, but personal expenses, including clothing and commuting, are not.

Personal deductions and allowances. A personal tax credit of LSL605 per month may be deducted from tax liability.

Business deductions. In general, expenses incurred in earning taxable income are deductible, except for expenses of a capital nature.

Rates. The tax rates for residents are set forth in the following table.

Taxable income Exceeding LSL	Not exceeding LSL	Rate %
0	61,080	20
61,080	—	30

The following categories of income derived by nonresidents are subject to withholding tax.

Type of income	Withholding tax rate (%)
Dividends, interest, royalties, natural resource payments and management fees	25
Payments for services	10
Payments to resident contractors	5
Interest paid to residents	10

Relief for losses. Losses may be carried forward indefinitely and offset against income of a similar nature in subsequent years.

B. Other taxes

Lesotho does not impose net worth, estate or gift taxes.

C. Social security

Lesotho does not impose any social security taxes.

D. Tax filing and payment procedures

The income tax year in Lesotho runs from 1 April to 31 March. Tax returns must be filed within three months after the end of the tax year or of the financial year if the financial year is different from the tax year. Nonresidents must file tax returns and pay tax on certain categories of income.

Employers are required by law to withhold taxes from remuneration paid to their employees on a monthly basis and to remit these taxes to the tax authorities.

Married persons are taxed separately, not jointly, on all types of income.

E. Double tax relief and tax treaties

Double tax relief in the form of a tax credit is available in the absence of an applicable double tax treaty.

Lesotho has entered into double tax treaties with Mauritius, South Africa and the United Kingdom.

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This chapter reflects the law in Libya at the time of writing. In view of the current transition in Libya, the legislative situation is difficult to assess and may be subject to change. Consequently, readers should obtain updated information before engaging in transactions.

A. Income tax

Who is liable. Libyan nationals and foreigners are subject to income tax on income arising in Libya. Libyan nationals and foreigners are considered to be resident if they satisfy any of the following conditions:
• They are Libyan.
• They are in Libya with a work visa.
• They undertake employment in Libya.

Residence results in liability for Libyan personal income tax for the year of residence.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Income tax is levied on employment income paid in cash or in kind.

Self-employment income. Individuals carrying out business activities independently, providing consulting services or engaging in technical, artistic or scientific projects are subject to tax on income derived from such activities.

Investment income. Interest on bank deposits of whatever term is subject to withholding tax at a rate of 5%.

Other income. Other income is subject to tax at various rates.

Taxation of employer-provided stock options. Income derived from employer-provided stock options is taxed in the same manner as employment income.

Capital gains. The law does not make any reference to tax on capital gains. Company capital gains are treated as trading income.

Exempt income. The following items are exempt from income tax:
- Income from deposits in savings accounts
- Payments to beneficiaries of life insurance policies
- Payments for disability arising from employment
- Income from agricultural activities
- Income of civil servants and state employees
- Income from pensions
- Income derived from writing and research in the fields of science and culture
- Income of charitable organizations
- Foreign income
- Export income
- Development activities as determined by the government

Deductions

Deductible expenses. Expenses that may be deducted include life insurance premiums, general insurance premiums, social security contributions and medical insurance contributions.

Personal deductions and credits. Individuals may claim the following annual personal allowances:
- LYD1,800 for a single taxpayer
- LYD2,400 for a married taxpayer
- LYD300 for each dependent child, up to the age of 18

Rates. The following are the tax rates applicable to annual taxable income.

Annual taxable income		
Exceeding LYD	Not exceeding LYD	Rate %
0	12,000	5
12,000	—	10

Jihad tax. Jihad tax is withheld monthly from earned income. It is imposed on gross income less the Social Unity Fund contribution (see below) and the employee's social security contribution at the following rates:
- 1% if monthly income does not exceed LYD50
- 2% if monthly income does not exceed LYD100
- 3% if monthly income exceeds LYD100

Social Unity Fund contribution. One percent of monthly gross salary is withheld as a contribution to the Social Unity Fund.

Relief for losses. Losses incurred in business or professional activities may be carried forward and offset against profits from the same type of activities in the following five years. Losses may not be carried back.

B. Other taxes

Property tax. Only Libyan nationals may own property. Tax at scale rates is assessed on 60% of rental income. The top rate of property tax is 15%.

The transfer of immovable property is not formally subject to any property transfer tax.

Inheritance and gift taxes. Libya does not impose inheritance tax or gift tax.

C. Social security

Social security contributions are payable monthly on salaries, wages, bonuses and other compensation income.

The contribution rates are 11.25% for employers and 3.75% for employees. The state pays a 0.75% portion of the contribution for Libyan companies. Employers withhold the employee contributions monthly.

D. Tax filing and payment procedures

The tax year in Libya for individuals is the calendar year.

Employees who have only income from employment are not required to file annual income tax returns.

Individuals with non-employment income must file an annual tax return within 60 days after the end of the tax year (31 December). For such individuals, tax is payable in four quarterly installments, beginning on 10 March, with a 15-day grace period, or on the next day in a quarter after the issuance of an assessment.

E. Double tax relief and tax treaties

Under Libya's double tax treaties, resident individuals who derive income abroad may claim a tax credit for foreign tax paid, up to the amount of the tax due on such income in Libya.

Libya has entered into double tax treaties with the following countries.

Arab Maghreb Union countries	India	Sudan
Bulgaria	Malta	Syria
Egypt	Pakistan	Turkey
France	Serbia	Ukraine
Greece	Singapore	United Kingdom
	Slovak Republic	

Libya has signed double tax treaties awaiting ratification with the following countries.

Austria	China	Qatar
Azerbaijan	Croatia	Russian Federation
Belarus	Germany	Slovenia
Belgium	Italy	Spain
Bosnia and Herzegovina	Korea (South)	Switzerland
	Netherlands	

F. Temporary entry visas

A valid passport and entry visa are required to enter Libya.

Libya offers the following types of temporary visas to foreign nationals:

- Transit visas, which are valid for a maximum of seven days
- Student visas, which are valid for 12 months and are renewable
- Tourist visas, which are single-entry visas valid for 30 days
- Business visas, which may be single-entry visas valid for 30 days, or multiple entry visas valid for 3, 6 or 12 months
- Residence/work visas, which are provided outside Libya if the individual will enter Libya with the intention of residing or working

A fee is payable for the issuance of each type of visa.

G. Work permits and self-employment

Foreign nationals must obtain a work permit to work in Libya. Foreign nationals who will work under an employment contract must obtain a work authorization, which is valid for up to one year.

Foreign nationals may not be self-employed.

After the period of validity for a work authorization or work permit expires, an individual may reapply for such items.

H. Residence permits

Residence permits are granted to foreigners on the basis of employment. They are granted on the application of the employing company. A residence permit is regarded as temporary and is not issued until it has been determined that a similarly qualified national is not available. A national must be employed and trained to replace the foreigner, and some occupations are restricted to nationals (for example, secretarial and clerical).

Employed foreign nationals who reside in Libya for more than 15 years may obtain a 5-year residence permit, which is renewable every 5 years.

The following documents must be submitted with the application for residence permit for workers:
- Application form containing family details
- Detailed *curriculum vitae* and copies of qualifications
- Passport and a copy of the passport
- Copy of the work visa
- Work authorization issued by the Manpower Department
- Twelve passport-size photos

Requirements and documentation are subject to frequent change.

I. Family and personal considerations

Family members. Dependent relative visas are usually granted automatically to family members of a foreign national who holds a valid work authorization or permit. However, an expatriate's spouse must file an application for a residence permit through the expatriate's employer and may not undertake employment.

Marital property regime. The default marital property regime in Libya is based on Islamic law. Under Islamic law, a legal share of the estate automatically devolves to the surviving spouse and children.

Driver's permits. Expatriates may drive legally in Libya using their home-country driver's licenses for up to three months. Holders of residence permits must apply for local driving licenses.

Liechtenstein

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A. Income tax

Who is liable. Under Liechtenstein's tax system, the national government and regional communities levy income and net worth taxes. The regional communities levy surcharges on the taxes of the national government. Income tax is levied on all forms of income. As a result of the tax reform that entered into force on 1 January 2011, the net worth tax is no longer calculated separately but is integrated into the income tax.

All resident or domiciled individuals are subject to income tax on worldwide income, with the exception of income from real estate located abroad and income from either a fixed place of business or a permanent establishment located abroad. In addition, all resident or domiciled individuals are subject to income tax based on the standardized return level of worldwide net assets other than real estate and business premises located abroad.

Nonresidents are subject to tax if they are employed in Liechtenstein, if they own real property in Liechtenstein or if they have business premises in Liechtenstein. Nonresidents are subject to tax on income derived from Liechtenstein sources including Liechtenstein real estate, owned or leased, and business premises. In addition, nonresidents are taxed on income from self-employment and business activities carried out in Liechtenstein.

Individuals are considered resident or domiciled in Liechtenstein if they meet any of the following conditions:
- They maintain a legal residence in Liechtenstein.
- They have a "customary place of abode" in Liechtenstein. This means that they are present in Liechtenstein for at least six consecutive months.

Income subject to tax

Employment income. Taxable income includes compensation from employment, self-employment and income from secondary employment.

In general, retirement benefits in Liechtenstein are also included in taxable income. Retirement benefits are derived from the following sources:

- Mandatory social security system (old-age and survivors' insurance). Pensions are based on premiums paid and on the number of years employed. Benefits generally satisfy minimum cost-of-living requirements.
- Company pension plans.
- Individual savings.

At least 30% of old-age and survivors' pension benefits and disability insurance benefits is taxable.

Self-employment and business income. In general, income taxes are levied on individuals who earn self-employment or business income in Liechtenstein. However, for nonresident partners of companies domiciled in Liechtenstein, the companies are subject to taxes on profits.

Self-employment and business income is taxed with other income at the rates set forth in *Rates*.

Investment income. Rental income and investment income from dividends, interest, royalties and licenses are not taxed based on the amount of effective income. Instead, they are taxed based on the application of the standardized return rate to the net market value of all movable and immovable assets (see Section B).

Directors' fees. Resident directors are subject to tax on directors' fees from companies in Liechtenstein together with other income at the rates described in *Rates*. A 12% withholding tax is imposed on directors' fees paid by companies in Liechtenstein to nonresident directors.

Capital gains and losses

Movable assets. Capital gains derived from transfers of participations (business assets) and personal movable assets are generally exempt from income tax. For capital gains derived from the transfer of participations (business assets), Liechtenstein introduced anti-avoidance rules, applicable from the 2019 tax year (for entities, the 2019 tax year is the reporting period ending in the 2019 calendar year). Under these anti-avoidance rules, capital gains deriving from the sale of a foreign participation are no longer tax exempt from tax if the revenue from the participation mainly results from passive sources and if the net profit of that participation is low-taxed.

Immovable assets. Capital gains derived from transfers of personal and business immovable assets are subject to a separate capital gains tax on real estate. The gains are taxed at the same rates as the income tax rates applicable to unmarried persons, which are progressive rates with a maximum rate of 24%. Recapture of depreciation of immovable business assets is treated as ordinary income and taxed at the ordinary tax rates (not at the rates applicable to capital gains).

Deductions

Deductible expenses. Employees may deduct necessary expenses incurred in connection with their employment, including travel expenses, meals and education.

Premiums for old-age and survivors' insurance, disability insurance and unemployment insurance are fully deductible from taxable income. Contributions and premiums payable to pension funds are deductible, up to a maximum of 18% of taxable income.

Personal deductions and allowances. A limited amount may be deducted for premiums paid for life, accident and health insurance, for expenditure for medical and dental treatment, and for costs related to children's education.

No specific personal allowances are granted to individual taxpayers.

Business deductions. Individuals may deduct all business expenses and 4% (standardized return rate) of the amount of their business working capital (anti-avoidance rules applicable as of the 2019 tax year should be considered). Income taxes and net worth taxes are not deductible.

Rates

Income tax. The progressive income tax rates for 2019 range from 2.8% to 22.4% (for a commune applying a communal surcharge of 180%, which is the maximum surcharge in 2018). Income from foreign assets, including real property and business premises, and other foreign income is considered in calculating the progressive tax rate.

The tax levied by the state consists of income tax and the surcharge. Communities impose an additional surcharge on the state tax at rates ranging from 150% to 180% (for 2018), resulting in a maximum income tax rate of 22.4%.

Lump-sum taxation. Instead of net worth and income tax, lump-sum taxation may apply to individuals who meet all of the following conditions:

- They are domiciled or reside in Liechtenstein and they are not citizens of Liechtenstein.
- They are not employed in Liechtenstein.
- They live on income from assets or other payments received from sources abroad.

Lump-sum tax is assessed on the living costs of the taxpayer. For the sake of convenience, the living costs are usually a multiple of the annual rent. The taxable amount results from multiplying the living costs by the applicable tax rate of 25%. According to the practice of the tax administration of Liechtenstein, the lump-sum tax must be a substantial amount. Otherwise, the regular tax regime applies.

Relief from losses. Business losses of self-employed individuals may be carried forward for an unlimited period. However, the offsetting loss is limited to 70% of taxable income (even if unused loss carryforwards exist). Consequently, at least 30% of the positive taxable income is taxed. No carrybacks are allowed.

B. Other taxes

Net worth tax. Because the net worth tax is integrated into the income tax through the calculation of the standardized return,

wealth is not taxed separately. The determination of the amount of the taxable assets is relevant only for the purpose of determining the standardized income that is subject to income tax. The annually determined standardized return rate, which is applied to the net market value of all movable and immovable assets, is 4% in 2019. In addition, the surcharges described in *Rates* may apply. Real estate and business premises abroad are not subject to taxation. Liabilities and any increase in assets during the year may be deducted.

Inheritance and gift taxes. As part of the 2011 tax reform, the inheritance and gift tax was abolished.

C. Social security

Contributions

Employees. Liechtenstein's contribution rate for old-age and survivors' insurance and for family pension funds for 2019 is 11.79% of total (unlimited) salary. The employer pays 7.09%, and the employee pays 4.7%. The employer withholds the employee's share monthly. In addition, contributions of 1%, on annual salary of up to CHF126,000, must be made to the unemployment insurance fund. The cost is divided equally between the employer and the employee.

All employees who pay into the Liechtenstein social security system must contribute to a pension plan. The employer's contribution must equal at least the employee's mandatory 4% contribution, resulting in total contributions of at least 8% for each employee.

Self-employed. In 2019, self-employed individuals must make social security contributions at a rate of 11.79% of their income from a business or profession. The 11.79% rate also applies to partnership profits. Self-employed persons are not required to be members of a pension plan.

Totalization agreements. Liechtenstein has adopted European Regulation 883/04 concerning the application of social security schemes. The regulation applies to all European Union (EU) and European Free Trade Association (EFTA) countries.

D. Tax filing and payment procedures

The tax year in Liechtenstein corresponds to the calendar year.

Liechtenstein has a self-assessment tax system. All taxpayers must prepare and file tax returns in April of the year following the tax year. Employers must withhold income from their employees' salaries and wages.

Married individuals are taxed jointly on all income (individual tax assessment may be requested).

E. Double tax treaties

Liechtenstein has entered into comprehensive double tax treaties with the following jurisdictions.

Andorra
Austria
Czech Republic
Georgia
Germany
Guernsey
Hong Kong Special Administrative Region (SAR)
Hungary
Iceland
Jersey
Luxembourg
Malta
Monaco
San Marino
Singapore
Switzerland
United Arab Emirates
United Kingdom
Uruguay

It has initialed double tax treaties with Bahrain, Croatia, Greece, Indonesia, Lithuania and the Netherlands.

Liechtenstein's treaties follow the draft model of the Organisation for Economic Co-operation and Development.

F. Residence visas

The government has limited immigration to Liechtenstein, making it difficult for foreign nationals to immigrate to the country. Limited exceptions are made for citizens of Switzerland and of EU and European Economic Area member countries.

Lithuania

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A. Income tax

Who is liable. Residents are subject to income tax on their worldwide income. Nonresidents are subject to income tax on income earned through a fixed base in Lithuania and other income derived in Lithuania, including the following:

- Interest, except for interest from securities of the Government of Lithuania
- Income from distributed profits
- Rent received for real estate located in Lithuania
- Income on sales of immovable property and movable property subject to mandatory registration in Lithuania
- Employment income
- Income of sportspersons and performers
- Royalties, including copyright and auxiliary rights
- Compensation for violations of copyrights or related rights

Income is recognized when it is received.

An individual is considered to be a resident of Lithuania for tax purposes if he or she meets any of the following conditions:

- He or she has a habitual abode in Lithuania.
- His or her center of vital interests is in Lithuania.
- He or she is present in Lithuania continuously or with interruptions for 183 or more days in the calendar year.
- He or she is present in Lithuania continuously or with interruptions for 280 or more days in two consecutive calendar years and is present in Lithuania continuously or with interruptions for 90 or more days during one of these tax years.
- He or she is a citizen of Lithuania employed by the Government of Lithuania or whose costs of living are covered by the Government of Lithuania.

If an individual who is considered a Lithuanian resident for three tax years leaves Lithuania during the fourth year, and if he or she spends less than 183 days in Lithuania during the fourth year, he or she is treated as a Lithuanian resident during the fourth year until his or her last day in Lithuania.

Overview of income tax rates. Starting from 1 January 2019, the following income tax rates apply:

- A 5% rate applies to income from the sale or other disposal of waste.
- A 15% rate applies to illness, maternity or paternity allowances.
- A 15% tax rate applies to dividends.
- Progressive income tax rates up to 15% apply to self-employment income.
- A 20% or 27% tax rate applies to employment income. Annual employment income up to 120 average monthly salaries (AMS) is taxed at a 20% rate. Annual employment income exceeding 120 AMS is taxed at a 27% rate. AMS represents the average monthly salary of Lithuania calculated based on a specific formula, and it is set by Lithuanian legislation. The AMS applicable for calculating income tax and social security contributions for 2019 was confirmed on 18 December 2018 and equals EUR1,136.20.
- A 15% or 20% rate applies to certain types of income other than employment income, such as interest income, royalties, capital gains and other types of income. For 2019, annual income other than employment income up to 120 AMS is taxed at a 15% rate, and such income exceeding that threshold is taxed at a 20% rate.

The threshold for determining the applicable income tax rate for employment income will change over the next two years. The following will be the thresholds:

- 2020: 84 AMS
- 2021 and subsequent periods: 60 AMS

For further details regarding income tax rates, see the subsections of *Income subject to tax* below.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Residents employed by Lithuanian companies are subject to income tax on income earned from employment in Lithuania and abroad. Nonresidents employed by Lithuanian companies are subject to income tax on income earned from employment in Lithuania. Residents of Lithuania employed by foreign companies and nonresidents employed by foreign companies to work in Lithuania are subject to income tax on their employment income.

Taxable employment income is all income in cash and in kind, including wages and salaries, bonuses, fringe benefits including free lodging, and other incentive payments.

Directors' fees. An annual management bonus received from a Lithuanian company by a board member that is not payable under the individual's employment contract is treated the same as miscellaneous income and is taxed at the same rates as employment income (a rate of 20% or 27%).

Self-employment and business income. Income from self-employment is taxed the following rates:

- Income not exceeding EUR20,000 is subject to a 5% income tax rate.

- Income from EUR20,000 to EUR35,000 is taxed by applying the income tax credit formula and taxed at a progressively increasing rate (until reaching the income tax rate of 15%).
- Income exceeding EUR35,000 is subject to a 15% income tax rate.

A self-employed person that obtains a business certificate pays a fixed income tax depending on municipality. Municipalities are allowed (if certain conditions are met) to reduce the fixed income tax on income received from self-employment. Income derived from self-employment exceeding EUR45,000 during a tax period is taxed at progressive rates up to 15%.

Investment income. Dividends received from Lithuanian and foreign companies (with certain exceptions) are taxed at a rate of 15%.

Annual interest income not exceeding 120 AMS is taxed at a rate of 15%. The amount exceeding the 120 AMS threshold is subject to a 20% income tax rate. However, the following types of interest are exempt from taxation:

- Interest income from non-equity government and company bonds, interest from deposits held in banks and other credit institutions, provided that the total amount of interest does not exceed EUR500 during a calendar year and that the bonds were acquired or the deposit agreement was concluded on or after 1 January 2014
- Interest from government securities issued by European Economic Area (EEA) countries that were acquired before 31 December 2013
- Interest from non-equity bonds that were acquired before 31 December 2013 and that the issuer started to redeem not earlier than 366 days from the date of issuance (additional criteria apply)
- Interest from banks and other types of credit institutions of EEA countries under contracts concluded before 31 December 2013
- Interest from consumer credits granted via peer-to-peer lending platforms or funds loaned via crowdfunding platforms in Lithuania or in another EEA country, provided that the total amount of interest does not exceed EUR500 during a calendar year

The above exemptions for interest income do not apply to interest received from tax havens.

Royalties paid to resident and nonresident authors and inventors are taxed at a rate of 15% on the amount up to 120 AMS and 20% on the amount exceeding 120 AMS.

Exempt income. The following amounts are excluded from taxable income:

- Death allowances to the spouse, children (including adopted children) and parents (including foster parents)
- Allowances paid from state and municipal budgets
- Life insurance payments (in certain cases)
- The difference between annual proceeds received from the sale of property not requiring legal registration and its acquisition price, not exceeding EUR2,500

- Income received from the sale of movable property legally registered in Lithuania or immovable property located in Lithuania (in certain cases)
- Income from the sale of securities, provided that the amount of total capital gains received from sale of securities (difference between the sales price and the acquisition price of all securities) during the tax year does not exceed EUR500 (additional criteria apply)
- Shares received under stock option plans (provided that the agreement is concluded after 1 February 2020) if the right to the shares is exercised not earlier than after three years from the grant date
- Certain other income listed in the Law on Personal Income Tax

Capital gains. Capital gains are generally taxable at a rate of 15% on the amount up to 120 AMS or 20% on the amount exceeding 120 AMS. Exceptions are mentioned in *Exempt income*.

Deductions

Personal deductions and allowances. Residents and nonresidents may deduct the general nontaxable minimum amount, which depends on the income received. The annual nontaxable minimum amount may not be greater than EUR3,600 if annual income does not exceed 12 monthly minimum wages in force on 1 January of the current calendar year. If annual income is greater than 12 monthly minimum wages, the nontaxable minimum amount is calculated according to a formula provided in the Law on Personal Income Tax. For specified groups of residents, including disabled persons, the nontaxable minimum amount is greater.

Nonresidents may deduct the general nontaxable minimum amount from Lithuanian-source income at the end of the tax year.

Deductible expenses. The following deductions from a resident's personal taxable income are allowed:

- Cumulative life insurance premiums (these are premiums paid under a life insurance agreement providing that the insurance payments may be received not only in the event of accidents, but also after the expiration of the agreement) paid on the individual's own behalf and on behalf of his or her spouse and minor children.
- Pension contributions to pension funds on the individual's own behalf and on behalf of his or her spouse and minor children.
- Pension contributions to pension funds in EEA or in other Organisation for Economic Co-operation and Development (OECD) countries (additional criteria apply).
- Expenses relating to vocational training or studies (if first higher education or qualification is obtained on graduation), and to first doctoral studies and first post-graduate art studies. This includes tuition paid for the spouse and children. If a loan is obtained to pay tuition, only the amount of loan repaid during a tax year may be deducted.
- Expenses incurred for the individual and his or her spouse's benefit for works of finishing and repair of buildings and other structures (excluding renovation [modernization] of multi-apartment buildings), car repair services, and childcare services for children up to 18 years, if the service provider is or should be registered as a Lithuanian taxpayer. These provisions are

temporary and apply for the 2019, 2020 and 2021 calendar years.

The total amount of all the abovementioned deductions may not exceed 25% of taxable income (taking into account deductions). In addition, the total amount of deductible expenses regarding life insurance premiums and pension contributions to pension funds may not exceed EUR1,500, while total amount of deductible expenses regarding building finishing and repair, car repair, and childcare services may not exceed EUR2,000.

Rates. For information regarding tax rates, see *Overview of income tax rates* and the subsections of *Income subject to tax.*

B. Other taxes

Land tax and state land lease tax. Land tax is imposed on landowners, both individuals and legal entities, at rates ranging from 0.01% to 4% of the estimated value of the land. State land lease tax is imposed on users, both individuals and legal entities, of state land at rates ranging from 0.1% to 4% of the estimated value of the state land.

Inheritance tax. Inheritance tax is applied to both residents and nonresidents, unless international treaties provide otherwise. The tax base for a Lithuanian permanent resident is inherited property, such as movable property, immovable property, securities and cash. The tax base for a nonresident is inherited movable property requiring legal registration in Lithuania (for example, vehicles) or immovable property located in Lithuania. The rate of inheritance tax applied to inheritors is 5% if the taxable value is less than EUR150,000 and 10% if the taxable value EUR150,000 or more. Close relatives, such as children, parents, spouses and certain other individuals, may be exempt from this tax. Inherited property with taxable value of less than EUR3,000 is also exempt from this tax.

Real estate tax. Real estate owned by individuals that is used for business activities (with several exceptions) or given for use to legal persons for a period longer than one month or indefinitely is subject to 0.3% to 3% real estate tax (RET) based on the taxable value of the real estate. Real estate owned by individuals that is not used for the purposes described in the preceding sentence is taxed at the following rates:

- The part of the property value that does not exceed EUR300,000 is subject to a tax at a rate of 0.5%.
- The part of the property value that exceeds EUR300,000, but does not exceed EUR500,000, is subject to a tax at a rate of 1%.
- The part of the property value that exceeds EUR500,000 is subject to at a rate of 2%.

An exception applies to real estate owned by individuals that is used for business activities (with certain exceptions) or given for use to legal persons for a period of longer than one month or indefinitely, which is taxable on the full taxable value.

A concept of the "mass assessment" of real estate is presented in the Law on Real Estate Tax. "Mass assessment" of real estate is a process of assessing similar real estate when the common methodology and technology of the data analysis and assessment are used. On the completion of a mass assessment, only a common

assessment report is presented. In certain cases, a taxpayer can apply for an individual assessment. If the value of the individually assessed real asset differs from the value determined in the course of mass assessment by more than 20%, the taxpayer is allowed to use the individually determined value as the RET base.

Legal entities, as opposed to individuals, must pay advance installments on a quarterly basis. The legal entities should provide an annual RET return to the State Tax Inspectorate by 15 February of the following year. Individuals should provide an annual RET return to the State Tax Inspectorate by the following dates:

- By 15 February of the following year for real estate of commercial purpose
- By 15 December of the current year for other real estate, if the taxable value of the immovable property owned exceeds EUR300,000

C. Social security

Social security contributions. Starting 1 January 2019, the reallocation and merging of the social security contributions payment obligation between the insured person and the insurer is implemented. As a result, the employer withholds 12.52% (14.32% to 15.52% if an individual participates in a pension accumulation scheme) from the employee's gross salary as the social insurance contribution paid by the employee. Social insurance contributions are not deducted in computing the employee's income tax or his or her health insurance contribution, which are deducted from the gross salary. In the case of a regular employment contract, employers must pay social insurance contributions equal to 1.45% of the gross salary; in the case of a fixed-term employment contract, the rate is 2.17%. However, depending on the number of accidents, the rate of the social insurance contributions might be increased to 3.43%. In addition, the employer must pay 0.16% contributions to the Guarantee Fund and 0.16% contributions to the Long-term Employee Benefit Fund. The ceiling for social security contributions, contributions to Guarantee Fund and the Long-term Employee Benefit Fund applies for salary exceeding 120 AMS per year.

Social insurance contributions for part-time employees is calculated based on the minimum monthly salary with some exceptions. The minimum monthly salary is EUR555 for 2019 and EUR607 for 2020.

Special rules apply to the following persons:

- Sportspersons
- Artists
- Individuals working under authorship agreements
- Self-employed persons (attorneys at law, assistant attorneys at law, notaries, bailiffs and other individuals engaged in individual activities)
- Farmers and their partners
- Owners of individual enterprises
- Members of micro companies
- Partners of partnerships

The rate of social security contributions for self-employed persons is 12.52% (14.32% to 15.52% if an individual participates in a pension accumulation scheme), levied on 90% of the income subject to personal income tax, but not exceeding the amount of 43 AMS per year.

Certain types of employment-related income are exempt from social security contributions, including the following:

- Benefits related to an employee's death paid by an employer to the employee's spouse, children and parents, or paid in the event of a natural disaster or fire, up to the amount of five minimum monthly salary payments
- Reimbursement of business travel expenses in the amount specified under the laws or government resolutions
- Payments for the training and requalification of employees
- Interest on the late payment of employment income
- Allowances for illness compensated by the Lithuanian employer for the first two days of illness
- Shares received under share option plans if the rights to the shares are granted to employees not earlier than three years after vesting
- Value-added tax calculated for goods supplied and services provided
- Other similar income

Totalization agreements. Foreign citizens, who arrive in Lithuania for work purposes from non-European Union (EU) states or states that are not parties to international treaties and who are employed by a Lithuanian employer are subject to the same rules as Lithuanian citizens. Lithuania is subject to EU regulations providing social security principles for persons migrating between member states.

Foreign employers not registered in Lithuania but having employees working according to employment agreements in Lithuania, who are subject to social insurance in Lithuania, must register as insurers in Lithuania and pay the same social insurance contributions as Lithuanian employers. In addition, Lithuania has entered into bilateral social insurance agreements with the Belarus, Canada, Moldova, the Russian Federation Ukraine and the United States, which contain special provisions regarding social security and welfare.

Health insurance. The employee's gross salary is subject to mandatory health insurance contributions of 6.98%. The employer must withhold this tax. The annual mandatory health insurance contribution of income received by resident authors, sportspersons and artists who do not receive any employment-related income is calculated on 50% of the amount of income received up to the amount of 43 AMS. Individuals engaged in individual business activities pay mandatory health insurance contributions of 6.98% based on the minimum monthly salary. Annual mandatory health insurance contribution on their income is calculated based on 90% of income received, but the tax base cannot exceed 43 AMS per year.

Mandatory health insurance contributions at a rate of 6.98% of the amount that is subject to social insurance contributions is paid by the individual enterprise for the owner, by the micro company for the member and by the partnership for the partner.

Farmers and their partners must pay mandatory health insurance contributions depending on the area (size) of their farm. The following are the rates:

- If the area of the farm does not exceed 2 European area units, farmers and their partners must pay mandatory health insurance contributions of 2.33% based on the minimum monthly salary per month.
- If the area of the farm exceeds 2 European area units, farmers and their partners must pay mandatory health insurance contributions of 6.98% based on the minimum monthly salary per month.

D. Tax filing and payment procedures

A Lithuanian tax resident that receives income during a tax year must file an annual income tax return by 1 May of the following year. A Lithuanian tax resident must pay the difference in income tax between the amount specified in his or her annual income tax return and the amount paid (withheld) during the tax year by 1 May of the following year.

A Lithuanian tax resident may elect not to file the annual income tax return if any of the following apply:

- The individual will not exercise his or her right to deduct the annual nontaxable income amount.
- The individual will not exercise his or her right to deduct certain expenses incurred from income.
- During the tax period, the individual received only A class income related to employment and no additional tax is payable.

Tax residents who hold specified positions in certain Lithuanian institutions must file annual tax returns and special asset tax returns.

A person who is engaged in individual activity under a business certificate or who has registered his or her individual activity must submit his or her annual income tax return even if he or she did not earn any income from the individual business activity.

Nonresidents who receive B class income (all income not included in A class) must file nonresident income tax returns and pay tax due not later than 25 days after the receipt of income.

E. Double tax relief and tax treaties

The following rules apply to the taxation of foreign-source income received by permanent Lithuanian residents:

- Income (except dividends, interest and royalties) received by a permanent Lithuanian resident and taxed in another EU member state or another state with which Lithuania entered into a double tax treaty is exempt from tax in Lithuania.
- A permanent Lithuanian resident may reduce the Lithuanian income tax applicable to dividends, interest and royalties by the amount of income tax paid in the country where the income was sourced if the source country was an EU member state or a state with which Lithuania has entered into a double tax treaty.
- A permanent Lithuanian resident may reduce the Lithuanian income tax applicable to all types of income by the amount of income tax paid on such income in other states, except for income received from tax havens.

On 11 September 2018, Lithuania deposited its instrument of ratification, acceptance or approval of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) with the OECD. The MLI entered into force as of 1 January 2019. Accordingly, Lithuania submitted the definite list of 55 tax treaties (all of Lithuania's double tax treaties that are in force and its double tax treaty with Morocco, which is signed but has not yet entered into force) that Lithuania would like to designate as Covered Tax Agreements.

Lithuania has entered into double tax treaties with the following jurisdictions.

Armenia
Austria
Azerbaijan
Belarus
Belgium
Bulgaria
Canada
China
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Georgia
Germany
Greece
Hungary
Iceland
India
Ireland
Israel
Italy
Kazakhstan
Korea (South)
Kuwait
Kyrgyzstan
Latvia
Luxembourg
Malta
Mexico
Moldova
Netherlands
North Macedonia
Norway
Poland
Portugal
Romania
Russian Federation
Serbia
Singapore
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan

F. Entry visas

The Law on the Legal Status of Foreigners, which entered into force on 30 April 2004, is designed to harmonize the Lithuanian law regulating the legal status of foreigners in Lithuania with the requirements of the EU with respect to visas, migration, asylum and free movement of persons.

In general, to enter Lithuania, a foreign national must have a visa stamped in his or her valid travel document. Under Lithuanian free travel agreements, resolutions and treaties, citizens of the EU and the following jurisdictions may enter Lithuania freely.

Albania (a)(b)
Andorra
Antigua and Barbuda
Argentina
Armenia (b)
Australia
Azerbaijan (b)
Bahamas
Barbados
Bosnia and Herzegovina (a)(b)
Brazil
Brunei Darussalam
Canada
India (b)
Israel
Japan
Jordan (b)
Kazakhstan (b)
Kiribati
Korea (South)
Liechtenstein
Macau SAR (c)
Malaysia
Marshall Islands
Mauritius
Mexico
Micronesia
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Samoa
San Marino
Serbia (a)(b)
Seychelles
Singapore
Switzerland
Taiwan (d)
Timor-Leste

Cape Verde (b)
Chile
China Mainland (b)
Colombia
Costa Rica
Dominica
El Salvador
Georgia (b)
Grenada
Guatemala
Honduras
Hong Kong Special Administrative Region (SAR) (c)
Montenegro (a)(b)
Morocco (b)
Nauru
New Zealand
Nicaragua
North Macedonia (a)(b)
Norway
Oman (b)
Palau
Panama
Paraguay
Peru
Philippines (b)
Russian Federation (b)
Tonga
Trinidad and Tobago
Turkey (b)
Tuvalu
Ukraine (a)
United Arab Emirates
United States
Uruguay
Vanuatu
Vatican City
Venezuela

(a) For holders of biometrical passports.
(b) For holders of diplomatic and official passports.
(c) For Hong Kong SAR and Macau SAR passport holders only.
(d) For holders of a passport with a personal identification number provided.

In general, Lithuania allows such citizens to stay in Lithuania for up to three months in a six-month period without obtaining any specific stay document.

An ordinary visa allows an individual to enter and stay in Lithuania for up to three months during a six-month period, which is calculated from the date of arrival in Lithuania or any other Schengen country.

Individuals with a United Nations certificate may stay in Lithuania for up to three months during a six-month period.

G. Work permits

Usually, a Lithuanian-registered enterprise may employ the following foreigners:

- A foreigner who has a valid work permit issued by the Central Labour Exchange of Lithuania
- A foreigner who has retained the right to Lithuanian citizenship
- A foreigner who is of Lithuanian origin
- A foreigner who marries in Lithuania

Work permits are not required for citizens of the EU as well as for foreigners holding a permit for permanent residence issued by Lithuania. A permanent residence permit may be issued after five years of legal stay in Lithuania.

A company that intends to employ a foreigner must submit a request to the local labor exchange for a work permit. A company must register a free working place (an available employment position in the company) five days before submitting a request for a work permit. When the local labor exchange issues a positive decision, the required documents are submitted to the Central Labor Exchange, which issues a final decision and issues a work permit to the foreigner. The consideration of a request for a work permit may take up to one month. A foreigner is issued a work permit valid for up to two years. Based on the work permit, an individual may be eligible for a temporary residence in Lithuania.

In general, a work permit is required for a non-EU citizen before the beginning of work in Lithuania, unless he or she is exempt from the requirement of obtaining a residence permit. The following are a few of the possible exemptions:

- A non-EU citizen who intends to take a job requiring high profession qualification (additional requirements apply)
- An employee who is transferred from a foreign company as a manager or specialist in a group structural unit established in Lithuania (additional requirements apply)
- A non-EU citizen who is seconded for a duration of no more than one year as a specialist from a non-EU employer to Lithuania under a service agreement concluded between the employer and a Lithuanian company (additional requirements apply)
- An individual who has a permanent residence permit obtained in another EU country
- An employee who arrives in Lithuania for no more than three months during a year to take care of a matter related to the negotiation, conclusion or execution of an agreement, personnel training or installation of equipment
- An individual who is in a profession that is listed among the professions that are in need in Lithuania

Other exemptions are also available.

A foreign employer who temporarily posts its employee for work in Lithuania for more than 30 days must inform the Territorial Division of the State Labour Inspectorate about the employment conditions of the posted employee not later than 1 day before the start date of the posting. The required form must be completed and submitted by the foreign employer to the Territorial Division of the State Labour Inspectorate.

H. Residence permits

To legally enter and stay in Lithuania, in general, a non-EU citizen must have a residence permit and/or a certain visa, unless a visa-free regime is applicable. A visa allows an individual to enter and stay in Lithuania for up to 90 days in a 180-day period. The same length of stay applies to non-EU citizens who fall under the visa-free regime.

An EU citizen who spends fewer than three months per half-year in Lithuania does not need to have a temporary residence permit.

Temporary residence permits usually are issued to persons who spend more than three months per half-year in Lithuania, most often for business or educational purposes. A foreigner applying for a residence permit for the first time must contact the Lithuanian diplomatic or consular mission abroad. However, citizens of EU member states and foreigners not subject to the visa regime are not subject to this condition. Citizens of EU member states may apply to the Migration Department in Lithuania for an EU certificate, which allows them to temporarily reside in Lithuania. Citizens of EU member states may obtain the EU certificate for a maximum period of five years depending on the purpose of stay. On the expiration of the temporary residence permit, the person must request a new temporary residence permit.

A temporary residence permit for foreigners from third countries is issued for a maximum period of two years.

I. Family and personal considerations

Marital property regime. Marital property relations are regulated by the Civil Code of Lithuania.

Under the law, spouses or future spouses may enter into a notarized marital agreement regulating the legal status of the spouses' property that is registered under an established procedure. If a marital agreement is not entered into, property acquired by spouses during their marriage is considered jointly owned property. Each of the spouses has equal rights to use and dispose of jointly owned property. At any stage of marital life, couples may divide their jointly owned property by a notarized marital agreement.

The jointly owned property regime applies to all officially married couples who have a permanent residence in Lithuania, unless a marital agreement establishing another governing law is concluded. If the spouses reside in different countries, the jointly owned property regime applies only if both spouses are citizens of Lithuania. In other situations, the jointly owned property regime applies only if the couples solemnize their marriages in Lithuania. The law recognizes a concept of family property that may be used for family requirements only, including matrimonial domicile and right to use a matrimonial domicile.

The law applicable to an agreement between the spouses regarding matrimonial property is determined by the law of the state chosen by the spouses in the agreement. The spouses may choose the law of the state in which they are both domiciled or will be domiciled in the future, or the law of the state in which the marriage was solemnized, or the law of the state of which one of the spouses is a citizen. The agreement of the spouses on the applicable law is valid if it is in compliance with the requirements of the law of the selected state or the law of the state in which the agreement is made. The applicable law chosen in the agreement of the spouses may be used in resolving disputes related to real rights in immovable property only if the requirements of public registration of this property and of the real rights therein, as determined by the law of the state where the property is located, were complied with.

Forced heirship. Under the Civil Code of Lithuania, certain heirs and descendants have a right to a legal share of their relatives' estate. Children (including adopted children) of the deceased, as well as a spouse and parents requiring care, are entitled to half of their intestate share, regardless of the provisions of any will, unless the bequeathed share is larger.

The form of the will is determined by the laws of the country where the will is concluded. However, a will, as well as its amendment or revocation, is valid if the form of these items is in compliance with the requirements of any of the following:

- The law of the state of the testator's domicile
- The law of the state of which the testator was a citizen when the relevant acts were performed
- The law of the state of the testator's residence when the relevant acts were performed or at the time of his or her death

Land, buildings and other immovable property located in Lithuania are inherited in accordance with the laws of Lithuania.

Driver's permits. A driver's permit issued to a resident of a foreign country is valid in Lithuania if the person possesses an international driver's license that meets the requirements of the 1968 Vienna Convention or a driver's license issued by an EU member state or a driver's license that Lithuania must recognize under international agreements. A driver's license issued by a non-EU country to a foreigner residing in Lithuania may be changed to a Lithuanian driver's license if certain conditions are met.

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A. Income tax

Who is liable. Residents of Luxembourg are subject to tax on their worldwide income. Nonresidents are subject to tax on their Luxembourg-source income only.

Individuals are considered resident if their accommodation indicates that they do not intend to reside only temporarily in Luxembourg or if they spend more than six months in Luxembourg.

Married individuals (effective from 1 January 2015, married same-gender couples are included) are jointly taxable. Under the 2017 tax reform, the Luxembourg government has implemented the possibility for married taxpayers to be taxed separately; this option is available, effective from the 2018 tax year. Registered partners (under Luxembourg or foreign law) may claim joint taxation through the filing of a joint income tax return. The eligible partners need to share a common domicile or residence and their partnership must exist during the entire relevant fiscal year.

Income subject to tax. Luxembourg income tax law distinguishes among several categories of income, including income from employment, self-employment, trade and business, and agriculture.

Employment income. Resident and nonresident employees are subject to income tax on remuneration received from employment. Employment income includes wages, salaries, bonuses, employer-provided pension contributions and all other compensation in cash or in kind. Wage tax is withheld at source.

Self-employment and business income. Individuals who act independently in their own name and at their own risk are taxed on income derived from self-employment or business activities. Nonresidents are taxable only to the extent they operate through

either a permanent establishment or a fixed place of activity located in Luxembourg.

In general, taxable income includes all income and capital gains attributable to self-employment or business activities, at the rates set forth in *Rates*.

Investment income. Dividends received by a resident taxpayer from a resident or nonresident company are generally subject to personal income tax. A 50% exemption is granted for dividends received from the following:

- A fully taxable Luxembourg-resident company
- A taxable European Union (EU) resident company that is covered by the EU Parent-Subsidiary directive
- A taxable company resident in a country that has entered into a double tax treaty with Luxembourg and that is subject to comparable corporate taxation

A 15% tax is withheld by a Luxembourg distributing company and can be offset against Luxembourg tax or refunded under certain circumstances. Only 50% of the expenses related to such dividends is deductible.

A final withholding tax of 20% (before 1 January 2017, the rate was 10%) is imposed on interest income paid by a paying agent established in Luxembourg to beneficial owners resident in Luxembourg. Interest income subject to this final withholding tax is no longer required to be reported into the annual tax return. The withholding tax is not considered a final withholding tax if the income derives from business assets (assets used in self-employment or business activities) of the investor rather than from private assets. In addition, the law provides that for certain savings deposits, interest under a threshold of EUR250 per person per paying agent is not taxable.

Individuals resident in Luxembourg may opt for a final tax of 20% on eligible interest income received from paying agents located in the following jurisdictions:

- EU member states
- European Economic Area (EEA) states

The option for a final withholding tax of 20% applies to the same eligible interest income (deriving from private assets only) as defined by Luxembourg law. The annual tax-free ceiling of EUR250 per individual and per paying agent also applies to eligible interest income paid outside Luxembourg. The option for a final withholding tax of 20% is requested through a specific form that must be filed before 31 March of the year following the year of payment.

If the taxpayer is a Luxembourg resident, income excluded from the 20% final withholding tax must be reported in the annual tax return and is taxed at the progressive rates.

A lump-sum deduction of EUR25 is granted for expenses related to both dividend and interest income (excluded from the 20% final withholding tax), unless actual expenses are higher. This lump-sum deduction is EUR50 for spouses/partners subject to joint taxation. In addition, both dividend and interest income (excluded from the 20% final withholding tax) are

exempt up to EUR1,500 (the exemption is doubled for spouses/partners jointly taxable). Expense deductions may not create a loss that could be offset against other sources of income, except in certain limited cases.

Royalties and income from the rental of real estate are aggregated with other income and taxed at the rates set forth in *Rates*.

Nonresidents are subject to the 15% withholding tax on dividends received from Luxembourg companies. However, if an applicable double tax treaty provides a lower tax rate, nonresidents can claim a refund of the excess tax withheld. Most of the double tax treaties entered into by Luxembourg provide for a maximum tax rate of 15% on gross dividends.

Nonresidents are not subject to withholding tax on royalties.

Directors' fees. Payments to managing directors of Luxembourg companies for day-to-day management are considered to be employment income and are taxed at the rates set forth in *Rates*. Otherwise directors' fees are subject to withholding tax at a rate of 20%. If a nonresident director's only professional income in Luxembourg amounts to a gross fee of less than EUR100,000 per year, the 20% withholding tax is a final tax and an individual income tax return does not need to be filed. However, the nonresident director may file a tax return at his or her discretion. Individuals who are required to or elect to file an income tax return may credit the 20% withholding tax against their Luxembourg tax liability.

If the company bears the tax on directors' fees, then the tax rate applicable to the net fees is 25%.

Special tax regime for expatriate highly skilled employees. A beneficial income tax regime has been introduced for expatriate highly skilled employees. This regime provides tax relief for certain costs linked to expatriation and is subject to several conditions. The tax regime, which entered into force on 1 January 2011 and was amended in May 2013 (effective from January 2013) and on 27 January 2014 (effective from 1 January 2014), applies to employees who are sent to work temporarily in Luxembourg on an assignment between intragroup entities. It also applies to employees who are directly recruited abroad by a Luxembourg company to work in Luxembourg.

Under certain conditions, various costs directly related to the expatriation are not considered taxable employment income. Under the special tax regime, the following expatriate benefits and allowances are not taxable.

- Moving costs (transportation of goods, transfer travel expenses, furnishing costs and similar expenses).
- Costs related to housing in Luxembourg and expatriation (rent and utilities if the former accommodation is maintained in the home country or the housing differential if the former accommodation is not maintained), one home-leave trip and tax-equalization costs. However, these costs are limited to EUR50,000 per year (EUR80,000 for married couples or partners sharing accommodation) or 30% of the fixed total annual remuneration, whichever is less.
- School fees for children in primary and secondary education.

- Cost-of-living allowance and miscellaneous expenses (not specifically provided for) linked to the expatriation. However, these costs are limited to EUR1,500 per month or 8% of the fixed monthly remuneration (EUR3,000 and 16%, respectively, for married couples or partners sharing accommodation provided that they are not performing a professional activity), whichever is less.

The tax regime applies for a maximum of five years. As a result of the 2013 and 2014 changes to benefit from the tax regime, it is no longer necessary to file a written motivated application, and Luxembourg payroll is no longer required. Instead, a list of employees who benefited from the regime needs to be sent by 31 January of the following year.

Taxation of employer-provided stock options. If a stock option is freely tradable or transferable, the employee is taxed on the date the option is granted. If the option is not tradable or transferable, the employee is taxed on the date the option is exercised. The taxable benefit is subject to income tax and to social security contributions by both the employer and the employee (up to the ceiling).

Capital gains

Movable property. Substantial shareholdings (more than 10%) in resident or nonresident corporations are fully subject to tax on capital gains in the hands of resident taxpayers. However, half of the average tax rate (a maximum rate of 22.89% and tax relief of EUR50,000 [EUR100,000] for spouses or partners jointly taxable) apply to capital gains if substantial shareholders sell the shares after a six-month holding period. For the disposal of substantial shareholdings, an adjustment for inflation applies to the acquisition price. In addition, Luxembourg introduced with retroactive effect on 1 January 2015 a step-up mechanism. Under this mechanism, the acquisition price for the purpose of determining the capital gain is the fair market value of the shares on the date of establishing Luxembourg tax residence, rather than the actual acquisition price. Capital gains on non-substantial shareholdings (10% or less) and other securities, such as shares in investment funds, are tax-free if they are realized more than six months after acquisition. Otherwise, the gains are fully taxable at the rates set forth in *Rates*.

Capital gains derived from the disposal of substantial shareholdings in corporations are taxable in the hands of a nonresident taxpayer if either of the following applies:

- The taxpayer was previously resident in Luxembourg for more than 15 years and became nonresident less than 5 years before the disposal.
- The taxpayer sold his or her shares in Luxembourg companies within six months following the acquisition.

The above rules regarding nonresidents do not apply if an applicable tax treaty does not give Luxembourg the right to tax the gains.

Real estate. Capital gains on sales of privately owned buildings and land realized within two years after purchase are taxable as ordinary income. Gains on real estate sold more than two years after purchase are taxable after adjustment for inflation and application of a standard exemption of EUR50,000. This

allowance is EUR100,000 for spouses/partners subject to joint taxation. The exemption is renewed every 10 years (for example, if the exemption is completely used up in one year, the individual must wait 10 years to claim another exemption). In addition, the capital gain is taxed at half of the normal rate (a maximum rate of either 22.47% or 22.89%). An additional allowance of EUR75,000 for each spouse/partner is available for the sale of a home inherited by a direct descendant that was the principal residence of the taxpayer's parents or spouse.

For the sale of real estate taking place from 1 July 2016 to 31 December 2018, such capital gains are taxed at ¼ of the overall tax rate.

Gains derived from the sale of a principal residence are exempt from tax.

Nonresident taxpayers are taxed on capital gains derived from real estate located in Luxembourg in the same manner as residents.

Realized by a business. Capital gains derived from investments and from the disposal of real estate that forms part of the net asset value of a privately owned business are taxable.

Deductions

Deductible expenses. Non-reimbursed expenses incurred by an employee to create, protect or preserve employment income are generally deductible. A standard deduction of EUR540 for employment-related expenses is granted. The standard deduction is doubled for a married couple if both spouses earn employment income.

The following expenses are deductible for tax purposes:
- Alimony paid to a divorced spouse and other specified periodic payments
- Social security contributions levied on salary (however, care insurance is not deductible; see *Social security*)

In addition, interest on loans contracted to purchase owner-occupied housing is deductible up to a ceiling that decreases with the length of time the housing is occupied, as indicated in the following table.

Year of occupation	Ceiling (EUR)*
From 2014	2,000
From 2009 to 2013	1,500
2008 and previous years	1,000

* This is the ceiling for each member of the household.

Subject to certain conditions, each of the following items is deductible, up to an annual ceiling of EUR672 for each person in the taxpayer's household:
- Premiums paid for voluntary life, accident, sickness, unemployment and third-party automobile insurance
- Contributions to house-saving institutions to finance housing through approved home-ownership plans (the deductible amount can be increased to EUR1,344 if the subscriber is between 18 and 40 years old)
- Interest on consumer loans

If they meet the conditions required by the law, old-age providence premiums may be deducted up to an annual ceiling of EUR3,200.

Personal deductions and allowances. A deduction may be claimed for the following extraordinary expenses if specified conditions are fulfilled:
- Expenses for hospitalization that are not covered by a sickness fund
- Maintenance of close relatives
- Expenses related to handicapped persons
- Child care expenses
- Employment of domestic staff

Business deductions. In general, all expenses for business or professional activities are deductible, such as the following:
- Costs of material and stock
- Staff costs, certain taxes, rental and leasing expenses, finance charges, self-employed social security contributions, and all general and administrative expenses
- Depreciation of fixed assets
- Provisions for identified losses and expenses
- Loss carryforwards

Rates. Tax rates are progressive with a maximum rate of 45.78% for 2019 (maximum 9% unemployment fund contribution included). The marginal tax rate is 45.78% for income exceeding EUR200,004 for taxpayers in Tax Class 1 (single individuals and married couples taxed separately) and Tax Class 1a (single, separated or divorced individuals with children) and EUR400,008 for taxpayers in Tax Class 2 (married couples or partners jointly taxable).

The following table sets forth the average income tax rates for 2019, taking into account the applicable unemployment fund contribution and the tax credits for professional income.

	Single individual		Married couple	
Taxable income EUR	**Amount of tax EUR**	**Effective tax rate %**	**Amount of tax EUR**	**Effective tax rate %**
20,000	0	0	0	0
40,000	5,163	12.91	1,243	3.11
60,000	13,616	22.69	5,284	8.81
80,000	22,262	27.83	11,526	14.41
100,000	30,608	30.61	19,488	19.49
120,000	39,168	32.64	27,834	23.19
140,000	47,728	34.09	36,180	25.84
150,000	52,008	34.67	40,353	26.90
200,000	74,353	37.18	61,217	30.61

In general, nonresidents are subject to the above rates. For nonresidents, a minimum tax applies to all income other than employment or pension income.

Business profits tax. Net business profit is subject to income tax and municipal business tax.

Certain tax credits, such as the investment tax credit, may reduce the final tax due.

In addition, privately held businesses are subject to municipal business tax on trade profit as computed for income tax purposes, subject to various adjustments, less a standard exemption of

EUR40,000. The rate varies depending on the municipality, but generally is approximately 7.5% (6.75% for Luxembourg City).

Nonresidents who carry on business through a permanent establishment in Luxembourg are taxed at the same rates as residents.

Relief for losses. Business losses may be carried forward without limitation if accounts are kept in accordance with generally accepted accounting principles. Losses may not be carried back. They may not be deducted by a successor except under certain circumstances.

Losses derived from investments in securities may only offset positive investment income, and not positive income from other categories. However, an exception to this rule may apply if the taxpayer holds a significant shareholding in a company and derives his or her main professional earnings from activities in that company.

B. Other taxes

Net worth tax. The wealth tax for resident and nonresident individuals was abolished, effective from 1 January 2006.

Inheritance and gift taxes. The tax base for inheritance tax is the market value at the time of death of the entire net estate inherited from a person domiciled in Luxembourg. Exemptions apply to real estate located abroad and, under certain conditions, to movable assets held outside Luxembourg. If the decedent was a nonresident at the time of his or her death, death tax is levied only on real estate located in Luxembourg. The inheritance tax rates range from 0% to 48%. The rate applicable to heirs in direct line (for example, a son or daughter, or grandson or granddaughter) is 0%. A 0% rate also applies to any inheritance between spouses or registered partners of more than three years with at least one common child. Death taxes are imposed on real estate located in Luxembourg that is left by a person who was not an inhabitant of Luxembourg, even a person in direct line, at rates that range from 2% to 48%.

Gifts and donations that are required to be registered with the Administration de l'Enregistrement (and therefore subject to registration tax) are subject to gift tax. Gift tax is payable by the resident or nonresident donee on the gross market value of the assets received. The rates range from 1.8% to 14.4%, depending on the relationship between the donor and the donee.

Gifts that are not required to be made in writing (for example, gifts of movable assets transferred by delivery [*dons manuels*]) are generally accepted without registration. However, such gifts may be subject to registration tax if another registered deed refers to them.

In addition, gifts made by the decedent within the year preceding his or her death are aggregated with the taxable asset base, unless they were subject to gift duties.

C. Social security

Contributions. Social security contributions apply to wages and salaries and must be withheld by the employer. These contributions

cover old-age pension and health insurance. Only employers pay contributions for professional accident coverage. The following social security contribution rates for employers and employees apply as of 1 January 2017.

	Employee %	Employer %
Pension (a)	8	8
Illness (a)	3.05	3.05
Accident (a)	N.A.	0.72 to 1.2
Health at Work (a)	N.A.	0.11 (b)
Mutual insurance (a)	N.A.	0.41 to 2.79 (c)

(a) The contribution rates are subject to an annual ceiling of EUR125,385 for 2019.
(b) The Health at Work contribution is payable only by employers that are members of the National Service for Health at Work.
(c) The rate varies according to the risk class of the employer based on the rate of absenteeism of the employees.

In addition, dependence insurance to support the elderly and the disabled is payable by employees at a rate of 1.4% on total gross income with no ceiling, but after an annual deduction of EUR6,269.28 for 2019. Employers are not subject to dependence insurance contributions.

Self-employed individuals must register for social security purposes. The rates of contribution are approximately the same as those for employers and employees combined.

Totalization agreements. As an EU member state, Luxembourg applies new EC Regulation No. 883/2004 on the coordination of social security systems as well as EEC Regulation No 1408/71. In addition, Luxembourg has entered into bilateral social security totalization agreements with the following jurisdictions.

Albania	China (a)	Quebec
Argentina	India	Serbia
Bosnia and Herzegovina	Japan	Tunisia
Brazil	Korea (South) (b)	Turkey
Canada	Moldova	United States
Cape Verde	Montenegro	Uruguay
Chile	Morocco	Yugoslavia (former)
	North Macedonia	

(a) This social security agreement is applicable from 1 May 2019.
(b) This social security agreement is applicable from 1 September 2019.

Luxembourg has signed a bilateral social security agreement with the Philippines, but this agreement has not yet entered into force.

D. Tax filing and payment procedures

The tax year corresponds to the calendar year.

Taxpayers must file annual income tax returns by 31 March 2019 for income earned in 2018. The filing deadline may be extended on the request of a taxpayer.

Special rules apply to certain taxpayers. For example, employees who are subject to withholding tax and who do not have another source of income must file tax returns only if their annual taxable

remuneration exceeds EUR100,000. The employer must withhold wage tax.

Single nonresident taxpayers earning Luxembourg-source salaries and pensions must file tax returns if their taxable annual income exceeds EUR100,000 and if they have been employed continuously during nine months of the tax year. Married nonresidents who are jointly taxable must file tax returns if their joint salaries and pensions exceed EUR36,000.

Under certain conditions, nonresident taxpayers can elect to be treated as Luxembourg resident taxpayers to qualify for the same deductions and allowances. The request is made in the taxpayer's income tax return.

Self-employed individuals must make quarterly prepayments of tax in amounts that are fixed by the tax authorities based on the individual's most recent final assessment.

E. Tax treaties

Most of Luxembourg's tax treaties provide double tax relief through the exemption-with-progression method. However, interest, dividends and royalties are subject to tax credit rules. Luxembourg has entered into double tax treaties with the following jurisdictions.

Andorra
Armenia
Austria
Azerbaijan
Bahrain
Barbados
Belgium
Brazil
Brunei Darussalam
Bulgaria
Canada
China Mainland
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Georgia
Germany
Greece
Guernsey
Hong Kong SAR
Hungary
Iceland
India
Indonesia
Ireland
Isle of Man
Israel
Italy
Japan
Jersey
Kazakhstan
Korea (South)
Kosovo
Laos
Latvia
Liechtenstein
Lithuania
Malaysia
Malta
Mauritius
Mexico
Moldova
Monaco
Mongolia*
Morocco
Netherlands
North Macedonia
Norway
Panama
Poland
Portugal
Qatar
Romania
Russian Federation
San Marino
Saudi Arabia
Senegal
Serbia
Seychelles
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Taiwan
Tajikistan
Thailand
Trinidad and Tobago
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Vietnam

* Mongolia denounced the double tax treaty, which no longer applies, effective from 1 January 2014.

Luxembourg has signed tax treaties with Albania, Argentina, Botswana and Kuwait, but these treaties have not yet been ratified.

Tax treaty negotiations with Egypt, Ghana, Kyrgyzstan, Lebanon, New Zealand, Oman, Pakistan and Syria have been announced.

Residents deriving income in non-treaty countries are in principle entitled to a credit for foreign taxes paid, up to the amount of tax imposed by Luxembourg on the foreign-source income.

Frontier workers. Luxembourg has entered into Memoranda of Understanding with Belgium and Germany with respect to frontier workers. Under the memorandum with Germany, Luxembourg maintains full taxation rights for employment income if German frontier workers work less than 20 days during a calendar year outside Luxembourg. The same applies to Belgian frontier workers if they work less than 25 days (the 25-day threshold might be replaced by a 48-day threshold) during a calendar year outside Luxembourg. A new comprehensive double tax treaty (to replace the existing treaty) has been signed with France, but it had yet entered into force at the time of writing (it may still enter into force on 1 January 2020). This treaty provides that French frontier workers remain fully taxable in Luxembourg if they work less than 30 days during a calendar year outside Luxembourg.

F. Temporary visas

Luxembourg offers temporary transit visas and short-stay visas (*visa de court séjour*). A transit visa is valid for travelers passing through Luxembourg. A short-stay visa is valid for persons (employed and self-employed) who stay in Luxembourg for a short period and do not derive income in Luxembourg, such as tourists, students enrolled in training courses in Luxembourg for less than three months and people on business trips.

The short-stay visa can be issued for a single entry or multiple entries. In the event of multiple entries, the total duration of the stay cannot exceed 90 days over a period of 6 months. The maximum period for a visa during which authorized visits can be made is one year.

The renewal of visas depends on the situation of the visa holder. In general, renewals are granted for one year.

G. Residence authorizations

The law on the free movement of EU citizens and on immigration policies, dated 29 August 2008 and subsequently amended, covers residence authorizations, which are work and stay permits for citizens outside the EU, EEA or Switzerland.

Under Luxembourg law, nationals of EU member states, EEA states (Iceland, Liechtenstein and Norway) or Switzerland do not need a residence authorization to perform their professional activities in Luxembourg.

Since 1 January 2014, nationals of Bulgaria and Romania are no longer required to hold a work permit. Effective from 1 July 2015, nationals of Croatia are also no longer required to hold a work permit.

Residence authorizations are not required for spouses (regardless of their nationality) of EEA or Swiss citizens who reside in Luxembourg. This exemption also applies to spouses (regardless of their nationality) of Luxembourg citizens resident in Luxembourg.

Luxembourg immigration requirements vary depending on the citizenship of the individuals and the length of their stay.

Citizens of the EU, EEA or Switzerland

Right to move and reside up to three months. Citizens of the EU, EEA or Switzerland and their family members (regardless of their nationality) may move to and reside in Luxembourg for a period of up to three months without any conditions other than the requirement to hold a valid identity card or passport. An entry visa may be requested for family members who are themselves third-country nationals.

Right of residence for more than three months. Citizens of the EU, EEA or Switzerland have the right of residence in Luxembourg for a period of more than three months if they satisfy either of the following conditions:

- They are workers or self-employed persons.
- They can provide proof of sufficient resources for themselves and their family members, and they have valid health insurance.

If the planned period of residence in Luxembourg exceeds three months, the individuals concerned and their family members must register with the communal administration within three months after the date of arrival. A registration certificate is then delivered. Family members who are themselves third-country nationals must request a residence card from the municipality within three months after the date of arrival. The residence card of a family member is valid for five years.

After a continuous period of five years of legal residence in Luxembourg, citizens of the EU, EEA or Switzerland and their family members (regardless of their nationality) have the right of permanent residence (on request).

Third-country nationals

Conditions of entry, exit and residence up to three months. In principle, the third-country national must personally request the residence authorization and submit it to the competent authorities before entry into Luxembourg.

Third-country nationals may enter and reside in Luxembourg up to three months within a six-month period provided that a valid passport and visa (if applicable), sufficient resources and health insurance are presented. These nationals must declare their entry into Luxembourg with the communal administration within three days after the date of arrival (no declaration is necessary for tourists residing in hotels). If they want to exercise employment or self-employment activities, these nationals need a residence authorization.

However, third-country nationals do not need an authorization if they come to Luxembourg for less than three months within one calendar year for business trips, if they are working for the same

group of companies, or if they are working as, among others, artists, sportsmen or academic lecturers.

Conditions of residence for more than three months. Third-country nationals have the right of residence in Luxembourg with a valid passport and visa (if applicable) for a period of more than three months if they obtain a residence authorization before their entry. In addition, these nationals must declare their entry with the municipality within three days after their date of arrival.

Workers with employment contracts. A residence authorization allowing third-country nationals to work in Luxembourg is granted if the individual has entered into an employment contract and if several other conditions are met. However, limited requirements apply to certain sectors of the economy experiencing substantial labor shortages.

The residence authorization is valid for a period of one year in one profession and one business activity but it is valid for any employer. It can be renewed for a two-year period.

Workers temporarily assigned for cross-border services. Companies established in another EU/EEA member state or in Switzerland can freely assign their workers (regardless of their nationality) to Luxembourg for the rendering of cross-border services (these are services provided in Luxembourg by workers for employers established in another EU/EEA member state or Switzerland) if these workers are authorized to work and stay in their home country for the duration of the assignment.

Third-country nationals temporarily assigned to Luxembourg by companies established outside EU/EEA member states or Switzerland for the rendering of cross-border services must have a residence authorization that is issued on request of the home-country company.

Workers temporarily assigned to a company group. On request of the host company, residence authorizations are granted to third-country workers who are assigned between intragroup entities.

Highly skilled workers. The Blue Card Directive for highly skilled workers (2009/50/EC) was transposed into Luxembourg legislation in February 2012. The EU Blue Card is granted to third-country highly skilled workers for a period of two years (renewable on request) if they have concluded an employment contract of at least one year, have a higher education qualification or at least five years of higher professional experience and earn at least 1.5 times the Luxembourg average gross annual salary (EUR 73,998 since 11 December 2017). This amount is 1.2 times the Luxembourg average gross annual salary (EUR 59,198.40 since 11 December 2017) for certain professions.

Self-employed persons. Residence authorizations for a maximum period of three years (renewable) are granted to third-country self-employed persons if the following conditions are satisfied:

- They have the professional qualifications and hold a business license or any adequate professional authorization.
- They have sufficient resources and accommodation.
- The exercise of the independent activity benefits the economic interests of Luxembourg.

Other categories of residence authorization. Under certain conditions, residence authorizations are granted to, among others, the following persons:

- Third-country students
- Exchange students
- Unremunerated trainees
- Researchers
- Sportspersons
- Inactive persons
- Other persons for exceptional reasons (for example, medical treatments)

EC long-term resident status. Third-country nationals can obtain long-term resident status if they have five years of legal and continuous residence in Luxembourg before the submission of the relevant application. The EC long-term resident status is valid for a period of five years, and is automatically renewed on request.

Steps for obtaining residence authorizations

General. When hiring foreign and Luxembourg wage earners, employers must notify the Labor Administration (Agence pour le développement de l'Emploi, or ADEM) of all job vacancies within three working days before publication in the press. A special form, called "Job Vacancy Declaration" ("Déclaration de Poste Vacant"), is used to notify the ADEM of the vacancy.

After the decision to hire a person is made, certain administrative formalities must be fulfilled, or a residence authorization must be obtained, depending on the citizenship of the prospective employee, as outlined above.

Employers must inform the Social Security Registration Authority (Centre Commun de la Sécurité Sociale, or CCSS), by use of the "Entry Declaration" ("Déclaration d'Entrée") form, to have an employee affiliated with social security.

Frontier workers. Frontier workers include any employed or self-employed person who pursues his or her occupation in one EU member country and who resides in another member country to which he or she returns daily or at least once a week.

Frontier workers are not required to comply with any special formalities.

Application for a residence authorization. Before arrival, the foreign worker must submit a written request for a temporary residence authorization to the Ministry of Immigration. The request must be sent together with a certified copy of the passport, birth certificate, police record extract, *curriculum vitae*, diplomas, employment contract and a motivation letter (letter providing information on the foreign worker's motivation to work for a certain employer).

Within 90 days after the date the temporary residence authorization (*autorisation de séjour*) is issued by the Ministry of Immigration, the foreign worker must either request a visa (if applicable) or enter Luxembourg (if a visa is not required). The entry must be declared with the communal administration within three days after the date of arrival.

Within three months after the date of arrival, the foreign worker must submit a form to obtain a definitive residence authorization called "Issuing Request for a Residence Authorization" ("Demande en délivrance d'un titre de séjour"). The form must be sent to the Ministry of Immigration together with the following:

- A certified copy of the temporary residence authorization
- An arrival declaration to the communal administration
- A medical certificate issued by a Luxembourg doctor
- Proof of suitable accommodation in Luxembourg
- A recent photo (biometrical)
- Proof of payment of a EUR80 stamp duty, which must be wired to the bank account of the Ministry of Immigration

The validity period of the definitive residence authorization is one year from the date of registration with the municipality. Two months before the expiration of the authorization, the Ministry of Immigration notifies by letter the foreign worker of the formalities to be followed to obtain a renewal of the authorization. The validity period for the first renewal is two years, while the validity period for subsequent renewals is three years.

H. Family and personal considerations

Family members. An expatriate worker may be accompanied to Luxembourg by his or her spouse and children. The application for the stay permit for each family member is submitted to the Ministry of Justice in Luxembourg jointly with the expatriate worker's request.

Family members who are EEA or Swiss nationals need only request a registration certificate.

Foreigners' identity cards are required for spouses and any children older than 15 years of age.

An expatriate's work permit is not valid for his or her spouse or children. For any family member wanting to work in Luxembourg, an individual work permit is required.

Children accompanying an expatriate worker to Luxembourg may attend any school in Luxembourg.

For some permits, a stay permit for family members can be requested only after a waiting period.

Marital property regime. Three main marital regimes are available in Luxembourg. A marital contract registered with a notary public is required to elect either of the following regimes:

- The universal co-ownership regime (*la communauté universelle*), under which all assets are owned in common by both spouses, regardless of whether the assets were acquired before or during the marriage
- The separate ownership regime (*la séparation de biens*), under which each spouse retains sole title to assets and wealth he or she acquires before and during the marriage

The default regime is *la communauté réduite aux acquêts*, under which assets are owned in common, except assets acquired before the marriage and assets acquired during the marriage through inheritance and donation.

In general, Luxembourg recognizes marital property agreements concluded under foreign law.

Forced heirship. Forced heirship rules apply in Luxembourg to protect the descendants. The forced heirship rules are summarized in the following table.

Number of children	Heirship reserve	Free reserve
1	1/2	1/2
2	2/3	1/3
3	3/4	1/4

If no descendants exist, the entire legacy can be legated to the surviving parent or other persons.

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This chapter relates to the tax jurisdiction of the Macau Special Administrative Region (SAR) of China.

As a result of a general lack of tax practice and precedent, several unresolved tax issues exist in Macau.

A. Income tax

Who is liable. Individuals are subject to tax on income arising in or derived from Macau. Macau observes a territorial basis of taxation. Consequently, the concept of tax residency has no significance in determining tax liability, except in limited circumstances.

Income subject to tax. Professional tax is imposed on employment and self-employment income arising in Macau. Complementary tax is imposed on business income arising in Macau.

Employment income. Income from employment is subject to professional tax. For purposes of the tax, taxpayers are divided into employees and professional practitioners (see *Self-employment and business income*).

In general, all income from employment, including benefits in kind and directors' fees, is subject to professional tax.

Self-employment and business income. Professional practitioners are subject to tax on self-employment income. Sole proprietors are subject to tax on business income.

Rental income. Property tax is levied annually on the owners of real property in Macau. Actual rental income derived from real property is taxed at a rate of 8%. For property that is not rented, the tax is levied at a rate of 6% on the deemed rental value of the property as assessed by the Macau Finance Department. A deduction, by application for rental property, of up to 10% of the rent or rental value of the property is allowed for repairs, maintenance and other expenses.

For 2019, a property tax deduction of up to MOP3,500 is granted for each property unit.

Exemptions are available under certain circumstances.

Exempt income. Employers' contributions to medical and related schemes and to approved pension schemes are not included in taxable income.

Taxation of employer-provided stock options and share awards. Stock options granted by employers with respect to employees' services in Macau are subject to professional tax. The stock options gains are subject to tax in Macau in the year in which the individual exercises the option. The taxable stock option amount is calculated as follows:

Taxable stock option income = (market value on exercise date – option price) x number of shares exercised

Share awards granted by employers with respect to employees' services in Macau are subject to professional tax. The share awards gains are subject to tax in Macau in the year in which the share award vests to the individual. The taxable share award amount is calculated as follows:

Taxable share award income = (market value on vesting date – consideration for share awards) x number of shares vested

Employers are required to notify the Macau tax authorities within 30 days after granting stock options or share awards.

Capital gains. Macau does not levy capital gains tax.

However, the Macau Complementary Tax Law does not distinguish a "capital gain" from a "revenue profit." Sole proprietorships and companies carrying on commercial or industrial activities in Macau are subject to complementary tax on their capital gains derived in Macau.

Purchasers of real property must pay stamp duty, which is levied on the sales price or assessable value of the property at the rates listed in the following table.

Sales price or assessable value		
Exceeding MOP	Not exceeding MOP	Rate %
0	2,000,000	1
2,000,000	4,000,000	2
4,000,000	—	3

For 2019, a first-time purchase of residential property by a Macau permanent resident for a cost of up to MOP3 million is exempt from stamp duty.

Additional stamp duty is charged under certain circumstances.

Deductions. A 25% exemption and a personal allowance of MOP144,000 may be deducted from employment income. Starting from the 2019 tax year, the personal allowance is increased to MOP198,000 for part-time employees, employees who are aged 65 or above, or with a permanent disability level of 60% or higher.

Rates. Professional tax rates are set forth in the following table and apply to both residents and nonresidents.

Taxable income MOP	Tax rate %	Tax due MOP	Cumulative tax due MOP
First 144,000	0	0	0
Next 20,000	7	1,400	1,400
Next 20,000	8	1,600	3,000
Next 40,000	9	3,600	6,600
Next 80,000	10	8,000	14,600
Next 120,000	11	13,200	27,800
Remainder	12	—	—

Tax rebate. For 2019, an additional 30% relief is granted on the total amount of tax payable.

Relief for losses. Employees may not carry back or carry forward losses. However, an individual carrying on a business as a sole proprietor may carry forward and deduct losses from assessable profits in the following three years if he or she is a Group A taxpayer subject to Macau complementary tax or a professional practitioner with proper accounting records who is subject to Macau professional tax.

B. Estate and gift taxes

Effective from 1 August 2001, estate and gift taxes were abolished.

C. Social security

Employers must contribute monthly to a government social security fund in the amounts of MOP60 for every resident worker and MOP200 for every nonresident worker. Resident workers must each contribute MOP30 per month. No ceiling applies to the amount of wages subject to social security contributions.

Macau has not entered into any social security totalization agreements with other jurisdictions.

D. Tax filing and payment procedures

Tax is levied on income arising in or derived from Macau during the calendar year.

Employers in Macau must withhold professional tax at the rates set forth in *Rates* from salaries paid to employees. In addition, employers must withhold professional tax at a rate of at least 5% from amounts paid to nonresidents without work permits. Professional tax collected by employers must be remitted quarterly under Article 32 of the Professional Tax Regulations and/or monthly under Article 36 of the regulations to the Macau Finance Department. Employers in Macau must prepare and submit annual tax returns with respect to salaries paid to residents and nonresidents and the professional tax withheld.

E. Double tax relief and tax treaties

Macau has entered into double tax treaties with Cape Verde, Mainland China, Mozambique, Portugal and Vietnam. Macau has also signed a tax treaty with Belgium, but this treaty is not yet in force.

F. Visitor visas

All travelers entering Macau must hold valid passports or other equivalent travel documents. Nationals from the jurisdictions listed below do not require a visa to visit. The length of time one is permitted to stay in Macau under visitor status depends on the jurisdiction that issued the passport.

Albania
Andorra
Armenia
Australia
Austria
Belarus
Belgium
Bosnia and Herzegovina
Brazil
Brunei
Bulgaria
Canada
Cape Verde
Chile
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Ecuador
Egypt
Estonia
Finland
France
Germany
Greece
Grenada
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Japan
Kiribati
Korea (South)
Latvia
Lebanon
Liechtenstein
Lithuania
Luxembourg
Malaysia
Mali
Malta
Mauritius
Mexico
Moldova
Monaco
Mongolia
Montenegro
Morocco
Namibia
Netherlands
New Zealand
North Macedonia
Norway
Philippines
Poland
Portugal
Romania
Russian Federation
Samoa
San Marino
Serbia
Seychelles
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sweden
Switzerland
Tanzania
Thailand
Turkey
United Kingdom
United States
Uruguay

Residents of the Hong Kong SAR may stay in Macau for up to one year without a visa.

Nationals from jurisdictions other than those listed above may obtain visitor visas on arrival in Macau at the cost of MOP100 for an adult, MOP50 for a child under 12 years of age, MOP200 for family groups and MOP50 per person for tourist groups of 10 or more. These individuals may stay in Macau for 30 days.

Foreign nationals staying in Macau under visitor status may not engage in any form of employment in Macau, except for those who qualify for an exemption (see Section G).

G. Work permits

Before a Non-resident Worker's Identification Card (blue card) is granted by the Immigration Department, a work permit must be obtained from the Macau Labour Affairs Bureau (Direcção dos Serviços para os Assuntos Laborais, or DSAL), the government authority that handles the employment of foreign nationals and local workers.

Before a work permit application is made to the DSAL, the employer must register the vacant position with the employment

section of the DSAL and must indicate the identity of the employer, title of the position, remuneration, working hours, and qualifications and experience required. Vacancy order forms are available in the DSAL's employment section. An employer that is unable to find a local employee with comparable experience and qualifications to fill a vacancy may apply for a work permit to bring in a qualified nonresident. The employer must prove that the DSAL was notified of the vacant position and was unable to provide a prospective employee.

To obtain work permits from the DSAL for their foreign employees, employers must generally submit the following documents to the DSAL:

- A prescribed application form completed in full with details of the employer, reason for employing the foreign national, and number and positions of existing resident and nonresident employees
- Photocopy of the employer's commercial registration document from the Identification Services Bureau and photocopy of the legal representative's identity card
- Photocopies of the employer's business license, industrial registration or equivalent registration document, and business tax payment record
- Evidence of the employer's contribution to the Social Security Fund
- Photocopy of proof for local recruitment from the DSAL
- Photocopy of the foreign employee's passport or other travel document
- Evidence of the foreign employee's qualification and experience

If an application is approved by the DSAL, a letter of approval is issued to the applicant for submission to the Immigration Department to process the foreign employee's blue card. A foreign national may not undertake employment in Macau until a blue card application is submitted. The work permit and blue card are normally granted for employment with a specific employer.

Applying for a work permit in Macau may be a lengthy process. Applications are considered on a case-by-case basis. In general, it takes approximately three to six months to obtain the work permit after all the required documents have been submitted. No fee is charged for the granting or renewal of a work permit. A fee of MOP100 is charged for the granting and renewal of a blue card.

Work permits are normally granted for a maximum period of two years and are renewable by the DSAL. The application form for the renewal of a work permit, together with other required documents, must be submitted to the DSAL three months before the expiration date of the work permit. The applicant must also apply for renewal of a blue card from the Immigration Department when the work permit is renewed by the DSAL.

An expatriate who wants to work in Macau is exempt from the work permit requirements if either of the following circumstances exist:

- An enterprise with a registered office located outside of Macau and an enterprise with a registered office in Macau enter into an agreement with respect to the performance of specified or

occasional guidance, technical, quality control or supervisory duties.
- An individual or collective person with a registered office in Macau invites a nonresident to engage in religious, sports, academic, cultural interchange or artistic activities.

The above work permit exemptions are limited to a maximum period of 45 consecutive or non-consecutive days in each period of six months. The calculation of the work permit exemption period begins from the date of the entry of the nonresident into Macau. The dates of the expatriate's work in Macau should be recorded in documents.

Foreigners who enter Macau to set up their own businesses are also required to obtain a work permit to work in Macau. They must follow the procedures for recruiting nonresident skilled workers and submit the following documents:
- Copy of the applicant's identification document
- Copy of the latest Business Tax Registration or Declaration of Start/Alteration of Activity Form M/1
- Proof of the activities performed by the applicant, such as academic certificates or work reference letters
- Proof of applicant's economic capacity in Macau
- Copy of the contributions to the Social Security Fund
- Personal information of recruited local workers, including positions, remuneration and identity documents

H. Residence permits

The government's policy is to encourage people of financial standing, who will make substantial investment in the territory, to become residents of Macau. To qualify, an applicant must demonstrate his or her financial ability to invest significantly in an enterprise in Macau. Management and/or technical personnel employed or likely employed by a Macau-registered company with qualifications and professional experience that contribute to Macau's economy may also be granted a residence permit on application.

Foreign nationals applying for residence permits must have the prior approval of the Macau Trade and Investment Promotion Institute (Instituto de Promoção do Comércio e do Investimento de Macau, or IPIM). To obtain this approval, the applicant must file with the IPIM an application describing all pertinent information relating to the investment or the foreign national's qualification and experience. An appointment must be made with the IPIM to submit the required documents. After all the required documents have been submitted, the IPIM generally takes more than one year to process the application.

If the IPIM is satisfied that all prerequisites for the grant of a residence permit are fulfilled, the applicant must go to the Immigration Department of the Public Security Police Force with the Approval Notification of Residence Authorization issued by IPIM to apply for the Receipt of Residence Authorization (Residence Receipt). The issuance of the Residence Receipt takes approximately six working days. After obtaining the Residence Receipt, the applicant can go to the Identification

Bureau of Macau to apply for a Macau Non-permanent Resident Identity Card. This process generally takes 15 working days.

The temporary residence permit is normally granted for an initial period of three years, depending on the validity of the applicant's travel document. A residence permit expires 30 days before the expiration of an applicant's travel document.

Temporary residence permits may be extended on application by the permit holders. An application for renewal, together with all documents required, must be submitted to the IPIM for endorsement within 180 days before the expiration date of the temporary residence permit. The granting or renewal of a temporary residence permit is not subject to any fees by the issuing authorities.

In general, a temporary residence permit holder may, after seven years of continuous residence in Macau, apply for permanent residence status.

The Macau Special Administrative Region (SAR) government has suspended the application for a residence permit based on an investment in real estate until further notice.

I. Family and personal considerations

Family members. In general, foreign nationals who hold blue cards or residence permits may be accompanied to Macau by their family members on application. Family members include a spouse, children and parents that are financially supported by the applicant. Unskilled workers may not have dependents accompany them to Macau. Accompanying family members are normally permitted to stay in Macau for the duration of their family member's work permit or residence permit.

Driver's permits. Foreign nationals may drive legally using their home country driver's licenses if they hold valid international driving permits. Foreign nationals must register their licenses with the Public Security Police Force if they stay in Macau for more than 14 days. Temporary driver's permits may be obtained by presenting the Public Security Police Force with the foreign nationals' passports or equivalent travel documents, foreign driver's licenses and international driving permits. Holders of driver's licenses issued by certain countries, including EU member countries, Australia, Canada and the United States, may be exempt from the requirement of holding international driving permits. Temporary driver's permits are generally valid for six months and may be renewed on request. No fee is charged for the issuance or renewal of the permits.

From the date that a foreign national resides in Macau or within one year from the date of his or her first arrival in Macau, a foreign national may apply to exchange his or her foreign driver's license for a Macau driver's license. Foreign driver's licenses issued by certain countries may be accepted on a reciprocal basis. Macau licensing authorities normally recognize foreign licenses issued by countries with requirements comparable to those of Macau (passing a practical driving test is essential).

To exchange a foreign license for a Macau one, the applicant must submit the following documents in person or through his or her attorney to the Transport Bureau:

- Completed prescribed application forms (Form 3A and Form 011/DLC).
- Original and copy of the applicant's valid foreign driver's license. An official translation of the license into Chinese or Portuguese must be included if the license is in a language other than Chinese, Portuguese, English or French.
- Originals and photocopies of the applicant's Macau SAR Resident Identity Card.
- Medical certificates completed by a local registered medical practitioner confirming the applicant's mental and physical capability of driving.
- Two identical, recent passport-type photographs of the applicant.
- Application fee of MOP2,000. An additional fee for urgent pickup is MOP400.

In general, the Transport Bureau takes about two to six months to process and approve the application.

Madagascar

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The exchange rate used in this chapter is that of the Central Bank of Madagascar on 13 June 2019, which was MGA3,651.40 = USD1.

A. Income tax

Who is liable. Resident and nonresident individuals are subject to personal income tax (payroll tax) on their Malagasy-source income, including employment income.

Individuals are deemed to be residents of Madagascar if they meet either of the following criteria:
- They own, use or rent a residential house in Madagascar.
- They have Madagascar as their principal place of residence, regardless of the existence of a residential house.

Individuals who are not nationals of Madagascar are also deemed to be resident if they have a permanent or long-stay visa and a work permit.

The domestic law related to payroll tax does not provide a 183-days' rule. However, this 183-days' rule is mentioned in the application guide of the General Tax Code (GTC), which is an official reference document used by the tax authorities. According to the application guide of the GTC, an individual having his or her habitual residence in Madagascar is considered a taxable person when his or her length of stay in Madagascar exceeds 183 days. This rule is implemented in practice.

Nonresident individuals are also subject to tax on certain specified types of income, such as income allocated to Madagascar by a multilateral or bilateral tax treaty.

Income subject to tax. Income subject to income tax includes the following:
- All types of remuneration received for public or private employment
- Allowances received by employees that are intended to supplement wages, regardless of the names of the allowances
- Indemnities and allowances paid to leaders of companies
- Fringe benefits including the following:
  — Canteen expenses, up to MGA5,000 (USD1.36)

— Cars dedicated to personal and professional use, up to 15% of the actual expenses borne by the employer (insurance, fuel, repair and maintenance expenses)
— Accommodation expenses up to 50% of the rent and limited to 25% of the salary
— Telephone expenses up to 15% of the actual expenses incurred by the employer

The total amount of fringe benefits taxable is capped at 20% of cash remuneration. Fringe benefits not listed above are fully taxable.

Employers must withhold tax from their employees' wages.

Certain types of income are exempt from income tax, including canteen expenses not reaching the threshold fixed above, medical expenses that are duly justified and not exaggerated, retirement allowances not exceeding one year's salary, family allowances, military and civil disability pensions and military retirement pensions.

Deductions. Certain expenses are deductible, including the following:
- Payments to the National Social Security Fund (Caisse Nationale de Prévoyance Sociale, or CNAPS), the government fund for social security. The deduction is limited to the amount up to 1% of the salary received in cash for medical insurance.
- Payments to the main intercompany medical service or private medical insurance. The deduction is limited to the amount up to 1% of the salary received in cash.
- Compulsory alimony payments.

Rates. The first MGA350,000 (USD95.85) of monthly income is subject to a proportional tax of 0%. Monthly income exceeding MGA350,000 (USD95.85) is subject to a proportional tax of 20%. The amount of tax to be paid cannot be less than the minimum charge of MGA2,000 (USD0.54).

B. Social security

Employers and employees must make contributions to the CNAPS, the government social security fund in Madagascar, which uses the contributions to make payments for various items including pensions and compensation for industrial accidents and occupational diseases. The contribution rates are 13% for employers and 1% for employees. The rates are applied to the "monthly salary cap," which is equal to the new minimum wage (provided annually by decree) multiplied by eight. For 2019, the monthly salary cap is MGA1,600,000 (USD442.91). Employers withhold the employees' contributions from the employees' wages.

Employers must also make contributions in accordance with Law No. 2017-025 on the creation of a financial contribution from companies to the development of continuing vocational training and a management fund for this contribution. The contribution rate is 1% of the total earnings and it is paid to the CNAPS (collecting entity that can be replaced) but intended for the Malagasy Fund for Professional Training (Fonds Malgache de Formation Professionnelle, or FMFP). This contribution has no effect on the payroll tax computation and payroll.

Employers and employees must also make monthly contributions to one of the Service Medical Inter-Entreprises (SMIEs), which are entities providing medical insurance. The main intercompany medical services in Madagascar are the Intercompany Health Organization Antananarivo (Organisation Sanitaire Tananarivienne Inter-Entreprise, or OSTIE), Intercompanies Sanitary Space of Antananarivo (Espace Sanitaire Interentreprises d'Antananarivo, or ESIA), Intercompanies Medical Association (Association Médicale Interentreprises, or AMIT) and the Funds Health Center (FUNHECE). The contribution rates are 5% for employers and 1% for employees. In general, the rates are applied to the monthly salary cap of MGA1,600,000 (USD442.91). This threshold is valid for all SMIEs, except for AMIT, which applies the rates to the monthly salary without this threshold. Employers may purchase medical insurance from private companies in addition to insurance from SMIEs.

The minimum wage used as a basis for the calculation of the monthly salary cap is increased annually by a decree. Consequently, an increase of the minimum wage also implies an increase of the monthly salary cap subject to social contributions.

C. Tax filing and payment procedures

Employers must remit withholding tax on wages monthly between the 1st and 15th days of the month following the month in which the wages are paid. However, employers subject to the synthetic tax (an income tax for small businesses [companies with annual turnover of less than MGA200 million]) are authorized to remit the payments every two months.

For nongovernmental organizations, associations and projects, regardless of the source of their funding, and for institutions and related bodies and other public or private entities that pay salaries but are not subject to income tax or synthetic tax, the remittance of the payroll tax must be made within the first 15 days of the month of payment. However, if the total of the amounts withheld as payroll tax does not exceed MGA50,000 (USD13.69) per month, such entities and organizations are allowed to make the payment per semester (every six months).

D. Double tax relief and tax treaties

Madagascar has entered into tax treaties with Canada, France, Mauritius and Morocco.

E. Entry visas

Foreigners who want to enter Madagascar must obtain a tourism visa or business visa for a stay of less than three months. A tourism visa can be obtained at the airport on arrival in Madagascar. A business visa can be obtained at the Malagasy embassy or consulate in the foreigner's home country. These types of visas do not allow foreigners to work in Madagascar.

Foreigners who want to work in Madagascar must obtain a transformable visa, which is valid for one month. The fee for this visa is MGA140,000 (USD38.34). It can be obtained at a Malagasy embassy or consulate in the foreigner's home country. The transformable visa must be changed to a long-stay visa for a

foreign worker within one month after he or she enters Madagascar.

If no Malagasy embassy or consulate is located in the home country, an entry visa for workers, called a "boarding agreement," may be obtained from the Ministry of Foreign Affairs in Madagascar before departure. After the foreigner arrives in Madagascar, the authorities can provide the foreigner with a transformable visa.

The application for a transformable visa and the boarding agreement requires a prior work permit issued by the Ministry of Labor as well as a local labor contract stamped by the Ministry.

F. Work permits

To work in Madagascar, foreign nationals must obtain a work permit from the Malagasy Ministry of Labor. This permit is normally issued within two months following the application.

The following are the requirements for obtaining a work permit:
- A local labor contract mentioning an address in Madagascar must be concluded with a local entity and receive the prior approval of the Ministry of Labor
- Payment of a fee of EUR100

G. Residence permits

A foreigner who wants to stay in Madagascar for a period of more than three months must obtain a long-stay visa and a biometric residence permit from the Ministry of Interior (Home Office). To obtain these documents, the foreigner must submit the following:
- Transformable visa
- Local labor contract
- Police clearance from the home country
- Residence certificate delivered by the local authority (Fokontany) for the location where the foreigner resides in Madagascar
- Passport
- Photos
- Foreigner's census issued by the district of residence of the foreigner in Madagascar
- A work permit delivered in Madagascar by the Department of Labour
- An employment certificate from the employer in Madagascar
- Tax Identification Number Card (Carte de Numéro d'Identification Fiscale, or NIF) of the employer
- Long-stay visa fees ranging from MGA150,000 (USD41.08) to MGA250,000 (USD68.46), depending on the length of the stay
- Biometric residence permit issuance fees ranging from EUR300 to EUR838.47, depending on the length of stay

After the submission, the foreigner must undergo a morality investigation by the Ministry of Interior and deposit biometric data (picture and digital fingerprint) in person. The long-stay visa and biometric residence permit are issued within three months.

The following additional documents are required for a renewal:
- Police clearance issued by the Court of Madagascar
- A copy of the previous Resident Card
- A payment certificate with respect to the withholding tax on wages for the preceding three months

Malawi

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A. Income tax

Who is liable. Resident individuals are subject to income tax on their income deemed to be from a source in Malawi. For the income tax rates applicable to resident individuals, see *Rates*. Nonresident individuals are subject to Malawi income tax at a standard rate of 15% on their Malawi-source income. A person is considered resident for tax purposes in Malawi if he or she is physically present in Malawi for an aggregate period of 183 days in any 12-month period. Income is deemed to be from a source within Malawi if it is derived from the carrying on in Malawi of a "trade." For this purpose, "trade" covers any employment, profession, business, calling, occupation, or venture, including the leasing of property. Foreign-source income is exempt from tax.

Income subject to tax

Employment income. As noted in *Who is liable*, income derived from employment in Malawi is subject to income tax.

Investment income. A final withholding tax of 10% is imposed on dividends distributed to resident and nonresident individuals.

Interest and rent are included in assessable income.

Amounts received for the right of use or occupation of land and buildings or plant and machinery or for the use of patents, designs, trademarks or copyrights or other property, which in the opinion of the Commissioner General of the Malawi Revenue Authority is of a similar nature, is included in assessable income.

Self-employment and business income. As noted in *Who is liable*, income derived from the carrying on of self-employment or business activities in Malawi is subject to income tax.

If land is sold and if timber that is intended for sale is growing on the land, the market value of the timber is included in the seller's taxable income. However, a deduction is allowed. If the land was acquired by the taxpayer for valuable consideration, the Commissioner General apportions a reasonable part of that consideration to the timber and this amount may be deducted. If no valuable consideration was given for the land, the Commissioner General sets a reasonable value for the standing timber, which may be deducted.

Foreign-exchange gains and losses. Realized foreign-exchange gains and losses are assessable. Unrealized foreign-exchange gains and losses are not taxable.

Exempt income. Certain income is specifically exempt from tax under the Taxation Act. The following are examples of exempt income:

- Foreign-source income
- Redundancy pay of up to MWK50,000
- All income derived from pension funds, whether received as a lump sum or annuity
- War disability or war widows pensions

Capital gains and losses. Capital gains derived by individuals are included in assessable income and subject to tax at the normal progressive income tax rates. However, capital gains derived from the following transactions are not subject to tax:

- Disposal of the individual's principal residence
- Transfers between spouses or former spouses, or to a spouse from the estate of a deceased spouse
- Capital gains derived from disposal of shares traded on the Malawi Stock Exchange if the shares are held for at least 12 months
- Disposals of personal and domestic assets not used in connection with a trade

Capital losses on assets not qualifying for capital allowances can be offset only against current or future capital gains. However, such capital losses may be set off against other income in the year of the death of the taxpayer or the year in which the business ceases operations. Capital losses with respect to assets on which capital allowances have been granted are fully deductible from taxable income.

For assets qualifying for capital allowances, capital gains and losses equal the difference between the sales proceeds and the written-down tax value of the assets. For other assets, capital gains and losses equal the difference between the sales proceeds and the annual cost or costs adjusted by applying the consumer price index published by the National Statistics Office on the date of disposal of the asset. An asset's fair value can be used as the basis instead of the actual cost if it was determined as of 1 April 1992 and was accepted by the Commissioner General by September 1995.

Deductions. Expenditure and losses are allowable as deductions in determining the assessable income of an individual if they are not of a capital nature and if they are wholly, exclusively and necessarily incurred for the purposes of the trade or in the production of income. For tax purposes, certain expenses are not allowed as deductions, including the following:

- Losses or expenses that are recoverable under insurance contracts or indemnities
- Tax on the income of individuals or interest payable on such tax
- Expenses relating to income that is not included in taxable income
- Expenses for which subsidies have been or will be received
- Rent or cost of repairs to premises not occupied for purposes of trade
- Costs incurred by individuals to maintain themselves and their families
- Domestic or private expenses of individuals including the cost of travel between the individual's residence and place of work
- Fines payable that are charged under the Taxation Act or any other law

Individuals may deduct donations to charitable organizations that are approved and gazetted by the Minister of Finance. However, individual donations in excess of MWK5 million to approved charitable organizations or nonprofit institutions operating solely or principally for social welfare, civic improvement, educational development or other similar purposes as the Minister may approve are not allowable for deduction.

In determining the taxable income derived from farming, expenses with respect to the following are allowed as deductions:

- The stumping, leveling and clearing of land
- Works for the prevention of soil erosion
- Boreholes
- Wells
- Aerial and geophysical surveys
- Water control work with respect to the cultivation and growing of rice, sugar or other crops approved by the Minister of Finance and water conservation work (reservoir, weir, dam or embankment constructed for the impounding of water)

Rates

Progressive income tax rates. Effective from 1 October 2019, the following progressive income tax rates are imposed on the annual taxable income other than employment income of resident individuals.

Taxable income MWK	Tax rate %	Tax due MWK	Cumulative tax due MWK
First 540,000	0	0	0
Next 60,000	15	9,000	9,000
Above 600,000	30	—	—

Effective from 1 October 2019, the following progressive income tax rates are imposed on the annual employment income of individuals.

Taxable income MWK	Tax rate %	Tax due MWK	Cumulative tax due MWK
First 540,000	0	0	0
Next 60,000	15	9,000	9,000
Next 35,400,000	30	10,620,000	10,629,000
Above 36,000,000	35	—	—

Withholding taxes. Certain payments are subject to withholding tax. The tax is withheld by the payer and remitted to the Malawi Revenue Authority on a monthly basis by the 14th day of the following month. Recipients of the payments treat the withholding tax as an advance payment of tax that offsets income tax subsequently assessed.

Withholding Tax Exemption Certificates may be issued to qualifying taxpayers whose affairs are up to date. Under the Taxation Act, exemption from withholding tax is not granted for bank interest, rent, royalties, fees, commission, payments for casual labor and payments to contractors and subcontractors.

The Commissioner General may exempt from withholding tax the receipts of certain persons or organizations that are exempt from tax under the Taxation Act.

The following table provides withholding tax rates.

Payment	Rate (%)
Interest	20
Royalties	20
Rents	20
Payments for supplies to traders and institutions	3
Technical fees	20
Commission	20
Payments for carriage and haulage	10
Payments for sales of tobacco and other products	3
Payments to contractors and subcontractors in the building and construction industries	4
Payments for public entertainment	20
Payments of over MWK20,000 for casual labor or services	20*

* The withholding tax is imposed on the entire amount.

The income of a nonresident arising or deemed to arise from a source within Malawi that is not attributable to a permanent establishment of the nonresident in Malawi is subject to a final tax at the following rates:

- 15% of management fees
- 10% of income derived from a mining project by way of interest, royalties, payments for independent personal services or dividends
- 15% of the gross amount of other such income

A withholding tax is also imposed on dividends (see *Investment income*).

Relief for losses. Assessed losses attributable to trading operations may be carried forward to offset assessable income in the following six years. Loss carrybacks are not allowed.

B. Other taxes

Estate duty. Estate duty is payable by the executors of estates of deceased individuals. The following are the rates of the estate duty.

Principal value of the estate Exceeding MWK	Not exceeding MWK	Rate of duty %
0	30,000	0
30,000	40,000	5
40,000	80,000	6
80,000	140,000	7
140,000	200,000	8
200,000	400,000	9
400,000	600,000	10
600,000	—	11

Reductions in rates are allowed for quick successions. The value of the estate comprises all assets of the deceased at the date of his or her death less any debts. In addition, any gifts or transfers of property for less than full value made within three years of death must be included in the value of the estate.

Property tax. Property tax is levied by local authorities on the value of industrial, commercial or private properties owned by a taxpayer in the district. The tax is payable semiannually. The rates vary depending on whether the property is located in an urban or rural area and whether it is an industrial, commercial or private property.

C. Social security

Malawi does not require social security contributions.

D. Registration, tax filing and payment procedures

Effective from 1 July 2018, a person who carries on business is liable for registration for income tax from the date the business was registered. Employers are expected to apply for tax registration within 15 days.

The year of assessment is from 1 July to 30 June. For self-employed individuals, financial years ending on or before 31 August are normally treated as relating to the year of assessment ended in June of that calendar year.

Individuals must file an income tax return with the Commissioner General within 180 days after the end of the year of assessment. The balance of tax due is payable when the tax return is due.

Married women have the option of filing their own returns. The earned income of a wife is not aggregated with her other income or the income of her husband when calculating their joint tax liability.

Income of minor children earned in their own right is deemed to be their own income and is taxed accordingly. Income of minor children arising from a trust established or gift made by a parent is deemed to be income of the parent.

Under the Pay-As-You-Earn (PAYE) system, an employer making payments totaling in excess of MWK540,000 per year to an

employee for services rendered is required to withhold income tax from such payments. The tax withheld must be remitted to the Malawi Revenue Authority by the 14th day of the month following the month in which the tax is withheld.

At the beginning of each year of assessment, a business taxpayer must estimate the tax payable in that year. This estimated tax, which is known as provisional tax, must be paid quarterly within 25 days after the end of each quarter. The total installments must be not less than 90% of the actual tax liability for the year of assessment.

If the amount of tax unpaid as a percentage of the total tax liability exceeds 10% but does not exceed 50%, a penalty equal to 25% of the unpaid tax is imposed. If the percentage of unpaid tax exceeds 50%, a penalty equal to 30% of the unpaid tax is imposed.

Interest on unpaid tax after an assessment may be levied at a rate of 20% of the amount of tax that was due to be paid in the first month or part thereof and further interest is charged on the outstanding amount of tax at the prevailing bank lending rate plus 5%.

Under the PAYE system, a penalty of 15% plus a further sum of 5% per month is charged on any amounts not remitted to the Malawi Revenue Authority within 14 days from the end of the month in which the tax was deducted.

E. Double tax relief and tax treaties

If income that has been taxed in a foreign country that does not have a double tax treaty with Malawi is included in taxable income in Malawi, a tax credit may be available to reduce the tax payable in Malawi. To qualify for this relief, the income must be derived from a foreign government, state corporation or local authority. An individual must prove to the Commissioner General that he or she has paid the tax on the income in the foreign country. On receipt of this proof, the Commissioner General grants the relief.

Malawi has entered into double tax treaties with the countries listed below. Malawi-source income of the residents of these countries should not be subject to Malawi tax.

France	South Africa	Switzerland
Norway	Sweden	United Kingdom

F. Entry into Malawi

Foreigners traveling to Malawi require a valid passport from their countries of origin.

Nationals of certain countries need a visa to enter Malawi. They must pay the following fees for their visas.

Type of visa	Fee (USD)
Single entry and valid for three months	75
Multiple entry and valid for six months	150
Multiple entry and valid for one year	250

Foreigners wanting to work, stay or engage in business in Malawi are required to obtain the relevant permits.

G. Work and business permits

Temporary employment permits. The employer must apply for a temporary employment permit before the employee begins employment. The employer must submit the following documents to the Immigration Office:

- A cover letter
- Educational and professional certificates certified as true copies of the originals
- For a new applicant, evidence that the position was advertised in the local press and the *curriculum vitae* (CV) of each local Malawian who applied for the post
- Two passport-size photographs
- Police clearance from country of origin
- Medical report
- Certificate of incorporation of the company employing the individual

The employer must pay a processing fee of USD100 and, on approval, a fee of USD1,000.

The temporary employment permit is valid for a period of two years and can be renewed for an additional two years.

Business residence permits. Persons who want to engage in business must obtain a business residence permit. An applicant for this permit must submit the following documents to the Immigration Office:

- Two passport-size photographs
- Business Registration Certificate
- Business plan for the business intended to be established
- Police clearance letter from the country of origin
- A bank statement showing that the applicant has brought into the country at least USD50,000 (MWK20 million)

The applicant must pay a processing fee of USD100 and, on approval, a fee of USD2,000 or USD3,500, depending on the type of application.

The business residence permit is valid for five years and is renewable.

Permanent residence permits. Residents who hold a temporary employment permit or business residence permit and have stayed in Malawi for at least five years can apply for a permanent residence permit. The applicant must submit the following documents to the Immigration Office:

- Two passport-size photographs
- Police certificate
- Medical certificate
- Tax clearance certificate issued by the Malawi Revenue Authority to confirm that applicant is paying tax
- Bank statement showing that the applicant is financially stable
- Documents evidencing ownership of assets in Malawi

The applicant must pay a processing fee of USD100 and, on approval, a fee of USD2,500.

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A. Income tax

Who is liable. Residents and nonresidents are subject to tax on Malaysian-source income only.

Individuals are considered resident in any of the following circumstances:

- They are physically present in Malaysia for 182 days or more during the calendar year.
- They are physically present in Malaysia for less than 182 days during the calendar year, but are physically present in Malaysia for at least 182 consecutive days in the second half of the immediate preceding calendar year or in the first half of the immediate following calendar year. Periods of temporary absence are considered part of a period of consecutive presence if the absence is related to the individual's service in Malaysia, personal illness, illness of an immediate family member or social visits not exceeding 14 days.
- They are present in Malaysia during the calendar year for at least 90 days and have been resident or present in Malaysia for at least 90 days in any three of the four preceding years.
- They have been resident for the three preceding calendar years and will be resident in the following calendar year. This is the only case in which an individual may qualify as a resident even though he or she is not physically present in Malaysia during a particular calendar year.

For the purposes of determining residence, presence during part of a day is counted as a whole day.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Gross income from employment includes wages, salary, remuneration, leave pay, fees, commissions, bonuses, gratuities, perquisites or allowances (in money or otherwise) arising from employment. An individual employed in Malaysia is subject to tax on income arising from Malaysia, regardless of where the employment contract is signed or the remuneration is paid. Gross income also includes income for any period of leave attributable to employment in Malaysia and income for any period during which the employee performs duties outside Malaysia incidental to the employment in Malaysia.

Education allowances provided by employers to their employees' children are taxable for income tax purposes.

Employee benefits and amenities not convertible into money are included in employment income. The cost of leave passages for an employee and the employee's immediate family are also taxable, but the following items are exempt:
- Leave passage within Malaysia, up to three times in a calendar year
- One leave passage in a calendar year from Malaysia to any place outside Malaysia, up to a maximum of MYR3,000

Certain allowances, perquisites and benefits-in-kind are exempt from tax, including, among others, the following:
- Petrol/traveling allowances with respect to travel for official duties, up to MYR6,000 a year
- Meal allowances
- Parking
- Telephone, including mobile phone
- Allowances or subsidies for child care, up to MYR2,400 a year
- Medical benefits (including maternity expenses and traditional medicines such as Ayurvedic medicine and acupuncture) and dental benefits

The above list is not exhaustive and some other tax-exempt benefits may apply if certain circumstances exist or if certain conditions are met.

The cost of moving expenses, approved pension contributions, and the cost of any medical or dental treatment borne by an employer are not taxable to an employee.

Short-term visitors to Malaysia enjoy a tax exemption on income derived from employment in Malaysia if their employment does not exceed any of the following periods:
- A period totaling 60 days in a calendar year
- A continuous period or periods totaling 60 days spanning two calendar years
- A continuous period spanning two calendar years, plus other periods in either of the calendar years, totaling 60 days

Non-citizen individuals working in Operational Headquarters (OHQs), Regional Offices, International Procurement Centres (IPCs) and Regional Distribution Centres (RDCs) are taxed only

on that portion of income attributable to the number of days that they were in Malaysia until the expiration of the incentive (generally 10 years) granted by the Malaysian Investment Development Authority. The incentive is granted to the company and begins with the year of assessment stipulated in the approval letter issued by the Malaysian Investment Development Authority.

Effective 1 May 2015, the new Principal Hub incentive scheme has been implemented to replace these OHQ, IPC and RDC incentives. This new scheme allows multinational companies to enjoy several benefits including hiring expatriates based on their business requirements.

Self-employment and business income. All profits accruing in Malaysia are subject to tax. Remittances of foreign-source income into Malaysia by tax residents of Malaysia are not subject to Malaysian income tax.

Income from any business source is subject to tax. A business includes a profession, a vocation or a trade, as well as any associated manufacture, venture or concern.

Contract payments to nonresident contractors are subject to a total withholding tax of 13% (10% for tax payable by the nonresident contractor and 3% for tax payable by the contractor's employees).

Income derived in Malaysia by a nonresident public entertainer is subject to a final withholding tax at a rate of 15%.

Investment income. Interest income received by individuals from monies deposited in approved institutions is exempt from tax.

Withdrawals of contributions from an approved Private Retirement Scheme (PRS) by an individual before the age of 55 (other than by reason of death or permanent departure from Malaysia) are taxed at a flat rate of 8%.

Other interest, dividends, royalties and rental income are aggregated with other income and taxed at the rates set forth in *Rates*. As a result of the introduction of the single-tier tax system, dividends received by individuals are exempt from tax, effective from the 2008 year of assessment. For the 2018 to 2020 years of assessment, a 50% exemption applies to rental income received from residential homes if the following conditions are met:

- Rental income does not exceed MYR2,000 per month for each residential home.
- The residential home must be rented under a legal tenancy agreement between owner and tenant.

The tax exemption is available for a maximum period of three consecutive years of assessment from 2018 to 2020.

Certain types of income derived in Malaysia by nonresidents are subject to final withholding tax at the following rates.

Type of income	Rate (%)
Special classes of income	
Use of movable property	10
Technical advice, assistance or services	10
Installation services on the supply of plant, machinery and similar assets	10

Type of income	Rate (%)
Personal services associated with the use of intangible property	10
Royalties for the use or conveyance of intangible property	10
Interest	15

Directors' fees. Directors' fees are considered employment income; therefore, fees derived from Malaysia are taxable. Fees are deemed to be derived from Malaysia if the company is resident in Malaysia for the year of assessment. If the fees are derived from a country other than Malaysia, they are not taxed. Remittances of foreign-source income into Malaysia by tax residents of Malaysia are not subject to Malaysian income tax.

Employer-provided stock options. Tax legislation governs the taxation of employer-provided stock options. Under the tax legislation, employer-provided stock options are subject to tax as employment income. The taxable income is calculated based on the difference between the fair market value of the underlying stock at the exercise date or exercisable date, whichever is lower, and the option price. This amount is recognized at the time the option is exercised, and is taxed as current-year income (that is, it is no longer related back to the year of grant).

Capital gains. In general, capital gains are not taxable. However, gains derived from the disposal of real property located in Malaysia and gains derived from the sale of shares in closely controlled companies with substantial real property interests are subject to real property gains tax (RPGT).

Capital gains derived from the disposal of chargeable assets by an individual between 1 January 2010 and 31 December 2010 within two and five years after the acquisition date are taxed at effective rates of 10% and 5%, respectively.

Effective from 1 January 2014, capital gains derived from disposals of chargeable assets by individuals who are Malaysian citizens and permanent residents are subject to tax at the following rates:

- 30% for a holding period up to three years
- 20% for a holding period exceeding three years and up to four years
- 15% for a holding period exceeding four years and up to five years
- 5% for a holding period exceeding five years

Malaysian citizens and permanent residents are entitled to elect a one-time RPGT exemption on the disposal of a private residence.

Individuals who are not Malaysian citizens are subject to RPGT at a rate of 30% for a holding period up to five years and 5% for a holding period exceeding five years.

Deductions

Deductible expenses. Although provisions are made for the deduction of all expenditures incurred wholly and exclusively to produce income, the terms of the provisions tend to limit deductibility in practice. Deductions for employees usually cover specific

travel and entertainment costs as well as professional subscriptions. The cost of traveling from home to work is not deductible.

No general deduction is allowed for interest costs, but interest on borrowings used to finance the purchase of income-producing property or investments may be deducted from the income received.

Donations of cash to the government, a local authority, a social enterprise or an institution or organization approved by the tax authorities are deductible.

Personal deductions and allowances. In determining taxable income, an individual resident in Malaysia may subtract from total income the following personal deductions. These deductions are not available to nonresidents.

Type of allowance	Amount of allowance MYR
Self	9,000
Additional relief for personal disability	6,000
Spouse (if has no source of income or is jointly assessed)	4,000
Additional relief for spouse's disability	3,500
Child	
Younger than 18 years of age or, if 18 years of age or older, receiving full-time education or serving under articles	2,000
For each child 18 years of age or older, receiving full-time tertiary education or serving under articles in or outside Malaysia	8,000
For each disabled child studying in a recognized institution of higher learning in or outside Malaysia	8,000
Disabled child (in addition to child deductions)	6,000
Medical expenses for parents	Up to 5,000
Parental care (can be shared equally with other siblings and may not exceed MYR1,500 per parent)	Up to 1,500
Purchase of basic support equipment for self, spouse, child or parent who is disabled	Up to 6,000
Study fees incurred for courses of study (including post-graduate studies) at recognized institutions or professional bodies in Malaysia for the purpose of acquiring any skill or qualification	Up to 7,000
Life insurance premiums paid for self or spouse (up to MYR3,000), and provident fund contributions (up to MYR4,000)	Up to 7,000
Contribution to private retirement scheme and deferred annuity	Up to 3,000
Contribution to Social Security Organisation (SOCSO) under the Employees' Social Security Act 1969	Up to 250

Type of allowance	Amount of allowance MYR
Medical and educational insurance premiums paid for self, spouse or child	Up to 3,000
Medical expenses for self, wife or child with serious disease, including up to MYR500 for complete medical examination expenses for self, spouse or child	Up to 6,000
Child saving deposits, which are deposits paid into Skim Simpanan Pendidikan Nasional for children's education	Up to 8,000
Lifestyle expenses (internet, newspapers, books, smartphones, tablets and computers, sports equipment, and gymnasium membership fees)	Up to 2,500
Purchase of breastfeeding equipment	Up to 1,000
Fees paid to childcare centers and kindergartens for children 6 years old and younger	Up to 1,000

Business deductions. The deductions and expenditure allowable against business income are those incurred wholly and exclusively in the production of gross income from the same source.

Depreciation charged in the financial accounts is not a deductible expense. However, straight-line capital allowances based on cost may be claimed on qualifying assets used in a business. In addition, an initial allowance of 20% of the cost of the asset is granted in the year of acquisition.

Rates. Income tax is payable on the taxable income of residents at the following graduated rates.

Taxable income MYR	Tax rate %	Tax due MYR	Cumulative tax due MYR
First 5,000	0	0	0
Next 15,000	1	150	150
Next 15,000	3	450	600
Next 15,000	8	1,200	1,800
Next 20,000	14	2,800	4,600
Next 30,000	21	6,300	10,900
Next 150,000	24	36,000	46,900
Next 150,000	24.5	36,750	83,650
Next 200,000	25	50,000	133,650
Next 400,000	26	104,000	237,650
Above 1,000,000	28	—	—

Nonresidents are subject to withholding taxes on certain types of income. Other income is taxed at a rate of 28%.

If a Malaysian or foreign national "knowledge worker" resides in the Iskandar Development Region and is employed in certain qualifying activities by a designated company and if his or her employment commences on or after 24 October 2009 but not later than 31 December 2015, the worker may apply to be subject to tax at a reduced rate of 15%. The individual must not have derived any employment income in Malaysia for at least three years before the date of the application.

Malaysian professionals returning from abroad to work in Malaysia would be taxed at a rate of 15% for the first five

consecutive years following the professional's return to Malaysia under the Returning Expert Programme (REP).

Employment income received by women who return to the workforce after being unemployed for at least two years as of 27 October 2017 may be exempted from tax for up to 12 consecutive months. An application for the tax exemption can be submitted to Talent Corporation Malaysia Berhad from 1 January 2018 to 31 December 2019.

Relief for losses. Individuals may carry forward business losses indefinitely.

B. Other taxes

Malaysia does not impose estate, gift or net worth taxes.

C. Social security

Employer and employee contributions to the SOCSO of Malaysia are compulsory for Malaysian citizens only. Various rates are specified for these contributions. Effective from 1 January 2019, employers that hire foreign workers (excluding domestic servants) are required to register their employees with SOCSO and contribute to the Employment Injury Scheme. The employer incurs a 1.25% charge calculated on the worker's salary and other compensation, capped at MYR49.40 for wages exceeding MYR4,000. The contributions for a month are due by the 15th day of the following calendar month.

The Employment Injury Scheme provides protection to an employee against an accident or an occupational disease arising out of and in the course of their employment as well as accidents that occur when commuting to and from work.

Employees who are Malaysian citizens are required to contribute to the Employees' Provident Fund (EPF). The EPF is a statutory savings scheme to provide for employees' old-age retirement in Malaysia.

Under the Employees' Provident Fund Act 1951, all employers and employees are required to make monthly contributions to the EPF. The statutory contribution rate is 23% or 24% of monthly wages. Employers pay at a rate of 12% if the employee's monthly wages are above MYR5,000 per month or 13% if the employee's monthly wages are below MYR5,000 per month. Employees contribute at a rate of 11% of monthly wages.

Employers may increase their contributions up to 19% without restrictions by the Malaysian tax authorities, and still deduct the amounts for corporate tax purposes. Employees' contributions are deducted at source. No ceiling applies to the amount of wages subject to EPF contributions. Expatriates are not required to contribute to the EPF, but may elect to contribute to take advantage of the available tax relief.

Self-employed persons may elect to contribute to the EPF. The individual may make voluntary contributions at a fixed monthly rate of any amount from up to MYR5,000.

EPF contributions and interest credited are not subject to Malaysian tax on withdrawal. The contributions may be withdrawn by an

employee on reaching 55 years of age or at an earlier time if the employee leaves Malaysia permanently with no intention of returning. Contributions may also be withdrawn on the death of an employee or if he or she is physically or mentally incapacitated and is prevented from further employment. Employees may make partial withdrawals to purchase a house or to finance medical treatment or education, or when they attain 50 years of age.

D. Tax filing and payment procedures

The year of assessment in Malaysia is the calendar year. The base year for assessing tax is the calendar year coinciding with the year of assessment. An individual carrying on a business in Malaysia is assessed tax on the business income for the calendar year coinciding with the year of assessment, regardless of the accounting period adopted by the business.

A self-assessment system of taxation for individuals is in effect in Malaysia. Under the self-assessment system, an individual must submit his or her tax return to the tax authorities and settle any balance of tax payable by 30 April in the year following the year of assessment if he or she has employment and/or passive income only or by 30 June in the year following the year of assessment if he or she has business income. A notice of assessment is deemed served on the submission of the tax return to the tax authorities. An appeal must be filed within 30 days from the date of the deemed notice of assessment (that is, within 30 days of the date of submission of the tax return).

An individual arriving in Malaysia who is subject to tax in the following year of assessment must notify the tax authorities of chargeability within one month after arrival. Nonresidents who are subject to final withholding taxes do not need to file tax returns unless required to do so by the tax authorities.

For employees, tax payment is made through mandatory monthly withholdings under the Monthly Tax Deduction Scheme (MTDS). All employers must deduct tax from cash remuneration, which includes wages, salaries, overtime payments, commissions, tips, allowances, bonuses and gratuities, based on tax tables provided by the Inland Revenue authorities. Effective from 1 January 2015, benefits-in-kind (BIK) and the value of living accommodation (VOLA) are subject to the MTDS. The date for payment of the taxes withheld to the tax authorities is the 15th day of the following calendar month. Employers must withhold tax at a rate of 28% from wages, BIK and VOLA paid to nonresident employees.

Effective from 2014, taxpayers have the option to treat the amount of the monthly tax deduction as the final tax paid. If they exercise this option, they are not required to submit their annual income tax returns. However, this applies only if certain conditions are fulfilled.

Married persons are taxed as separate individuals. Each spouse is assessed on his or her own income and is given tax relief through his or her own tax deductions and allowances. An individual may elect to have his or her income aggregated with the income of the spouse and to be jointly assessed in the spouse's name. This election enables the individual to utilize all allowances if his or her

own income is insufficient to make full use of the available deductions and allowances.

E. Tax treaties

Malaysia has entered into double tax treaties with the following jurisdictions.

Albania
Argentina (a)
Australia
Austria
Bahrain
Bangladesh
Belgium
Bosnia and Herzegovina
Brunei Darussalam
Canada
Chile
China Mainland
Croatia
Czech Republic
Denmark
Egypt
Fiji
Finland
France
Germany
Hong Kong SAR
Hungary
India
Indonesia
Iran
Ireland
Italy
Japan
Jordan
Kazakhstan
Korea (South)
Kuwait
Kyrgyzstan
Laos
Lebanon
Luxembourg
Malta
Mauritius
Mongolia
Morocco
Myanmar
Namibia
Netherlands
New Zealand
Norway
Pakistan
Papua New Guinea
Philippines
Poland (b)
Qatar
Romania
Russian Federation
San Marino
Saudi Arabia (a)
Senegal (b)
Seychelles
Singapore
Slovak Republic
South Africa
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Syria
Thailand
Turkey
Turkmenistan
United Arab Emirates
United Kingdom
United States (a)
Uzbekistan
Venezuela
Vietnam
Zimbabwe

(a) This is a limited agreement.
(b) The treaty has been gazetted, but it is not yet in force.

Under the above treaties, a foreign tax credit is available for the lesser of Malaysian tax payable on the foreign income or the amount of foreign taxes paid. For non-treaty countries, the foreign tax credit available is limited to one-half of the foreign tax paid.

Under most of Malaysia's tax treaties, a business visitor to Malaysia for varying periods of up to 183 days is exempt from Malaysian income tax if the services performed are for, or on behalf of, a nonresident person and if the remuneration paid for the services is not directly deductible from the income of a permanent establishment in Malaysia.

Agreements with some countries provide for reduced withholding taxes under certain conditions.

F. Visas

A visa is defined as the document issued (in the form of a stamp or endorsement sticker) that allows entry into Malaysia for certain nationalities. Applications for visas may be made to

Malaysian foreign missions abroad (subject to conditions) with or without the support of the Malaysian government.

The Malaysian government issues the following three types of visas:
• Single Entry Visa
• Multiple Entry Visa
• Transit Visa

These visas are described below.

Single Entry Visa. A Single Entry Visa (SEV) is issued for social or business purposes to foreign visitors who require a visa to enter Malaysia and is only valid for one entry. The SEV must be used for entry into Malaysia within its validity period after issuance, for a stay period of up to 90 days (depending on the nationality of visitor), subject to the discretion of immigration officers at the checkpoint.

Multiple Entry Visa. A Multiple Entry Visa (MEV) is issued to foreign nationals who require a visa to enter Malaysia multiple times for purposes of social, business or government matters. The validity period of the MEV ranges from 3 months to 12 months. The MEV must be activated within its validity period after issuance, for a stay period of up to 90 days per entry (depending on the nationality of visitor), subject to the discretion of immigration officers at the checkpoint.

Transit Visa. A Transit Visa is issued for foreign visitors who are passing through Malaysia before continuing their flight route to the next destination. This visa is valid for a maximum duration of 120 hours. Foreign visitors who do not leave the airport vicinity do not need a visa.

New facilities. Effective from 1 March 2016, the Malaysian government introduced the following facilities for nationals of selected countries traveling to Malaysia:
• e-Visa
• Electronic Travel Registration and Information (eNTRI)

e-Visa. Selected foreign nationals may apply for the SEV online and are not required to personally visit a Malaysian foreign mission abroad. This facility is only available for selected nationalities approved by the Ministry of Home Affairs.

Electronic Travel Registration and Information. The eNTRI facility is available from 1 January 2017 through 31 December 2019 for China nationals, and from 1 April 2017 through 31 December 2019 for India nationals. It is designed to facilitate the entry of selected China and India nationals visiting Malaysia for tourism purposes, under the Visa-Free Program. The eNTRI note is only valid for a single journey to Malaysia for the purpose of tourism, with a maximum stay of 15 days. Registration is open to foreign nationals from selected countries only.

G. Business visitors

All business travelers must apply for the necessary visa from Malaysian foreign missions abroad (if applicable) and are issued a Social Visit Pass (SVP), which has a validity of up to 90 days, at the entry point, subject to the discretion of the immigration officers at the checkpoint.

Business visitors must have a valid return ticket and may be requested to show proof of sufficient funding to support their stay period in Malaysia.

H. Work permit for professionals

A Malaysian work permit is required for any person who wishes to enter Malaysia for work purposes, regardless of duration.

Employment Pass. The Employment Pass (EP) is the work permit required for any person who is taking up employment with a Malaysian company or firm. It is issued by the Malaysian Immigration Department. An EP is issued with the MEV for a duration of up to five years, subject to justification, and is renewable.

An EP is granted on a case-by-case basis for positions that require special technical knowledge or experience not available locally or for positions that cannot be filled by Malaysian citizens. In general, to obtain an EP, an applicant must have the following:

- Relevant academic qualifications and work experience.
- A passport with a validity of at least 15 months or ideally for the full duration of the EP.
- A contract from the Malaysian employer with a minimum monthly salary of MYR5,000. Exceptions to this condition apply if the employment is in selected industries or if certain conditions are fulfilled with the necessary support from the authorities.
- Passport (3.5 cm x 5 cm) photograph with blue background.

Also, the Malaysian company applying for the EP must fulfill certain requirements including, but not limited to, the following:

- Industry-specific requirements apply because different industries are governed by different ministries from which pre-approvals may need to be obtained before the application can be submitted to the Malaysian Immigration Department. For certain industries, the approving authority for the initial stage of the EP application may also be a Malaysian ministry or appointed body with differing application processes and requirements.
- Malaysian companies involved in selected industries are also required to provide necessary licenses in order to submit EP applications. These licenses include the Wholesale, Retail and Trade License or the Unregulated Services License from the Ministry of Domestic Trade and Consumer Affairs and the G7 Grade License issued by the Construction Industry Development Board.
- Malaysian companies that wish to apply for an EP must meet the minimum paid-up share capital requirement, which is MYR500,000 for wholly foreign-owned companies, MYR350,000 for foreign companies in a joint venture with local companies and MYR250,000 for 100% Malaysian-owned companies. The authorities for the applicable license may increase the minimum paid-up share capital requirement as a condition for the license.
- The Malaysian sponsoring company of an EP in West Malaysia must be registered with the Expatriate Services Division of the Malaysian Immigration Department to which applications are submitted electronically. The only exception is for companies

whose approving authority is the Malaysian Investment Development Authority or the Malaysia Digital Economy Corporation.

Under the Malaysian Immigration Act 1959/63 (amended 2002), Immigration Regulations 1963 and Employment (Restriction) Act 1968 (Revised 1988), it is illegal to work without a valid work permit endorsed in an expatriate's passport. The consequences of noncompliance include monetary fines, a jail term and caning. Other possible consequences include the blacklisting of the employee or the Malaysian company by the Malaysian government for up to five years.

To obtain an extension, expatriates must submit an application for extension ideally three months before the expiration of their passes.

Expatriates who have not completed their contract terms but wish to take up employment with other companies in Malaysia must shorten their current EP and obtain an official Release Letter from the current employer.

Professional Visit Pass. A person who intends to enter Malaysia for short-term assignments, such as to conduct training, attend training, or perform assembly, maintenance, repair or installation of machinery purchased from an overseas company, may apply for a Professional Visit Pass (PVP). A PVP is usually valid between 1 to 6 months and is renewable for a total maximum period of 12 months. No extensions are granted beyond the maximum duration allowed. The maximum duration allowed for a person who intends to do a student internship or serve as a trainee is six months and is non-renewable.

To qualify for a PVP, the individual's salary must be paid by an overseas company.

Residence Pass-Talent. The Residence Pass-Talent (RP-T) is issued to highly qualified expatriates seeking to continue living and working in Malaysia on a long-term basis. Holders of the RP-T are eligible for many benefits, including the ability to live and work in Malaysia for up to 10 years. RP-T holders may change employers without having to apply for a new work permit. The spouse and children (under 18 years old) of the recipient are also awarded the RP-T and are allowed to work (spouse) or study (children) without having to apply for an EP or Permission to Study. In general, a foreign individual who has been living and working in Malaysia for at least three years on a continuous basis with a basic monthly salary of MYR15,000 may apply for the RP-T if all of the other requirements are met. Applicants need to be approved by the RP-T panel before they are recommended for the granting of the pass. Preference is given to applicants who qualify as experts and are able to contribute to key Malaysian industries in a significant way.

I. Long-term stay

The Malaysia My Second Home Program (MM2H Program) allows people from all over the world who fulfill certain criteria to reside in Malaysia as long as possible on a Long Term Social Visit Pass (LTSVP) issued with an MEV. The LTSVP is granted

for an initial period of 10 years (subject to the validity of the applicant's passport) and is renewable. The program is open to all citizens of countries recognized by Malaysia, regardless of race, religion, gender or age. Applicants may bring along their spouse and their unmarried children below 21 years old as dependents.

To qualify for the program, individuals who are aged 50 years or older must show proof of liquid assets worth a minimum of at least MYR350,000 and an offshore income of MYR10,000 per month. Individuals who are less than 50 years old are required to show proof of liquid assets worth a minimum of MYR500,000 and offshore income of MYR10,000 per month.

The applicant must satisfy either of the following conditions:

- Individuals aged 50 years or older must open a fixed-deposit account of MYR150,000 in an approved financial institution. After a period of one year, the participant can withdraw up to MYR50,000 for approved expenses relating to a house purchase, education for children in Malaysia and medical purposes. A letter from the participant to the MM2H Centre, Ministry of Tourism Malaysia is required before any withdrawal is made from the fixed-deposit account. Beginning with the second year, the participant must maintain a minimum balance of MYR100,000 throughout his or her stay in Malaysia under the program. Individuals aged below 50 years must open a fixed-deposit account of MYR300,000 in an approved financial institution. After a period of one year, the applicant can withdraw up to MYR150,000 for the above approved expenses. Beginning with the second year, they must maintain a minimum balance of MYR150,000 throughout his or her stay in Malaysia under this program.
- They must show proof of monthly offshore income, such as pension income, of MYR10,000 or more. Only applicants who are drawing from government-approved funds may satisfy this condition. If the individuals are unable to meet this condition, they may submit proof of monthly offshore income from their spouses to support the applications. However, the applicants' income should exceed the spouses' income by a ratio of 7:3.

MM2H visa holders aged 50 years old and above (who are specialized in certain approved sectors) can work part-time for up to 20 hours a week. The application for part-time employment is processed by the Malaysian Immigration Department and approval is at their discretion.

All participants in the MM2H Program and their dependents (spouse and children) must submit a medical report from a private hospital or registered clinic in Malaysia on approval or on the receipt of the Conditional Letter of Approval. Approved participants and dependents (spouse and children) must possess a valid medical insurance policy that applies in Malaysia. However, exemptions may be given for participants who face difficulty in obtaining medical insurance as a result of their age or medical condition.

Foreign citizens may apply for participation in the MM2H Program directly, without going through a third party, or they may use the services of MM2H agents licensed by the Ministry of Tourism, Malaysia.

The LTSVP described above is not a permanent residence permit.

J. Family and personal considerations

Family members

Working spouse. The spouse of an EP holder must cancel his or her Dependent Pass and obtain an EP from the Malaysian Immigration Department to work legally in Malaysia. The Malaysian Immigration Department does not provide a procedure for a DP holder to obtain a Permission to Work while retaining the DP.

Unmarried partner. A female unmarried partner of a male EP holder for certain nationalities are allowed to apply for the LTSVP with a maximum validity of one year if all conditions are fulfilled. The LTSVP is renewable.

Studying children. The child of an EP holder is allowed to study in Malaysia without having to change his or her Dependent Pass to a Student Pass if he or she obtains the necessary Permission to Study approval from the Malaysian Immigration Department.

Children from 18 to 25 years old. The Malaysian Immigration Department has set special rules regarding an application for the LTSVP for children from 18 to 25 years old only. For such children, the maximum validity of the LTSVP is one year, which is renewable. An additional document to be provided is a letter from Commissioner of Oaths to confirm that the child is single, unemployed and in the custody of the EP holder.

Accompanying parent or parent-in-law. The parent or parent-in-law of an EP holder can be granted a LTSVP with a maximum duration of one year. The LTSVP is renewable.

Marital property regime. In Malaysia, the distribution of marital assets is administered by the courts at the time of a divorce or legal separation. No strict rules govern the distributions, and courts have considerable flexibility in adjusting the property rights of the parties. The court-adjudicated distribution applies to all married persons in or domiciled in Malaysia. However, the regime does not apply to Muslims or persons married under Muslim law.

Marriages contracted outside Malaysia are recognized as valid if carried out in accordance with the laws of the relevant country and if the parties had the capacity to marry under the laws of their country of domicile.

A distinction is made between marital property acquired during the marriage by "joint efforts" and marital property acquired during the marriage by "the sole effort of one party." With respect to marital property acquired by joint efforts, the courts incline toward equal division after taking into account the extent of the contributions made by each party in acquiring the property, any debts owed by either party that are for their joint benefit and the needs of minor children. For marital property acquired by the sole effort of one party, the courts may arrive at a reasonable distribution after considering the extent of contributions made by the other party to the welfare of the family; however, the distribution must give a greater proportion of the property to the person who acquired the property.

Assets acquired by one party before the marriage and assets received during the marriage by gift from third parties are not distributed under this regime. However, if during the marriage, a non-matrimonial asset is sold and another asset is purchased with the sale proceeds, the new asset may be regarded as marital property subject to distribution.

Prenuptial agreements between the parties regarding property rights are irrelevant. The courts are not bound by these agreements in adjusting the respective rights of the parties.

The regime for distribution of property for Muslims and Muslim marriages varies from state to state. In general, a divorced party is entitled to one-third of all property acquired during the marriage.

In parts of Malaysia where the matriarchal system is followed, distribution of property follows the customary law. Under this system, at the time of divorce, property acquired by each party before the marriage is generally restored to the respective party, and property acquired during the marriage is generally divided equally.

Inheritance rules. Individuals are free to provide for the distribution of their property in a will. However, if a testator is domiciled in Malaysia, the courts have the power to intervene to provide adequate maintenance to dependents of the deceased. In addition, a Deed of Family Arrangement can alter the terms of a will or the application of intestacy laws by agreement among the beneficiaries.

In general, the provisions of wills regarding the disposal of immovable property located in Malaysia are construed in accordance with Malaysian law, whether the testator is a Malaysian or a foreigner. Wills disposing of movable or immovable property located outside Malaysia are governed by the laws of the country where the property is located.

However, in the absence of a will, the law provides for the distribution of the property of the deceased. If a non-Muslim dies without making a will, the property left behind by the individual is distributed among his or her family members according to the Distribution Act 1958. The same law applies to male and female deceased persons. In general, the estate is distributed among the deceased's immediate family, which are his or her parents, spouse and issue (descendants). A person's issue includes his or her children and the descendants of his or her children who died before him or her.

Muslim persons are subject to a separate regime of distribution.

Under customs prevalent in certain areas of Malaysia, land devolves on the female issue only, and the widower and sons take nothing.

Driver's licenses. The Road Transport Department of Malaysia has suspended the conversion of foreign driving licenses to Malaysian driving licenses, effective from 24 September 2018. However, diplomatic pass holders and Singapore driving license holders (Malaysians who convert their driving licenses to obtain Singapore driving licenses) are exempted from the ruling.

Foreign driving license holders must use an International Driving Permit together with their respective domestic driving license to drive in Malaysia. Alternatively, it is advisable for them to apply for a Malaysia driving license via authorized driving schools based on existing procedures.

To obtain a new Malaysian driving license, the applicant must first pass a written examination on simple road signs and basic driving regulations and then apply for a temporary license, which is obtained by paying the fixed fee to the Road Transport Department of Malaysia. The relevant authority then conducts a practical test on basic driving skills.

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The Government of Maldives proposed an income tax bill to parliament on 14 October 2019. This bill is subject to parliamentary debate and public discussion and is subject to changes. At the time of writing, the income tax bill was expected to be implemented with effect from 1 January 2020. Because of the expected enactment of this income tax bill, readers should obtain updated information before engaging in transactions.

A. Business profits tax

Under the Business Profits Tax (BPT) Act of 2011, a business profits tax is imposed at a rate of 15%. All persons, including individuals accruing profits from businesses, are subject to the tax on their taxable profits. The first MVR500,000 (USD32,425) is exempt from tax. Specified payments, such as management fees, technical services fee, royalty and rent for immovable property, made to nonresidents are subject to withholding tax at a rate of 10%.

Certain expenses are allowed or disallowed for BPT purposes. For example, receipts that been subject to withholding tax are deductible, while private expenses are not deductible.

Losses incurred in a tax year can be carried forward and deducted against profits of the subsequent five tax years.

Companies that are registered with Maldives Inland Revenue Authority are required to file the following BPT returns and make the following payments:
- First interim return due on 31 July of the tax year: one-half of the total tax paid in the preceding tax year
- Second interim return due on 31 January of the following tax year: one-half of the total tax paid in the preceding tax year
- Final return due on 30 June of the following tax year: any balance of tax due

B. Goods and services tax

Goods and services tax (GST) is levied at a rate of 6% on general goods and services supplied in the Maldives. The rate of GST for the tourism sector is 12%. A green tax of USD6 per

occupying guest is levied. A GST return must be filed by the 28th day of the month following the end of the tax period.

C. Remittance Tax

Remittance Tax is imposed on money transferred out of the Maldives by "foreigners employed in the Maldives" (work permit holders; see Section D). Remittance Tax is imposed at a rate of 3% of the remitted amount.

It is the responsibility of all banks and money-transfer agencies operating in the Maldives to collect this tax at the point of remittance.

D. Work permit

Foreigners going to the Maldives for employment are required to obtain a work permit from the employer. Work permits are issued by Maldives Immigration, which requires that employers deposit a sum of money as a work permit deposit for each employee. A monthly visa fee of MVR250 applies for foreign workers.

Business visas also can be obtained from a Maldivian sponsor for a maximum of 90 days.

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A. Income tax

Who is liable. Persons who are both ordinarily resident and domiciled in Malta are subject to tax on their worldwide income and chargeable capital gains. Persons who are either not ordinarily resident in Malta or not domiciled in Malta are subject to tax only on Maltese-source income and on foreign income that is remitted to or received in Malta.

In practice, individuals generally are considered resident in Malta if they spend more than 183 days in a calendar year in Malta. Individuals are considered ordinarily resident if Malta is their habitual residence.

Individuals are deemed to be domiciled in Malta if they settle in Malta with the purpose of living in Malta for good.

An individual cannot apply the remittance basis of taxation if any of the following circumstances exists:
- His or her spouse is ordinarily resident and domiciled in Malta.
- He or she is a long-term resident as defined in the Status of Long-Term Residents (Third Country Nationals) Regulations.
- He or she is the holder of a permanent residence certificate or a permanent residence card.

Individuals applying the remittance basis of taxation may be liable to pay a minimum tax liability. See *Rates* for further details.

Article 29 (2) of the Income Tax Act (ITA) provides that income derived by an owner, lessor or operator of an aircraft or aircraft engine engaged in the international transport of passengers or goods is deemed to arise outside Malta, regardless of the fact that the aircraft may have called at or operated from an airport in Malta.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable employment income consists of gains or profits from any employment or office, including

directors' fees and fringe benefits provided because of an employment or office, such as the granting of the following:
- The private use of a motor vehicle
- The use of immovable and movable property
- Other benefits granted as a result of the nature of the employment or office

Article 56 (17) of the ITA provides for favorable tax treatment of employment income derived from activities carried on outside Malta. At the taxpayer's option, income arising from employment exercised outside Malta is taxable at 15%. The scheme is available to any individual. Specific conditions must be satisfied for the system to apply.

The beneficial tax treatment described in the preceding paragraph does not apply to income derived from services rendered on ships and aircraft owned by Maltese companies and to government services.

Income taxed under Article 56 (17) of the ITA is deemed to constitute "the first part of that individual's total income for that year" for computational purposes. Under this measure, if the individual derives income from other sources, such income is taxed at the progressive rates applicable to the portion of the income in excess of the income taxed at 15% (that is, any surplus income is not taxed at the progressive rates beginning at 0%; instead, it is taxed at the higher progressive rates applicable to the subsequent tax brackets).

Highly Qualified Persons Rules. The Highly Qualified Persons Rules provide a beneficial tax system for persons who receive emoluments payable under a qualifying employment contract. This measure provides for a potentially favorable tax rate of 15%, which can be applied at the option of the taxpayer. The 15% rate may be used both with respect to work duties carried out in Malta and work duties performed outside Malta in connection with work duties in Malta. Persons who may benefit from these rules are highly qualified individuals who receive employment income of a minimum of EUR84,991 (exclusive of the annual value of any fringe benefits and as adjusted annually in line with the Rental Price Index) from an eligible office.

The tax benefit consists in the right to elect to pay tax at a rate of 15% on income from a qualifying employment contract. No further Malta income tax at the prescribed rate of 15% is chargeable on the income earned by individuals from a qualifying employment contract exceeding EUR5 million. The rate of 15% applies without the possibility to claim any relief, deduction, reduction, credit or set off.

To benefit from the tax system described above, an individual must meet all of the following conditions:
- He or she must derive income subject to tax under Article 4(1)(b) of the ITA, which are emoluments payable under a qualifying employment contract.
- He or she is protected as an employee under Maltese law and has the required adequate and specific competence, as proven to the satisfaction of the Malta Financial Services Authority (in the case of financial services), the Malta Gaming Authority (in

the case of gaming services), Transport Malta (in the case of aviation services), or the office of the Chief Medical Officer to the Government (in the case of medical services).

- He or she proves to the satisfaction of the Malta Financial Services Authority (in the case of financial services), the Malta Gaming Authority (in the case of gaming services), Transport Malta (in the case of aviation services) or the office of the Chief Medical Officer to the Government (in the case of medical services) that he or she possesses professional qualifications and has at least five years of professional experience.
- He or she has not benefitted under Article 6 of the ITA, which provides for certain fringe benefit exemptions.
- He or she fully discloses for tax purposes and declares emoluments received with respect to income from a qualifying employment contract.
- He or she proves to the satisfaction of the Malta Financial Services Authority (in the case of financial services), the Malta Gaming Authority (in the case of gaming services), Transport Malta (in the case of aviation services) or the office of the Chief Medical Officer to the Government (in the case of medical services) the following:
  - He or she performs activities of an eligible office (see below).
  - He or she receives stable and regular resources that are sufficient to maintain himself or herself and the members of his or her family without recourse to the social assistance system in Malta.
  - He or she resides in an accommodation that is regarded as normal for a comparable family in Malta and that meets the general health and safety standards in force in Malta.
  - He or she possesses a valid travel document.
  - He or she possesses sickness insurance with respect to all risks normally covered for Maltese nationals for himself or herself and the members of his or her family.
  - He or she is not domiciled in Malta.

For purposes of the above beneficial tax system, the following offices with companies licensed and/or recognized by the Malta Financial Services Authority (in the case of financial services), the Malta Gaming Authority (in the case of gaming services) or Transport Malta (in the case of aviation services) are considered eligible offices:

- Chief Executive Officer, Chief Risk Officer (including Fraud or Investigations Office), Chief Financial Officer, Chief Operations Officer (including Aviation Accountable Manager), Chief Technology Officer and Chief Commercial Officer
- Portfolio Manager, Chief Investment Officer, Senior Trader/Trader, Senior Analyst (including Structuring Professional), Actuarial Professional, Chief Underwriting Officer, Chief Insurance Technical Officer and Odds Compiler Specialist
- Aviation Continuing Airworthiness Manager, Aviation Flight Operations Manager, Aviation Ground Operations Manager and Aviation Training Manager
- Head of Marketing (including Head of Distribution Channels), Head of Investor Relations and Head of Research and Development (including Search Engine Optimization and Systems Architecture)

The benefit is also available to individuals employed as a Chief Executive Officer with an entity holding an aerodrome license and individuals employed in the Assisted Reproductive Technology sectors as embryologists, responsible persons or lead quality managers.

The benefit applies for a specific number of years from the date of first election and it may be clawed back retrospectively if the expatriate's stay in Malta is not in the public interest.

However, the Maltese tax authorities will not issue a determination regarding the above after 31 December 2020, and any determination issued must refer to employment commencing by 31 December 2021 and terminating by 31 December 2025.

Qualifying employment in aviation rules. The qualifying employment in aviation rules provide that if an individual derives income of at least EUR45,000 from a qualifying employment contract, such income is subject to tax at a flat rate of 15%. The flat rate of 15% applies for a consecutive period of five years for European Economic (EEA) and Swiss nationals, while for third-country nationals, it applies for four consecutive years. To benefit from the 15% flat rate, an individual needs to satisfy all of the following conditions:

- He or she is an individual who derives income subject to tax under Article 4(1)(b) of the ITA, which consists of emoluments payable under a qualifying contract, and such income is received with respect to work or duties carried out in Malta, with respect to any period spent outside Malta in connection with such work or duties or while on leave during the carrying out of such work or duties.
- He or she is protected as an employee under Maltese law, regardless of the legal relationship, for the purpose of exercising genuine and effective work for, or under the direction of, someone else, is paid and has the require adequate and specific competence, as proven to the satisfaction of the competent authority.
- He or she proves to the satisfaction of the competent authority that he or she is in possession of professional qualifications or experience.
- He or she fully discloses for tax purposes and declares emoluments received with respect to income from a qualifying employment contract and all income received from a person related to his or her employer that pays out income from a qualifying contract chargeable to tax in Malta.
- He or she proves to the satisfaction of the competent authority that he or she performs activities of an eligible office.
- He or she proves to the satisfaction of the competent authority the following:
  - He or she is in receipt of stable and regular resources that are sufficient to maintain himself or herself and the members of his or her family without recourse to the social assistance system in Malta.
  - He or she resides in an accommodation that is regarded as normal for a comparable family in Malta and that meets the general health and safety standards in force in Malta.
  - He or she is in possession of a valid travel document.
  - He or she is in possession of sickness insurance with respect

to all risks normally covered for Maltese nationals, and such insurance covers himself or herself and members of his or her family.

— He or she is not domiciled in Malta.

Self-employment and business income. Taxable self-employment and business income is based on accounting profits, adjusted for tax purposes. Tax adjustments include the addition of disallowable expenses, such as accounting depreciation, amortization of goodwill, movements in certain corporate-related provisions, donations, stamp duty expense and startup expense.

Taxable self-employment and business income is aggregated with other income and taxed at the rates set forth in *Rates*.

Investment income. Malta operates a full imputation system under which dividends paid by a company resident in Malta out of its taxed profits carry a tax credit equal to the tax paid by the company on the profits out of which the dividends are paid. Shareholders are taxed on the gross dividend at the regular rates, but are entitled to deduct the tax credit attaching to the dividend against their total income tax liability. The full imputation system applies to both residents and nonresidents. If a dividend is paid out of the Untaxed Account (the difference between tax and accounting profits), a 15% withholding tax is imposed. In general, this withholding tax does not apply to nonresidents. Dividends paid out of profits exempt from tax, which do not fall in the Untaxed Account, are not taxable in the hands of the shareholders.

Resident individuals may choose to pay a 15% withholding tax on bank interest. Interest, royalties, premiums and discounts paid to nonresidents are exempt from tax in Malta unless such income is effectively connected with a permanent establishment in Malta through which the nonresidents engage in a trade or business.

In general, rental income is taxed with other income at the rates set forth in *Rates*. However, individuals deriving rental income from the leasing of residential and certain commercial tenements may choose to pay a 15% final withholding tax on the gross rental income received.

A special withholding tax rate of 5% applies if an individual rents immovable property to the Housing Authority for a period of not less than 10 years. The 5% tax is applied to the gross rental income received. It is considered a final tax and is not available for credit or set-off. The tax is withheld by the Housing Authority from payments made and remitted to the Commissioner for Revenue by the 14th day following the end of the month in which the rent is paid.

If the rental income is not subject to a final withholding tax, bank interest, license fees and rents payable may be deducted if incurred in the production of passive rental income. An additional 20% maintenance allowance, calculated on the difference between rents receivable and rents and license fees payable, may be taken. Each property is treated as a separate source of income. Losses from one property may not offset income from another.

Tax scheme for high net worth individuals. European Union (EU), European Economic Area (EEA) or Swiss individuals who meet several conditions may benefit from a special tax status. Special tax status implies the right to pay tax at 15%. The 15% tax rate does not apply to local-source income and capital gains. An obligation to pay minimum tax applies.

EU/EEA and Swiss nationals. An EU/EEA or Swiss national may benefit under this system if such person proves to the satisfaction of the Commissioner for Revenue the following:

- He or she holds a qualifying property with the following value thresholds:
  - — Owned property of not less than EUR275,000 for a property located in Malta (EUR220,000 for a property located in Gozo or in the south of Malta)
  - — Rented property of not less than EUR9,600 per year for a property located in Malta (EUR8,750 per year for a property located in Gozo or in the south of Malta)
- He or she does not benefit under any other scheme.
- He or she is neither a Maltese national nor a third-country national. The special law contains a special definition of this term. For the purposes of this law, EEA and Swiss nationals are not considered third-country nationals.
- He or she is in receipt of stable and regular resources that are sufficient to maintain himself or herself and his or her dependents without recourse to social assistance in Malta.
- He or she is in possession of a valid travel document.
- He or she is in possession of sickness insurance with respect to all risk across the whole of the EU that is normally covered for Maltese nationals for himself or herself and his or her dependents.
- He or she can adequately communicate in one of the official languages of Malta.
- He or she meets a fit and proper test.

Beneficiaries under the scheme have the right to pay tax at 15% on their foreign-source income, subject to a minimum tax of EUR15,000 per year.

The law prescribes the following circumstances that would result in loss of status:

- The individual has a lack of holding of qualifying property.
- The individual becomes a Malta or a third-country national.
- The individual becomes a permanent resident of Malta.
- The individual does not possess sickness insurance for himself or herself and his or her dependents after the appointed date.
- The individual's stay is not in the public interest.
- The individual stays in another jurisdiction for more than 183 days in a calendar year.

Beneficiaries are subject to reporting obligations.

Global residence program for non-EU/EEA and non-Swiss nationals. The conditions and characteristics of the global residence program for non-EU/EEA and non-Swiss nationals are almost identical to those under the tax scheme for high net worth individuals, subject to some exceptions.

Beneficiaries under this scheme can also benefit from a 15% tax rate on income arising outside Malta, including foreign-source

income that is received in Malta. Beneficiaries are liable to a minimum tax of EUR15,000 per year.

The law prescribes the following circumstances that would result in a loss of status under the scheme:
- The individual becomes a Maltese, EU, EEA or Swiss national.
- The individual has a lack of holding of qualifying property.
- The individual becomes a long-term resident of Malta.
- The individual does not possess sickness insurance for himself or herself and his or her dependents after the appointed date.
- The stay is not in the public interest.
- The individual stays in another jurisdiction for more than 183 days in a calendar year.

Individual investor program. Under Legal Notice 47 of 2014, Malta grants naturalization by investment to reputable individuals and their families who make a significant contribution to the social and economic development of the country. Malta grants citizenship under this program after a thorough and strict due diligence process. For a person to be a main applicant for citizenship under the program, he or she must satisfy the following requirements:
- He or she must be at least 18 years of age.
- He or she must to make a contribution as indicated in the schedule of fees and contribution requirements, which is appended to the Individual Investor Programme Regulations.
- He or she meets the application requirements that include the purchase of property in Malta with a minimum amount of EUR350,000 or lease a property in Malta with a minimum amount of EUR16,000.
- He or she commits himself to provide proof of residence for a period of 12 months before taking of the oath of allegiance in Malta as provided in the regulations.
- He or she commits himself or herself to invest to an amount of EUR150,000 in, among other items, stocks, bonds, debentures or special-purpose vehicles or to make other investments as provided from time to time by Identity Malta by means of a notice in the *Government Gazette* and holds such investment for at least five years.

Repatriation of Persons Established in a Field of Excellence Rules. The Repatriation of Persons Established in a Field of Excellence (RPEFE) Rules prescribe that an individual who is established in a field of excellence and returns as an ordinary resident in Malta may elect to have his or her income from employment exercised in Malta charged to tax at a flat rate of 15%.

A person may benefit under this system if all of the following conditions are satisfied:
- His or her income is derived from a qualifying employment contract.
- He or she is an eligible person who receives employment income and emoluments (exclusive of the annual value of any fringe benefits) of EUR75,000 or more and is the beneficiary of such items.

A qualifying contract is an employment contract approved in writing by the Malta Enterprise Corporation.

An eligible person is an individual who is established in a field of excellence and returns as an ordinary resident in Malta if he or she had been ordinarily resident in Malta for at least 20 years but has not been ordinarily resident in Malta for the 10 consecutive years before his or her return to Malta.

A field of excellence is an area of professional competence in which an eligible person has excelled that is relevant for the manufacturing and research and development sectors, as defined in guidelines that may be issued by Malta Enterprise Corporation in accordance with the Malta Enterprise Act.

A beneficiary is an eligible person who, to the satisfaction of the Malta Enterprise Corporation, meets all of the following conditions:

- He or she is an individual who derives income subject to tax under Article 4(1)(b) of the ITA, which consist of income and emoluments payable under a qualifying employment contract and received with respect to the following:
  - — Work or duties carried out in Malta.
  - — A period spent outside Malta that is related to such work or duties.
  - — Leave during the carrying out of such work or duties.
- He or she proves to the satisfaction of Malta Enterprise Corporation that he or she possesses educational and/or professional qualifications that are relevant in the profession or sector specified in the binding job offer or in the qualifying employment contract, as may be further defined in guidelines issued by the Malta Enterprise Corporation in accordance with the Malta Enterprise Act.
- He or she is protected as an employee under Maltese law, regardless of the legal relationship, for the purpose of exercising genuine and effective work for, or under the direction of, someone else, is paid, and has the required adequate and specific competence, as proven to the satisfaction of the Malta Enterprise Corporation.

United Nations Pensions Programme Rules. Under the United Nations (UN) Pensions Programme Rules, following the granting of the special tax status, a beneficiary's UN pension income or widow's/widower's benefit received in Malta is exempt from income tax. In addition, under this scheme, a 15% tax is levied on all income excluding the UN pension or widow's/widower's benefit arising outside of Malta in the year immediately preceding the year of assessment in which it is received in Malta by the beneficiary and the beneficiary's spouse and dependents, provided that the minimum amount of income subject to tax is EUR10,000 with respect to the beneficiary (this amount is increased by EUR5,000 if both spouses are in receipt of a UN pension). A 35% tax is imposed on all other income of the beneficiary and the beneficiary's spouse and dependents that is not chargeable in accordance with the preceding two rules. A beneficiary is an individual who is not a permanent resident nor a long-term resident of Malta and who proves to the satisfaction of the Commissioner for Revenue the following:

- The individual is in receipt of a UN pension or a widow's/widower's benefit, of which at least 40% is received in Malta.
- He or she is not a person who benefits under any other scheme.
- He or she is not a Maltese national.

- He or she holds a qualifying property holding.
- He or she is in receipt of stable and regular resources that are sufficient to maintain himself or herself and his or her dependents without recourse to the social assistance system in Malta.
- He or she is in possession of a valid travel document.
- He or she is in possession of sickness insurance with respect to all risks across the whole of the EU that are normally covered for Maltese nationals, and such insurance covers himself or herself and his or her dependents.
- He or she can adequately communicate in one of the official languages of Malta.
- He or she is a fit and proper person.

An individual ceases to possess special tax status under these rules after the appointed day for such status if any of the following circumstances arise:

- The individual becomes a permanent resident or a long-term resident of Malta.
- The individual becomes a Maltese national.
- The individual does not hold a qualifying property holding, including a case in which the individual lets or sublets the qualifying property holding.
- The individual fails to receive in Malta at least 40% of the UN pension or widow's/widower's benefit as indicated in documentary evidence submitted to the Commissioner for Revenue.
- The individual is not in possession of the sickness insurance referred to above.
- The individual's stay is not in the public interest.
- The individual stays in any other jurisdiction for more than 183 days in a calendar year.

Qualifying Employment in Maritime Activities and the Servicing of Offshore Oil and Gas Industry Activities (Personal Tax) Rules. Under the Qualifying Employment in Maritime Activities and the Servicing of Offshore Oil and Gas Industry Activities (Personal Tax) Rules, individuals who meet several conditions outlined in the rules and who derive income of not less than EUR65,000 from a qualifying employment contract for an eligible office may benefit from a 15% tax rate on such income. No further Malta income tax at the prescribed rate of 15% is chargeable on the income earned by individuals from a qualifying employment contract exceeding EUR5 million.

To benefit from the above incentive, an individual must prove the following:

- He or she is an individual who derives income subject to tax.
- He or she is protected as an employee under Maltese law.
- He or she proves to the satisfaction of the competent authority that he or she is in possession of professional qualifications or experience.
- He or she fully discloses for tax purposes and declares emoluments received with respect to income from a qualifying employment contract and all income received from a person related to his employer paying income from a qualifying contract as chargeable to tax in Malta.
- He or she proves to the satisfaction of the competent authority that he or she performs the activities of an eligible office.
- He proves to the satisfaction of the competent authority the following:

— He or she receives stable and regular resources that are sufficient to maintain himself or herself and the members of his or family without recourse to the social assistance system in Malta.
— He or she resides in accommodation that is regarded as normal for a comparable family in Malta and that meets the general health and safety standards in force in Malta.
— He or she is in possession of a valid travel document.
— He or she is in possession of sickness insurance with respect to all risks normally covered for Maltese nationals for himself or herself and the members of his or her family.
— He or she is not domiciled in Malta.

Eligible offices include any of the following offices that are held with certain undertakings and whose function has been confirmed by the competent authority:
• Maritime activities: Chief Executive Officer, Chief Operations Officer, Manager Director, Chief Financial Officer, General Manager, Crewing Manager and Technical Manager, Technical Ship Superintendent, Designated Person Ashore, Master, Chief Mate, Second Officer, Chief Engineer, Second Engineer and Chef
• Servicing of offshore oil and gas activities and ancillary services industry activities: Chief Executive Officer and Chief Operating Officer

Taxation of employer-provided stock options. The exercise by an employee of a share option is taxable as a fringe benefit. When an employee exercises the option to acquire shares in a company in which the employee is employed, the taxable value of the fringe benefit equals 15% of the excess, if any, of the market value of the shares on the date of the exercise of the option over the option price of such shares.

Capital gains. Capital gains derived from the transfer of the following capital assets are taxable:
• Immovable property
• Securities
• Business
• Goodwill
• Business permits
• Copyrights
• Patents
• Trademarks and trade names
• Beneficial interests in trusts
• A full or partial interest in a partnership

In certain cases, share dilutions and degroupings result in deemed transfers of securities in a company and are subject to tax.

In addition, if a person acquires or increases a partnership share, a transfer of an interest in the partnership to that partner from the other partners is deemed to occur and accordingly is subject to tax.

Taxable capital gains, other than on immovable property subject to property transfer tax (see *Property transfer tax*), are included with other income and taxed at the rates set forth in *Rates.*

Capital losses may not offset trading profits; however, capital losses may be carried forward for offset against future capital gains. Trading losses may offset capital gains.

Individuals who are not ordinarily resident in Malta are exempt from tax on gains derived from disposals of shares in Maltese property companies.

In the course of a winding up or distribution of assets of a company, the transfer of property by a company to a shareholder who owns 95% of the share capital of the company, or to an individual related to the shareholder, is exempt from tax, provided certain conditions are satisfied.

Property transfer tax. In general, the transfer of immovable property in Malta is taxed at a rate of 8% on the higher of the consideration or market value of the immovable property at the date of the transfer. No deductions may reduce the tax base, except for agency fees subject to value-added tax (VAT). However, different tax rates apply in certain circumstances, which are described below.

If the property transferred was acquired before 1 January 2004 or if the property is a Grade 1 or Grade 2 scheduled property or property located in an urban conservation area, the seller is taxed at a rate of 10% of the transfer value.

A 5% tax rate applies in either of the following circumstances:
- The property is transferred before five years from the date of acquisition.
- The transferred property is a restored or rehabilitated property that is located in an urban conservation area or is scheduled by the Malta Environment and Planning Authority.

A 2% rate applies to a transfer of property owned by an individual (or co-owned by two individuals) that was deemed to be the transferor's sole ordinary residence. The transfer must be made not later than three years after the date of acquisition of the property.

For a transfer of immovable property acquired through a donation made more than five years before the date of the transfer, a 12% rate applies on the difference between the relevant transfer value and the relevant acquisition value.

For a transfer of property that was acquired by the transferor by inheritance before 25 November 1992 or a transfer of property by inheritance after 25 November 1992 by means of a judicial sale by auction, the tax equals 7% of the transfer value. If the property was acquired by the transferor by inheritance after 25 November 1992, the tax equals 12% of the difference between the transfer value and the value declared when the property was inherited by the transferor.

For the transfer of property that is not part of a project, the tax rate is 5% of the transfer value if the transfer is made before five years after the acquisition date.

Nonresidents may opt out of the 8% final withholding tax regime if they produce a statement signed by the tax authorities of their country of residence confirming that they are resident in that country and that any gains or profits derived in Malta are being

taxed in their country of residence. In such circumstances, the tax on the capital gain derived from the sale of immovable property in Malta is calculated by reference to the difference between the consideration and the cost of the property. Tax is calculated at the nonresident rates. However, these nonresidents must pay a 7% provisional tax payment on the transfer of property, which is not available for refund.

Deductions

Deductions from employment income. The following deductions from employment income are expressly allowed:

- Individuals may deduct certain alimony payments including alimony payments ordered by the courts of an EU or EEA member state or the courts of another jurisdiction as the Commissioner for Revenue may approve.
- School fees paid to schools specified by the Minister of Finance and fees with respect to a registered private kindergarten are deductible to persons paying such fees on behalf of their children. The maximum amounts deductible are EUR2,600 for each child attending secondary school and EUR1,900 for each child attending primary school plus EUR1,600 for kindergarten. Fees paid to one of the specified schools for a facilitator with respect to a child with special needs may be deducted up to an amount of EUR9,320 if a board established by the Minister of Finance for this purpose determines that a facilitator is necessary.
- Individuals who prove to the satisfaction of the Commissioner for Revenue that they have paid fees for child care services for their children who were below the age of 12 to bona fide child care centers may claim a deduction for such payments confirmed by official receipts, up to a maximum deduction of EUR2,000.
- Fees paid for the use of school transport are deductible to persons paying such fees on behalf of their children younger than 16. Up to a maximum of EUR150 for each child may be claimed as a deduction.
- Individuals who prove to the satisfaction of the Commissioner for Revenue that in the year preceding a year of assessment they have paid fees on their own behalf or on behalf of family members with respect to a residence in a private home for the elderly and/or disabled may deduct such fees up to a maximum amount of EUR2,500. The proof must consist of information provided by the operator of the private home for the elderly.
- Individuals may claim a deduction for fees paid on behalf of their children younger than age 16 for attendance at sports activities approved by the Kunsill Malti ta' l-Isport, up to a maximum deduction of EUR100 for each child. Individuals may also claim a deduction for fees paid on behalf of their children younger than 16 for cultural activities, also up to a maximum of EUR100 per child.
- Individuals who prove to the satisfaction of the Commissioner for Revenue that they have paid fees with respect to their studies at recognized tertiary education institutions, located in Malta or abroad, may claim a deduction against their income with respect to such fees in such manner and subject to such conditions as may be prescribed. The deduction is capped at

EUR10,000, but any amounts above that threshold may be carried forward and set off against income for subsequent years.

Business deductions. Self-employed individuals may deduct all expenses incurred wholly and exclusively in the production of income, including capital allowances (tax depreciation) at specified rates. In addition, a deduction of up to EUR935 per child may be claimed for payments by an employer to a licensed or registered child care center with respect to child care services rendered to children of employees.

Rates

Residents. The following tables present the progressive tax rates for the 2019 basis year for married persons filing jointly and single persons and married persons filing separately.

Married persons filing jointly

Taxable income	Tax rate	Tax due	Cumulative tax due
EUR	%	EUR	EUR
First 12,700	0	0	0
Next 8,500	15	1,275	1,275
Next 7,500	25	1,875	3,150
Next 31,300	25	7,945	11,095
Above 60,000	35	—	—

Individuals who are EU/EEA nationals may also qualify for the above rates even if a spouse is not resident in Malta, provided that other specified conditions are satisfied and that the Commissioner for Revenue is satisfied that at least 90% of the couple's worldwide income is derived from Malta.

Single persons and married persons filing separately

Taxable income	Tax rate	Tax due	Cumulative tax due
EUR	%	EUR	EUR
First 9,100	0	0	0
Next 5,400	15	810	810
Next 5,000	25	1,250	2,060
Next 40,500	25	10,215	12,275
Above 60,000	35	—	—

Persons applying either the single tax rates or the married tax rates who receive pensions exceeding EUR9,100 or EUR12,700, respectively, are allowed a pension tax rebate.

For persons applying the single tax rates with pension income exceeding EUR9,100, the pension tax rebate is calculated as follows:

$$\text{Pension tax rebate} = (\text{Pension income} - \text{EUR9,100}) \times 0.15$$

However, the maximum tax rebate cannot exceed EUR650.

For persons applying the married tax rates with pensions exceeding EUR12,700, the pension tax rebate is calculated as follows:

$$\text{Pension tax rebate} = (\text{Pension income} - \text{EUR12,700}) \times 0.15$$

However, the maximum tax rebate cannot exceed EUR110.

In addition, a further pension tax rebate is granted to persons applying the married tax rates. The further pension tax rebate is calculated as follows:

Further pension tax rebate =
[(Taxable income – EUR12,700) × 0.15] –
Original rebate (maximum of EUR110)

However, the maximum rebate cannot exceed EUR150.

Women who have not yet reached the statutory retirement age and who return to employment on or after 1 January 2005 after having been absent from any gainful occupation for at least five years immediately preceding the date of the income tax return (30 June) benefit from a tax credit of EUR2,000. This tax credit is set off against the tax on income from the employment and may be claimed for two consecutive years beginning in the year of assessment in which the employment begins. In certain cases, a tax exemption for employment income in the year of the beginning of employment may be claimed.

Individuals who during any year preceding the year of assessment must be subject to a tax liability in Malta on their income amounting to not less than EUR5,000 per year in the year of assessment if they meet both of the following conditions:

- They are ordinarily resident in Malta but not domiciled in Malta, are taxable on the remittance basis of taxation and are not taxable in accordance with any scheme under the Income Tax Act that effectively establishes a minimum tax payable.
- They derive income amounting to not less than EUR35,000 or its equivalent in another currency, or such amount as may be prescribed, arising outside Malta but not received in Malta.

In certain cases, the remittance base charge may be capped to an amount lower than EUR5,000. Relief for double taxation is allowed in certain cases.

Individuals who qualify as full-time employees for the purposes of the law or are married to full-time employees may elect to have their part-time income taxed at a flat rate of 15% instead of at the progressive rates listed above. The maximum income to which this special rate may be applied is EUR10,000 (EUR12,000 for income derived from a self-employment activity).

Nonresidents. Nonresidents, regardless of whether they are married or single, are subject to tax at the following rates on income arising or received in Malta.

Taxable income EUR	Tax rate %	Tax due EUR	Cumulative tax due EUR
First 700	0	0	0
Next 2,400	20	480	480
Next 4,700	30	1,410	1,890
Above 7,800	35	—	—

In general, if taxable income is paid to a nonresident (other than a company), a 25% withholding tax must be deducted at source and remitted to the Commissioner for Revenue within 30 days. Any tax withheld is credited to nonresident taxpayers in full against their final tax liability for the year. This withholding tax does not apply to dividends paid out of previously taxed profits (see *Investment income*), to income previously subject to withholding under the FSS (see Section D), or to interest and royalties.

However, for individuals who are EU/EEA nationals, if the Commissioner for Revenue is satisfied that at least 90% of the

individuals' worldwide income is derived from Malta, the income tax rates applicable to residents, which are specified above, apply.

Parental rates. Parental computation applies to a parent who maintains under his or her custody a child, or pays maintenance in respect of his or her child, and such child is not over 18 years of age (or not over 23 years if receiving full-time instruction at a tertiary education establishment) and not gainfully occupied, or if gainfully occupied did not earn income in excess of EUR3,400. Under parental computation, parents are entitled to be taxed at the following rates:

Taxable income EUR	Tax rate %	Tax due EUR	Cumulative tax due EUR
First 10,500	0	0	0
Next 5,300	15	795	795
Next 5,400	25	1,350	2,145
Next 38,800	25	9,805	11,950
Above 60,000	35	—	—

Persons qualifying for parental tax rates who are over 61 years of age and are entitled to a pension of more than EUR10,500, are allowed a pension tax rebate, which is calculated as follows:

$$\text{Pension tax rebate} = (\text{Pension income} - \text{EUR}10{,}500) \times 0.15$$

However, the maximum rebate cannot not exceed EUR440.

Tax credits with respect to personal retirement schemes. Maltese residents who save for their pensions by investing in personal retirement schemes may benefit from a tax credit that is set off against the individuals' income tax chargeable in Malta for the year. Such credit applies to persons who make contributions to qualifying personal retirement schemes or pay premiums on private long-term insurance policies.

Qualifying Maltese resident persons over 18 years of age may claim a tax credit of 25% of the total contributions paid during the year to personal retirement schemes. The maximum amount that can be claimed as a tax credit is EUR500.

The Voluntary Occupational Pension Scheme Rules. The Voluntary Occupational Pension Scheme (VOPS) Rules provide for a special tax credit applicable to qualifying employees making qualifying contributions to qualifying schemes, subject to several conditions. This tax credit amounts to the lower of 25% of the amount of qualifying contributions paid during a year and EUR500 or any other amount prescribed by the Minister of Finance from time to time.

Any payments made by a qualifying employer for the benefit of a qualifying employee are not deemed to be a benefit provided by the qualifying employer to the qualifying employee by reason of employment or office for the purposes of the Fringe Benefit Rules.

For purposes of the VOPS Rules, a qualifying scheme is a retirement scheme or a long-term contract of insurance that fulfills certain requirements and that is approved by the Commissioner for Revenue, and a qualifying contribution is a contribution or

payment made to a qualifying scheme with respect to which the provisions of the VOPS Rules apply.

Tax Credit (Educational Qualifications) Rules. The Tax Credit (Educational Qualifications) Rules grant an individual who has obtained a relevant qualification on the completion of a course or program of studies on a full-time basis that commenced in 2017 or later a tax credit equal to the tax chargeable for the relevant year of assessment on the income from the individual's full-time employment. The maximum amount of the income that can be relieved by such credit is EUR60,000. The tax credit is also available to courses commenced before 2017, with the tax credit being calculated using a formula prescribed by the Tax Credit (Higher Educational Qualifications) Rules.

Commutation of pensions. An exemption from Malta tax applies to a capital sum received by way of commutation of pension amounting to up to 30% of the total pension, retirement or death gratuity or consolidated compensation for death or injuries. In the case of recognized retirement schemes, this exemption applies regardless of whether the capital sum is paid in one lump sum or in a series of payments within one year from an individual's retirement day as prescribed by issued regulations.

Relief for losses. Individuals may offset any losses incurred in a trade, business, profession or vocation against other income. These losses may be carried forward for offset against future years' income. Losses may not be carried back. Unabsorbed capital allowances may be carried forward indefinitely to offset income from the same source.

B. Estate and gift taxes

Malta does not impose estate or gift taxes. However, duty on documents is imposed on heirs upon inheritance of immovable property at a rate of 5% and on shares at a rate of 2%. The same rates of duty apply to transfers of real immovable property and shares, including transfers through gifts. Duty on documents at a special rate of 5% is imposed on the transfer of shares of a company if 75% or more of the company's assets consist of immovable property or rights over immovable property.

C. Social security

Social security is provided by a system of social insurance and a system of social assistance regulated by the Social Security Act.

Contributions. All employed and self-employed persons must pay social security contributions.

Employed persons. Employers make social security contributions at a rate of 10% of the basic wage paid to their employees, subject to a minimum amount of EUR17.58 and a maximum amount of EUR35.70 for persons born up to 31 December 1961 or EUR46.53 for persons born from 1 January 1962 onward, per week per employee. Employees are also required to make a 10% contribution, subject to the same minimum and maximum amounts.

Employees aged 18 years and older earning less than EUR175.84 per week should pay EUR17.58 per week. However, employees

may elect to pay 10% of their weekly gross wage. If the employee makes such an election, he or she is entitled to pro rata contributory benefits.

The minimum amount for social security contributions to be paid by persons under 18 years old is EUR6.62 per week.

Employers deduct the social security contributions before paying the net salary to the employee. The employer must remit the amount due to the Commissioner for Revenue by the end of the following month in which the wages or salaries are paid.

Self-occupied and self-employed persons. The Social Security Act defines the following two categories of persons that are required to pay Class Two contributions:

- Self-occupied persons are those who earn income in excess of EUR910 per year from a trade, business, profession, vocation or any other economic activity.
- Self-employed persons are those who receive income from rents, investments, capital gains or any other income.

Rates for Class Two social security contributions are based on the annual net profit or income for the year preceding the contribution payment year.

For self-employed persons whose income during the calendar year immediately preceding the contribution year was less than EUR10,485, a weekly contribution of EUR30.25 applies.

For persons born on 31 December 1961 or earlier, and whose income in the preceding year was at least EUR10,486 but did not exceed EUR18,562, the weekly contribution is 15% of annual net earnings. If income in the preceding year exceeded EUR18,563, the weekly contribution is EUR53.54.

For persons born 1 January 1962 or later, and whose income in the preceding year ranged from EUR10,486 to EUR24,194, the weekly contribution is 15% of annual net earnings. If income in the preceding year exceeded EUR24,195, the weekly contribution is EUR69.79.

A separate rate applies to single persons who are self-employed but not self-occupied (self-occupied individuals are individuals rendering independent personal services). For these persons, if income in the preceding year ranged from EUR1,006 to EUR9,024, the weekly contribution is EUR26.03.

Coverage. Maltese citizens receive free services and financial aid benefits for unemployment, illness, work injury, disability, old age, early retirement (at 61 years of age), marriage, maternity, children, widowhood and medical care. All employees who pay a minimum amount of social security contributions are entitled to a basic pension on retirement.

Totalization agreements. To prevent double taxation and assure benefit coverage, Malta has entered into social security totalization agreements with Australia, Canada, Libya, the Netherlands, New Zealand and the United Kingdom.

As a member of the EU, Malta is governed by EU Regulations 883/04 and 987/09 regarding the social security exemption system.

D. Tax filing and payment procedures

The year of assessment (tax year) is the calendar year. In the year of assessment, income tax is charged on income earned in the preceding calendar year (the basis year). Recipients of specified types of income are not required to file regular tax returns, but they receive a tax statement with respect to the basis year in question. The taxpayer needs to review the tax statement. If the taxpayer does not agree with the amount, a form attached to the tax statement must be completed and sent to the Commissioner for Revenue. Subsequently, the taxpayer may be asked to file a special tax return by 30 June of the year following the basis year. The following are the specified types of income subject to the above rule:

- Employment income subject to withholding under the final settlement system
- Pensions and other social benefits
- Dividends from resident companies
- Investment income on which final tax is withheld at a rate of 15%
- Income of up to EUR10,000 per year from part-time self-employment activities on which tax is withheld at a rate of 15%

All other individuals must file a self-assessment tax return and pay all tax due by 30 June of the year following the basis year.

In addition, if a person has received a tax refund that is not wholly or partly due to him or her, repayment must be made to the Commissioner for Revenue within 30 days from the date of the receipt of the refund. Interest is charged if such payment is not made within the stipulated time.

Tax liability for employees is paid through the Final Settlement System (FSS) of withholding on salaries and wages.

Self-employed individuals make advance payments of tax, known as provisional tax, in three installments on 30 April, 31 August and 21 December. The three installments must equal specified percentages of the total tax liability shown on the last return submitted to the Commissioner for Revenue. The following are the percentages:

- First installment, 20%
- Second installment, 30%
- Third installment, 50%

The provisional tax payments are credited against the total tax liability for the year in which they are paid.

Married persons may elect separate taxation, but must nonetheless appoint one spouse to be the responsible spouse for income tax purposes. Any investment or other passive income is included in the taxable income of the spouse with the higher earned income, regardless of which spouse is designated as the responsible spouse.

E. Double tax relief and tax treaties

Most of Malta's treaties are based on the Organisation for Economic Co-operation and Development (OECD) model convention. The treaties with Qatar and the United Arab Emirates

incorporate elements of the UN's model. Malta's double tax treaties eliminate double taxation through the credit method.

Malta has entered into double tax treaties with the following jurisdictions.

Albania
Andorra
Australia
Austria
Azerbaijan
Bahrain
Barbados
Belgium
Botswana
Bulgaria
Canada
China Mainland
Croatia
Curaçao*
Cyprus
Czech Republic
Denmark
Egypt
Estonia
Ethiopia*
Finland
France
Georgia
Germany
Greece
Guernsey
Hong Kong SAR
Hungary
Iceland
India
Ireland
Isle of Man
Israel
Italy
Jersey
Jordan
Korea (South)
Kuwait
Latvia
Lebanon
Libya
Liechtenstein
Lithuania
Luxembourg
Malaysia
Mauritius
Mexico
Moldova
Monaco
Montenegro
Morocco
Netherlands
Norway
Pakistan
Poland
Portugal
Qatar
Romania
Russian Federation
San Marino
Saudi Arabia
Serbia
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sweden
Switzerland
Syria
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Vietnam

* This treaty is not yet in force.

Malta has also ratified the OECD's Multilateral Instrument, which will apply to tax periods starting on or after 1 January 2020.

Other available relief includes commonwealth income tax relief, unilateral relief and a flat-rate foreign tax credit.

F. Temporary visas

Citizens of the member countries of the Council of Europe do not require visas to enter Malta.

Citizens of the following jurisdictions require visas to enter Malta.

Afghanistan
Algeria
Angola
Armenia
Azerbaijan
Bahrain
Bangladesh
Belarus
Belize
Benin
Eswatini
Ethiopia
Fiji
Gabon
Gambia
Ghana
Grenada
Guinea
Guinea-Bissau
Guyana
Nauru
Nepal
Niger
Nigeria
Oman
Pakistan
Palestine
Papua New Guinea
Philippines

Bhutan
Bolivia
Botswana
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African Republic
Chad
China
Comoros
Congo (Democratic Republic of)
Congo (Republic of)
Côte d'Ivoire
Cuba
Djibouti
Dominica
Dominican Republic
Ecuador
Egypt
Equatorial Guinea
Eritrea
Haiti
India
Indonesia
Iran
Iraq
Jamaica
Jordan
Kazakhstan
Kenya
Korea (North)
Kosovo
Kuwait
Kyrgyzstan
Laos
Lebanon
Lesotho
Liberia
Libya*
Madagascar
Malawi
Maldives
Mali
Mauritania
Mongolia
Morocco
Mozambique
Myanmar
Namibia
Qatar
Russian Federation
Rwanda
São Tome and Príncipe
Saudi Arabia
Senegal
Sierra Leone
Somalia
South Africa
Sri Lanka
Sudan
Suriname
Syria
Tajikistan
Tanzania
Thailand
Togo
Tunisia
Turkey
Turkmenistan
Uganda
Uzbekistan
Vietnam
Yemen
Zambia
Zimbabwe

* The Ministry for Foreign Affairs has decided to temporarily suspend the agreement on the exemption of the visa requirement for Libyan diplomatic and special passport holders, and with immediate effect, introduced an entry visa requirement for these passport holders. Holders of Service/Official passports also require a visa.

Nationals of the following jurisdictions are exempt from the requirement to hold a visa to enter Malta for a maximum of 90 days in a 180-day period (also, see the next paragraph).

Albania
Andorra
Antigua and Barbuda
Argentina
Australia
Bahamas
Barbados
Bosnia and Herzegovina
Brazil
Brunei Darussalam
Canada
Chile
Colombia
Costa Rica
Dominica
El Salvador
Georgia
Hong Kong SAR (a)
Israel
Japan
Kiribati
Korea (South)
Macau SAR (b)
Macedonia
Malaysia
Marshall Islands
Mauritius
Mexico
Micronesia
Moldova
Monaco
Montenegro
New Zealand
Nicaragua
Palau
Panama
St. Kitts and Nevis
St. Lucia
Samoa
San Marino
Seychelles
Serbia (c)
Singapore
Solomon Islands
Taiwan (d)
Timor-Leste
Tonga
Trinidad and Tobago
Tuvalu
Ukraine
United Arab Emirates
United States
Uruguay
Vanuatu

Guatemala	Paraguay	Vatican City
Honduras	Peru	Venezuela

(a) The visa exemption applies only to holders of a Hong Kong Special Administrative Region (SAR) passport.
(b) The visa exemption applies only to holders of a Macau SAR passport.
(c) Nationals of Serbia holding a biometric passport are exempt from the visa obligation. Holders of Serbian passports issued by the Serbian Coordination Directorate are excluded.
(d) The exemption from the visa requirement applies only to holders of passports issued by Taiwan that include an identity card number.

The exemption mentioned in the preceding paragraph also applies to British citizens who are not nationals of the United Kingdom for the purposes of EU law, which are British nationals (overseas), British overseas territories' citizens, British overseas citizens, British protected persons and British subjects.

Types of visas. Single-entry visas are normally granted for one month to those who require visas either for tourist purposes or to attend specific events. They entitle a single uninterrupted stay during the period stipulated in the visa, which may not exceed three months.

Double-entry visas entitle two stays during the period stipulated in the visa, but the sum of the lengths of stay may not exceed three months within half of a year.

Multiple-entry visas are issued for periods of 3, 6 or 12 months. Similar permits are normally granted by the Commissioner of Police to individuals who come to Malta frequently, including individuals trying to establish businesses in Malta. They entitle multiple stays during the period stipulated in the visa. The sum of the periods of stay may not exceed three months within a half-year.

Students are issued visas if the Commissioner of Police is confident that they are attending school full-time in Malta. The visa is issued for the length of the academic year.

A short-stay "C" visa (Schengen) allows the holder to transit through or remain in the territory of Malta and all other Schengen member states for a maximum of 90 days within a period of 183 days from the entry into the Schengen zone.

Transit visas are issued to nationals of states that require visas if the nationals have confirmed tickets to another destination and if they remain in Malta no longer than 24 hours. Such visa allows the holder to cross the international transit zone of Malta's International Airport.

Application procedure. A visa application form may be obtained from Malta's diplomatic missions and consular posts or downloaded online, and must be completed and submitted to the Principal Immigration Officer of the home country within three months before the planned trip. Applications are in most cases reviewed within 7 to 15 days (period may vary depending on the jurisdiction in which the visa application is submitted). In individual cases, the review period can be extended up to 30 days and in exceptional cases up to 60 days. It is advisable that a visa application not be filed later than 15 days before the planned trip. The following items are required with the submission of an application:

- A valid passport
- Two passport-size photographs that are in color and taken against a white background, with the face clearly visible
- The visa fee
- Type of visit

The above list provides a general guideline, but it is not conclusive.

Visas are granted at the discretion of the Principal Immigration Officer, who evaluates any special circumstances at the time of application. Ownership of assets in Malta is not a determining factor when a foreign national applies for a visa but, at the discretion of the Principal Immigration Officer, may be considered an advantage.

Visas are issued on the condition that applicants do not engage in any professional activity in Malta.

G. Work permits

To take up employment in Malta, a foreign citizen must obtain either a work permit (which would cover a residence permit) or employment license. Identity Malta Agency issues work and residence permits in Malta for both EU and non-EU nationals. From 2019, employment license applications for "service providers" are handled directly by Jobsplus (one of the stakeholders of Identity Malta) while employment license applications for intra-corporate transferees (ICTs) are handled directly by Identity Malta. EEA and Swiss nationals and their third-country family members or dependents are required to apply for a work permit or an employment license to work in Malta. For non-EU citizens, work permits are normally granted only to individuals who are able to provide skills or expertise not available in the local market. Identity Malta issues a residence document on presentation of the residence application following the approval of the work permit or employment license (if the duration of the stay in Malta is longer than three months).

Applications for work permits are considered on a case-by-case basis. Work permits are generally valid for one year and are renewable. It takes approximately two to six months for a work permit to be issued and four to six weeks for an employment license to be issued.

In 2017, the Maltese government introduced a new scheme, known as the Key Employee Initiative (KEI) scheme, which processes work permit applications for non-EU nationals within five working days. The application can be submitted while the applicant is still abroad. The KEI scheme applies to employees who satisfy the following conditions:

- They earn an annual gross salary of at least EUR30,000 per year.
- They provide certified copies of their relevant qualifications, warrants (certificates provided to accountants in Malta) or documents showing the necessary work experience.
- They provide a declaration by the employer stating that the applicant has the necessary credentials to perform the assigned duties.

Other documentation is required to complete the application.

H. Residence permits

An EU citizen may enter, remain and reside in Malta and seek and take up employment or self-employment in Malta.

Subject to limitations based on the grounds of public policy, public security or public health, an EU citizen may enter and exit Malta on the production of a valid identification document and move freely within Malta for a period of three months (or such other period, as may be prescribed), beginning on the date of entry.

If the period of residence of an EU citizen exceeds three months, or if during such period, he or she takes up employment in Malta, he or she must apply for a residence document. Subject to certain exceptions, the Principal Immigration Officer must issue to the citizen and his or her dependents a residence document.

A national of a state that is not a member of the EU or the EEA may not enter Malta for a visit with a duration exceeding one month unless he or she satisfies all of the following conditions:
- He or she holds a valid passport.
- He or she holds a valid visa, as required by the Common Consular Instructions.
- Before entry into Malta, he or she submits documents substantiating the purpose and the conditions of the planned visit.
- He or she has sufficient means, both for the period of the planned visit and the return to his or her country of origin, or for traveling to a third state into which his or her admission is guaranteed, or is in a position to acquire such means legally.
- He or she has not been reported as a person to be refused entry.
- He or she is not considered to be a threat to public policy or national security.

Exceptions to the above rules apply if any of the following circumstances exist:
- The Principal Immigration Officer considers it necessary to admit the individual on humanitarian grounds, in the national interest or in honor of international obligations of the government of Malta.
- A third-party national holds a uniform residence permit or a re-entry visa, or both as may be required, issued by an EU member state. In such case, he or she is permitted to enter Malta for the sole purpose of transit.
- An individual holding a Schengen visa when entering Malta from a Schengen state is returning to a Schengen state, and the validity of the visa covers the period to be spent in Malta and the period for his or her return to the Schengen state from which he or she arrived.
- An individual not returning to a Schengen state has sufficient means and documents to cover his or her stay in Malta and his or her onward journey.

A residence document is valid for a period ranging from one to five years from the date of issuance. Residence documents are renewable on submission of an application.

A residence document must specify whether the individual is taking up residence in Malta for a long-term or permanent stay in Malta, work, study or another purpose.

The provisions of the Immigration Regulations do not override the provisions of any law regulating the acquisition of property in Malta by non-Maltese nationals, and a residence document does not, by itself, grant rights to the holder to acquire or own property in Malta over and above the rights granted by the Immovable Property (Acquisition by Non-Residents) Act.

I. Family and personal considerations

Family members. The spouse and dependents of a working expatriate must obtain separate work permits to be employed legally in Malta.

Family members of a working expatriate do not need work permits to reside in Malta, unless they want to take up employment in Malta.

Family members of an expatriate residing in Malta need to apply for a residence permit in Malta as dependents.

Marital property regime. Couples married in Malta are subject to Malta's community property regime, unless they elect otherwise in an agreement by public deed. Couples who marry outside Malta and subsequently establish a marital domicile in Malta are subject to the community property regime with respect to property acquired after their arrival in Malta.

Under the regime, property acquired before marriage remains separate property, although proceeds from the sale of property acquired before marriage are community property.

Forced heirship. Under Malta's succession law, a testator who has no ascendants, descendants or spouse may freely dispose of his or her estate. Other testators are required to leave a specified portion (one-fourth, one-third or one-half, depending on the relationship between the deceased and beneficiary and on the number of the heirs) to the abovementioned heirs.

Driver's permits. Expatriates may drive legally in Malta with their home country driver's licenses for 12 months since their last entry into Malta.

Malta has driver's license reciprocity with all countries signatory to the Geneva Convention on Road Traffic, 1949.

Licenses issued in the EU/EAA, Australia or Switzerland can be exchanged for a Maltese driver's license after the applicant has been a resident of Malta for 185 days.

All other foreigners must have work permits, residence permits and freedom of movement to obtain driver's licenses. A license is granted after the applicant passes a physical driving test and a verbal test.

Mauritania

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A new General Tax Code containing new tax rules will enter into force in January 2020. For further details, see the New General Tax Code section at the end of Section A.

A. Income tax

Who is liable. Residents of Mauritania are taxed on worldwide income. Nonresidents are taxed on their Mauritanian-source income only.

Mauritanian and foreign individuals are considered to be residents for tax purposes if they meet any of following criteria:
- They maintain a home in Mauritania as owner or leaseholder.
- They have their primary residence in Mauritania.
- They perform a professional activity in Mauritania, unless such activity is accessory (not the principal source of income).

Foreign-source income is not taxable in Mauritania if the recipient can prove that such income has been taxed in the source country.

Income subject to tax. Resident individuals (natural persons) are subject to several types of income tax depending on the nature of their income. The following are the various categories of taxable income:
- Employment income
- Pensions
- Commercial and industrial income
- Noncommercial income
- Investment income
- Rental income
- Capital gains

The taxation of the various categories of income is described below.

Employment income. Employment income is taxed at progressive rates (see *Rates*). Gross employment income includes public and private wages, salaries, perquisites, bonuses, fringe benefits and

supplement salaries (payments made in addition to salary, such as rental subsidies and overtime pay).

The following types of income are exempt from tax:
- Compensation and allowances relating to governmental or local representative duties
- A fixed amount of MRU6,000
- Up to MRU1,000 per month for all compensation and allowances except those relating to housing, transportation, liability and office (allowances relating to liability or office are allowances paid to employees with administrative or financial responsibilities, such as those who are on call or must remain late at the office)

In addition, fringe benefits that do not exceed 20% of the salary received are exempt from tax. Otherwise, they are taxed up to 40% of their total amount. For this purpose, the salary received is taxable remuneration, excluding fringe benefits, including allowances and premiums having the nature of salary supplements.

Family allowances, family assistance allowances and all other allowances added to the base salary that are paid depending on the family situation are also exempt from tax.

Pensions. Public and private pensions as well as life annuities are taxable at progressive rates (see *Rates*) if any of the following circumstances exist:
- The beneficiary is domiciled in Mauritania.
- The beneficiary is domiciled outside Mauritania, and the debtor is established in Mauritania.

The following types of pensions are exempt from tax:
- Legal payments for war disability
- Legal payments paid to war victims as well as their successors
- Allowances for professional accidents (allowances for accidents caused by working tools or the handling of products in the workplace)
- Combatant retirement benefits

Commercial and industrial income. Self-employment activities are divided into commercial and industrial activities, non-commercial activities, and taxable activities that are not subject to a special tax. Income from each category is subject to proportional tax. The taxation of these types of income is summarized below.

Individuals are taxed on commercial and industrial income if they derive profits from activities with respect to industry, skilled trade, commerce, agriculture, fishing and forestry. If agricultural products are sold, agricultural production is considered a commercial activity. If agricultural production is used as food for the farmer only, it is not taxed. Taxable income equals the net profit derived from all such activities carried on by the taxpayer, including capital gains on the transfer of business assets. Taxable income is computed on an accrual basis and taxed at a rate of 25%.

The following expenses are deductible for calculating commercial and industrial income:

- General expenses incurred for business purposes, which include personnel expenses and social security contributions, rental and leasing expenses, finance charges, and certain professional taxes, including business tax, license fees and tax on wages
- Depreciation expenses computed using the rates established by the tax administration

Noncommercial income. Individuals are taxed at a rate of 30% on professional income from noncommercial activities and from other occupations. Taxable professional income equals the difference between income received, including capital gains on the transfer of assets, and expenses incurred with respect to the performance of the relevant activities. Taxable professional income is computed on a cash basis.

The tax base for noncommercial income is obtained after deduction of the following expenses:
- The rent of business premises if the taxpayer is a renter
- Depreciation expenses computed using the rules applicable to the commercial and industrial tax
- Actual personnel and manpower expenses
- All expenses justified and required for the exercise of the profession

Investment income. Investment income, which includes dividends, directors' fees and interest on bonds, debentures, and bank deposits, is subject to proportional tax at a rate of 10%.

Rental income. Rental income includes rentals of houses, office buildings, factories and real estate without buildings. Rental income is subjected to proportional tax at a rate of 10%.

In addition, a tax is imposed on built property, which is borne by the owner. This tax is applied to the rental value at a rate ranging from 3% to 10%. However, in practice, an 8% rate is applied.

Capital gains. Capital gains realized in the performance of professional, commercial and agricultural activities are taxed as ordinary income, with certain relief available.

Capital gains realized on the transfer of commercial business assets during the exploitation are tax-free if the proceeds are reinvested during the following three years in the business assets of an enterprise located in Mauritania that is owned by the taxpayer. On the entry into force of the amendments to the General Tax Code in January 2020, this possibility will no longer exist (see *New General Tax Code*).

Taxation of employer-provided stock options. The tax law does not provide specific rules applicable to the taxation of employer-provided stock options.

Rates. The following are the progressive tax rates for employment income and pensions.

Taxable income		
Exceeding MRU	Not exceeding MRU	Rate %
0	9,000	15
9,000	21,000	25
21,000	—	40

A nonresident individual is taxable on income derived from services performed in Mauritania.

Employers withhold tax from salaries monthly.

Relief for losses. Losses may not be deducted from income from other categories, but they may be carried forward for five years to offset income in the same category.

New General Tax Code. A new General Tax Code containing new tax rules will enter into force in January 2020.

Under the new code, from January 2020, individuals who usually perform a gainful activity for their own account will be subject to a single personal income tax, Impot sur les bénéfices d'affaires des personnes physiques, covering commercial and industrial income as well as noncommercial income. This unique tax will replace the commercial and industrial income tax and the noncommercial income tax.

This personal income tax includes the following three tax schemes:
- Two schemes based on the actual income that are similar (the normal regime and the intermediary regime)
- A lump-sum tax scheme

The normal tax regime will apply to taxpayers who realize an annual turnover exceeding MRU5 million, and the intermediary regime will apply to taxpayers realizing an annual turnover between MRU3 million and MRU5 million.

The lump-sum tax regime will apply to taxpayers who realize annual turnover of less than MRU3 million.

For the tax regimes based on the actual income (normal and intermediary regimes), the tax due will correspond to 30% of the tax base or to 2.5% of the taxable revenues, whichever is higher. However, the minimum tax payable will depend on the type of tax regime (MRU125,000 for the normal tax regime and MRU75,000 for the intermediary tax regime).

The tax base will correspond to profits less expenses. However, taxpayers will not be allowed to do the following:
- Deduct or take into account exchange gains and losses
- Deduct headquarter expenses
- Deduct donations and subsidies
- Deduct deemed deferred depreciation
- Use accelerated or decreasing methods of depreciation
- Deduct provisions

It will be possible for the individuals subject to the intermediary tax regime to opt for the normal tax regime before 1 February of each year. The option becomes effective from 1 January of the year of the opting for the normal tax regime and should be applied for at least two fiscal years.

However, an individual subject to the normal tax regime cannot opt for the intermediary tax regime or for the lump-sum tax regime.

Taxpayers subject to the lump-sum tax regime will be liable to pay a tax of 3% of their annual turnover.

Under the lump-sum tax regime, for individuals who perform simultaneous activities in the same location or several activities in different locations, each business will be considered a different activity taxable on a separate basis, assuming that the total turnover is less than MRU3 million.

B. Inheritance and gift taxes

The Mauritanian tax law does not contain an inheritance tax. However, donations and inter vivos gifts are subject to registration fees. The rates of these fees vary according to the type of assets transferred. For example, donations and inter vivos gifts of real estate and goods are subject to a 2% registration fee.

C. Social security

Social security contributions are withheld monthly by employers for nationals and expatriates and are payable to the National Social Security Fund. They are computed on the basis of gross remuneration paid that is capped at MRU7,000. The rate of social security contributions is 15% of gross wages for employers. This consists of a 2% contribution for medical contributions and a 13% contribution for social contributions. Employees are required to pay 1% of gross remuneration capped at MRU7,000 for social contributions. Such amount is withheld by the employer and paid to the relevant authorities.

Social security benefits relate to sickness, maternity, retirement, disability or invalidity. The amount of benefits depends on the total amount of contributions made on behalf of the employee.

D. Tax filing and payment procedures

Commercial and industrial incomes and noncommercial income. Individuals performing commercial, agricultural or noncommercial activities must report their profits or losses with their accounting file and financial statements, if any, by 31 March of the year following the close of financial year and must pay the tax due by 30 April.

Under the new Mauritanian tax code that will enter into force in January 2020, individuals subject to personal income tax based on actual revenues should file the tax form by 31 March of the year following the end of the fiscal year.

They should pay the tax due in in the following three installments:
- 40% by 31 March
- 30% by 30 June
- The balance by 30 September

Individuals subject to the lump-sum personal income tax regime will be required to declare and pay the tax due by 31 March of the year following the end of the fiscal year.

Employment income and social security contributions. Employers must withhold individual income tax from wages and fringe benefits, if any, and pay the tax withheld to the tax authorities by the 15th day of the month following the month of the payment of the compensation.

Employers must make payments each quarter for both nationals and expatriates to the National Social Security Fund. For details regarding the calculation of the payments, see Section C.

Rental income tax. The rental income tax is payable by the owner before 1 February of each year for the rental income received during the preceding year. Under Article 56 of the Mauritanian Tax Law, the rental income tax return must be filed before 1 March of the year following the year of the receipt of this income.

From January 2020, the rental income tax on rents received in the preceding year will be payable before 1 March of each year, and the tax return must be filed before the same date.

The tax on built property is due for the full year. In principle, under Article 431 of the Mauritanian Tax Law, the tax on built property must be paid by the owner after receipt of a tax notice.

However, under Article 499 of the Mauritanian Tax Law, tax must be withheld by the renter under a lease of premises at an 18% rate and paid by the 15th day of the month following the month of the payment of the rent if the renter is a legal entity or an individual subject to commercial and industrial income tax or noncommercial income tax.

E. Double tax relief and tax treaties

Foreign taxes paid may be deducted as an expense from taxable income.

Mauritania has entered into double tax treaties with France, Senegal and states of the Arab Maghreb Union (Algeria, Libya, Morocco and Tunisia).

The treaties generally provide the following relief:

- Commercial profits are taxable in the treaty country where a foreign firm performs its activities through a permanent establishment.
- Interest is taxable in the state of residence of the beneficiary, but the state of source may withhold tax at source if provided by its domestic law.
- Employment income is taxed in the treaty country where the activity is performed, except in the case of a short assignment.

The treaties with France and Senegal provide that royalties and remuneration paid to a nonresident for services rendered in Mauritania are taxable in the state of residence of the beneficiary of the sums paid. However, the state of the revenue source has the right to levy tax according to its tax legislation if the beneficiary of the sums paid has a permanent establishment in the other country and if the royalties are linked to this permanent establishment.

Mauritius

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A. Income tax

Who is liable. In general, individuals resident in Mauritius are taxed on their worldwide income. Income derived from outside Mauritius is taxed on a remittance basis. Nonresidents are taxed on Mauritian-source income only.

Individuals are considered resident if they meet any of the following conditions:
- They are present in Mauritius for at least 183 days during the tax year.
- They are present in Mauritius for an aggregate period of 270 days or more during the current tax year and the two preceding tax years.
- They are domiciled in Mauritius, unless their permanent place of abode is outside Mauritius.

Income subject to tax. The taxation of various types of income is described below.

Employment income. All income derived from employment is taxable, including salary, bonuses, commissions and fringe benefits. Housing, educational and other allowances are also taxable.

Any expenditure that is wholly, exclusively and necessarily incurred by an individual to perform the duties of an office or employment are deductible from gross emoluments. Passage benefits provided under an employment contract are not taxable to the extent that they do not exceed 6% of the basic salary of the individual. Exempt emoluments on termination payments received are restricted to an aggregate amount of MUR2,500,000 (MUR2 million before 14 June 2018) with respect to the following:
- Severance allowances determined in accordance with the Employment Rights Act
- Compensation negotiated under Section 42 of the Employment Rights Act, limited to 3 months for every period of 12 months of continuous remuneration
- A lump-sum payment that results from the commutation of a pension or from a death gratuity or that represents consolidated

compensation for death or injury, paid as a result of any Mauritian laws
- Payments from superannuation funds or personal pension schemes approved by the Director-General of the Mauritius Revenue Authority
- Lump-sum payments under the National Savings Fund Act
- Retirement allowances

An invalid's basic pension, contributory invalidity pension and caregiver's allowance payable under the National Pensions Act is exempt from income tax.

Self-employment and business income. Self-employed individuals carrying on a trade, business or profession are subject to tax on their business profits. Expenses are deductible to the extent they are exclusively incurred to produce gross income.

An artist who is a member of the Mauritius Society of Authors with yearly gross income of MUR500,000 or less may opt to have his or her allowable expenses computed at an amount equal to 50% of his or her gross income from his or her artistic works, other than literary works.

All income derived from business is taxed with other income at the rates set forth in *Rates*.

Investment income. Interest income is taxable at a rate of 15%. Interest derived by nonresidents on deposits held with Mauritian banks is exempt from tax. Residents and nonresidents are exempt from tax on the following types of interest:
- Interest on savings or fixed deposit accounts with Mauritian registered banks or nonbanking institutions authorized to accept deposits
- Interest on government securities and Bank of Mauritius Bills
- Interest on debentures and sukuks quoted on the stock exchange
- Interest on debentures or bonds issued by a company to finance renewable energy projects, the issuance of which has been approved by the Director-General, on such terms and conditions as the Director-General may determine
- 80% of interest on money loaned through the peer-to-peer lending platform operated under a license issued by the Financial Services Commission under the Financial Services Act

Dividends paid by resident companies are exempt from tax.

Directors' fees. Directors' fees paid to residents are taxed in the same manner as employment income, regardless of whether the services are rendered in or outside Mauritius. Excessive remuneration is considered a distribution, which is fully taxable in the hands of the individual. Directors' remuneration is taxed in the year the remuneration is charged in the company's accounts.

Other income. A withholding tax at the rate of 10% is imposed on payments made by individuals to nonresident entertainers and sportspersons and to management fees paid to individuals.

Under the Mauritius Diaspora Scheme contained in the Investment Promotion Act, Mauritian and foreign-source income of a member of the Mauritius Diaspora is exempt from tax for 10 income years beginning with the income year in which the individual returns to Mauritius. The exemption on the Mauritian-source

income is limited to the specific employment, business, trade, profession or investment of the individual.

Emoluments of seafarers employed on vessels registered in Mauritius or on foreign vessels are exempt from tax. A tax holiday of five years applies to individuals employed by a corporation with an asset manager certificate or an asset and fund manager certificate, licensed by the Financial Services Commission and managing a minimum asset base of USD100 million, as well as to foreign ultra-high net worth individuals investing a minimum of USD25 million in Mauritius.

Capital gains. Capital gains are generally not taxable.

Deductions. Resident individuals can benefit from an Income Exemption Threshold (IET). The IET is deductible in determining chargeable income. The IET depends on the number of the individual's dependents. The following table shows the IET for the income year ending 30 June 2020.

Category	Number of dependents	Amount of IET MUR
A	0	310,000
B	1	420,000
C	2	500,000
D	3	550,000
E	4	600,000

A retired individual who has reached age 60 before the start of the income year is eligible to deduct an additional amount of MUR50,000 if he or she does not derive any taxable income from emoluments exceeding MUR50,000 or business. The deduction of MUR50,000 also applies to an individual with a physical or mental disability.

An individual is entitled to deduct the actual premium paid in connection with a medical or health insurance policy for himself or his dependent in addition to the IET. The maximum deductible premium is MUR15,000 for the taxpayer. The amount of MUR15,000 is also the maximum deduction for the first dependent. The maximum deduction is MUR10,000 each for the second, third and fourth dependents. The relief is not allowed if either of the following circumstances exists:

- The premium or contribution has been paid by the employer of the person.
- The premium is paid under a combined medical and life assurance scheme.

If the dependent is a child pursuing a non-sponsored full-time undergraduate course at a recognized tertiary educational institution, the individual is entitled, in addition to the IET, an exemption of MUR135,000 for each child pursuing his or her undergraduate course in Mauritius at an institution recognized by the Tertiary Education Commission. The additional exemption may be based on the amount of tuition fees paid; in such case, the additional exemption is restricted to MUR175,000. If the dependent child is studying an undergraduate course outside of Mauritius at a recognized institution, the additional exemption is MUR200,000. The additional exemption does not apply if any of the following circumstances exists:

- Annual tuition fees, excluding administration and student union fees, are less than MUR34,800 for a child pursuing an undergraduate course in Mauritius.
- The total income (including Mauritian-source dividend income, exempt bank interest and interest on government securities and Bank of Mauritius Bills) of the individual or his or her spouse exceeds MUR4 million per year.
- The exemption was granted for the same child for more than six consecutive years.

The above exemption may be granted to a maximum of three dependents.

If the total of the taxable and exempt income of an individual's dependent exceeds the amount of the increase in the IET, the individual may not claim the IET. Any taxable income derived by the individual's dependent must be added to the taxable income of the individual.

Interest relief is available with respect to housing loans that are secured by a fixed charge on the immovable property of the taxpayer, effective from the tax year ended 31 December 2011. Like the IET, only resident individuals can claim the interest relief. Interest relief cannot be claimed in the following cases:

- The taxpayer is the owner of a residential building at the time the loan is obtained.
- The aggregate of the net taxable income, dividends from Mauritian resident companies and cooperative societies registered under the Co-operatives Act, interest on a savings or fixed deposit accounts from Mauritian banks or nonbank deposit-taking institutions under the Banking Act and interest on government securities and Bank of Mauritius bills of the individual or his or her spouse, as the case may be, exceeds MUR4 million.
- The taxpayer benefits from the new housing scheme, which is to be set up on or after 1 January 2011. At the time of writing, the housing scheme had not yet been set up.

An individual may benefit from a solar investment allowance based on the amount invested in a solar energy unit, including photovoltaic kits and batteries for the storage of electricity. For a couple, the allowance may be apportioned equally if neither spouse is a dependent spouse. Any unrelieved amount is carried forward to the next tax year.

Investment in a rainwater harvesting system qualifies for an investment allowance. Any unrelieved amount can be carried forward indefinitely. In the case of a couple, the relief may be taken either by one spouse or in equal portions by each spouse. For this purpose, expenditure on a rainwater harvesting system includes consultancy, design works, excavation works, gutters and specialized water tanks. Expenses on a fast charger for an electric car qualify for a 200% deduction against the gross taxable income of the individual.

Expenses incurred on a fast charger are eligible for a deduction in the year of acquisition; any unrelieved amount can be utilized against the net income of the subsequent years. The deduction is not available if the expense has been subject to the 200% deduction against his or her gross taxable income.

Negative income tax allowance. Citizens of Mauritius with monthly earnings of MUR9,900 or less are entitled to a negative income tax allowance that depends on their monthly earnings. The allowance ranges from MUR100 to MUR1,000 and is subject to several conditions, such as the annual net income of the individual and his or her spouse.

Rates. An individual's income tax liability is determined using a tax rate of 15%. From the year ending 30 June 2019, individuals with yearly net income of less than MUR650,000 are subject to tax at a rate of 10%. However, the net rental income of a nonresident individual continues to be taxable at a rate of 15%.

A solidarity levy applies to resident individuals. The levy is computed at a rate of the 5% of the excess of the aggregate of the net income of the individual and its Mauritian source dividends over MUR3,500,000. The solidarity levy does not include any lump sum received with respect to a commutation of pension or a death gratuity or injury, paid by virtue of any enactment, or from a superannuation fund or a personal pension scheme approved by the Director-General. From the income year ending 30 June 2020, the leviable income will include the share of the Mauritian dividends of an individual in any resident partnership or succession.

Presumptive tax on small enterprise. A small enterprise may, by irrevocable notice, on or before the submission date for the submission of its tax return elect to pay a presumptive tax at the rate of 5% on its gross income. The yearly gross taxable income should not exceed MUR10 million, and taxable income from sources other than those listed in the bullets below should not exceed MUR400,000. To qualify for the presumptive tax, the person must be engaged in the following activities:

- Agriculture
- Forestry
- Fishing
- Manufacturing

Restaurants and the retailing and wholesaling of goods are excluded.

Tax credit for certain employees. The net income attributable to emoluments is eligible to a tax credit of 5% of the relevant portion of the chargeable income in the first month of an income year if the basic salary does not exceed MUR50,000 and if the total annual net income does not exceed MUR700,000. The tax credit does not apply if the annual net income is less than MUR650,000.

Relief for losses. Losses in any amount may be offset against any source of income, except employment income. Losses may be carried forward to the following five income years. Losses that arise as a result of annual allowances for capital expenditure incurred on or after 1 July 2006 can be carried forward indefinitely.

B. Estate and gift taxes

No estate tax is levied in Mauritius.

C. Social security

Employees in Mauritius must contribute to the National Pension Fund, which provides for employees' old-age retirement. Effective from 1 July 2019, the contribution rate for employees is 3% of gross salary, up to a maximum monthly contribution of MUR562. For employers, the rate is 6% of gross salary, up to a maximum monthly contribution of MUR1,124 per employee. The contribution rate to the National Solidarity Fund is 2.5% for the employer, with a maximum of MUR469, and 1% for the employee, with a maximum of MUR187. The contribution rate for the National Solidarity Fund is applied to the basic salary of the employee. The employer must contribute to a levy computed at 1.5% of the total salary of the employee. Foreign nationals, other than those who work in export manufacturing enterprises, are within the scope of the social security obligations, regardless of their length of stay, effective from January 2014. However, foreign nationals who work in export manufacturing enterprises are within the scope of social security obligations following a period of two years of continuous residence in Mauritius.

D. Tax filing and payment procedures

Employers must withhold taxes on employees' emoluments. Individuals with self-employment or business income must make quarterly tax payments based on their income for the preceding quarter.

Every taxpayer must file a return by 30 September, stating the amount of all income received during the preceding year ending 30 June. Taxpayers must pay any tax due when they file the return. They may claim a refund on the annual return for any overpayment of tax. Regardless of their level of taxable income, the following individuals should submit an annual tax return:

- An individual who derives emoluments that have been subject to tax under the Pay-As-You-Earn (PAYE) system
- An individual who derives business income exceeding MUR2 million in an income year
- An individual who derives a yearly net income of more than MUR305,000
- An individual who derives Mauritian-source income that has been taxed at source
- An individual who has chargeable income

Married persons are taxed separately. Joint taxable income can be shared in any manner chosen by the couple.

An individual with a yearly total of net income and exempt income of more than MUR15 million or with assets exceeding MUR50 million must submit a statement of assets and liabilities at the time he or she files his or her annual tax return. This requirement does not apply to a nonresident or a resident who is a foreign national. The requirement also does not apply if the individual has submitted his or her tax returns for the last five years.

An amended tax return cannot be submitted after three years from the end of the year of assessment to which it relates. The time limit does not apply in the following cases:

- The non-declaration of the taxable income or understatement of the taxable income of the individual

- The emoluments of an individual
- The IET, interest relief and medical or health insurance premiums of an individual

Voluntary disclosure income scheme on income from foreign assets. No interest and penalties apply on any foreign-source income underdeclared up to the 2019-20 year of assessment. This scheme applies to undisclosed income derived from Mauritius but held in offshore bank accounts or used to purchase foreign assets. The applicable tax rate is 15%. If the tax is not paid in full on or before 31 March 2020, interest is imposed at a rate of 0.5% per month. The scheme does not apply in certain cases (for example, when any civil or criminal proceedings are pending).

E. Double tax relief and tax treaties

Mauritius has entered into double tax treaties with the following jurisdictions.

Australia*
Bangladesh
Barbados
Belgium
Botswana
Cape Verde
China
Congo (Republic of)
Croatia
Cyprus
Egypt
Eswatini
France
Germany
Ghana
Guernsey
India
Italy
Kuwait
Lesotho
Luxembourg
Madagascar
Malaysia
Malta
Monaco
Mozambique
Namibia
Nepal
Oman
Pakistan
Qatar
Rwanda
Senegal
Seychelles
Singapore
South Africa
Sri Lanka
Sweden
Thailand
Tunisia
Uganda
United Arab Emirates
United Kingdom
Zambia
Zimbabwe

* With respect to personal income tax, the treaty concerns income from pensions, government service and students.

The agreements are based on the model treaties of the Organisation for Economic Co-operation and Development (OECD) and the United Nations (UN).

The treaties provide the following relief:
- Dividends are taxed at a 0% to 15% rate.
- Royalties are taxed at a 0% to 15% rate.
- Income from shipping and air transport operations of enterprises resident in a treaty country is not taxed in Mauritius.
- Business profits of a nonresident are taxed only if the nonresident operates through a permanent establishment or a fixed base in Mauritius.

Mauritius is negotiating double tax treaties with Algeria, Burkina Faso, Canada, the Czech Republic, Greece, the Hong Kong Special Administrative Region (SAR), Iran, Lesotho (revised treaty), Mali, Montenegro, Portugal, St. Kitts and Nevis, Saudi Arabia, Senegal (revised treaty), Spain, Sudan, Tanzania, Vietnam, Yemen and Zambia (revised treaty).

Residents receive a credit for foreign tax paid on foreign-source income. The foreign tax credit also takes into consideration underlying taxes if the recipient owns, directly or indirectly, at least 5%

of the shares of the company paying the dividends. The Mauritian tax law also provides for a tax-sparing credit.

Regardless of any tax treaty, royalties and interest paid by a company that holds a Category 1 Global Business License (GBL1) to nonresidents are exempt from tax in Mauritius and are not subject to withholding tax in Mauritius if the payments are made out of the foreign-source income of the GBL1. This exemption does not apply to interest paid to nonresidents carrying on a business in Mauritius.

Mauritius and the United States have entered into an intergovernmental agreement (IGA) for the implementation of the Foreign Account Tax Compliance Act. The IGA entered into force on 29 August 2014.

On 29 October 2014, Mauritius signed the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information so that the Common Reporting Standard may apply to Mauritian financial institutions.

F. Temporary visas

The following categories of individuals do not need visas for business, tourism or transit purposes:

- Holders of a *laissez-passer* issued by the United Nations, Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC) or other internationally recognized organizations as may be prescribed by the Minister of Internal Affairs
- Holders of passports issued by the INTERPOL who come to Mauritius on official missions
- Holders of a *laissez-passer* issued by the African Reinsurance Corporation and the African Development Bank
- Holders of passports issued by the governments of countries belonging to the European Union (EU)
- Persons who intend to remain in Mauritius only during the stay of a vessel by which they arrive and depart
- Holders of passports issued by the following jurisdictions:

Angola
Antigua and Barbuda
Argentina
Australia
Austria
Bahamas
Bahrain
Barbados
Belgium
Belize
Botswana
Brazil
Brunei Darussalam
Bulgaria
Burundi
Canada
Cape Verde
Chad
Ghana
Greece
Grenada
Hong Kong SAR
Hungary
Iceland
India
Ireland
Israel
Italy
Jamaica
Japan
Kenya
Kiribati
Korea (South)
Kuwait
Latvia
Lesotho
Liechtenstein
Lithuania
Reunion
Romania
Russian Federation
Rwanda
St. Kitts and Nevis
St. Lucia
St. Vincent and Grenadines
Samoa
San Marino
Saudi Arabia
Seychelles
Sierra Leone
Singapore
Slovak Republic
Slovenia
Solomon Islands
South Africa
Spain

Chile
China Mainland
Congo (Democratic Republic of)
Congo (Republic of)
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Egypt
Estonia
Eswatini
Fiji
Finland
France
Gabon
Gambia
Germany
Luxembourg
Macau SAR
Malawi
Malaysia
Maldives
Malta
Mexico
Monaco
Mozambique
Namibia
Nauru
Netherlands
New Zealand
Norway
Oman
Papua New Guinea
Paraguay
Poland
Portugal
Qatar
Suriname
Sweden
Switzerland
Tanzania
Tonga
Trinidad and Tobago
Tunisia
Turkey
Tuvalu
Uganda
United Arab Emirates
United Kingdom
United States
Vanuatu
Vatican City
Zambia
Zimbabwe

A visa is granted for a period of two weeks on arrival to citizens of Algeria, Comoros, Myanmar and Nigeria.

A visa is granted for a period of 60 days on arrival if the individual holds a passport from the following jurisdictions.

Albania
Andorra
Armenia
Azerbaijan
Bosnia and Herzegovina
Burkina Faso
Cambodia
Cameroon
Central African Republic
Colombia
Costa Rica
Côte d'Ivoire
Cuba
Djibouti
Dominican Republic
Ecuador
El Salvador
Equatorial Guinea
Eritrea
Ethiopia
Georgia
Guinea
Guinea-Bissau
Guatemala
Haiti
Honduras
Jordan
Kazakhstan
Lebanon
Liberia
Mauritania
Marshall Islands
Micronesia
Moldova
Mongolia
Montenegro
Morocco
Nicaragua
Niger
North Macedonia
Palau
Panama
Peru
São Tomé and Príncipe
Senegal
Serbia
Tajikistan
Thailand
Timor-Leste
Togo
Turkmenistan
Ukraine
Uzbekistan
Uruguay
Venezuela

A foreign investor applying for permanent residence status (see Section H) may be issued a multiple-entry visa valid for up to one year pending the grant of the permanent resident status.

G. Work permits and self-employment

Work permits and residence permits are required for all foreign nationals who wish to work in Mauritius. The permits are valid for one year and are renewable. Work permits are usually granted to foreign nationals who possess professional and technical qualifications in fields for which locally qualified candidates are

not available. Work permits may also be granted to foreign workers in industries for which labor is in short supply.

With the implementation of the E-Work Permit System, applications for work permits can only be made electronically through www.workpermit.mu. To avoid duplication, the portal is shared between the Prime Minister's Office, the Passport and Immigration Office, and the Ministry of Labour, Industrial Relations, Employment and Training; only one application form is now required for all the relevant permits.

Application for work permits should be made in Mauritius by the employer and must indicate the exact title and duration of the position sought. The employer must submit the following documents with the completed application form before the foreign national arrives in Mauritius:

- Job profile
- Birth certificate
- Four passport-size photographs
- Copies of the relevant parts of the passport showing the name, date of birth, place and date of issuance of passport, photo, passport number, and movement
- Documentary evidence of academic and professional qualifications and experience
- For skilled workers, a copy of the contract between the employer and the employee together with documentary evidence demonstrating that the employee will earn a minimum of MUR30,000 per month
- A full medical report on the expatriate from his or her home country
- A completed application form
- Evidence that appropriate advertising has been made in two leading newspapers for the position

All documents provided must be in English or otherwise translated and authenticated by an authorized authority in the home country of the foreign employee.

A processing fee of MUR700 must be paid on submission of each completed application form. Applications submitted without the fee are not considered.

In general, an applicant may not work while his or her work application and other papers are being processed, except if married to a Mauritian citizen. Application must be made at least three months before the projected date of employment.

If the foreign national wants to stay in Mauritius for more than five years, an application must be made for a residence permit, and a bank guarantee of MUR20,000 must be provided. The individual must also swear in an affidavit that he or she will not apply for Mauritian citizenship.

Changing employers usually is not permitted. If an employee changes employers, a new application for a work permit must be submitted by the new employer.

Application for renewal of a work permit should be made three months before expiration of the current work permit, and full justification for the continued employment of the expatriate should

be given. Even an individual who has worked legally in Mauritius for several years must renew his or her work permit every year.

Any non-citizen investor, self-employed person or employer of a professional may, through the Economic Development Board, apply for an occupation permit so that such person or professional may engage in business or take up employment in Mauritius. To obtain the occupation permit from the Economic Development Board, the following conditions must be satisfied:

- An investor with a project value of more than MUR20 million is generally eligible for an occupation permit. A higher or lower threshold may apply depending on the nature of the business activities, initial investment, cumulative turnover for the past three years and other conditions. An investor must make an initial investment of USD100,000 or its equivalent in freely convertible currency. For renewal, the cumulative turnover should have been at least MUR12 million during the three years preceding the application for the permit, with a minimum of MUR2 million turnover per year.
- A self-employed person must have an initial investment of USD35,000 or its equivalent amount in a freely convertible foreign currency at the time of issuance of the occupation permit and be engaged in the services sector only. For renewal, a cumulative business income should have been at least MUR2,400,000 during the three years preceding the application for occupation permit, with a yearly business income of at least MUR600,000.
- A professional must have a monthly salary exceeding MUR60,000. For a professional working in the information and communication technology sector or the business outsourcing (BPO) sector, the minimum salary is MUR30,000 per month.
- A young professional should complete at least an undergraduate degree in a local tertiary education institution recognized by the Tertiary Education Commission in any field listed in Part II of the Schedule to the Immigration Act. Financial services and information technology are examples of the fields that are listed on Part II of the Schedule to the Immigration Act.

The following table provides the initial fees for an occupation permit application.

Period of employment	MUR
Less than 9 months	10,000
Between 9 months and 2 years	15,000
Between 2 years and 3 years	20,000

H. Residence permits

To obtain a residence permit, an applicant must be able to show sufficient economic means to live in Mauritius. Residence permits are issued for one-year periods and are renewable.

The permanent residence permit allows a foreign national to work and live in Mauritius for a period of 10 years. The following individuals are eligible for a permanent resident permit:

- An investor holding an occupation permit, if the aggregate turnover of his or her company exceeds MUR45 million for any consecutive period of three years
- An investor who has invested at least USD500,000 in a qualifying business activity, which includes agro-based industry,

audiovisual, cinema, banking, construction, manufacturing and marina development
- A self-employed individual holding an occupation permit for three years, if his or her annual income was at least MUR3 million for the three consecutive years prior to the application
- A professional with an occupation permit, if his or her monthly basic salary was at least MUR150,000 for three consecutive years preceding the year of application
- A retired foreign national who has held a residence permit for three years and has transferred USD54,000 annually to a Mauritian bank during the three-year period

A retired non-citizen should make an initial transfer of a minimum of USD2,500 to a local bank account and should transfer at least USD2,500 monthly or a sum by installments amounting to a least USD30,000 annually during a period of three years.

No permit will be granted if an expatriate is found to suffer from a contagious or transmittable disease.

I. Family and personal considerations

Family members. The working spouse of a work permit holder must file an application independently of the expatriate to obtain a work permit.

Marital property regime. At the time of their civil marriage, couples may elect between the community property regime and the separate property regime. They may change regimes during the marriage if they meet certain conditions.

Driver's permits. Expatriates may drive legally in Mauritius with their home country driver's licenses if they have the licenses validated by the traffic authorities. Mauritius does not have driver's license reciprocity with any other country.

To obtain a driver's license in Mauritius, a foreign national must take verbal and practical driving tests.

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A. Income tax

Who is liable. Resident individuals are taxed on worldwide income. Nonresidents are taxed on Mexican-source income only.

Individuals who establish their home in Mexico are considered residents of Mexico. If individuals also have a home in another country, they are considered residents of Mexico if their center of vital interests is located in Mexico. An individual's center of vital interests is considered to be located in Mexico in the following circumstances:

- More than 50% of the individual's income in a calendar year is derived from Mexican sources.

- The center of the individual's professional activities is located in Mexico.

Individuals who break residency ties with Mexico must notify the tax authorities within 15 business days before such change in their status and no later than a month following the change of residency. For this purpose, they must designate a legal representative in Mexico.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable employment income includes salaries, wages, directors' fees, bonuses, gratuities, allowances, certain fringe benefits, benefits in kind and statutory employee profit-sharing distributions.

Education allowances provided by employers to their expatriate or local employees are taxable for income tax and social security purposes if the allowances are not generally provided to all the employees under the applicable rules for fringe benefits.

Nonresidents who receive salaries paid by resident employers or by employers with permanent establishments in Mexico are subject to withholding tax at source as described in *Rates*. Salary income and income for personal services paid by a nonresident individual or company are exempt from tax if the services are not related to the nonresident payer's permanent establishment in Mexico (or the nonresident payer does not have a permanent establishment) and if the services are provided for fewer than 183 days (including Saturdays, Sundays, holidays and vacations). For purposes of this rule, the 183 days need not be consecutive in a 12-month period. If services are provided for more than 183 days, individual tax calculated using nonresident tax rates must be paid from the first day the individual begins to work in Mexico.

Directors' fees. Directors' fees received by residents of Mexico from Mexican or foreign resident companies are subject to income tax at the rates set forth in *Rates*. The paying companies may deduct these fees if certain requirements are met.

Self-employment and business income. A self-employed individual who earns income from business activities or professional services is subject to tax at the applicable rates established in the law and published by the tax authorities. The tax is calculated on the net income derived by the individual for each month corresponding to the period to which prepayment applies (see Section D). Self-employed individuals also must pay other taxes, such as value-added tax.

Professional fees paid by a Mexican resident to a nonresident for services rendered in Mexico are subject to withholding tax at a rate of 25%. If the services are rendered only partially in Mexico, income tax is payable on the portion of the income related to the services rendered in Mexico.

Investment income. A company resident in Mexico that distributes dividends to its resident and nonresident shareholders is subject to a 30% corporate tax to the extent that such company has not already paid the tax on the underlying income. Dividends must be included in a resident's taxable income. The corporate

tax paid is credited against the resident's final tax liability. Dividends paid by foreign resident entities to Mexican resident individuals are included in the individuals' taxable income and taxed at the rates set forth in *Rates*.

An additional 10% withholding tax applies to dividends. For dividends paid by Mexican companies, the tax withheld by the paying company is final. Accordingly, individuals are required to declare the dividend income in their annual tax return and cannot claim a credit for the 10% withholding tax, thereby incurring an incremental tax cost. For dividends paid by foreign companies, individual resident taxpayers must pay the 10% tax by filing a monthly tax return by the 17th day of the month following the dividend distribution. They are also required to declare the dividend income in their annual tax return and cannot not claim a credit for the 10% tax paid, thereby incurring an incremental tax cost.

For 2019, interest on time deposits with Mexican banks and on publicly issued debentures is subject to a provisional 1.04% withholding tax on the capital invested that originated the interest. Interest derived from investments in other entities (other than publicly issued debentures) is subject to a 20% provisional withholding tax on the nominal interest. Gains derived from the sale of publicly issued debentures are also subject to this tax. Other interest income is included in taxable income and taxed at the rates set forth in *Rates*. Individuals include in taxable income the real interest received during the fiscal year; for interest derived from investments held abroad or loans granted to foreign residents, the real interest income is taxable on an accrual basis. Real interest equals the amount by which interest exceeds the inflationary adjustment effects of the tax year. For 2019, interest income received by nonresidents from Mexican banks is subject to a 4.9% withholding tax. Lower rates may apply under certain tax treaties. Real interest income derived from investment returns and/or the foreign-exchange gains generated on investments abroad are also considered taxable income in Mexico. Income tax paid abroad on these items may be credited against Mexican income tax provided that the requirements for claiming the credits are met.

Income received by nonresidents from the rental of real and personal property is subject to a final withholding tax at a rate of 25%, with no deductions allowed. For real estate rental income derived by residents, taxpayers are subject to tax on their rental income even if it is derived from real estate located in foreign jurisdictions.

In general, individuals who receive rental income may deduct the following expenses:

- Property taxes and local taxes paid
- Maintenance expenses
- Real interest paid on mortgage loans (restrictions apply)
- Salaries, professional fees and commissions paid
- Property insurance premiums
- Depreciation of the property and of property additions and improvements
- Water usage rights

Taxpayers with real estate rental income can opt for a flat deduction of 35% of the rental income.

Taxpayers who earn real estate rental income must meet the following requirements:

- Register in the Mexican taxpayer registry for rental income activity.
- Maintain accounting records on the Mexican Tax Administration Service (Servicio de Administración Tributaria, or SAT) website that are prepared based on the requirements of the federal tax regulations (tax law and code), except for taxpayers who opt to apply the 35% standard deduction applicable to rental income.
- Issue official digital invoices for the rental income received, indicating the property's registration number.
- File monthly and annual tax returns for the rental income.
- Inform the Mexican tax authorities through electronic filings established by the SAT by no later than the 17th day of the month following the receipt of monthly rental income, if it was received in cash, gold or silver and if such payments exceed MXN100,000. This requirement is part of anti-money laundering provisions. If the rental income is received in check, wire transfer or some other means that was recorded through the financial system, this informational reporting requirement does not apply.

If the taxpayer opts to claim an itemized deduction, all of the above conditions must be fulfilled.

If the taxpayer opts to claim the standard deduction equal to 35% of the rental income, all of the above conditions, except for the for the second condition must be fulfilled.

With respect to the fourth condition above, the taxpayer should make the monthly tax payments by no later than the 17th day of the month following the month that the rental income was earned.

Royalties received by nonresidents for the use of trade names, trademarks, patents or certificates of invention are subject to a 35% withholding tax. Fees received by nonresidents for technical assistance and royalties for know-how are subject to a 25% withholding tax. Lower rates may apply under certain tax treaties.

Exempt income. The following items, among others, are excluded from taxable income:

- Indemnities for accidents and illnesses
- Retirement benefits and pensions provided by public institutions and Mexican private retirement plans (partially exempt)
- Reimbursement of medical, dental, hospital and funeral expenses incurred in Mexico
- Social security benefits granted by Mexican public institutions
- Savings funds established by employers to which the employees contribute up to 13% of their salaries (Mexican funds only), capped at 1.3 times the Unit of Measure and Update index (UMA; approximately MXN40,069)
- Travel expenses properly reported by the employee
- Social welfare and fringe benefits received from Mexican government institutions

Certain exemptions are subject to limitations and specific requirements.

Taxation of employer-provided stock options. Employer-provided stock options are taxed as salary income for the employee. They are taxed at the time of exercise on the difference between the exercise price and the fair market value of the stock. The income is taxed at the tax rates set forth in *Rates*. Gains derived from the subsequent sale of the shares are subject to tax as capital gains (see *Capital gains and losses*).

Capital gains and losses. In general, gains derived from the sale of shares and real estate are treated as capital gains. Capital gains are taxed as ordinary income at the rates set forth in *Rates*. The gain calculation includes adjusting the cost basis for inflation. Gains derived from the sale of shares of Mexican or foreign companies listed on Mexico's stock exchanges are subject to a 10% income tax (before 2014, these sales were exempt from tax). The tax payment is considered final and cannot be credited on the annual taxpayer's income tax return. The taxpayer calculates this 10% tax on the net gain at the end of the year by using information provided by brokers. Capital losses can be carried forward 10 years.

A gain derived from the sale of a personal residence is exempt from tax if the amount of the proceeds does not exceed 700,000 investment units (UDIs; equal to MXN4,358,641.70). As of 31 December 2018, a UDI equaled MXN6.226631. Banking and credit institutions use UDIs to grant loans at a fixed rate. Gains derived from the sale of a primary residence are exempt from tax if the taxpayer demonstrates that he or she had not sold another home for which the exemption had been claimed during the preceding three years and if the title transfer is done through a notary public.

Capital gains derived from transfers of shares and real estate are taxed using an income-averaging method. The taxable gain is calculated separately for each asset and then divided by the number of years the asset was held, up to a maximum of 20 years. The resulting amount is added to other taxable income. After the graduated marginal tax rates are applied to the total income, the average rate is then applied to the balance of the capital gain. Income averaging does not apply to capital gains derived from transfers of real property used in a trade or business. These gains are added to ordinary taxable business income.

Although computed the same way, capital losses are treated differently. The tax benefit for the year in which a loss is incurred is limited to the tax attributable to the loss, divided by the number of years the underlying asset was held, up to a maximum of 10 years. The amount of the loss equivalent to one year is deductible from the individual's gain on the sale of other assets or from other income derived in that year, except salary, self-employment and business income. The remaining loss in the relevant calendar year may be carried forward three years and can be used only to offset the tax on capital gains derived from the sale of shares or real estate.

Nonresident taxpayers deriving capital gains from the disposal of shares or real estate may elect to pay tax on the gross amount at

a rate of 25% or to be taxed at a rate of 35% on the net gain. An individual electing the second alternative must designate a legal representative who is a tax resident of Mexico.

Deductions

Personal deductions and tax credits. Resident individuals are granted the following personal deductions:

- Fees and other payments for medical services; professional services in psychology and nutrition provided by persons who have legally issued professional qualifications and who are registered by the competent educational authorities; dental services and hospitalization services, if these services are provided for the taxpayer and his or her dependents and if the fees and payments are paid by personal checks of the taxpayer; electronic transfers from the taxpayer's Mexican bank account or by personal credit, debit or service cards
- Funeral expenses limited to an amount equal to the UMA (approximately MXN30,822)
- Certain donations to public works or utilities, charitable or welfare institutions, and promoters of the arts or culture, capped at 7% of the preceding year's taxable income
- Real interest paid on mortgage loans obtained from Mexican financial institutions with respect to the principal residence, if the credit does not exceed 750,000 UDIs (approximately MXN4,669,973)
- Voluntary contributions made to an individual retirement account, limited to five times the Unit of Measure and Update (UMA; five times the UMA equals approximately MXN154,110) and not exceeding 10% of the taxpayer's current year taxable income
- Insurance premiums for medical coverage paid to Mexican insurance institutions for the taxpayer and his or her dependents
- Payments for the school-bus transportation of dependent children if it is mandatory for all the students in the school and if it is paid by personal checks of the taxpayer, electronic transfers from the taxpayer's Mexican bank account or by personal credit, debit or service cards
- School fees paid with checks or electronic transfers, except materials and registration fees, up to the following amounts:
  - — Preschool: MXN14,200
  - — Elementary school: MXN12,900
  - — Junior high school: MXN19,900
  - — Technician school: MXN17,100
  - — High school: MXN24,500

The total amount of personal tax deductions listed in the first, second, fourth, sixth and seventh bullets above is subject to a cap equal to five times the UMA or 15% of the taxpayer's total income, whichever is lower.

Business expenses. Ordinary expenses, including salaries, fees, rent, depreciation, interest and other general items, may be deducted from the amount of gross business revenue to compute taxable net income, if business activities are carried out.

Taxpayers are encouraged to retain all digital invoices (CFDIs) related to these expenses because the tax authorities may require

the taxpayer to submit these receipts for review. Payments should be made by check, wire transfer, debit or credit card. The CFDIs must meet all requirements established under Mexican law, including, among others, they must contain the following:

- Name, business name, tax address and tax identification (RFC) of the issuer
- Invoice number and digital stamp
- Date and place of issue
- RFC of the taxpayer to whom the invoice is being issued
- Description and amounts of the services and goods acquired
- Form of payment (check, wire transfer, debit or credit card)

In general, only personal deductions incurred in Mexico are deductible. Expenses that were reimbursed to the taxpayer are not deductible.

Employment subsidy. The employment subsidy is calculated on a monthly basis. It is a tax credit that is subtracted from the monthly tax due. No employment subsidy applies when calculating tax in the annual tax return. The following table provides the resident individual monthly employment subsidy for 2019.

Monthly income Exceeding MXN	Not exceeding MXN	Employment subsidy MXN
0.00	1,768.96	407.02
1,768.96	2,653.38	406.83
2,653.38	3,472.84	406.62
3,472.84	3,537.87	392.77
3,537.87	4,446.15	382.46
4,446.15	4,717.18	354.23
4,717.18	5,335.42	324.87
5,335.42	6,224.67	294.63
6,224.67	7,113.90	253.54
7,113.90	7,382.33	217.61
7,382.33	—	0.00

Rates

Residents. For 2019, the maximum income tax rate for a resident individual is 35%. The following are the monthly income tax rates applicable in 2019.

Monthly taxable income Exceeding MXN	Not exceeding MXN	Tax on lower amount MXN	Rate on excess %
0.00	578.52	0.00	1.92
578.52	4,910.18	11.11	6.40
4,910.18	8,629.20	288.33	10.88
8,629.20	10,031.07	692.96	16.00
10,031.07	12,009.94	917.26	17.92
12,009.94	24,222.31	1,217.87	21.36
24,222.31	38,177.69	3,880.44	23.52
38,177.69	72,887.50	7,162.74	30.00
72,887.50	97,183.33	17,575.69	32.00
97,183.33	291,550.00	25,350.35	34.00
291,550.00	—	91,435.02	35.00

The following table sets forth the 2019 annual tax rates for resident individuals.

Monthly taxable income Exceeding MXN	Not exceeding MXN	Tax on lower amount MXN	Rate on excess %
0.00	6,942.20	0.00	1.92
6,942.20	58,922.16	133.28	6.40
58,922.16	103,550.44	3,460.01	10.88
103,550.44	120,372.83	8,135.57	16.00
120,372.83	144,119.23	11,007.14	17.92
144,119.23	290,667.75	15,262.49	21.36
290,667.75	458,132.29	46,565.26	23.52
458,132.29	874,650.00	85,952.92	30.00
874,650.00	1,166,200.00	210,908.23	32.00
1,166,200.00	3,498,600.00	304,204.21	34.00
3,498,600.00	—	1,097,220.21	35.00

Nonresidents. The following withholding tax rates apply to income from salaries paid in a calendar year to nonresident employees by Mexican resident employers or by employers with a permanent establishment in Mexico.

Annual taxable income Exceeding MXN	Not exceeding MXN	Rate on excess %
0	125,900	0
125,900	1,000,000	15
1,000,000	—	30

Relief for losses. Losses incurred in business or professional activities may be carried forward for 10 years against future earnings of the same type of income, restated by inflation.

B. Estate and gift taxes

No estate or inheritance tax is levied except for a local real estate property tax.

Gifts or donations from direct line family members (ascendants or descendants) are exempt from income tax if certain requirements are met.

C. Social security

Contributions

Social security. The maximum rate of the social security contribution payable by employees is approximately 2.775% of the integrated salary. The contribution is withheld by the employer from wages. The maximum rate of the social security contribution payable by employers can reach 36.69% (including the percentages for job hazard and the Federal Retirement and Housing Funds). The maximum amount of salary that may be used to compute the social security contribution equals 25 times the UMA. These contributions are all subject to caps that are determined based on a multiple of the UMA. For 2019, the maximum annual social contributions per employee are approximately MXN130,892 for the employer portion (this figure includes Housing Fund and mandatory pension costs) and MXN21,024 for the employee portion.

Housing Fund. Employers must contribute 5% of salaries (limited to 25 times the UMA) to the Housing Fund, which provides funds for the construction of housing for workers.

Mandatory pension plan. Employers' contributions to a pension plan that is managed by a bank in the employee's name equal 2% of an employee's compensation. The maximum amount of salary that may be used to compute the pension plan contribution equals 25 times the UMA.

Coverage. The social security system in Mexico provides the following benefits:
- Medical assistance in cases of illness, maternity care and accidents
- Indemnities in cases of temporary disability
- Pensions for disability, old age and death

Medical-assistance benefits extend to the members of an employee's family, including the spouse, parents and children.

Totalization agreements. Mexico has entered into totalization agreements for social security purposes with Canada and Spain. Under such agreements, employees from these countries may generally work in Mexico and qualify for certain exemptions related to social security taxes. Restrictions apply and certain requirements must be observed.

D. Tax filing and payment procedures

For individuals, the fiscal year in Mexico is the calendar year. Annual tax returns must be filed during April, but no later than 30 April of the following year. Filing extensions are not granted. Taxpayers who receive income from salaries and interest not exceeding MXN400,000 are not required to file annual tax returns. However, if real interest exceeded MXN100,000 and if taxes were withheld on such interest, the individual must file an annual return.

Personal income taxes of employed residents and nonresidents are withheld at source. A resident individual taxpayer may elect to pay the remaining tax due either when the annual return is filed or in installments with interest over a six-month period.

Resident individuals must report in their annual tax returns information regarding loans, prizes, and gifts obtained during the calendar year if such items exceed MXN600,000, in aggregate or separately.

Taxpayers with income in excess of MXN500,000 in the calendar year are required to report exempt income and nontaxable items (such as employer-reimbursed travel expenses, income derived from the sale of a principal residence, inheritance or legacy income and revenue from prizes), regardless of their amounts. This rule also applies to Mexican resident individuals earning taxable income who are not required to file an annual tax return.

Self-employed individuals must make monthly tax payments on account of their annual tax. Individuals filing monthly tax returns must open a Mexican bank account and make their advance tax payments through electronic transfers via the Internet.

Resident employees of foreign resident companies who work in Mexico must make monthly estimated payments on account of their annual tax if their companies do not have permanent establishments in Mexico or if their compensation is not reflected on a Mexican company's payroll. For such purpose, they must open a Mexican bank account and make their advance income tax payments through electronic transfers via the Internet.

Married persons are taxed separately, not jointly, on all types of income.

E. Double tax relief and tax treaties

An individual resident in Mexico with foreign-source income may take a credit for foreign tax paid in the source country to the extent that the foreign tax paid does not exceed the individual's Mexican tax liability on the foreign-source income.

Mexico has entered into double tax treaties with the following jurisdictions.

Argentina
Aruba (a)
Australia
Austria
Bahamas (a)
Bahrain
Barbados
Belgium
Belize (a)
Bermuda (a)
Brazil
Canada
Cayman Islands (a)
Chile
China Mainland
Colombia
Cook Islands (a)
Costa Rica (a)(b)
Czech Republic
Denmark
Ecuador
Estonia
Finland
France
Germany
Gibraltar
Greece
Guernsey (a)
Hong Kong SAR
Hungary
Iceland
India
Indonesia
Ireland
Isle of Man (a)
Israel
Italy
Jamaica
Japan
Jersey (a)
Korea (South)
Kuwait
Latvia
Liechtenstein (a)
Lithuania
Luxembourg
Malta
Netherlands
Netherlands Antilles (a)
New Zealand
Norway
Panama
Peru
Philippines
Poland
Portugal
Qatar
Romania
Russian Federation
St. Lucia
Samoa (a)
Saudi Arabia
Singapore
Slovak Republic
South Africa
Spain
Sweden
Switzerland
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay

(a) This is a treaty for information exchange.
(b) This treaty will enter into force on 1 January 2020.

In addition, Mexico has signed a double tax treaty with Venezuela, but this treaty is not yet in force.

Mexico is currently negotiating double tax treaties with various jurisdictions, including, among others, Costa Rica, Egypt, Guatemala, Iran, Lebanon, Malaysia, the Marshall Islands, Monaco, Morocco, Nicaragua, Oman, Pakistan, Slovenia, Thailand, Vanuatu, Venezuela and Vietnam.

F. Entry into Mexico

Foreign nationals entering Mexico are classified under the following immigration categories:
- Visitor
- Temporary resident
- Permanent resident

These categories are discussed below.

Visitor. The visitor category has two subcategories, which are visitor without authorization to perform remunerated activities in Mexico and visitor with authorization to perform activities remunerated in Mexico.

Visitor without authorization to perform activities remunerated in Mexico. The immigration category for the visitor without authorization to perform activities remunerated in Mexico category applies to foreigners who intend to stay in Mexico up to 180 days, but are not entitled to receive remuneration in Mexico. Individuals of certain nationalities are required to apply for this immigration category at a Mexican consulate or embassy before traveling to Mexico.

Individuals of nationalities without restrictions may enter Mexico under this category by filling out a Multiple Immigration Form (Forma Migratoria Múltiple, or FMM) on arrival.

Individuals of nationalities with restrictions may also enter Mexico by filling out an FMM at their ports of entry into Mexico if they are holders of any of the following:
- A proof of permanent residence in Canada, Japan, the United Kingdom, the United States, a country that is part of the Schengen area or a country that is a member of the Pacific Alliance (Chile, Colombia and Peru)
- Valid visa issued by Canada, Japan, the United Kingdom, the United States or a country that is part of the Schengen Area
- A valid Asia-Pacific Economic Cooperation Business Travel Card approved by Mexico

Tourists or businesspersons are considered visitors without permission to perform activities remunerated in Mexico.

Visitor with authorization to perform activities remunerated in Mexico. A visa for a visitor with authorization to perform activities remunerated in Mexico allows foreigners to stay in Mexico up to 180 days, with permission to be remunerated in Mexico for activities carried out in the country.

The application for this type of visa must be submitted through the National Immigration Institute (Instituto Nacional de Migración, or INM) in Mexico.

List of restricted nationalities. Nationals of the following jurisdictions must obtain a visa before traveling to Mexico.

Afghanistan
Albania
Algeria
Angola
Antigua and Barbuda
Ghana
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Russian Federation*
Rwanda
Sahrawi Arab Democratic Republic

Armenia
Azerbaijan
Bahrain
Bangladesh
Belarus
Benin
Bhutan
Bolivia
Bosnia and Herzegovina
Botswana
Brunei Darussalam
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African Republic
Chad
China Mainland
Comoros
Congo (Democratic Republic of)
Congo (Republic of)
Côte d'Ivoire
Cuba
Djibouti
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Equatorial Guinea
Eritrea
Eswatini
Ethiopia
Fiji
Gabon
Gambia
Georgia
Haiti
Honduras
India
Indonesia
Iraq
Iran
Jordan
Kazakhstan
Kenya
Kiribati
Korea (North)
Kyrgyzstan
Kuwait
Laos
Lebanon
Lesotho
Liberia
Libya
Madagascar
Malawi
Maldives
Mali
Mauritania
Mauritius
Moldova
Mongolia
Montenegro
Morocco
Mozambique
Myanmar
Namibia
Nauru
Nepal
Nicaragua
Niger
Nigeria
North Macedonia
Oman
Pakistan
Palestinian Authority
Papua New Guinea
Philippines
Qatar
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Saudi Arabia
Samoa
São Tomé and Príncipe
Senegal
Serbia
Seychelles
Sierra Leone
Solomon Islands
Somalia
South Africa
Sri Lanka
Sudan
Suriname
Syria
Taiwan
Tajikistan
Tanzania
Thailand
Timor-Leste
Togo
Tonga
Tunisia
Turkey*
Turkmenistan
Tuvalu
Uganda
Ukraine*
United Arab Emirates
Uzbekistan
Vanuatu
Vatican City
Vietnam
Yemen
Zambia
Zimbabwe

* Nationals of the Russian Federation, Turkey and Ukraine can apply for electronic approval for entry as visitors, without having to request an entry visa.

Temporary resident. The temporary resident category applies to foreigners who intend to stay in Mexico more than 180 days, but less than four years. If the activity that the person will perform will not be remunerated in Mexico, the application can be processed at a Mexican consulate or embassy. Otherwise, it must be approved directly by the INM in Mexico.

After temporary resident status is granted, it is renewable for an additional three years.

Temporary residents are eligible to apply for the same status for family members. This application may be processed either at a consulate abroad or at the INM in Mexico.

Permanent resident. The permanent resident category applies to foreigners staying in Mexico for an indefinite time period. Permanent residents may work and receive remuneration in Mexico.

Permanent residents are also eligible for family reunification status if they meet the requisites established in the applicable regulations and rules.

G. Other immigration considerations

Authority to question foreigners on entry into Mexico. Immigration agents now have the formal authority to carry out a review and request additional information from foreigners entering Mexico with respect to the purpose of their visit. The immigration authority may ask for the hotel reservation in Mexico, as well as the return flight ticket.

In addition, for business visitors, the immigration authority can request a letter of invitation from a Mexican company, stating the length and purpose of the trip. Accordingly, all business travelers coming to Mexico should bring an invitation letter meeting the above requirements for each entry into the country.

The immigration officer may ask questions such as the following:
- What is the purpose of your trip?
- Are you going to receive any salary from the Mexican entity?
- How long are you going to stay in Mexico?
- Have you visited Mexico before?

Change of immigration status. A foreigner may not request a change of immigration status from visitor to temporary or permanent resident when the petitioner is already in Mexico, unless the foreigner has family ties to a Mexican citizen or another temporary or permanent resident.

Presence in Mexico. Foreigners who are working or living in Mexico must be aware of the expiration date of their immigration status. In general, renewal requests must be submitted within 30 calendar days before the expiration date of the immigration document.

If the immigration status expires while the foreigner is abroad, a renewal can be processed on arrival in Mexico if the foreigner re-enters Mexico within 55 days after the immigration document's expiration date and submits the renewal request within 5 days after the date of entry into the country. This grace period is only granted for renewal requests, not for change of immigration status applications.

Foreigners who are in Mexico with an expired immigration status must file a request for reinstatement of their status within 60 calendar days of the date of expiration of the immigration document. The foreigner must appear before the INM to justify the reason for his or her irregular immigration status, pay an administrative fine and remain in Mexico until his or her immigration status is reinstated.

If these time frames for immigration status renewals and reinstatements are not observed and if the foreigner does not have any ties to a Mexican citizen or a temporary or permanent resident, the INM may deny the renewal or reinstatement request and order the foreigner (as well as the accompanying family, assuming they are also out of status) to leave Mexico. After the issuance of this order, the foreigner may be required to wait a minimum of six months before he or she can reapply to enter the country.

Obligations of employers and employees. Individuals or companies that intend to hire or have foreigners under their responsibility must request a mandatory employer registration from the immigration authority.

All registered employers are required to formally notify the INM regarding changes in, among other items, their articles of incorporation, address and legal representative. Any reportable change must be disclosed within 30 calendar days. In addition, companies are required to annually update their employer registration file at the INM after filing their annual Mexican corporate income tax return.

Temporary and permanent residents must notify the INM of any changes regarding residence, marital status, nationality and employer. Notifications by residents must be filed with the INM within 90 calendar days following such a change; otherwise, the resident may be subject to monetary fines.

Moldova

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A. Income tax

Who is liable. The following individuals are subject to income tax in Moldova:
- Moldovan residents on income earned in Moldova, as well as income earned from overseas financial and investment operations
- Any enterprise with the legal status of an individual, including sole ownerships, limited partnerships, general partnerships and farms
- Nonresidents on income earned in Moldova and on income earned overseas for their work in Moldova except for financial and investment income from sources outside Moldova

Moldova does not apply different tax rates based on territoriality.

Residents are individuals who meet either of the following conditions:
- They have a permanent domicile in Moldova (includes individuals studying or traveling abroad and Moldovan officials appointed for missions abroad).
- They stay 183 days or more during any fiscal year in Moldova.

Income subject to tax. Individuals are subject to tax on their gross income earned in Moldova and on income earned from overseas financial and investment operations, less applicable deductions and other allowances.

Gross income includes the following items:
- Income earned from entrepreneurial, professional and other similar activities
- Salaries and fees for services rendered by the individual
- Cash or in-kind compensation, other premiums and facilities paid by the employer
- Interest
- Capital gains
- Royalties and annuities
- Dividends
- Rental income

- Revenue earned by lawyers and other professionals, including commissions and other revenues

Gross income does not include the following items:
- Amounts received as compensation from the budget for illness
- Damages paid by a third party for accidents and/or permanent disability
- Interest on government securities
- Alimony and allowances for children
- Donations and inheritances
- Per diem allowances up to the limit set by the government
- Scholarships
- Welfare received from the government or charitable organizations
- Income earned from business patent activity
- Income earned from selling of secondary raw materials and agricultural goods produced by individuals (an exception applies to income earned by farms and individual enterprises)
- Amounts obtained by individuals from the returning of recyclable packaging
- Compensation for moral damages
- Meal tickets granted to employees within the limits provided in the legislation

Employment income. Taxable compensation includes salaries, cash or in-kind compensation, bonuses, rewards, paid holidays, inflationary allowances and royalties from patents and trademarks. Taxable compensation also includes salaries received by daily/temporary workers, fees and compensation paid to directors and managers of private commercial corporations and fees received by professionals (lawyers, doctors and experts).

The Moldovan tax law does not provide any special rules regarding the taxation of education allowances provided by employers to their employees' children under 18 years old. Such allowances are included in taxable income.

Self-employment and business income. Income earned by individuals authorized to carry out independent activities (traders, craftsmen and family associations) and income earned from self-employment and business activities are subject to income tax.

Directors' fees. Fees paid to directors or members of boards are taxed similar to salaries at the income tax rates indicated in the table in *Rates.*

Investment income. Interest earned by resident individuals on deposits with Moldovan banks is not subject to income tax until 1 January 2020.

Taxation of employer-provided stock options. Moldovan tax laws do not specifically address the taxation of employer-provided stock options.

Capital gains and losses. Capital assets for tax purposes include the following:
- Shares, bonds and other titles of ownership in entrepreneurial activities
- Bonds
- Private property not used for business purposes
- Land

- Options on buying and selling of capital assets

The capital gains tax base for any fiscal year equals 20% of any amount of capital gains earned during that fiscal year.

Capital gains are deductible only against capital losses.

Deductions

Deductible expenses. Individuals may deduct the following expenses:
- Expenses related to entrepreneurial activities (business deductions)
- Capital losses to the extent of capital gains

Personal deductions and allowances. The amount of income from all sources is reduced by personal deductions and allowances. Each taxpayer is granted a personal deduction of MDL24,000 per year against taxable income. Certain listed individuals are entitled to a personal deduction amounting to MDL30,000 per year. These individuals include disabled veterans, parents and spouses of war veterans, and individuals disabled in childhood.

An individual may also benefit from an additional deduction of MDL11,280 or MDL18,000 per year if the individual's spouse does not benefit from the individual's personal deduction. A deduction of MDL3,000 per year is granted for each dependent, and a deduction of MDL18,000 per year is granted to support individuals with a permanent disability.

Business deductions. Expenses incurred in business activities may be deducted from revenue earned, excluding personal and family related expenses.

Rates. The standard personal income tax rate in Moldova is 12%.

For farms, the income tax rate is 7%.

Relief for losses. Income received for substitution of property for similar property lost under a *force majeure* event is not taxable.

Tax losses may be carried forward for five years.

B. Other taxes

Wealth tax. A wealth tax of 0.8% is imposed on residential immovable property located in Moldova (except for land) that is owned by individuals if both of the following conditions are met:
- The total estimated value of the property is equal to or greater than MDL1,500,000.
- The total size of the surface of the property is equal to or greater than 120 square meters.

This wealth tax must be paid by 25 December of the reporting year.

Property tax. Tax is imposed on property, including land, buildings, apartments and other real estate. The rate of property tax on buildings, apartments, constructions and other types of premises ranges from 0.05% to 0.4% of the tax base, depending on the type and location of the real estate.

Inheritance and gift taxes. Moldova does not impose taxes on gifts or inheritances.

C. Social security

The rate of social contributions payable by employers is 18% of the gross payroll of individuals who are domiciled or have a temporary residence in Moldova. Employees must make a pension fund contribution of 6% of their remuneration.

For employers whose principal activity is software development and fulfill certain requirements stated in the Moldovan Tax Code, the social contribution is 18% of two average monthly salaries per employee (for 2019, the average monthly salary per employee is MDL6,975).

In addition, both employers and employees must pay mandatory medical insurance contributions on salary and other labor remuneration at a rate of 4.5% (that is, a total of 9%).

Salary provided to employees of companies that are residents of information technology parks is subject to a unique 7% tax (that includes income tax, social security contributions and medical insurance contributions due from the employer and employees).

D. Tax filing and payment procedures

The tax year in Moldova is the calendar year. Annual tax returns must be filed by individuals whose total annual income tax exceeds the amount of income tax withheld during that year. The annual tax return must be filed with the tax authorities by 30 April of the year following the reporting year. Entities must withhold income tax on a monthly basis.

E. Double tax relief and tax treaties

Moldova has entered into double tax treaties with the jurisdictions listed below. The treaties generally provide for a residency test of 183 days in a fiscal year.

Albania
Armenia
Austria
Azerbaijan
Belarus
Belgium
Bosnia and Herzegovina
Bulgaria
Canada
China
Croatia
Cyprus
Czech Republic
Estonia
Finland
France*
Georgia
Germany
Greece
Hungary
Ireland
Israel
Italy
Japan
Kazakhstan
Kuwait
Kyrgyzstan
Latvia
Lithuania
Luxembourg
Macedonia
Malta
Montenegro
Netherlands
Oman
Poland
Portugal
Romania
Russian Federation
Serbia
Slovak Republic
Slovenia
Spain
Switzerland
Tajikistan
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
Uzbekistan

* This treaty has been signed, but it is not yet in force.

F. Temporary visas

Moldovan embassies and consulates issue visas. Nationals of the following jurisdictions do not require visas to visit Moldova.

Albania
Andorra
Australia
Bahamas
Barbados
Bosnia and Herzegovina
Canada
Chile
Commonwealth of Independent States
Ecuador
European Union
Georgia
Hong Kong SAR
Iceland
Israel
Japan
Korea (South)
Liechtenstein
Macau SAR
Macedonia
Malaysia
Monaco
Montenegro
New Zealand
Norway
San Marino
Serbia
Seychelles
Singapore
Switzerland
Turkey
United Arab Emirates
United States
Vatican City

Nationals of other jurisdictions with an invitation from a Moldovan company, organization or individual must either obtain a visa from a Moldovan consulate or embassy before their departure for Moldova, or obtain a visa on arrival at Chisinau International Airport.

A foreign person intending to stay in Moldova for a period longer than 90 days must submit a request for the issuance of an immigration certificate to the local competent authorities at least 1 month before the expiration of the 90-day period.

G. Work permits

Foreign nationals may work in Moldova based on a special decision issued by the National Employment Agency with respect to such matter.

H. Residence permits

The obtaining of an immigration certificate is a prerequisite for eligibility for a residence permit in Moldova.

A residence permit may be permanent or temporary. In general, temporary residence permit is issued for a one-year period and can be extended for consecutive one-year periods.

Notwithstanding the above, a residence permit may be issued or extended for a longer period if the foreign citizen is holding a managerial position within a Moldovan company and if the foreign citizen has created the following workplaces or made any of the following investments in the company:

- Made investments exceeding 4,000 average monthly forecasted salaries (MDL27,900,000) or created at least 50 workplaces: the residence permit may be issued or extended for up to eight years.
- Made investments from 2,000 to 4,000 average monthly forecasted salaries (MDL13,950,000 to MDL27,900,000) or created at least 25 workplaces: the residence permit may be issued or extended for up to five years.
- Made investments from 600 to 2,000 average monthly forecasted salaries (MDL4,185,000 to MDL13,950,000) or created at least 15 workplaces: the residence permit may be issued or extended for up to four years.
- Made investments from 200 to 600 average monthly forecasted salaries (MDL1,395,000 to MDL4,185,000) or created at least

eight working places: the residence permit may be issued or extended for up to three years.
- Made investments from 60 to 200 average monthly forecasted salaries (MDL418,500 to MDL1,395,000) or created at least four workplaces: the residence permit may be issued or extended for up to two years.

I. Family and personal considerations

Family members. Priority for migration is given to minors who are joining their parents, as well as to the elderly or parents who need assistance if they have no children or guardian abroad.

Children and parents under the immigrant individual's care may also apply for migration to Moldova.

Marital property regime. All assets acquired by spouses during a marriage are subject to the marital regime of joint ownership. The legal regime of the assets of spouses may be modified by a marriage settlement, which may be concluded before the marriage is registered or anytime during the marriage. In this case, the regime will apply only to the extent it does not contradict the marriage settlement.

Forced heirship. There are five categories of legal heirs to whom the property left by deceased persons can be allocated based on some complex and specific rules provided by the Moldovan Civil Code.

Driver's permits. Foreign nationals may drive international vehicles in Moldova only if they hold national and international driver's licenses that adhere to the requirements of the United Nations (UN) Convention on Road Traffic.

Foreign individuals entering Moldova for a six-month stay may use their home countries' driver's licenses in Moldova. Foreign individuals who live in Moldova or stay in the country for more than six months should exchange their home countries' driver's licenses for a Moldovan license.

National and international driver's licenses from countries that are signatories to the UN convention may be exchanged. In such circumstances, the drivers are exempt from statutory exams. Driver's licenses issued by other countries may be exchanged for a Moldovan license after passing the required exams.

Monaco

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A. Income tax

Monegasque nationals and foreign nationals residing in Monaco, with the exception of French nationals, who are regulated by the 1963 bilateral tax treaty between France and Monaco, are not liable for income tax.

However, the absence of income tax for individuals only relates to activities carried out and persons who are genuinely established in Monaco. Foreign-source income is subject to the domestic rules of the state in which the source of the income is located and is not subject to Monegasque tax.

B. Other taxes

Wealth tax. Wealth tax does not apply in Monaco, except for French assets.

Property tax. Property tax is not levied in Monaco.

Inheritance and gift taxes. Inheritance and gift taxes apply only to assets located in Monaco or with a situs in Monaco, regardless of the domicile, residence or nationality of the deceased person or donor (subject to the provisions of the tax treaty between France and Monaco of 1 April 1950).

The standardization of international succession rules applicable in the European Union (EU) were introduced by Regulation (EU) No. 650/2012, dated 4 July 2012, which entered into force on 17 August 2015 (except in Denmark, Ireland and the United Kingdom, which have not ratified this regulation), appears to have served as a catalyst for the promulgation on 28 July 2017 of Monegasque Law No. 1448 on private international law.

Monegasque Law No. 1448 provides numerous specifications concerning, among other items, the following:
- The criteria for determining nationality and domicile
- The jurisdiction of the Monegasque courts
- The rules of recognition and performance of foreign judgments and foreign public deeds
- Provisions on the scope and recognition in Monaco of trusts established outside of Monaco

One of the important measures of the Monegasque private international law reform is the possibility to choose the law applicable to the succession, which facilitates new ways to organize the succession from both a civil law and a tax law standpoint.

The principle of a single law applicable to an entire succession has replaced the dual regime, which distinguished immovable succession, governed by the law of the state in which the property is located, and movable succession, which is attached to the deceased and governed by the law of the state of his or her last domicile or by the law of the state of which the deceased was a citizen.

The tax rates depend on the nature of the relationship between the deceased person or donor and his or her heir or donee. The following are the rates:
- Between spouses or for children: no tax
- Between siblings: 8%
- Between uncles and aunts, and nephew and nieces: 10%
- Between other relatives: 13%
- Between unrelated persons (including charities and corporate entities): 16%

Transfer tax. Sales of real estate located in Monaco, shares in a Monegasque Société Civile Particulière (SCP) and shares in other types of companies are subject to transfer tax.

The sale of real estate located in Monaco is subject to a 7.5% transfer tax on the sale proceeds (or the fair market value if the sale is for less than the fair market value).

The sale of shares in a Monegasque SCP is subject to the following rates of transfer tax:
- 6.5% transfer tax assessed on the sale proceeds relating to the underlying real estate
- 1% transfer tax on the portion of the sale proceeds relating to other assets

The sale of shares in other types of companies is subject to a 1% transfer tax. The sale of shares in foreign companies is exempt from transfer tax in Monaco.

Trusts. Trust incorporation (setting up of a trust) or trust transfer in Monaco (transfer of an existing trust from a jurisdiction in which it was originally set up) is subject to a proportional rate of registration duty, varying according to the number of effective beneficiaries of the trust.

The capital of the trusts represented by Monegasque securities is subject to a reduced proportional duty, depending on the number of effective beneficiaries of the trust. The following are the rates of the duty:

- One beneficiary: 0.05%
- Two beneficiaries: 0.25%
- More than two beneficiaries: 0.45%

Tax on change of a beneficial owner. Under Monegasque Law No. 1381 of 29 June 2011, any foreign entity owning Monegasque property must appoint a Monegasque tax representative (authorized in a specific list by Monegasque authorities) and file a yearly declaration of change (or non-change) of beneficial owner.

A change of a beneficial owner requires the payment of a 4.5% transfer tax assessed on the fair market value of the Monegasque property.

Various questions have arisen with respect to the scope of the law. The Monegasque tax authorities have provided an official position regarding the application of law and the definition of "change of a beneficial owner." The following is a summary of this position:

- Any change (regardless of how minor) in the beneficial ownership of a Monegasque property requires the payment of the 4.5% transfer duty on the entire fair market value of the property (no prorated taxation). For example, if a shareholder transfers a 1% stake to a new shareholder, the offshore entity is nevertheless liable for the transfer duty on 100% of the value of the underlying assets.
- The addition or withdrawal of a beneficial owner is considered to be a change in the beneficial ownership of the property and consequently requires the payment of the 4.5% transfer duty.
- If the identity and percentage of ownership of the ultimate beneficial owners is not modified and if he legal personality of the owning entity is not changed, changes in the intermediary structure (such as between the ultimate beneficial owners and the property holding company), the transfer duty is not payable.

Monegasque Law No. 1462 of 28 June 2018, which amended the provisions of Law No. 1362 of 3 August 2009 on the fight against money laundering, the financing of terrorism and corruption, has imposed a new obligation on companies and economic interest groups registered in Monaco.

Under the amended version of Article 22 of the law, the abovementioned entities must "communicate the beneficial ownership information to the Minister of State, for registration in a specific register entitled register of beneficial owners, annexed to the trade and industry directory and update them regularly."

This communication is mandatory and must be repeated on each change of beneficiary.

Because this register has just been set up, companies and groups must transmit to the Minister of State information relating to their beneficial owners.

C. Social security

Contributions. Individuals' social security taxes are withheld monthly by employers. Monegasque social security tax contributions are due on compensation, including bonuses and benefits in kind, earned from performing an activity in Monaco and paid in

Monaco. However, this rule may be modified by a social security totalization agreement. The total charge for 2018 (the 2019 rates will be available in October 2019) is approximately 10% to 14% (depending on retirement fund contributions and level of remuneration) of gross salary for employees and 28% to 40% for employers.

Some of the contributions are levied on wages up to certain ceilings. The following are the rates of these contributions and the amounts of the ceilings for 2018 (the 2019 rates and ceilings will be available in October 2019):

- Sickness contribution and family allocation: employee share of 0% and employer share of 15.05% (monthly ceiling of EUR8,600)
- Basic state pension contribution: employee share of 6.55% and employer share of 8.03% (monthly ceiling of EUR4,896)
- Unemployment contribution: employee share of 2.40% and employer share of 4.05% (monthly ceiling of EUR13,508)

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Monaco has entered into totalization agreements with France and Italy.

D. Double tax treaties and other agreements

Double tax treaties. Monaco has entered into double tax treaties with the following countries.

France
Guernsey
Italy
Luxembourg
Mali
Mauritius
Qatar
St. Kitts and Nevis
Seychelles

Other agreements. Monaco has ratified the Convention on Mutual Administrative Assistance in Tax Matters, implemented the Standard for Automatic Exchange of Financial Account Information in Tax Matters developed by the Organisation for Economic Co-operation and Development (OECD) and G20 countries as well as automatic exchange of Country-by-Country Reports under the OECD/G20 Base Erosion and Profit Shifting Project. The convention entered into force for Monaco on 1 April 2017.

The agreement on the automatic exchange of information signed on 12 July 2016 between Monaco and the EU enables Monaco to comply with international standards on tax transparency that are in accordance with the OECD Common Reporting Standard. Consequently, Monaco and the EU member states are collecting information on the financial accounts of nonresidents from 1 January 2017 and will automatically exchange this information from 2018.

Monaco has also negotiated with partner jurisdictions regarding movement to automatic exchange. A partner jurisdiction is a jurisdiction with which Monaco had not yet undertaken to exchange information. The list of partner jurisdictions is published by ministerial decree and is updated as new jurisdictions become partners. Currently, 20 jurisdictions are considered partner jurisdictions.

The Multilateral Competent Authority Agreement, signed on 15 December 2015, confirms the commitment of Monaco to implement automatic exchange of financial account information in time to commence exchanges in 2018. Monaco was the 76th jurisdiction to sign this agreement.

For financial information that was collected from 1 January 2016 with respect to approximately 50 jurisdictions, automatic exchange between authorities began in 2017.

F. Work and residence permits

Anyone who is more than 16 years of age and wishes to reside in Monaco for more than three months in a year, must apply for a residence permit issued by the Monegasque authorities.

An identity card or valid passport is sufficient for European Economic Area nationals. No visa is required.

Before making an application for a resident permit in Monaco, the applicant must apply for a long-term visa for Monaco, issued by the French authorities. Minors also require a visa.

In both cases, the applicant must fulfill a certain number of other conditions.

Applications for residence permits are handled by the Residents Section of the Police Department. The application process varies depending on the plans and the background of the applicant.

Mongolia

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The exchange rate between the tugrik and the US dollar is MNT2,652.43.

Mongolia has introduced a new personal income tax law that will take effect on 1 January 2020. This chapter reflects the existing law; therefore, readers should obtain updated information before engaging in transactions.

A. Income tax

Who is liable. A resident taxpayer of Mongolia is taxable on his or her worldwide income. Nonresidents are subject to tax on their income earned in the territory of Mongolia.

The following persons are considered tax residents of Mongolia:
- An individual who owns a residency home in Mongolia. In this regard, a person is treated as a resident taxpayer of Mongolia if he or she owns or legally possesses (for example, rents) a residential home that is physically located in Mongolia.
- An individual who resides in Mongolia for more than 183 days, consecutive or non-consecutive, in a given tax year.

The tax year in Mongolia is the calendar year.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable compensation under the Personal Income Tax Law of Mongolia includes wages, salaries, bonuses, incentive and similar employment income. Benefits and gifts provided to an employee and/or an employee's family members are subject to employment tax to the employee. Awards and/or incentives received from foreign or local legal entities and from individuals also fall into this category. Remuneration received in the capacity as a supervisory board member or a committee member of a company is treated as employment income.

Investment income. Dividends, interest and royalties received by residents are subject to a 10% withholding tax on a gross basis.

Self-employment income and business income. Individuals undertaking business activities independently (such as manufacturing, trade, rental and services, including professional services) without establishing a legal entity are subject to income tax at a rate of 10% on net income (after allowable deductions). Professional services include services provided by doctors, lawyers, advocates, architects, accountants and teachers. Individual business persons are entitled to deduct business expenses in the same manner as corporate taxpayers. Commonly allowed deductible expenses include cost of goods sold, salaries and wages, depreciation allowances, interest, rent, and advertisement expenses. However, if the expenses are not documented, are not related to the business activities or used for the personal use of the taxpayer, the expenses are considered nondeductible expenses.

Income from non-regular business activities are also subject to income tax under these same rules.

Directors' fees. Remuneration received by individuals in their capacity as supervisory board members or committee members of a company is treated as an employment income (see *Employment income*).

Other income. Income derived from the creation of scientific, literary, and artistic works and inventions, product designing, organizing and participating in sports competitions or art performances and other similar income is taxed at flat 5% rate on a gross basis. Income derived from gambling, quizzes and lotteries is taxed at a rate of 40% of gross receipts.

Effective from 1 January 2018, transfers of land possession and land-use rights are treated as sales of rights and are subject to a 10% tax on the gross transfer value.

Tax-exempt income. The following income received by individuals is exempt from income tax in Mongolia:
- Interest income on treasury bonds
- Pensions, benefits, compensation, payments, discounts, reimbursements and one-time grants provided in accordance with the legislation of Mongolia
- Subsidies for blood donors
- Per-diem payments (related to business trips)
- Insurance indemnification payments
- Costs of labor related to safety clothes, uniforms, antidote drinks and other equivalent supplies provided in accordance with the law

Other exemptions may apply.

Taxation of nonresidents. Nonresidents are subject to 20% tax on income earned in the territory of Mongolia on a gross basis.

Taxation of employer-provided stock options. Employer-provided stock options are taxed at the time of actual exercise and not at the time of grant. Share awards are taxable at the time of award or, if a vesting period is imposed, at the time of vesting. The taxable amount is the generally the market value of the shares at the time of exercise, award or vesting. This income is included in the employee's taxable income as part of ordinary employment income and taxed accordingly at 10%. Any gain from a

subsequent disposal of shares or other instruments is taxable at 10% at the time of the disposal.

Capital gains and losses. Gains derived from the sale of shares, securities or movable properties are subject to tax at a rate of 10% on a gross basis. The sale of immovable property includes real property located in Mongolia and is taxed at 2% on gross basis.

Deductions. Statutory social and health insurance contributions paid by employees are the only tax deductions permitted in Mongolia and no other deductions are allowed for employment tax purposes. For details regarding statutory social and health insurance contributions, see Section C.

No deductions are allowed for personal expenses. For details regarding deductions for business expenses, see *Self-employment income and business income*.

Rates. Residents' employment income is subject to a standard tax rate of 10%.

Other income, including business income, investment income and capital gains, is subject to a standard tax rate of 10%. See exceptions in *Other income*, *Taxation of nonresidents* and *Capital gains and losses*.

Credits. Effective from 1 January 2018, the following annual credit is provided to all resident taxpayers for employment income.

Annual employment income		Annual tax credit	
Exceeding MNT	Not exceeding MNT	2018 MNT	2019 and future years MNT
0	6,000,000	160,000	240,000
6,000000	12,000,000	140,000	220,000
12,000,000	18,000,000	120,000	200,000
18,000,000	24,000,000	100,000	180,000
24,000,000	30,000,000	80,000	160,000
30,000,000	36,000,000	60,000	140,000
36,000,000	—	—	—

Relief for losses. No measures exist for the carryover of tax losses in Mongolia.

B. Other taxes

Wealth tax or net worth tax. No wealth or net worth tax is imposed in Mongolia.

Immovable property tax. Immovable property tax (capital duty) is imposed annually on the value of property at a rate ranging from 0.6% to 1%, depending on the location of property in Mongolia. No immovable property tax is imposed during the development process of a property. This tax is not imposed until the property certificate is issued by the government.

The value of the immovable property is defined in accordance with the following sequence:

- The value of property that is registered with the property rights registration authority is the tax base.
- In the absence of a registered value, the insured value is the tax base.

- In the absence of an insured value, the value in the financial records is the tax base.

The owner of immovable property calculates the amount of tax due on the immovable property based on the valuation as of January of each year.

Inheritance and gift taxes. Mongolia does not impose tax on inheritances and gift. However, the government has proposed a draft law related to the taxation of inheritances and gifts.

C. Social security

Contributions. In general, Mongolian citizens and foreign citizens employed on a contract basis by an economic entity undertaking activities in Mongolia are subject to a compulsory social and health insurance contribution that is required to be withheld by employers. This contribution is imposed at a flat rate of 11.5%. However, the employees' portion of the obligation is capped at MNT368,000 per month. The rate for the employers' portion of the contribution ranges from 12.5% to 14.5%, depending on the economic sector. No cap applies to employers. Social and health insurance covers pension insurance, unemployment insurance, health insurance, benefits insurance (provided if the employee loses his or her working capability for a short time period, goes on maternity leave or passes away), and industrial accident and occupational disease insurance.

Self-employed individuals may register as voluntary social and health insurance payers.

Totalization agreements. To provide relief from double social and health insurance and assure benefit coverage, Mongolia has entered into totalization agreements with a few countries including Korea (South) and the Russian Federation.

D. Tax filing and payment procedures

The tax year is the calendar year in Mongolia. Spouses are taxed separately, not jointly, on all types of income.

An employer (the withholder) is responsible for the filing and payment of personal income tax imposed on employment income. The withholder must file quarterly provisional withholding personal income tax returns by the 20th day of the month following the end of each quarter and an annual return by 10 February of the following year. The withholding tax payments are due by the 10th day of the following month.

Employees or other individuals are responsible for the filing and payment of the tax imposed on all income during the tax year. A tax return must be filed on an annual basis by 15 February of the following year. Tax withheld by the employer on employment income is available as a credit against the overall tax obligations.

Taxes on investment income (for example, dividends, interest and royalties) and certain other types of income are paid through a withholding system. Under this system, the payer is the withholding agent. Any other income not paid through the withholding agent must be included in the annual return and tax must be paid before the filing deadline.

Employers also must withhold monthly with respect to social and health insurance and submit a report by the fifth day of the following month on a monthly basis. Employers must transfer to the government each month the withheld amounts and their contributions.

E. Double tax relief and tax treaties

Mongolia has entered into double tax treaties with the following jurisdictions.

Austria	Hungary	Russian Federation
Belarus	India	Singapore
Belgium	Indonesia	Switzerland
Bulgaria	Italy	Thailand
Canada	Kazakhstan	Turkey
China	Korea (South)	Ukraine
Czech Republic	Kyrgyzstan	United Kingdom
France	Malaysia	Vietnam
Germany	Poland	

F. Temporary visas

In general, 13 different types of Mongolian visas can be issued to foreign citizens by authorized Mongolian organizations. These visas enable such persons to enter Mongolia for different purposes. A single-entry temporary visa for touristic and business purposes may be granted for up to 30 days for a fee that varies from jurisdiction to jurisdiction. Additional fees are charged for urgent visas.

Citizens of the following jurisdictions do not require a visa to enter Mongolia for the stated period:

- Argentina: 90 days for all types of passports
- Belarus: 90 days for all types of passports
- Brazil: 90 days for all types of passports
- Canada: 30 days for all types of passports
- Chile: 90 days for all types of passports
- Cuba: 30 days for all types of passports
- Germany: 30 days for all types of passports
- Hong Kong Special Administrative Region (SAR): 14 days for all types of passports
- Israel: 30 days for all types of passports
- Japan: 30 days for all types of passports
- Kazakhstan: 90 days for all types of passports
- Kyrgyzstan: 90 days for all types of passports
- Laos: 30 days for all types of passports
- Macau SAR: 90 days for all types of passports
- Malaysia: 30 days for all types of passports
- Philippines: 21 days for all types of passports
- Russian Federation: 30 days for all types of passports
- Serbia: 90 days for all types of passports
- Singapore: 14 days for all types of passports
- Thailand: 30 days for all types of passports
- Turkey: 30 days for all types of passports
- Ukraine: 90 days for all types of passports (with official invitation)
- United States: 90 days for all types of passports
- Uruguay: 30 days for all types of passports

G. Work visas and residency visas (and/or permits)

For traveling to Mongolia for the purpose of business, the following three types of visas are available:
• B visa (business visa)
• HG visa (work visa)
• T visa (investor visa)

All of the above visas should be obtained from a Mongolian embassy or consul before traveling to Mongolia.

A B visa is a single-entry business visa that is valid for a visit up to 30 days. After arrival, it is possible to have a B visa extended once for the same period while the existing B visa is valid. A B visa holder cannot legally work while in Mongolia. This visa is mainly for visitors attending meetings, conferences and exhibitions and engaging in other similar activities. This visa is only available with an invitation letter issued by the Ministry of Foreign Affairs, which is based on a request letter from company operating in Mongolia.

A T visa can be obtained by foreign-invested companies and representation offices for usually one or two persons (typically, for the senior management of the company). T visas are issued to individual foreign investors in Mongolian companies or to foreign executive directors of Mongolian companies. T visas are issued as either a six-month or one-year multiple-entry visa, which can be renewed annually. Long-term residency permits are also issued to T visa holders. After the visitor arrives in Mongolia, he or she must apply for a long-term residency permit.

HG visas allow foreign visitors to work in Mongolia. In addition to an HG visa, a work permit from the Ministry of Labor and a long-term residency permit must be obtained to work in Mongolia. Like the B visa, a single-entry HG visa and a temporary work permit must be obtained before traveling to Mongolia. On arrival, the HG visa is extended for up to a year and a long-term work permit and residency permit are issued. A fully registered Mongolian company must apply for this visa for all of its foreign workers. A limited number of HG visas and work permits are issued per company because the Mongolian government publishes annual quotas on the number of foreign workers allowed. This quota is issued annually by the government of Mongolia. In general, 10% to 60% of a company's work force can be foreign, depending on the industry and the total number of employees.

In summary, only T visa and HG visa holders can work in Mongolia. They can work after an eligible Mongolian company receives the required approval from respective state authorities.

H. Family and personal considerations

Family members. Family members may accompany an employee by obtaining a dependent H visas simultaneously with the main applicant. Unmarried partners may not accompany the main applicant on a long-term dependent visa. An original birth and/or marriage certificate is required for the application of family members.

Spouses holding an H visa (dependent) are not allowed to work legally in Mongolia. However, they may request to convert the H visa into an HG visa. This process generally takes approximately one and a half months for completion.

Marital property regime. Mongolia has a community property regime, which applies only to the property of spouses acquired during the marriage. Property acquired before the marriage is considered the separate property of the respective spouse.

Driver's permits. Foreign nationals may not legally drive in Mongolia using their home country driver's licenses. However, such persons may convert their home country driver's licenses to Mongolian licenses by applying to the road policy department.

Montenegro, Republic of

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A. Income tax

Who is liable. Residents are subject to tax in Montenegro on their worldwide income. Nonresidents are subject to tax on Montenegrin-source income.

Individuals are considered to be residents for tax purposes if they have a domicile, residence or center of business and vital interests in Montenegro or if they spend more than 183 days in Montenegro within a tax year, which corresponds to the calendar year. In addition, Montenegrin individuals seconded abroad by a resident employer to operate in the name and on behalf of the employer or an international organization are also considered resident.

Income subject to tax. Tax is levied on the types of income described below.

Employment income. Salary tax is payable at rates of 9% and 11% on income from permanent or temporary employment, benefits received in money and in kind, paid leave and other employment remuneration that exceeds a prescribed level. The higher rate applies to the amount of gross salary exceeding the average monthly gross salary in Montenegro in the previous year. The average monthly gross salary in 2018 was EUR766.

Self-employment income. Tax is levied on the net earnings of self-employed individuals at a rate of 9%. For this purpose, taxable income is accounting profit adjusted in accordance with the tax regulations. Lump-sum tax is levied if self-employed individuals realize or plan to realize turnover below EUR18,000. If an individual realizes income from self-employment that is not his or her principal business activity, a standard deduction in the amount of 30% of realized income is allowed in calculating the income tax (unless actual expenses are documented).

Investment income. Tax is imposed at a rate of 9% on the following types of investment income derived by residents and nonresidents:

- Interest (interest paid to nonresidents is taxed at a rate of 5%)
- Dividends and profits participations
- Participation in profits of employees and board members (monetary payments or payments in shares)
- Use of a company's property or services by its owners and co-owners for personal purposes

Income from property leasing derived by residents and nonresidents is taxed at a rate of 9%. A standard deduction of 30% may be claimed with respect to this income. As an exception, a 50%

deduction is allowed for income received from leasing apartments, rooms and beds in the tourism industry, and a 70% deduction is allowed for income received from leasing apartments, rooms and beds in the tourism industry to tourist agencies and local tourist organizations.

The income payer withholds at source the above taxes on investment income.

Capital gains. Capital gains derived by individuals are taxed at a rate of 9%.

Rates. For Montenegrin tax resident individuals, a 9% rate applies to worldwide income up to monthly gross salary of EUR766 from sources specified in the tax law. An 11% rate applies to the portion of monthly gross salary exceeding EUR766. For income other than salary, the tax rate is 9%. The same rate applies to income realized in Montenegro by nonresident individuals.

Surtax. Municipalities are entitled to impose a surtax on salaries, self-employment income, income from property and property rights, as well as on investment income of individuals residing in their territory. The surtax is imposed at a rate of 15% in the cities of Cetinje and Podgorica, and at a rate of 13% in other municipalities.

Relief for losses. Losses incurred in self-employment activities may be carried forward for up to five years.

B. Other taxes

Real estate tax. Each legal entity or individual owning real estate in Montenegro on 1 January is considered to be a taxpayer for that calendar year with respect to the real estate located in Montenegro. Real estate tax rates range from 0.25% to 1% and are determined at the municipality level.

Transfer tax. Transfers of ownership of land and buildings located in Montenegro are subject to a 3% transfer tax, which is payable by the acquirer. This tax rate also applies to inheritances and gifts of real estate.

C. Social security and other contributions

Contributions. Social security tax is imposed on salaries received by individual employees. The employee and the employer each pay contributions to the following funds and organizations at the rates indicated.

Fund or organization	Employer %	Employee %
Pension and Disability Fund	5.5	15
Health Care Fund	4.3	8.5
Unemployment Fund	0.5	0.5
Work Fund	0.2	—
Montenegrin Chamber of Commerce	0.27	—
Labor union	0.2	—

Contributions to the Pension and Disability Fund at a rate of 20.5% and contributions to the Health Care Fund at a rate of 12.8% (for individuals without any other insurance) are payable by individuals on income received under contracts relating to

royalties, services, additional work, agency and sports, as well as under similar contracts involving the payment of remuneration for services performed.

The maximum annual social security contribution base is set at EUR53,302 for 2018 (the maximum base for 2019 has not yet been published).

Expatriate employees must pay social security contributions if they are not insured in their home countries or if provided in totalization agreements applied by Montenegro.

Coverage. An employee who pays Montenegrin social security contributions is entitled to various benefits, including health insurance for the employee and dependent family members, disability and professional illness insurance, unemployment allowances, pension payments and other benefits.

Totalization agreements. To prevent double taxation and to assure benefit coverage, the Republic of Montenegro currently applies social security totalization agreements with the jurisdictions listed below. The following is a list of the signatories of the totalization agreements that Montenegro currently applies.

Austria	France	Poland
Belgium	Germany	Serbia
Bosnia and Herzegovina	Hungary	Slovak Republic
Bulgaria	Italy	Slovenia
Croatia	Libya	Sweden
Czech Republic	Luxembourg	Switzerland
Denmark	Netherlands	Turkey
Egypt	North Macedonia	United Kingdom
	Norway	

D. Tax filing and payment procedures

The tax year is the calendar year.

Annual tax returns must be filed by the end of the April of the year following the tax year. Residents should file the annual tax return for self-employment income (unless the tax is payable as a lump sum), income from property and property rights, capital gains and income from abroad. Nonresidents are required to file annual tax returns for the income that is not subject to tax withholding. Withholding tax is levied on most types of income, including salaries. Individuals who receive income from abroad should submit the tax form and pay tax within five days after receiving the income.

E. Double tax relief and tax treaties

The Montenegrin government has rendered a decision providing that Montenegro recognizes tax treaties signed by the former Republics of Yugoslavia and Serbia and Montenegro until new tax treaties are signed. Although Montenegro professes to honor the tax treaties entered into by the former states of which it had been a part, the full applicability of these treaties must be confirmed by the other contractual state because Montenegro applies these treaties unilaterally. The following is a list of the jurisdictions with which Montenegro has tax treaties in force.

Albania
Austria
Azerbaijan
Belarus
Belgium
Bosnia and Herzegovina
Bulgaria
China
Croatia
Cyprus
Czech Republic
Denmark
Egypt
Finland
France
Germany
Hungary
Iran
Ireland
Italy
Korea (North)
Kuwait
Latvia
Malaysia
Malta
Moldova
Monaco
Netherlands
North Macedonia
Norway
Poland
Portugal
Romania
Russian Federation
Serbia
Slovak Republic
Slovenia
Sri Lanka
Sweden
Switzerland
Turkey
Ukraine
United Arab Emirates
United Kingdom

F. Temporary visas

Valid passports and visas are required to enter Montenegro for foreign nationals of many countries.

Foreign nationals from countries with which Montenegro has a visa-free regime (for example, citizens of the European Union [EU], Australia, Canada, the United Arab Emirates and the United States) may remain in the country for 90 days in a 6-month period if they have a valid passport. All other foreign nationals need to obtain a visa prior to entering Montenegro.

Travelers with a valid Schengen visa, a valid visa from the Republic of Ireland, the United Kingdom or the United States, or a residence permit in those countries may enter and stay or cross the territory of Montenegro for up to 30 days or until the visa expires if the visa validity period is shorter than 30 days.

Holders of travel documents issued by EU member states, Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland and the United States, pursuant to the 1951 Convention on the Legal Status of Refugees or the 1954 Convention relating to the Status of Stateless Persons, as well as holders of travel documents for foreigners, can enter, cross over the territory and stay in Montenegro for up to 30 days without a visa. Such individuals may enter Montenegro for non-work purposes; however, if they need to apply later for a residence and work permit, they would need to first obtain a visa.

G. Residence permits

Temporary residence and work permit. A temporary residence and work permit can be issued to a foreign national who intends to stay in Montenegro longer than 90 days if the foreign national satisfies certain conditions, such as the following:

- He or she has sufficient funds to support himself or herself.
- He or she has health insurance.
- He or she has available accommodations.

The above list is not final and may be adjusted at the authorities' request, based on each specific case.

The issuance of a temporary residence and work permit is subject to the approval of the immigration authority. The permit is

granted for a duration of up to one year, and it may be extended. Obtaining a temporary residence permit can take up to 15 days.

Permanent residence permit. A permanent residence permit can be granted to a foreign national if he or she has spent at least five years continuously in Montenegro on the basis of a temporary residence permit (or less than five years under specific conditions).

H. Certificate of confirmation of work

For certain types of work, a work permit is not required. However, the foreign national must obtain a certificate of confirmation of work and may not stay in Montenegro for more than 90 days in a one-year period.

Obtaining a confirmation of work can take up to seven days.

I. Family and personal considerations

Work permits are not automatically granted to the family members of a foreign national who receives a work permit. However, family members have priority in the process of the issuance of new work permits.

Morocco

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A. Income tax

Who is liable. Under Morocco domestic law, residents of Morocco are subject to tax on their worldwide income. Individuals resident in Morocco must pay tax on their employment income, regardless of where the services are performed or the employer is located. Nonresidents are subject to tax on their Morocco-source income only.

Individuals are considered resident in Morocco if they meet any of the following conditions:
- They maintain their home in Morocco.
- They maintain the center of their activities (vital interests) in Morocco.
- They are present in Morocco for at least 183 days during a period of 365 days.

Income subject to tax

Employment income. Taxable employment income includes total compensation after deductions for employees' social security contributions. Compensation includes bonuses and the market value of fringe benefits, but the following types of income are exempt from income tax:
- Family allowances
- Workers' compensation payments for industrial accidents or death
- Specific allowances for professional expenses if they correspond to actual expenses incurred for professional purposes and are not covered by the flat-rate deduction for business expenses provided by the Moroccan Tax Code
- Retirement benefits and severance pay within the limits provided by the Labor Law
- Alimony payments received
- Supplementary pension received if the contributions are not deductible in determining taxable income
- Compensation for pregnancy leave
- Literary and art awards amounting to a maximum of MAD100,000 per year

In addition, for the period of January 2015 through 31 December 2022, gross salary capped at MAD10,000 per month paid by newly created companies during the first two years of their

incorporation to employees (up to a maximum of 10 employees) hired under unlimited duration contracts is exempt from tax. This exemption is granted for 24 months, starting from the employee's hiring date.

Self-employment and business income. Self-employed individuals are divided into two taxable categories, depending on the nature of their activities. They may be taxed on commercial and professional income or on agricultural income.

The tax base for self-employed individuals engaged in commercial or professional activities is computed in the same manner as the tax base for corporations. Taxable income equals the difference between gross income and expenses incurred for the performance of the activity during the calendar year.

Self-employed individuals may elect to use a fixed taxation system (taxation on a deemed-value basis) if annual turnover does not exceed the following amounts:
- MAD2 million for food, handicraft products, fishing activities, and commercial and manufacturing activities
- MAD500,000 for service activities

In addition, the 2014 Financial Bill instituted a new regime for "auto-entrepreneurs," which can be elected by self-employed individuals, if the following conditions are satisfied:
- Annual turnover does not exceed MAD500,000 for commercial and industrial activities and crafts or MAD200,000 for service providers.
- The "auto-entrepreneur" registers with Morocco social security.

The 2015 Financial Bill removed the declarative requirements and the registration requirements for taxpayers under the "auto-entrepreneur" regime.

For the rates under the "auto-entrepreneur" regime, see *Rates*.

However, if the income derived from agricultural farms is less than MAD5 million, the exemption mentioned above is granted only if such income has remained under this amount for three consecutive years.

Notwithstanding the above, from 1 January 2016 through 31 December 2017, income derived from agricultural farms that does not exceed MAD20 million is totally exempt from income tax.

Investment income. Dividends paid by Moroccan companies are subject to a 15% withholding tax. Dividends received from nonresident companies are subject to the provisions of applicable double tax treaties. Otherwise, they are subject to income tax in Morocco at a rate of 15%.

Interest paid by banks or companies to Moroccan resident individuals is subject to a 30% final withholding tax. The interest is not subject to any further income tax.

Interest, technical assistance fees, rental fees for equipment and royalties paid to nonresident individuals or foreign entities are subject to a 10% final withholding tax, subject to the provisions of applicable double tax treaties. Dividends paid to nonresidents

are subject to the provisions of applicable double tax treaties. Otherwise, they are subject to a 15% final withholding tax.

Directors' fees. If a director has managerial powers, directors' fees are considered to be employment income and are taxed at the usual income tax rates described in *Rates*. Directors' fees derived by individuals who do not hold salaried positions with the company are subject to withholding tax at a rate of 30%, which is not a final tax, and is then reported in the annual tax return and taxed at the regular income tax rates, with deduction of the tax withheld.

Taxation of employer-provided stock options. Employees exercising stock options may benefit from the difference between the price of the shares on the vesting date and the exercise price. Instead of constituting additional salary, the realized profit is composed of an exempt portion and capital gain that is not taxed until the transfer date.

This exemption is subject to the following conditions:
- The difference between the vesting price and exercise price may not exceed 10% of the share value at the date of vesting. Any excess is considered salary and is subject to income tax.
- The sale of the shares may not occur within a three-year non-availability period beginning with the exercise date.
- The shares must be registered.

This exemption is provided only for stock options issued by Moroccan companies.

Stock options, free shares or any other process to buy shares granted by Moroccan companies to their managers and employees, or granted by companies not resident in Morocco to managers and employees employed by Moroccan companies or branches of the nonresident companies, must be declared by the Moroccan entity in its annual salary return filed before 1 March of the year following the year of the acquisition or of the distribution of the shares.

Capital gains. Gains derived from the sale of real property held by an individual are subject to the tax on real estate profits at a 20% rate. However, the rate is 30% for the first sale of unbuilt land included in the urban perimeter.

The minimum tax is 3% of the transfer price. However, gains derived from the sale of real property amounting to a maximum of MAD140,000 per year are exempt.

Capital gains derived by resident individuals from the sale of shares of resident companies are taxed at a rate of 15% for listed shares and 20% for unlisted shares. Capital gains derived from the sale of shares of nonresident companies are taxed at a rate of 20%. Capital gains derived from the transfer of an individual's business assets, including real property, are taxed at the same rates as ordinary income.

Deductions

Deductible expenses. The following expenses are deductible:
- Professional expenses if they are not covered by the flat-rate deduction for business expenses provided by the Moroccan Tax

Code, which is set at of 20% of gross remuneration up to MAD30,000 per year. A different rate of deduction is provided for certain occupations. For example, certain insurance company's employees are entitled to a 45% deduction.
- Social security contributions.
- Pension contributions withheld from gross wages up to 50% of net taxable salary, but pension contributions paid abroad by foreign nonresident employees may be deducted only up to the amount corresponding to the contribution rate for other company employees.
- Contributions to employer-subscribed group medical insurance.
- Interest payments or rental margin (tax regime for Ijara Mountahia Bitamlik [IMB] introduced by 2016 Financial Bill), for the cost of the acquisition or construction of a building or the renovation of a taxpayer's principal residence, if the employer withholds the payments directly from gross remuneration.
- A 55% deduction is applied before taxation of pensions for the pension amount up to MAD168,000. A 40% deduction is applied for the pension amount that exceeds MAD168,000.
- A 40% deduction is applied before taxation of artists' fees subject to withholding tax of 30%.
- A 40% deduction is applied before taxation of professional athletes' salary subject to a progressive rate.

Personal deductions and allowances. The following tax credits are granted:
- MAD360 for each dependent, up to a maximum of six
- 80% of the income tax due on foreign-source retirement pensions received in non-convertible dirhams

Business deductions. In general, deductible expenses for commercial, professional and agricultural activities are similar. They include depreciation and general expenses incurred for business purposes, including personnel and social security expenses, certain taxes, rental and leasing expenses, and financial charges. Depreciation of business assets is deductible if it is recorded annually in the accounts and relates to assets shown in the balance sheet. The rates of depreciation depend on the nature of the assets that are used.

After net income for each category of income is aggregated, the following expenses are deductible:
- Interest payments or rental margin (tax regime for IMB), up to 10% of taxable income, on loans taken out by the taxpayer for the acquisition or construction of a principal home
- Gifts to charitable organizations known as public utility associations
- Contributions to a long-term retirement pension (more than 8 years) payable after 50 years of age, up to 10% of taxable global income

Rates. Tax liability is determined by applying the progressive rates for each bracket to taxable income.

The following are the rates of income tax.

Taxable income MAD	Tax rate %	Tax due MAD	Cumulative tax due MAD
First 30,000	0	—	—
Next 20,000	10	2,000	2,000
Next 10,000	20	2,000	4,000
Next 20,000	30	6,000	10,000
Next 100,000	34	34,000	44,000
Above 180,000	38	—	—

The following are the tax rates for the "auto-entrepreneurs" regime (see *Self-employment and business income*):

- 0.5% of the turnover that does not exceed MAD500,000 for commercial, industrial and crafts activities
- 1% of the turnover that does not exceed MAD200,000 for service providers

Relief for losses. In general, losses incurred in business and agricultural activities may be carried forward for four years to offset profits from the same category. Losses attributable to the depreciation of assets may be carried forward indefinitely.

B. Estate and gift taxes

Estate and gift tax rates range from 1% to 6%, depending on the nature of the assets and operations and the relationship between the recipient and the deceased or the donor.

C. Social security

Social security contributions, which are withheld by the employer, are based on gross compensation paid, including fringe benefits and bonuses.

Employer contributions are paid, and employee contributions are withheld and paid, monthly. The employer must pay 6.4% of gross monthly compensation for family allowances. For death pensions and for daily compensation for illness, disability and pregnancy leave, employers must contribute 8.6%, and employees 4.29%, of gross monthly compensation, capped at MAD6,000. In addition, the employer must pay 1.6% of gross monthly compensation as a contribution to the Moroccan office of staff training.

An additional contribution for "loss of employment indemnity" is payable. Employers must contribute 0.38%, and employees 0.19%, of the gross monthly compensation, capped at MAD6,000.

Contributions on monthly gross remuneration are payable for mandatory medical insurance. The contribution rates are 2.26% for employees and 4.11% for employers, except for companies exempted from this mandatory medical insurance, which pay at a rate of 1.5%. This exemption is provided for companies that were set up before 2005 and that are already contributing to private medical insurance.

D. Tax filing and payment procedures

The tax year in Morocco for individuals is the calendar year. Moroccan residents must file annual general income tax returns before the following dates:

- 1 March following the end of the tax year (28 February or 29 February at the latest) for individuals who have professional income taxed under the fixed-taxation system (see Section A), and/or income other than professional income.
- 1 May following the end of the tax year (30 April at the latest) for individuals who have professional income taxed under the real or simplified regimes and for individuals who have received investment income (dividends or interest). The related tax due, if any, is payable at the time of the filing.
- 1 April following the end of the tax year (31 March at the latest) for individuals receiving dividends and interest from abroad and/or realizing capital gains on the sale of securities from foreign sources. The related tax due, if any, is payable at the time of the filing.

The tax return indicates separately the various categories of income. If a taxpayer receives no income other than exempted agricultural income or employment income paid by one employer domiciled or established in Morocco, he or she is not required to file a return. Tax on employment income must be withheld by employers domiciled or established in Morocco.

Except for the cases listed above, income tax is computed by the tax administration and is payable on receipt of a tax assessment notice.

Taxpayers subject only to discharge rates are exempt from the requirement to file an annual general income tax return.

E. Double tax relief and tax treaties

A taxpayer may deduct the amount of foreign income tax paid from Moroccan income tax payable on the foreign-source income if the individual can document that the foreign tax was paid and if a double tax treaty is in force between Morocco and the country in which such foreign income tax was paid. However, this tax credit may not exceed the Moroccan income tax imposed on the income subject to foreign tax.

Morocco has entered into double tax treaties with the following countries.

Algeria
Austria
Bahrain
Belgium
Bulgaria
Canada
China
Côte d'Ivoire
Croatia
Czech Republic
Denmark
Egypt
Finland
France
Gabon
Germany
Greece
India
Indonesia
Ireland
Italy
Jordan
Korea (South)
Kuwait
Latvia
Lebanon
Luxembourg
Malaysia
Mali
Malta
Netherlands
North Macedonia
Norway
Oman
Portugal
Qatar
Romania
Russian Federation
Senegal
Singapore
Spain
Switzerland
Syria
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States

Guinea	Pakistan	Vietnam
Hungary	Poland	

Morocco has also entered into a tax treaty with the Arab Maghreb Union countries. The Arab Maghreb Union consists of Algeria, Libya, Mauritania, Morocco and Tunisia.

Morocco has also signed tax treaties that are not yet in force with Azerbaijan, Benin, Ghana and Mauritius.

The treaties generally provide the following relief:
- Commercial profits are taxable in the treaty country where a foreign firm performs its activities through a permanent establishment.
- Dividends, interest and royalties are taxable in the treaty country where the beneficiary is a resident. Dividends are also subject to withholding taxes in the treaty country where the payer is a resident. These taxes may be offset against the tax due in the country of the beneficiary's residence.
- Employment income is taxable in the treaty country where the activity is performed, except for income from short-term assignments (less than 183 days) that is not borne by an entity of the treaty country where the activity is performed.

F. Entry and tourist visas

Entry visas are required for foreign nationals from certain countries, including Egypt, Iran, Sudan and Syria. Nationals of the United States and member countries of the European Union (EU) are not required to obtain entry visas. The Ministry of the Interior determines the countries for which entry visas are required.

Generally, tourist visas, valid for a period of three months, are the only type of temporary visa issued in Morocco. The Moroccan embassy or consulate in each country can provide information regarding the documents necessary for a tourist visa.

G. Work permits and self-employment

Foreign nationals are authorized to work in Morocco if they fulfill the following conditions:
- Expatriated to Morocco: They must enter into a work contract signed by an entity established in Morocco (either a Moroccan company or a fixed place of business of a foreign company). They must obtain the prior approval of the Anapec (a government agency) and the Ministry of Employment in Morocco.
- Seconded by the foreign parent company to its Moroccan subsidiary or branch: They are still employees of the foreign company and require only the approval of the Ministry of Employment.

Expatriates may be self-employed if they set up independent companies or businesses in Morocco. Expatriates must have valid work permits and residence permits to be self-employed. The minimum amount of capital required depends on the type of business or company that a foreign national intends to start. For example, a limited liability company requires no minimum share capital.

H. Residence permits

Residence permits are issued to foreign nationals for 1 to 10 years and may be renewed an indefinite number of times. The renewed permit is valid for 1 to 10 years.

To obtain a residence permit, a foreign national should file his application in person before the police authorities. The foreign national should submit several documents before the police authorities such as a copy of the stamped work permit issued by the Ministry of Employment and a lease agreement.

I. Family and personal considerations

Family members. Family members who are aged 18 or older and intend to reside with a working expatriate in Morocco must obtain residence cards. A working expatriate's spouse or dependents who intend to work in Morocco must independently apply for and receive separate work permits. Children under the age of 18 of working expatriates do not need student visas to attend schools in Morocco.

Driver's permits. In general, an expatriate may drive with his or her own driver's license for one year. To obtain a Moroccan driver's license, an applicant should pass a driving test, written test and verbal exam.

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A. Income tax

Who is liable. Residents of Mozambique are subject to tax on their worldwide income. Nonresidents are subject to income tax on income arising in Mozambique. Individuals are considered to be resident if they satisfy any of the following conditions:

- They are present in Mozambique for more than 180 days in a tax year, regardless of whether the days are consecutive.
- They are present in Mozambique for less than 180 days in a tax year, but they maintain a residence in Mozambique under circumstances that indicate an intention to maintain and occupy the residence as a permanent residence.
- They perform functions of a public nature abroad for the Republic of Mozambique.
- They are crew members of a ship or aircraft that are at the service of entities that have their residence, head office or effective management in Mozambique.

Individuals must inform the tax authorities of their residence.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Income tax is levied on employment income paid in cash or in kind.

Directors' fees. Directors' fees are taxed in the same manner as employment income.

Self-employment income. Individuals carrying out business activities independently, providing consulting services or engaging in technical, artistic or scientific projects are subject to tax on income derived from such activities.

Investment income. Investment income is subject to withholding tax at a rate of 20%. Resident taxpayers include investment income in their annual taxable income, which is subject to tax at

progressive rates (see *Rates*), and a credit is granted for the tax withheld. Investment income derived from shares listed on the Mozambican Stock Exchange, except for debt titles, is subject to a final withholding tax of 10%.

Other income. Other income is subject to withholding tax. Resident taxpayers include other income in their annual taxable income, which is subject to tax at progressive rates (see *Rates*), and a credit is granted for the tax withheld. Income from gambling is subject to withholding tax at a rate of 10% as a final tax.

Taxation of employer-provided stock options. Income derived from employer-provided stock options is taxed in the same manner as employment income on exercise of the options.

Capital gains. Capital gains are subject to tax at a rate of 32%.

The tax base for capital gains derived from the transfer of shares by resident taxpayers decreases according to the length of the holding period for the shares. It is taxed in the annual income tax return.

Capital losses may offset capital gains only.

Exempt income. The following items are exempt from income tax:
- Meal subsidies not exceeding the minimum salary in force
- Other allowances and similar payments that do not exceed the legally established limits
- Pensions
- Compensation received within the scope of a dismissal process

Deductions

Deductible expenses. Expenses that may be deducted include compensation paid by the employee to the employer.

Personal deductions and credits. Annual income of MZN225,000 or less is not taxable.

The following amounts may be claimed as tax credits:
- MZN1,800 for each taxpayer
- MZN600, MZN900, MZN1,200 and MZN1,800, for one, two, three, or four or more dependent children, respectively

Rates. The following are the tax rates applicable to annual taxable income.

Annual taxable income			
Exceeding MZN	Not exceeding MZN	Rate %	Rebate MZN
0	42,000	10	—
42,000	168,000	15	2,100
168,000	504,000	20	10,500
504,000	1,512,000	25	35,700
1,512,000	—	32	141,540

Tax credits. In addition to the personal tax credits (see *Personal deductions and credits*), advance payments of tax and tax withheld at source may be claimed as a credit against annual tax due, except for income from employment which is subject to a final tax on a monthly basis.

A tax credit is also allowed for foreign taxes paid (see Section E).

Relief for losses. Losses incurred in business or professional activities may be carried forward and offset against profits from the same type of activities in the following five years. Losses may not be carried back.

Nonresidents. Nonresidents are subject to withholding tax on their income derived in Mozambique. The general rate of withholding tax is 20%. However, the rate is 10% for income derived from artistic work or social entertainment, gambling, competitions, lotteries and similar contests. The withholding tax is final for all income except for property income. Capital gains derived by nonresidents are subject to tax at a rate of 32%.

B. Other taxes

Property tax. Municipal property tax is paid on an annual basis and is calculated at rates ranging from 0.2% to 1% of the total value of the property. The transfer of immovable property is subject to property transfer tax (SISA) or municipal property transfer tax at a rate of 2%.

Inheritance and gift taxes. Mozambique imposes inheritance tax and gift (donations) tax. Inheritance and gift tax is payable at rates varying from 2% to 10%, depending on the relationship of the heirs or beneficiaries to the deceased or donor.

C. Social security

Social security contributions are payable monthly on salaries, wages, bonuses and other compensation income that is regular in nature, such as productivity premiums and housing allowances. The contribution rates are 4% for employers and 3% for employees. The employer withholds the employee contributions monthly. Resident foreign employees are exempt from social security contributions provided that they prove that they are contributing to a similar scheme in another country.

D. Tax filing and payment procedures

The tax year in Mozambique for individuals is the calendar year.

Effective from 2018, residents who received only employment income are not required to file annual tax returns. Residents earning other income may file their tax returns by 30 April of the following year and pay any balance of tax due by 30 May.

E. Double tax relief and tax treaties

Resident individuals who derive income abroad may claim a tax credit for foreign tax paid, up to the amount of the tax due on such income in Mozambique.

Mozambique has entered into double tax treaties with the following jurisdictions.

Botswana
India
Italy
Macau SAR
Mauritius
Portugal
South Africa
United Arab Emirates
Vietnam

F. Temporary entry visas

A valid passport and entry visa are required to enter Mozambique. South African and Zimbabwean passport holders are exempt from the visa requirement for entries of up to 30 days.

Mozambique offers the following types of temporary visas to foreign nationals:

- Transit visas, which are valid for a maximum of seven days.
- Student visas, which are valid for 12 months and are renewable.
- Tourist visas, which are single-entry visas valid for 30 days. These visas are renewable for up to an additional 90 days.
- Business visas, which are multiple-entry visas valid for three months. These visas may be renewed for an equal period. Each entry may be for up to 30 days.
- Residence/work visas, which are single-entry visas valid for 30 days and are extended for the duration of the work permit. These visas are provided outside Mozambique if the individual wants to enter Mozambique with the intention of residing or working.

A fee is payable for the issuance of each type of visa.

Tourist visas for citizens of countries where Mozambique does not have consular services may be obtained at the point of entry.

G. Work permits and self-employment

Foreign nationals must obtain a work permit to work in Mozambique, which is valid for up to two years and is renewable. Companies may employ foreign nationals who do not require a work permit (through a communication to the Ministry of Labour) for the same period, up to a certain percentage of the total work force.

Foreign nationals who are self-employed individuals, shareholders or representatives of shareholders in Mozambique must also obtain a work authorization in their personal capacity.

After the period of validity for a work authorization or work permit expires, an individual may reapply for such items.

Work visas are valid for the period of duration of the work permit (maximum two years), with multiple entries.

H. Residence permits

Precarious Residence Permit authorization is granted to foreigners who are not tourists, visitors or businesspersons and wish to remain in Mozambique for a period exceeding 90 days. This authorization is renewable annually.

Temporary residence permits are valid for a maximum period of one year and renewable for one-year periods. They are granted to foreigners who have had precarious residence for at least five years and to foreigners who enter the country for residence purposes.

Foreign nationals who reside in the country for more than 10 years may obtain permanent resident status, which is renewable every 5 years.

The following documents must be submitted with the application for residence permit for work:

- Completed application form
- Passport and a copy of the passport
- Medical certificate
- Work authorization issued by the Ministry of Labour
- Deposit with the immigration authorities of an amount equal to the value of the return ticket to the country of origin
- Applicant's criminal record issued within the preceding three months

In addition to the above, foreigners coming to work in the oil and gas and mining sectors require a pre-approval by the Minister of Foreign Affairs, based on the work permit and no objection from the ministry that supervises the respective sector of activity.

I. Family and personal considerations

Family members. Entry visas and residence permits are granted automatically to family members of a foreign national who holds a valid work authorization or permit. However, an expatriate's spouse who is an employee must file an application for a residence permit through his or her employer.

Marital property regime. The default marital property regime in Mozambique is community property for assets acquired during the marriage. A prenuptial agreement may amend the default regime.

Forced heirship. Forced heirship rules apply in Mozambique, and a legal share of the estate automatically devolves to the surviving spouse, descendants, ascendants, brothers and their descendants and other relatives.

Driver's permits. Expatriates may not drive legally in Mozambique using their home country driver's licenses, except for driver's licenses from Southern African Development Community (SADC) member states. Holders of residence permits must apply for local temporary driver's licenses.

Myanmar

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A. Income tax

Who is liable. Resident citizens and resident foreigners are subject to personal income tax on their worldwide income. Nonresident foreigners are subject to tax on their Myanmar-source income only. A Myanmar resident is also subject to personal income tax on self-employment and business income from overseas sources. However, salaries earned overseas by nonresident citizens are not subject to tax in Myanmar.

Individuals are considered resident foreigners if they are foreigners and if they reside in Myanmar for a period or periods aggregating 183 days or more during a tax year (1 October to 30 September).

Income subject to tax. Taxable income consists of assessable income, less deductible expenses and allowances.

The taxation of various types of income is described below.

Employment income. All income derived from employment is assessable unless expressly exempt by law. Assessable benefits include salaries, wages, annual fees, bonuses, awards and fees or commissions, and any benefits paid in cash to employees and income tax paid and borne by employers on behalf of employees that are paid instead of or in addition to salaries or wages.

Tax-exempt benefits include premiums paid for the life insurance policy of a taxpayer and his or her spouse and the contributions to savings funds as prescribed by Section 4 of the Income Tax Rules and Regulations.

Self-employment and business income. Taxable self-employment and business income consists of assessable income less deductible expenses and allowances. In general, all types of income are

assessable unless expressly exempt by law. For this purpose, business includes investments made for purposes of earning interest.

Capital gains. Gains derived from the sale, exchange or transfer of capital assets are generally subject to capital gains tax. The capital gains tax rate is 10% for residents and nonresidents. If the total value of the sale, exchange or transfer of capital assets is not more than MMK10 million, capital gains tax is not assessed.

Taxation of employer-provided stock options. Employees are subject to tax on benefits derived from shares provided either for free or at a favorable price by the employer.

Deductions

Basic allowance. An annual standard allowance of 20% is provided for each class of income, but the total relief for a year may not exceed MMK10 million.

Relief allowed for the spouse of a taxpayer. A taxpayer may deduct relief in the amount of MMK1 million per year for his or her spouse who has no assessable earnings.

Relief allowed for children of a taxpayer. A taxpayer may deduct annual relief of MMK500,000 per child for children under the age of 18 who earn no income and for children 18 and above who are full-time students. The deduction can be claimed by only one spouse if the other spouse earns taxable income.

Relief allowed for parents of taxpayer who stay with taxpayer. A taxpayer may deduct annual relief in the amount of MMK1 million for each parent who lives with the taxpayer.

Business deductions. Certain expenses are fully or partially deductible, depending on the type of income. For some expenses, standard deductions are provided.

Other deductions. Payments of the following items are deductible for personal income tax calculation purposes:
- Premiums paid for the life insurance policy of a taxpayer or his or her spouse
- Contribution to saving funds as prescribed by the rules
- Donations to religious or charitable organizations sponsored by the state or recognized through notification by the Ministry of Planning and Finance, subject to a cap of 25% of the taxable income of the taxpayer

Tax rates. The tax rates applicable to individuals in Myanmar are summarized below.

Resident citizens. Resident citizens are taxed on the following types of income:
- Salaries (Myanmar-source income)
- Capital gains and rental income earned on the lease of land, buildings and apartments (worldwide income)
- Income that has escaped assessment (worldwide income)

The following progressive tax rates apply to annual taxable income from salaries earned by resident citizens.

Taxable income Exceeding MMK	Not exceeding MMK	Rate %
0	2,000,000	0
2,000,000	5,000,000	5
5,000,000	10,000,000	10
10,000,000	20,000,000	15
20,000,000	30,000,000	20
30,000,000	—	25

Resident citizens are subject to tax at a rate of 10% on capital gains and on rental income generated from the leasing of land, building and apartments.

In general, resident citizens are subject to tax on income that escaped assessment at a rate of 30%. If a resident citizen purchases, constructs or acquires a capital asset (for example, land and buildings) for the first time in Myanmar, and if he or she cannot provide evidence that he or she has declared income and paid income tax on such income, the tax officer will regard the amount used to purchase the capital asset as income that escaped assessment. Such income is then taxed at the following progressive tax rates.

Taxable income Exceeding MMK	Not exceeding MMK	Rate %
0	30,000,000	15
30,000,000	100,000,000	20
100,000,000	—	30

Resident citizens are subject to tax on their worldwide income from professions, property and business.

Resident foreigners. Resident foreigners are subject to tax on the following categories of income at the listed rates:
- Salaries and income from professions, property and business (worldwide income): same progressive rates from 0% to 25% applicable to the salaries of resident citizens
- Capital gains and on rental income generated from the leasing of land, building and apartments (worldwide income): 10%
- Income that has escaped assessment (worldwide income): 30%

Nonresident citizens. Nonresident citizens are subject to tax on the following categories of income at the listed rates:
- Income earned abroad except salaries (worldwide income): 10%
- Capital gains (worldwide income): 10%
- Income that has escaped assessment (worldwide income): 30%

Nonresident foreigners. Nonresident foreigners are subject to tax on the following categories of income at the listed rates:
- Salaries (Myanmar-source): same progressive tax rates as those applicable to salaries of resident citizens
- Income from professions, property and business (Myanmar-source): 25%
- Capital gains: 10%
- Income that has escaped assessment: 30%

Deductible allowances are not available to nonresident foreigners.

B. Other taxes

Property tax. Property tax applies only to immovable properties (land and buildings) located in Yangon. The property tax includes a general tax, lighting tax, water tax and conservancy tax. The City Development Committee decides the rates.

Stamp duty. Stamp duty is levied on various types of instruments at rates ranging from 0.1% to 2%.

Customs duty. Customs duty is levied at rates ranging from 0% to 40%.

Special Commodities Tax. The Myanmar government enacted the Special Commodities Tax, which is similar to an excise duty.

Effective from 1 April 2016, persons who import, manufacture or export specific goods must pay Special Commodities Tax at the prescribed rates. Under Section 11(a) of the Union Taxation Law 2018, the tax is collected on imports and local sales of 17 special commodities at rates ranging from 5% to 80%.

A 0% tax rate applies to proceeds received from the exportation of special commodities except for the following types of goods, which are taxed at the listed rates:
- Natural gas: 8%
- Logs and primary-stage conversions: 10%
- Raw jade: 15%
- Ruby, sapphire and other precious raw gemstones, except for diamonds and emeralds: 10%
- Jade, ruby, sapphire and other precious gemstones (finished products and jewelry), except for diamonds and emeralds: 5%

C. Social security

Employers and employees must each contribute to the Social Security Fund. The rates, which are applied to employee income, are 2% for employees and 3% for employers, with a maximum monthly contribution of MMK15,000 (MMK300,000 x 5%), which consists of a contribution of MMK6,000 for the employee and MMK9,000 for the employer. These contributions finance the following:
- Benefits for pregnancy and childbirth
- Temporary disabilities benefits
- Accidents
- Weaknesses
- Child welfare and family assistance benefits
- Superannuation pension benefits
- Injury
- Death
- Occupational disease

The contribution is due between the 1st and 15th of each month following the payroll payment. The penalty for an overdue payment is 10% of the monthly contribution.

D. Tax filing and payment procedures

The Myanmar tax year runs from 1 October to 30 September.

Individuals who derive only employment income during the tax year are not required to file a personal income tax return.

Employers must file an annual salary statement with the tax authorities in the period of 1 October to 31 December after the end of the tax year.

E. Tax treaties

Myanmar has entered into double tax treaties with the following countries.

India	Malaysia	United Kingdom
Korea (South)	Singapore	Vietnam
Laos	Thailand	

The method of eliminating double taxation varies by treaty.

F. Entry visas

To enter Myanmar, all visitors must have a valid passport and an entry visa. The following are the principal types of entry visas:
- Gratis Diplomatic/Official Courtesy Visa
- International Organization Visa (official visa)
- Employment Visa
- Social Visa
- Religious Visa
- Education Visa
- Journalist Visa
- Crew Visa
- Workshop/Seminar/Meeting/Research Visa
- Tourist Visa
- Business Visa
- Transit Visa

In addition, the following are the two types of re-entry visas:
- Multiple Journey Special Re-entry Visa
- Single Re-entry Visa

A Tourist Visa allows a stay of 28 days, which may be extended for an additional 14 days. A Business Visa allows a stay of 10 weeks (70 days) and is valid for 3 months from the date of issuance. For a long stay, a foreigner needs to apply for a Multiple Journey Special Re-Entry Visa, which allows the visa holder to stay in Myanmar for up to 10 weeks from the date of arrival and has a validity period ranging from 3 months to 1 year from date of issuance. A holder of this visa does not need to exit from Myanmar after staying there 70 days if he or she files a formal application for the next term of the visa period. A visa on arrival is granted if all of the relevant requirements are met and if relevant documents are provided. Infants and children also require separate visas even if they are traveling on a parent's passport.

Individuals may apply for the different types of visas through the Myanmar embassies or consulates overseas and also at the point of entry.

G. Work permits

Myanmar has introduced a work and stay permit system for foreign employees, particularly in a Special Economic Zone (SEZ) and under the Myanmar Investment Law 2016. Expatriate

employees under the Myanmar Companies Law who want to live and work in Myanmar must apply for a stay permit based only on an employment contract. For directors and shareholders, other supporting documents are required to apply for such permit, which has a duration of three months to one year.

However, because the Company Registration Certificate is one of the supporting documents required to apply for a stay permit for business executive and employees, in practice, expatriates working in Myanmar before the issuance of such certificate need a Business Visa, which will allow the visa holder to stay in Myanmar for up to 10 weeks.

The visa department may now issue the Business Visa on arrival on the recommendation of any of the following:
- Thai Business Association of Myanmar
- French-Myanmar Chamber of Commerce and Industry
- European Chamber of Commerce in Myanmar
- Malaysian Business Chamber
- British Chamber of Commerce in Myanmar

H. Residence permits

The following relatives of a Myanmar citizen permanently residing in Myanmar may apply for a permanent residence permit if they are temporarily residing in Myanmar:
- Wife
- Husband
- Child
- Father
- Mother

The validity of a permanent residence permit is unlimited. Cardholders are required to update their permanent residence card every five years. The cardholders can also use this card as an unlimited visa to enter Myanmar, except in the event of a more than 24-consecutive-month stay abroad.

An individual must submit an application for a permanent residence permit to the Immigration Department of the city where the foreigner lives, together with the following documents:
- Application form Ah Ma Na -1 for the permanent residence of a foreigner
- Three color photographs sized 1.5 inches by 2 inches that were taken during the preceding six months
- Original and copy of valid passport and travel document (an original and copy of each passport if the individual holds more than one type of passport)
- Sufficient recognized documentation establishing the citizenship from the state of origin of the applicant for permanent residence
- Appointment letter or invitation letter that has a term of one year or more
- Official recognized documents with respect to the educational qualifications for experts, valid recommendations of relevant organizations regarding workplace experience and service term relating to the applicant's business

For applicants for permanent residence who are accompanied by a spouse and legal offspring who are unmarried and under 18 years of age, the following additional documents are required:
- Record of household members list
- *Curriculum vitae*, including items, such as name, age and occupation of family members
- Original and copy of legal marriage certificate if accompanied by a spouse
- Birth certificate for offspring under 18 years of age with a notarized English translation
- Official guardianship certificate for adopted offspring under 18 years of age that is translated into English language recognized by the relevant government

For persons who desire to invest and operate a business in Myanmar, the following documents must be submitted:
- Permission and company registration document issued under the Investment Law
- Commercial activity of the company
- Record of company's account for three years if it engaged in business in other countries

A *curriculum vitae* of the responsible person in Myanmar is required for ex-Myanmar citizens who are unable to contribute to long-term benefits of the state and who are not experts or able to invest.

For foreigners related to Myanmar citizens, the following documents are required:
- Application for foreigner, which is undertaken by his or her related Myanmar citizen
- Official document authenticated and translated into English by the person who is recognized and entitled to testify by the relevant government of the foreigner that the foreigner has no other wife or husband other than the Myanmar citizen

The above documents (except for the application for permanent residence, passport and visa) must be translated into Myanmar and certified or legalized as regulated.

The application process is usually completed within six months. After confirmation, the Immigration Department issues the permanent residence card within five working days.

I. Family and personal considerations

Family members. The working spouse of a work permit holder does not automatically receive a work permit; an application must be filed independently.

Marital property regime. Myanmar does not have a community property or similar marital property regime.

Forced heirship. No forced heirship rules apply in Myanmar.

Driver's permits. International driver's licenses are apparently not accepted in Myanmar. Drivers must apply for a Myanmar license at the Department for Road Transport and Administration.

Namibia

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A. Income tax

Who is liable. Individuals are taxed on employment and self-employment income at progressive marginal rates. Income tax is assessed only on income from sources within or deemed to be within Namibia and is generally not affected by the residence of the taxpayer.

Income subject to tax

Employment income. Employment income is taxable in Namibia if it arises from a source within, or deemed to be within, Namibia. The place where the services are rendered generally determines the source of remuneration. Namibia extends to the territorial shelf and includes the exclusive economic zone for income tax purposes. However, income from services related to employment or a profession in Namibia is deemed to be from a Namibian source, regardless of where services are performed or payment is made. For example, income for services rendered during a temporary absence from Namibia by a person ordinarily resident in Namibia is subject to tax if the services are rendered for or on behalf of a Namibian employer.

Taxable employment income consists of salaries and bonuses, in cash or in kind, and fringe benefits, including the use of company vehicles, free housing and interest-free or low-interest loans.

Self-employment income. Capital and exempt receipts and allowable deductions are subtracted from gross income to arrive at taxable self-employment income, which is taxed with other income at the rates described in *Rates*.

Nonresident individuals who charge service fees (as defined) to Namibian residents are subject to a withholding tax on services at a rate of 10% or 25% of the gross amount paid to the nonresidents. The withholding tax rate may be reduced based on an applicable double tax treaty.

Services that are subject to withholding tax at a 10% rate include consulting fees, management fees, administration fees and technical fees paid to nonresidents.

Fees charged by nonresident entertainers, including artists and sportspersons and other nonresident persons receiving payments with respect to such types of activities, as well as directors' fees paid to nonresidents, are subject to withholding tax at a 25% rate.

Investment income. Interest and dividends from building societies received by a Namibian resident from anywhere in the world are deemed to be from Namibian sources and are taxable with other income at the rates set forth in *Rates*. An exception is made if the investment originates outside Namibia or is made for a business carried on outside Namibia and if the interest is taxed outside Namibia.

Interest earned by individuals from local commercial banks is subject to a 10% withholding tax. Interest income that is subject to this withholding tax is exempt from normal income tax.

The following types of income, among others, are exempt from tax:
- Interest from stock or securities issued by the government of Namibia or any local authority
- Interest from deposits in the Namibia Post Office Savings Bank
- Worldwide dividends accrued on ordinary and preference shares

The interest portion of distributions received from non-Namibian unit trusts is taxable in the hands of unit holders. Individuals are subject to tax on such portion at the marginal tax rate.

Namibian unit trusts must withhold tax on the interest portion of distributions to all investors other than Namibian companies at a rate of 10% on the interest portion of distributions to individuals and non-Namibian companies.

Rental income is aggregated with other income and taxed at the rates set forth in *Rates*.

In the absence of an applicable double tax treaty, nonresidents are subject to the following final withholding taxes:
- 20% nonresident shareholder's tax on dividends declared
- 10% tax on royalties, including payments for the use of or the right to use commercial, industrial or scientific equipment, paid to nonresidents
- 10% tax on consulting fees, management fees, administration fees, technical fees or fees of a similar nature
- 25% on entertainment fees or directors' fees
- 10% on interest payments from Namibian residents

Directors' fees. Namibian-source directors' fees are subject to tax with other income at the rates set forth in *Rates*. The source of the directors' fees is the location of the head office of the company of which the taxpayer is a director. This rule does not apply to remuneration for special services, which may be sourced where the services are rendered.

Directors' fees paid by a Namibian company to a nonresident are subject to a withholding tax of 25%. The withholding tax is a final tax, and the directors' fee income is not part of the recipient's Namibian taxable income.

Restraint-of-trade payments. Effective from 30 December 2015, restraint-of-trade payments are specifically included in gross income. Whether these payments may be of a capital nature is no longer relevant because these payments are now specifically included in gross income.

Other income. Partnerships are not treated as separate taxable entities. Partners are taxed on their share of net partnership income.

Taxation of employer-provided stock options. Namibian tax legislation does not specifically address the tax treatment of employer-provided stock options. In general, options are taxed at the time of vesting on the difference between the exercise price and the fair market value of the stock at the time of exercise.

Capital gains. Capital gains are generally exempt from tax in Namibia. A gain on the sale of shares in a company that holds a mineral mining or exploration license or shares in a company that holds a petroleum mining or exploration license is subject to tax at the marginal rate of tax that applies to the taxpayer. Similarly, a gain made on the sale of a mineral mining or exploration license or a petroleum mining or exploration license is also subject to tax at the marginal rate of tax that applies to the taxpayer.

Deductions

Deductible expenses. Non-capital expenses incurred in the production of income are deductible. An annual deduction of NAD40,000 per person is allowed for total contributions made to approved retirement annuity funds, pension funds and provident funds (essentially Namibian registered funds) and premiums with respect to study insurance policies for children or stepchildren. Donations to registered welfare organizations and approved educational institutions are deductible if the recipient issues to the donor a certificate recording certain specified information.

Business deductions. Non-capital expenses incurred in producing taxable income are deductible.

Rates. The same progressive tax rates apply to all individuals. Income tax is levied at the following rates.

Taxable income NAD	Tax rate %	Tax due NAD	Cumulative tax due NAD
First 50,000	0	0	0
Next 50,000	18	9,000	9,000
Next 200,000	25	50,000	59,000
Next 200,000	28	56,000	115,000
Next 300,000	30	90,000	205,000
Next 700,000	32	224,000	429,000
Above 1,500,000	37	—	—

Relief for losses. A loss may be carried forward to the next year to be offset against income in that year. If a taxpayer carries a loss forward from the previous year and has no trading activities during a year of assessment, the loss is terminated and may not be carried forward into the following year; otherwise, the loss may be carried forward indefinitely. Losses may not be carried back.

Losses from certain trades are ring fenced from income of individuals for years of assessment beginning on or after 1 March 2012 in any of the following circumstances:

- The taxable income of the individual for the year of assessment before taking the loss into account is at least NAD200,000.
- Losses have been incurred by the taxpayer from a trade in at least three of the most recent five years of assessment, including the current year (losses prior to the 2012 year of assessment are ignored).
- The taxpayer carried on a suspect trade listed in the Income Tax Act. Suspect trades include part-time farming, animal showing, rental income from letting property to relatives, sport activities practiced by the taxpayer, dealing in collectibles and betting.

B. Other taxes

Wealth tax or net worth tax. Namibia does not currently impose wealth tax or net worth tax.

Property tax. The local authorities impose property taxes.

Inheritance (or estate) and gift taxes. Namibia does not impose estate tax or duties or donations tax.

Transfer duties. Transfer duties are payable by the transferee on the transfer of fixed property (land). The applicable rates depend on the identity of the transferee and the value of the property transferred. The following table sets out the rates payable by individuals with respect to agricultural land acquired with the assistance of the Agricultural Bank of Namibia under Sections 5(a) or (c) of the Agricultural Bank Act, Act No. 5 of 2003.

Value of land		
Exceeding NAD	Not exceeding NAD	Rate
0	1,500,000	No duty payable
1,500,000	2,500,000	1% of the amount in excess of NAD1,500,000
2,500,000	—	NAD10,000 + 3% of the amount exceeding NAD2,500,000

The following table sets out the rates payable by individuals with respect to other land.

Value of land		
Exceeding NAD	Not exceeding NAD	Rate
0	600,000	No duty payable
600,000	1,000,000	1% of the amount in excess of NAD600,000
1,000,000	2,000,000	NAD4,000 + 5% of the amount exceeding NAD1,000,000
2,000,000	—	NAD54,000 + 8% of the amount exceeding NAD2,000,000

The transfer duty payable by any person other than a natural person including a trust, when acquiring land is 12% of the value of the property acquired.

C. Social security

Employees under 65 years of age and all employers are subject to social security contributions. Employees must contribute 0.9% of monthly compensation, subject to a minimum of NAD2.70 and a maximum of NAD81 per month. Employers must contribute an amount equal to the employee's contribution. Self-employed individuals must contribute 1.8% of monthly compensation, limited to NAD162 per month.

In addition, a contribution to the Workers' Compensation Fund must be made for each employee earning less than NAD81,300 a year.

Namibia is not a party to any totalization agreement.

D. Tax filing and payment procedures

The tax year in Namibia runs from 1 March to the end of the following February. In general, individuals must file annual tax returns by 30 June, unless an extension is granted. Husbands and wives are taxed separately in Namibia.

The Pay-As-You-Earn (PAYE) wage withholding tax system operates in Namibia. Individuals who earn only remuneration subject to PAYE and who are employed by the same employer throughout the tax year are not required to file tax returns unless requested to do so by the Ministry of Finance. Individuals who earn remuneration that is not subject to PAYE (for example, travel allowances) must calculate their taxable income and tax payable, and must pay the tax owed by 30 June each year.

Individuals deriving annual income of NAD5,000 or more that is not subject to PAYE are considered provisional taxpayers and are required to make two provisional payments each year, one on the last weekday in August and one on the last weekday in February. Half of the year's estimated tax is due with the first provisional return, and the balance is due with the second return. A penalty is imposed for underpayment of the first provisional tax payment if the payment is less than 40% of the finally determined tax payable for the year of assessment and is limited to the amount underpaid. A penalty is also imposed for the underpayment of the second provisional tax payment if the total provisional tax paid for the year is less than 80% of the finally determined tax payable for the year of assessment and is limited to the tax payable. The penalty for late submission of the first or second provisional tax payment is NAD100 per day for each day the form is submitted late. Any tax balance due is payable by 30 June each year if the taxpayer's income is received from employment only, for example, director's fees. If the taxpayer receives income from conducting a business, for example, as a sole trader, the balance of tax due is payable by 30 September each year. Interest is payable at an annual rate of 20% per year if the final tax payments and the provisional payments are paid after the due dates.

All directors' fees, including fees payable to non-executive directors, are subject to PAYE. Such amounts constitute remuneration and are subject to PAYE under Paragraph 2 of Schedule 2 of the Income Tax Act.

E. Double tax relief and tax treaties

A tax credit is available for direct tax and withholding taxes paid to foreign jurisdictions. The credit may not exceed the Namibian tax applicable to the underlying income.

Namibia has entered into double tax treaties with the following jurisdictions.

Botswana	Malaysia	South Africa
France	Mauritius	Sweden
Germany	Romania	United Kingdom
India	Russian Federation	

The treaties follow the model treaties of the Organisation for Economic Co-operation and Development (OECD).

Namibia is negotiating double tax treaties with Canada, Liberia, Seychelles, Singapore, Spain, Tunisia, Zambia and Zimbabwe.

F. Temporary visas

All foreign nationals (bona fide tourists or business travelers) must obtain valid entry visas to enter Namibia, with the exception of nationals from the following jurisdictions.

Angola	Iceland	Norway
Australia	Ireland	Portugal
Austria	Italy	Russian Federation*
Belgium	Japan	Singapore
Botswana	Kenya	South Africa
Brazil	Lesotho	Spain
Canada	Liechtenstein	Sweden
Cuba	Luxembourg	Switzerland
Denmark	Macau SAR	Tanzania
Eswatini	Malawi	United Kingdom
Finland	Malaysia	United States
France	Mozambique	Zambia
Germany	Netherlands	Zimbabwe
Hong Kong SAR	New Zealand	

* Including the Commonwealth of Independent States.

Persons from the United Nations and the World Service Authority do not require valid entry visas to enter Namibia.

The government of Namibia issues visitors' visas, business visas, work permits and temporary or permanent residence permits.

Visitors' visas. Visitors' visas are issued to foreign nationals who intend to visit Namibia for recreational purposes only and are issued to visitors on arrival in Namibia. These visas are valid for up to 90 days and can be extended at a cost of NAD470 if the extension application is submitted within 14 days (weekends or holidays excluded) of the expiration date.

Business visas. Business visas are required for individuals who enter Namibia for business purposes. The business visa is now granted at the airport to individuals from visa-exempt countries, but the individual must be in possession of a confirmed return air ticket. The business visa in Namibia is required for persons performing the following activities in Namibia:

- Looking for prospects to set up formal businesses in Namibia
- Exploring business opportunities
- Business persons attending meetings at subsidiaries of their parent companies
- Official government visits
- Attending conferences
- Attending corporate events (non-work) and meetings for which no remuneration is received
- Attending short training courses (not more than 90 days per year)
- Participating in sports events, expositions and trade fairs

All of the persons performing the activities listed above must apply for a business visa unless they are from countries that have entered into a visa abolition agreement with Namibia.

Traders and street vendors, voluntary workers, and persons hired and remunerated in their countries but performing work in Namibia must obtain work visas.

On application, business visas may be granted for multiple re-entry. However, they must be obtained for each entry into the country for business purposes if a multiple re-entry visa was not originally granted.

The documentation required for a business visa consists of a copy of the passport (showing date of issuance, date of expiration and passport number), a completed visa form and a motivation letter (references from the employer) on a company's letterhead.

The cost of a business visa is NAD1,000 plus a handling charge of NAD80 for individuals from countries that are not visa-exempt.

Work visas and permits. Work visas and permits are discussed in Section G.

G. Work visas (and/or permits) and self-employment

Work visas are issued to persons who intend to work for up to six months in Namibia. Work visas can be issued for a three-month period and can be renewed for an additional three months.

The cost of a work visa is NAD1,000 plus a handling charge of NAD80.

The documentation required for a work visa is the same as the documentation required for a business visa (see *Business visas*), except for the additional requirement of a police clearance certificate for a work visa.

Foreign nationals may accept employment in Namibia only if they enter the country with work permits and with temporary or permanent residence permits (see Section F).

Work permits are issued to foreign nationals who intend to undertake employment in Namibia and are valid for a period approved by the Ministry of Home Affairs. The cost for a 12-month work permit is NAD2,500. In addition, a handling fee of NAD80 is charged on all applications. The cost for a 24-month work permit is NAD5,000. In addition, a handling fee of NAD80 is charged on all applications. The multiple-entry visa allows an individual to enter and leave Namibia as he or she desires. Applicants may not begin work until they are in possession of valid work permits.

Work permits must be renewed three months before their expiration dates. They are valid only for the employment detailed in the application and are not transferable if the holder changes employment. A Change of Conditions permit must be obtained in these circumstances.

The following items, certain of which are standard forms obtainable from the Ministry of Home Affairs, must be submitted to acquire a temporary work permit:

- An application for a temporary work permit completed by the applicant
- Application for visa (for purpose of multiple re-entry)
- Motivation letter on the company's letterhead that indicates why the applicant's skills are required
- Work references from previous employers
- A copy of a marriage or divorce certificate, if applicable
- A copy of the applicant's passport (showing date of issue, date of expiration and passport number) and two photographs
- Copies of a diploma indicative of higher education or special training
- Completed standard medical certificate and radiological report forms obtained from the Ministry of Home Affairs
- Police clearance certificates from the country of origin and most recent countries where the applicant was previously employed
- A deed of surety completed by the employer promising to reimburse the government of Namibia for all expenses and costs incurred for the repatriation or deportation of the applicant
- Proof of advertisement of the position in two local newspapers for two weeks
- Trade union letter (if applicable)
- A minimum of three CVs from applicants for the position

A foreign national may establish a business in Namibia, but must possess a work permit or permanent residence permit before entering the country and beginning a business. To speed up the approval process, applications can be submitted through the Investment Centre if the investment will create employment (minimum five persons) that is sustainable. Houses are not considered an investment.

H. Residence visas and/or permits

Temporary residence permits are issued together with work permits and are renewable on the same basis as work permits.

Subject to government approval, permanent residence permits are issued to foreign nationals after they have held a work permit or temporary residence permit for 10 years. The cost of the permanent residence permit is NAD18,000. In addition, a handling fee of NAD80 is charged for all applications.

An applicant for a permanent residence permit must complete a standard permanent residence application, which must be accompanied by the following items:

- A photograph of the applicant
- Police clearances from Namibia, the country of origin and all foreign countries where the applicant previously worked
- A certified copy of the applicant's original birth certificate
- Standard medical and radiological reports from all previous countries of residence for longer than 12 months
- Marriage certificate or a final divorce certificate if applicable
- A death certificate of a late spouse if applicable
- A standard questionnaire form obtainable from the Ministry of Home Affairs detailing the training and experience of the applicant
- Copies of the highest educational, trade or professional certificates obtained
- The employment offer from the employer
- Proof of financial resources if applicants are self-employed or entering into business partnerships

I. Family and personal considerations

Family members. The spouse of a work permit holder must file an independent application for a work permit if he or she will be employed in Namibia or for a temporary resident permit, which does not allow a person to work, if he or she does not intend to work in Namibia.

Marital property regime. Namibia has abolished the marital power provisions and, as a result, each spouse now has equal marital powers. The regime elected by the spouses at the time of marriage governs their conjugal relationship.

Interest income accruing to a jointly held bank account is deemed to belong one-half to each spouse.

Forced heirship. Namibia does not have a system of forced heirship.

Driver's permits. International driving permits are issued by the Automobile Association of Namibia in accordance with the terms of the International Convention relative to Motor Traffic of 1949 and to holders of valid driver's licenses issued in Namibia.

Netherlands

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A. Income tax

Who is liable. Residents are subject to income tax in the Netherlands on their worldwide income. Nonresidents are subject to tax on specific Netherlands-source income only.

Residence is determined based on all facts and circumstances. For Dutch residency, it is essential to determine whether the individual has a lasting tie of a personal nature with the Netherlands. For this purpose, specific circumstances (social, economic or legal) are not decisive; all personal ties are relevant. Simply being formally registered in the Municipal Personal Records Database or a similar foreign database is not sufficient. Double tax residence is possible under certain conditions.

Subject to certain conditions, nonresident taxpayers living in the European Union (EU), Switzerland or one of the member states of the European Economic Area (EEA), which are Iceland, Liechtenstein and Norway, can be taxed as a resident taxpayer of the Netherlands. Furthermore, the 30% facility (see *30% facility*) provides the option for residents of the Netherlands to be taxed as a "partial" nonresident taxpayer.

Income subject to tax. Netherlands income tax is levied on three categories (boxes) of income. Each box has its own rules to calculate taxable income, its own tax rates and exemptions. In general, negative income from one box may not be offset against positive income from another box.

Box 1 income. Box 1 income includes employment income, business profits and income from a primary residence. Profits received from personal business operations, from independent personal services and from certain shares of partnership income are taxed as business profits.

Tax on income in Box 1 is levied at progressive tax rates, with a maximum tax rate of 51.75% on income over EUR68,507 (see *Rates*). Wage tax is levied throughout the year (pay-as-you-earn) on employment income and directors' fees if a Dutch wage tax withholding agent is available. The wage tax paid serves as an advance payment of the final income tax payable. Penalty taxes for employers can apply for excessive severance payments (rate of 75%) and certain early retirement payments (rate of 52%).

Employment income. Employment income includes salaries, wages, pensions, stock options, bonuses and allowances (for example, home leave and cost-of-living). Housing allowances may be taxable in certain situations. Some allowances for expenses may be paid as a tax-free allowance, subject to certain limitations and restrictions. The system of tax-free employment benefits and allowances is embodied in the work-related costs scheme (*werkkostenregeling*; see *Deductions and allowances*). This scheme has a major impact on employment conditions policy as a whole. Expatriates may qualify for a special tax regime, the 30% facility. This facility exempts 30% of certain employment income from taxation (see *30% facility*).

Income and gains derived by private equity managers and other individuals from investments in which they are deemed to have a so-called "lucrative interest" is subject to the progressive income tax rates up to a maximum of 51.75% in a manner similar to entrepreneur income (the 30% facility is not applicable).

A nonresident individual receiving income from employment actually carried on in the Netherlands is subject to Dutch income tax. In certain situations involving multinational companies, the so-called 60-days rule applies. Under this rule, the Netherlands gives up its right to levy tax on employment income if the employee works in the Netherlands less than 60 days in any 12-month period. A nonresident who is employed by a Dutch public entity is also subject to Dutch income tax, even if the employment is carried on outside the Netherlands. A nonresident who is employed by a Dutch employer and is working in the

Netherlands for part of the time may be liable to tax in the Netherlands on the full remuneration received from the employer. However, in this situation, tax treaties generally do not allow the Netherlands to tax income related to non-Dutch workdays.

Self-employment income. Annual profit derived from a business must be calculated in a consistent manner and in accordance with sound business practices. Annual profit is reduced by related business expenses, and taxable income is then determined by subtracting the deductions and the personal allowances described in *Deductions and allowances*.

A nonresident individual earning income from an enterprise carried on through either a permanent establishment or a permanent representative in the Netherlands is subject to Dutch income tax. Profits of a permanent establishment are calculated on the same basis as profits of resident taxpayers.

For the allocation of profit between a foreign head office and a Dutch permanent establishment, the permanent establishment is deemed, in principle, to be a separate entity dealing at arm's length.

Announced but not yet enacted legislation, which will take effect on 1 January 2021, is designed to improve the position of freelancers, other self-employed persons and their clients in the areas of employment law, tax law and social security law, but also to combat "bogus" self-employment. Until then, if the contract with a (assumed) self-employed persons turns out to be a (deemed) labor contract, the clients risk supplementary assessments for wage tax, social security contribution and fines if they deliberately allow a situation of evident "bogus" self-employment to be created or to continue to exist.

Directors' fees. Directors' fees are treated as ordinary employment income.

An employee who is a 5% or greater shareholder is deemed to earn a salary of at least EUR45,000 a year. A lower amount may be taken into account for a shareholder who can prove that his or her actual salary at arm's length is less than EUR45,000. However, if the tax authorities can prove that a salary at arm's length would be higher than EUR45,000, the director's salary must equal at least 75% of the salary at arm's length (with a minimum of EUR45,000) and at least as much as 100% of the highest salary of other non-shareholder employees. These rules do not apply if the salary at arm's length of the employee/shareholder does not exceed the amount of EUR5,000 a year.

A nonresident receiving income as a director of a company resident in the Netherlands is subject to Dutch income tax. Tax treaties entered into by the Netherlands generally grant the right to tax this income in the resident country of the company that pays the directors' fees. Exemptions are made, among others, in the tax treaties with Switzerland and the United Kingdom.

For resident taxpayers (subject to income tax on their worldwide income) receiving income as a director of a company that is not resident in the Netherlands, double taxation is eliminated by either the tax exemption method (with progression clause) or the

credit method. The applicable method depends on the applicable tax treaty and on the facts and circumstances.

Approval of foreign pension schemes. Expatriates in the Netherlands often want to continue their foreign pension scheme during the period they work in the Netherlands. The main rule is that the employee contributions to the foreign pension scheme are not tax deductible in the Netherlands and the employer contributions are taxable. However, a "corresponding approval" can be requested from the Dutch tax authorities. When the approval is granted, the employee contributions to the pension scheme are tax deductible and the employer contributions will not be taxable, in general, in the same way as in the country of origin. To receive a corresponding approval, several conditions need to be fulfilled. The approval procedure makes a distinction between EU and non-EU pension schemes. The corresponding approval can be received for the period of employment in the Netherlands but in principle no longer than five years (a longer period can be agreed upon in tax treaties).

Precautionary tax assessment. The Dutch tax authorities impose a precautionary tax assessment on pension entitlements when an individual emigrates and ceases to be tax resident in the Netherlands. The payment of this tax is suspended for a period of 10 years. If certain forbidden transactions take place (for example, receiving the pension in a lump-sum payment) during the 10-year period, the precautionary tax assessment is collected. Otherwise, the tax assessment lapses at the end of this period. The Dutch precautionary tax assessment has the potential to conflict with some tax treaties. In these situations, an appeal could be filed. The Netherlands is increasingly pursuing changes in its tax treaties regarding the taxation of pension income. In a deviation from the Organisation for Economic Cooperation and Development (OECD) Model Tax Convention, the state of source rather than the resident state may tax pension income. Readers should always check the applicable tax treaty and corresponding protocols.

Income from a primary residence. The owner of a primary residence is taxed on the deemed rental value of the residence which is determined based on the so-called "real estate valuation act," which aims to reflect fair market value. For dwellings with a value exceeding EUR75,000, in general, a rate of 0.65% applies to calculate the deemed rental value. For dwellings with a value exceeding EUR1,080,000, a rate of 2.35% applies on the excess. The deemed rental value reflects the net income from real property, which is the deemed rental income less certain deductible expenses. For a period of up to 30 years, mortgage interest paid for the acquisition, maintenance or improvement of a primary residence is fully tax deductible from the deemed rental value and other Box 1 income. In general, the acquisition of a primary residence cannot be fully financed by a mortgage if a capital gain on the previous primary residence was realized. In principle, income from a second residence or rental income is taxed as Box 3 income. Restrictions are imposed on the deduction of mortgage interest. One of the restrictions is a prohibition on interest-only mortgages. Annual installments must be made within a maximum of 30 years. Transitional rules apply to mortgages in existence before 2013.

The rate in the top bracket (51.75%), against which mortgage interest is deductible, is lowered yearly by 0.5%, until the effective rate amounts to 37.05%. For 2019, this rate is 49%.

Box 2 income. Box 2 income includes profits from a substantial shareholding, which is a shareholding of at least 5% of a certain class of shares of a company resident in or outside the Netherlands. Both capital gains and regular income (dividends) are taxed. Tax is levied at a fixed rate of 25%. This percentage will rise to 26.25% (2020) and to 26.9% (2021).

Nonresidents are taxable on capital gains and regular income from a substantial interest of a company resident in the Netherlands.

Box 3 income. Box 3 income includes income from savings and investments. The taxpayer's net value of savings and investments, including shares and bank accounts (excluding the value of loans with respect to a primary residence), on 1 January of the calendar year, is deemed to yield income at a rate between 0.36% and 5.38%. The rate depends on the amount of the net value of savings and investments. Savings and investments up to a net value of EUR70,800 are deemed to yield income at an average rate of 22.015%. Savings and investments up to a net value of EUR71,650 are deemed to yield income at an average rate of 1.935%. Savings and investments from a net value of EUR989,736 are deemed to yield income at a rate of 5.6%. This deemed income is taxed at a fixed rate of 30%, resulting in a tax burden varying between 0.5805% and 1.68% of the net value. Specific exemptions apply for certain assets, including art and certain life insurance policies. A general exemption of EUR30,360 applies for each nonresident taxpayer.

Dutch resident taxpayers are taxed on their worldwide income, including income from savings accounts maintained outside the Netherlands. EU member states in which savings accounts are maintained must inform the EU member state where the beneficial owner of the savings account resides about the existence of this savings account. This notification is made annually. Consequently, the Dutch tax authorities are aware of savings accounts maintained outside the Netherlands, but within the EU.

Nonresident taxpayers are only taxable on the net value of real estate located in the Netherlands or on profit rights in an enterprise resident in the Netherlands.

A dividend withholding tax is imposed on dividends paid by resident companies to resident or nonresident recipients. The withholding tax rate is 15%, unless reduced or eliminated by an applicable tax treaty. Resident individuals may credit domestic withholding tax against their total income tax due. A credit may be granted against Dutch income tax for foreign taxes paid on dividends and interest.

A 15% withholding tax is levied on dividends derived by nonresidents, unless the rate is reduced by an applicable double tax treaty. Nonresident taxpayers cannot credit the Dutch dividend withholding tax against the final income tax payable. No further tax is imposed unless the shares constitute a substantial interest, in which case, income tax may be levied and dividend withholding tax may be credited.

Interest and royalties derived by a nonresident are not subject to withholding tax. However, interest is included in taxable income if the recipient holds a substantial interest in the payer.

Taxation of employer-provided stock options. In general, the profit from stock options is taxed at the moment of exercise. The taxable gain arising at exercise is the fair market value of the shares on the exercise date less the exercise price. If the employee worked in more than one state in the period between the grant of the stock option and the vesting of it (became unconditional), the taxable gain is allocated on a pro rata basis.

A benefit gained from a share option scheme awarded by an innovative startup is 25% tax-exempt up to an amount of EUR50,000. Consequently, a maximum of EUR12,500 is excluded from the levying of tax. Certain conditions apply. The government has announced a change in legislation as of 1 January 2021. Shares in innovative startup companies will not be taxed at the moment of exercise of the options, but at the moment of selling these shares.

Cross-border severance packages. The main rule in the guidelines of the OECD Model Tax Convention regarding the taxation of a cross-border severance package is that the severance payment is taxable in the country where the employee worked in the 12 months before the termination of his or her employment contract. If an individual has worked in several countries, the allocation is made on a pro rata basis. The Netherlands explicitly conforms to the OECD guidelines.

Capital gains. Capital gains generally are exempt from tax. However, exceptions apply at the applicable 2019 tax rates indicated in the following table.

Taxable gains	Rate
Capital gains realized on the disposal of business assets (including real estate) and on the disposal of other assets that qualify as income from independently performed activities	Normal rates apply*
Capital gains on liquidation of a company	Normal rates apply*
Capital gains derived from the sale of a substantial interest in a company (that is, 5% of the issued share capital); 2019 rate	25%

* For normal rates, see *Rates*.

Nonresidents are subject to income tax at normal rates on capital gains derived from the disposal of business assets and on capital gains derived from transfers of shares in a domestic corporation if the shares constitute a substantial interest.

Deductions and allowances

Dutch wage tax regulation. Allowances for business expenses are tax-free or taxable, according to the rules of the so-called "work related costs scheme" (*werkkostenregeling* in Dutch). The

principle of this scheme is that fewer rules apply with respect to tax-free allowances and employment benefits, and that all allowances and benefits granted to employees by employers essentially constitute taxable wages. Specific exemptions are provided, such as for certain business expenses and education. The employer is entitled to a tax-free work-related costs budget of 1.2% of the total taxable wage bill. If the actual work-related costs exceed this budget, an employer's final levy of 80% on the excess is due. It has been announced that as of 1 January 2020, the free work-related costs budget of 1.2% will increase to 1.7% of the first EUR400,000 of the total taxable wage bill.

Deductible expenses and tax-free allowances. Under certain measures, taxpayers may claim the following deductions and tax-free allowances:

- Deduction for mortgage interest for the acquisition, maintenance or improvement of the taxpayer's primary residence (see *Income from a primary residence*).
- Deduction for certain life insurance premiums that entitle individuals to annuity payments. The amount depends on the available pension rights of the individual.
- Deduction for alimony payments.
- Deduction for extraordinary expenses exceeding a certain threshold, including medical expenses, support provided to direct relatives, education expenses within a certain range and qualifying gifts.
- A moving allowance, up to a maximum of EUR7,750, may be granted besides reimbursing for the actual cost to transport the goods. If the employer does not reimburse the employee for the moving costs, these amounts are not deductible by the employee.
- An allowance for business travel, including commuting expenses, may be granted for private transportation, subject to certain limitations. Commuting expenses for public transportation may be reimbursed tax-free in full. Business travel and commuting expenses may not be deducted.

The rate in the top bracket (2019: 51.75%), against which expenses, other than mortgage interest related to the taxpayer's primary residence, are deductible, will be lowered as of 1 January 2020 to the following:

- 2020: 46%
- 2021: 43%
- 2022: 40%
- 2023: 37.05%

The deductions listed above for certain life insurance premiums, alimony payments, extraordinary expenses and gifts are in principle not available to nonresidents. An exception may be applicable for certain residents of the EU, Switzerland or one of the member states of the EEA.

Under certain circumstances, a tax-free allowance for extraterritorial costs may also be available (see *30% facility*) for qualifying expatriates.

30% facility. Expatriates in the Netherlands may qualify for a special tax facility, the 30% facility. This facility enables an employer to pay an employee a tax-free allowance of up to a maximum of 30% of present employment income (no upper limit) and

a tax-free reimbursement of school fees for children attending international schools. A 30% statement issued by the tax authorities is required.

On request, the employee may be considered a nonresident taxpayer of the Netherlands for certain items of income (partial nonresident status). A nonresident taxpayer is exempt from the tax on income from savings and investments, unless this income relates to the net value of real estate located in the Netherlands or on profit rights in an enterprise resident in the Netherlands (see *Box 3 income*).

The maximum term for the 30% facility is limited to 60 months as of 1 January 2019 (up to and until 2018: 96 months). Transitional rules apply for existing situations on 31 December 2018. The possibility of paying a tax-free allowance for the extraterritorial costs actually incurred will also lapse after five years. The period of 60 months is reduced if the employee has worked or stayed in the Netherlands for a period of time in the past. Periods of tax liability in the Netherlands as a result of employment without physically being present is also deducted. An example is a director of a Dutch company who lives abroad.

To qualify for the 30% facility, certain conditions must be met, including the following:

- The employee must be recruited or assigned from abroad to work in the Netherlands.
- Dutch wage tax must be withheld.
- In the employment contract (or in an addendum to the contract), the employer and employee must agree that a tax-free allowance for extraterritorial costs up to a maximum of 30% is included in the compensation package.
- The employee must have highly skilled specific expertise that is "scarce or not available" in the Dutch labor market.
- Before employment in the Netherlands, the foreign employee must have resided for more than 16 months of the 24 months prior to his or her Dutch employment in an area more than 150 kilometers from the Dutch border. This distance is measured "as a crow flies." If not, the employee is excluded from the 30% facility. The tax authorities demand strong and extended proof that before the start of his or her employment in the Netherlands, the recruited employee was living outside the range of 150 kilometers.

The requirement that the employee from abroad has specific expertise is solely met with a standard taxable salary of more than EUR37,743 (excluding the 30% allowance). Foreign income may also be included in this salary level. An exception is made for certain groups of employees, such as graduates under the age of 30 holding a master's degree, in which case the taxable salary must exceed EUR28,690. No salary standard applies to certain groups of academics and medical trainees at designated academic institutions. The salary standards will be indexed annually.

If an employee meets the income standard, he or she is deemed to hold specific expertise. In addition, the employee must continue to meet the condition that the specific expertise is either scarce or not available in the Netherlands. The following factors are taken into account in this scarcity criterion:

- The level of education attained by the employee
- The employee's experience relevant to the position
- The remuneration standard of the position in question in the Netherlands relative to the remuneration level in the employee's own country

Bonuses and other emoluments paid after the end of the month following the month in which the Dutch employment ends is excluded from the 30% facility.

The tax-free allowance is intended to cover all "extraterritorial costs." As a result, no additional tax-exempt reimbursements of costs are allowed on top of the 30% tax-free allowance.

Instead of applying the 30% facility, reimbursement of the actual extraterritorial costs free of tax is allowed for a maximum of five years even if this amount is higher than 30% of the present employment income. Consequently, the employer must maintain records of all actual extraterritorial costs reimbursed free of tax.

Rates. The rates applicable to income from Box 1, effective from 1 January 2019, are set forth in the following table.

Taxable income			National Insurance contributions		Total rate	
Exceeding EUR	Not exceeding EUR	Rate of tax %	A %	B %	A %	B %
0	20,384	9.00	9.75	27.65	18.75	36.65
20,384	34,300	10.45	9.75	27.65	20.20	38.10
34,300	68,507	38.10	0.00	0.00	38.10	38.10
68,507	—	51.75	0.00	0.00	51.75	51.75

A These rates apply to persons who are entitled to a pension on the basis of the General Old Age Pensions Act (AOW). In 2019, this entitlement starts at the age of 66 years and four months. This age will rise in small steps as of 2022 until it reaches 67 years in 2024.

B These rates apply to persons not included in the category "A" above.

The maximum tax rate of 51.75% is expected to decrease to 50.50% (2020) and to 49.50% (2021).

Income from Box 2 is subject to tax at a rate of 25%. In the near future, this percentage will rise to 26.25% (2020) and to 26.9% (2021). Income from Box 3 is subject to tax at a rate of 30%.

Personal tax credits. Personal tax credits are fixed amounts that directly decrease the income tax payable.

The personal tax credits consist of an income-related general credit for an income-related employment credit for recipients of income from profits and employment and other credits, such as for children, single parents and senior citizens. In general, the personal tax credits may not exceed tax payable plus National Insurance contributions, and, consequently, application of the credit cannot result in a refund.

The amount of the general credit and the employment credit differ depending on the age and/or income of the individual. The maximum general credit is EUR2,477 and reduced step by step from an income of EUR20,384, resulting in a general credit of EUR0 for income exceeding EUR68,507. The maximum employment credit is EUR3,399 and reduced step by step from an

income of EUR34,060 resulting in an employment credit of EUR0 for employment income exceeding EUR90,710.

Approximately 24% of the credits relates to income tax or wage tax. The other 76% relates to National Insurance contributions due (see Section C). The share of the personal tax credits that relates to tax is, in principle, reserved for resident taxpayers and for foreign taxpayers who are resident in Bonaire, St. Eustatius and Saba (BES-Islands), the EU, the EEA or Switzerland, provided that 90% or more of their income is subject to payroll or income tax in the Netherlands. If this income criterion is not met, treatment as a resident taxpayer is only possible for this group if the Netherlands is required to do so under European law or a relevant tax treaty. Taxpayers living in other countries are not entitled to the tax part of the personal tax credits. Employees living abroad who have social security coverage in the Netherlands retain their right to the social security share of the personal tax credits.

Relief for losses. Individual taxpayers may carry losses related to Box 1 back for three years or forward for nine years. In general, positive income of one box may not be offset by negative income of another box.

B. Other taxes

Net worth tax. The Netherlands does not impose net worth tax.

Inheritance and gift taxes. Inheritance tax and gift tax are levied on all property inherited from or donated by an individual who was a resident or deemed to be a resident of the Netherlands at the time of death or donation. Dutch individuals who emigrate from the Netherlands are deemed to be resident in the Netherlands for 10 years after emigration. A gift made by a former Dutch resident, regardless of nationality, who left the Netherlands less than one year before making the gift is subject to Dutch gift tax. Tax is levied on an heir or a gift recipient, regardless of his or her place of residence.

Inheritance and gift tax rates range from 10% to 40% of the value of a taxable estate or donation after deductions, depending on the applicable exemptions and the relationship of the recipient to the deceased or donor.

Inheritance tax exemptions. The most important exemptions from inheritance tax are the following:

- Acquisition by the surviving spouse: a maximum exemption of EUR650,913
- Acquisition by the children: a maximum exemption of EUR20,616
- Acquisition by disabled children: a maximum exemption of EUR61,840
- Acquisition by parents: a maximum exemption of EUR48,831
- Generally, property acquired by an acknowledged charity
- In other cases: EUR2,173

Gift tax exemptions. The most important exemptions from gift tax are the following:

- Gifts from a parent to a child: a general one-off exemption of EUR5,428

- A general one-off gift from the parents to a child aged 18 to 40: EUR26,040, which may be increased in the case of a gift issued for or applied to the payment of the child's education expenses (EUR54,246) or to the acquisition of a primary residence (EUR102,010)
- Other gifts: up to EUR2,173

Filing obligation and payment. The recipient of an inheritance or gift must file a tax return within eight months from the time of death. For gift tax, the return needs to be filed within two months after the calendar year in which the gift was made. The Revenue imposes a tax assessment stating the tax due after the tax return has been filed.

Nonresidents inheriting assets from an individual who was a resident or a deemed resident of the Netherlands at the time of death are subject to inheritance taxes. To provide relief from double taxation, the Netherlands has entered into inheritance tax treaties.

Inheritance tax treaties. The Netherlands has entered into inheritance tax treaties with Aruba, Austria, Curaçao, Finland, Israel, Sint Maarten, Sweden, Switzerland, the United Kingdom, and the United States. All treaties cover inheritance tax with respect to bequests. Only the treaties with Aruba, Austria, Curaçao, Sint Maarten and the United Kingdom also cover gift tax. If no tax treaty applies, Dutch unilateral law for the avoidance of double taxation applies, but, in practice, it does not always prevent double taxation completely.

C. Social security

Contributions. The Social Security Acts can be classified into three categories, which are the following:
- National Insurance Acts
- Employee Insurance Acts
- Health Insurance Act

National Insurance Acts provide benefits to all Dutch residents and to persons who work in the Netherlands and are subject to the levy of wage tax. National Insurance contributions are payable on taxable income of up to EUR34,300 and are not deductible for tax purposes. The maximum annual National Insurance contribution payable by an employee is EUR9,484 (before taking into account the social security credit). Employee Insurance Acts provide additional benefits for wage earners. Employee Insurance contributions are EUR0 for the employee and fully paid by the employer with a maximum of EUR6,996 per employee. In addition, the employer must pay an income-related contribution for the health insurance of the employee with a maximum of EUR3,886 per employee. The total maximum employer costs amount to EUR10,882 per employee per year. The employee must pay an insurance premium for his or her health care of approximately EUR1,609.

The following table presents the contribution rates for 2019 for employees under the National Insurance Acts.

	Percentage %	Maximum income for National Insurance premiums EUR	Maximum contribution EUR
General old age pension (AOW)	17.90	34,300	6,140
Survivor benefits (ANW)	0.10	34,300	34
Special health care (WLZ)	9.65	34,300	3,310
Minus credits (general and employment credit)			—*
Total contribution due from the employee only	27.65		9,484

* The social security part of the amounts of these credits differ depending on the age and/or income of the individual. The maximum amount of the general credit is approximately 76% of EUR2,477 and is reduced step by step from an income of EUR20,384 to EUR0. The maximum amount of the employment credit is approximately 76% of EUR3,399 and is reduced step by step from an income of EUR34,060, resulting in an employment credit of EUR0 for employment income exceeding EUR90,710.

The following tables present the contribution rates for 2019 for employers under the Employee Insurance Acts.

Disability	Percentage %	Maximum income liable for contribution EUR	Maximum contribution EUR
Basic employer's contribution (disability; WAO/WIA)	6.46	55,927	3,612
Employer's childcare contribution	0.50	55,927	280
Differentiated return to Work Fund (consists of two components)*	1.18	55,927	660
Total due from the employer only	8.14		4,552

* The first component is the differentiated insurance for partially incapacitated employees (WGA) contribution for permanent staff (estimated average) and the differentiated WGA contribution for flexible staff (estimated average) of 0.75%. The second component is the differentiated sickness benefit contribution (estimated average) of 0.43%.

Unemployment (WW)	Percentage %	Maximum income liable for contribution EUR	Maximum contribution EUR
Employer's basic contribution	3.60	55,927	2,013
Differentiated employer's contribution (estimated average)	0.77	55,927	431
Total due from the employer only	4.37		2,444

An employer must pay 70% of an employee's salary for a two-year period if the employee cannot perform his or her duties because of illness. For this purpose, the maximum salary considered is EUR55,927 per year. To cover its obligations under the act, an employer may obtain private insurance or establish a reserve.

Health Insurance. Every individual who is socially insured in the Netherlands must take out an individual Health Insurance policy. Every individual aged 18 and older pays a standard contribution averaging EUR1,609 per year for Health Insurance. Insurance claims up to EUR385 per year are for the own risk of the individual. Any insurance claims in excess of EUR385 are paid by the health insurer. In addition to the standard contribution, an income-related contribution is payable at a rate of 6.95% (for self-employed persons, a 5.7% rate applies), capped at an income of EUR55,927. The 6.95% income-related contribution for employees is fully paid by their employers. This employers' contribution is not considered taxable income to the employee. Resident individuals who are not socially insured in the Netherlands must register with a care insurer in the Netherlands to retain their right to medical care. The following table presents the contribution rates for Health Insurance.

	Percentage %	Maximum income liable for contribution EUR	Maximum contribution EUR
Employer's contribution	6.95	55,927	3,886
Employee's standard contribution*			1,609
Total	6.95		5,109

* The standard contribution for the employee can differ between the various health insurance companies.

The following table presents a summary of the maximum 2019 social security contributions.

	Employer's contribution EUR	Employee's contribution EUR	Maximum contribution EUR
National insurance schemes	0	9,484	9,484
Minus general credit and employment credit		—*	
Health care	3,886	1,609	5,495
Employee insurance schemes			
Disability	4,552	0	4,552
Unemployment	2,444	0	2,444
Total	10,882	11,093	21,975

* The social security part of the amounts of these credits differ depending on the age and/or income of the individual. The maximum amount of the general credit is approximately 76% of EUR2,477 and is reduced step by step from an income of EUR20,384 to EUR0. The maximum amount of the employment credit is approximately 76% of EUR3,399 and is reduced step by step from an income of EUR34,060, resulting in an employment credit of EUR0 for employment income exceeding EUR90,710.

Additional contributions for health care and coverage of risk of paying salary during the first two years of sickness are not covered in the above overview.

Totalization agreements. Nonresidents earning income from Dutch employment are, in principle, subject to Dutch National Insurance, Employee Insurance and Health Insurance contributions. As a result, they may be subject to social security taxes both in their home country and in the Netherlands.

To provide relief from double social security contributions and to assure benefit coverage, the Netherlands has entered into agreements with several countries. As an EU member state, the Netherlands applies EU Regulation 883/04, which entered into force on 1 May 2010 and replaced EU Regulation 1408/71. Regulation 1408/71 continues to apply for a maximum of 10 years to all cross-border situations existing before 1 May 2010 in which Regulation 883/04 alters the relevant state if the individual does not opt into coverage of the new regulation and if a material change in circumstances does not occur.

Because the United Kingdom will leave the EU (Brexit), an agreement between the United Kingdom and the EU member states will be necessary to regulate all social security matters regarding the United Kingdom's s departure from the EU.

The Netherlands has also entered into social security agreements with the following non-EU jurisdictions.

Argentina
Australia
Belize
Bosnia and Herzegovina
Canada (including Quebec)
Cape Verde
Channel Islands (Alderney, Guernsey, Herm, Jersey and Jethou)
Chile
China Mainland
Ecuador
Egypt
Hong Kong SAR
India
Indonesia
Isle of Man
Israel (except for East Jerusalem, the Gaza Strip, Golan and the West Bank)
Japan
Jordan
Korea (South)
Kosovo
Monaco
Montenegro
Morocco
New Zealand
North Macedonia
Panama
Paraguay
Philippines
Serbia
South Africa
Suriname
Thailand
Tunisia
Turkey
Uruguay
United States

An agreement has been concluded between the Netherlands and Pakistan on the verification of benefit entitlements. Under this agreement, all AOW pension payments to Pakistan are based on a maximum of 50% of the Dutch net minimum wage.

D. Tax filing and payment procedures

The tax year in the Netherlands is the calendar year. Income tax returns relating to a calendar year must be filed before 1 May of the following year, unless an extension is obtained. If the income tax return is filed before 1 April of the following year, the Dutch tax authorities respond before 1 July of that year.

Employers withhold tax and National Insurance premiums (combined) on wages from employees under the Pay-As-You-Earn (PAYE) system. For many people, the wage tax is not only an advance payment of income tax and National Insurance premiums, but it is also the final payment. Any additional income tax and National Insurance premiums due must normally be paid within two months after receipt of an assessment rather than when filing the tax return.

Married persons are taxed separately on employment and business income. Two "partners" (see definition of "partner" below) may elect for the following categories of income and deductions to be attributed to a particular partner:

- Income from home ownership. If this income is negative because of the deduction of mortgage interest, it is advisable to attribute this income to the partner with the highest income.
- Profits from a substantial shareholding.
- Personal deductions.

Nonresidents may not make this election unless they are taxed as Dutch tax residents. Foreign taxpayers who are resident in Bonaire, St. Eustatius and Saba (BES-Islands), the EU, the EEA or Switzerland are taxed as Dutch tax residents, provided that 90% or more of their income is subject to payroll or income tax in the Netherlands. For this purpose, an income declaration from the resident state needs to be obtained to measure the 90% criterion. If this income criterion is not met, treatment as a resident taxpayer is only possible for this group if the Netherlands is required to do so under European law or a relevant tax treaty. If the 90% income criterion is not met, nonresident taxpayers may claim under certain conditions a pro rata deduction of tax-deductible expenses.

The Income Tax Law includes the term "partner." A "partner" is understood to mean the spouse or registered partner of a taxpayer, provided he or she is not permanently separated. Unmarried adults who live together and are registered at the same address with the municipal authorities are treated as partners for tax purposes if one of the following circumstances exists:

- A child was born from their relationship.
- A child of one of the individuals was officially acknowledged by the other individual.
- The individuals are stated as partners in a pension plan.
- The individuals own a primary residence together.
- The individuals have reached the age of majority and an underage child of one of them is registered at the same address.
- The individuals were considered to be partners in the previous calendar year.

Partner status for tax purposes provides the following advantages:

- Eligibility for several business-related facilities (working partners' deduction and transfer of a business or a part thereof without tax consequences).
- The option of allocating to both partners at their discretion the yield assessment base for capital yield tax (Box 3), except for the year of immigration or emigration, and the joint elements of income. Joint elements of income include taxable income from

home ownership, taxable income from a substantial business interest, exceptional expenses, and deductible gifts and donations.
- An increase in the personal tax credit for a partner without income or with low income to the aggregate of the general credit, employment credit, and (supplementary) combination credit applying to this partner. As an exception to the general rule, in this case, the tax credit is refundable in part or in full. However, the payment may not exceed tax and National Insurance contributions payable by the other partner.

A nonresident taxpayer may not be a partner, unless he or she elects to be taxed as a resident of the Netherlands.

Inheritance tax returns normally must be filed within eight months after the date of death. Gift tax returns should be filed within two months after the date of donation.

E. Double tax relief and tax treaties

The Decree for the Avoidance of Double Taxation provides proportional relief from Dutch income tax on foreign-source Box 1 income taxed in the country of source and applies for resident taxpayers in the absence of an applicable tax treaty.

Most double tax treaties concluded by the Netherlands provide for double taxation relief, regardless of whether the income is subject to income tax abroad. The relief is usually calculated in accordance with the following simplified formula.

$$\frac{\text{Foreign-source Box 1 income}}{\text{Worldwide Box 1 income}} \times \text{Tax on worldwide income} = \text{Amount deducted from Dutch tax}$$

This relief, known as the tax exemption method with progression clause, must be calculated separately for each box of income. Relief for tax on director's fees may sometimes be calculated according to the less favorable credit method.

The Netherlands has entered into double tax treaties with the following jurisdictions.

Albania	Hungary	Portugal
Algeria (a)	Iceland	Qatar
Argentina	India	Romania
Armenia	Indonesia	Russian Federation
Aruba	Iraq (a)	Saudi Arabia
Australia	Ireland	Singapore
Austria	Israel	Sint Maarten
Azerbaijan	Italy	Slovak Republic
Bahrain	Japan	Slovenia
Bangladesh	Jordan	South Africa
Barbados	Kazakhstan	Spain
Belarus	Kenya (a)	Sri Lanka
Belgium	Korea (South)	Suriname
Bermuda	Kuwait	Sweden
BES-Islands	Latvia	Switzerland
Brazil	Lithuania	Taiwan
Bulgaria	Luxembourg	Thailand
Canada	Malawi (a)	Tunisia
China Mainland	Malaysia	Turkey
Croatia	Malta	Uganda

Curaçao
Czech Republic
Denmark
Egypt
Estonia
Ethiopia
Finland
France
Georgia
Germany
Ghana
Greece
Hong Kong SAR
Mexico
Moldova
Morocco
New Zealand
Nigeria
North Macedonia
Norway
Oman
Pakistan
Panama
Philippines
Poland
Ukraine
USSR (b)
United Arab Emirates
United Kingdom
United States
Uzbekistan
Venezuela
Vietnam
Yugoslavia (c)
Zambia
Zimbabwe

(a) These tax treaties have been signed but have not yet become effective.
(b) The Netherlands honors the former USSR tax treaty with respect to Kyrgyzstan, Tajikistan and Turkmenistan.
(c) The Netherlands honors the former Yugoslavia treaty with respect to Bosnia and Herzegovina, Montenegro, and Serbia.

F. Visas

Nationals of many foreign countries may not enter the Netherlands unless they have valid passports and visas. Visas may be obtained from the Dutch embassy or consulate abroad.

Individuals coming to the Netherlands for a short term may stay for a maximum period of 90 days in any 180-day period if they have valid passports or other travel documents, as well as visas if required, and if they can prove that they have sufficient financial means to stay in, and to leave, the Netherlands. If these conditions are met, a residence permit (see Section G) is not required.

G. Residence permits

Foreign nationals wishing to stay in the Netherlands for a period of more than 90 days may obtain a residence permit under any of the following circumstances:

- International agreements require the permitting of entry, for example, to nationals of EU countries and to nationals of countries participating in the EEA (the EEA countries are Iceland, Liechtenstein and Norway) and nationals of Switzerland.
- The presence of the foreign national is in the national interest.
- Permission is granted on humanitarian grounds.

Before the arrival of a foreign national wishing to stay in the Netherlands for a period of more than 90 days, an Admission and Residence (Toegang-en Verblijf, or TEV) application must be submitted. A fee must be paid for the processing of the application.

A legalized marriage certificate for the spouse and legalized birth certificates for the children are needed with respect to the TEV application for dependents. The legalization procedure depends on the country where the event took place. This procedure can be time-consuming, and applicants should check the requirements at an early stage.

After approval of the TEV application, most nationals must visit the Dutch embassy or consulate in the country of origin or the

country of permanent residence to obtain an entry visa (D-visa or MVV).

Nationals of the following countries do not need to obtain an entry visa from a Dutch embassy or consulate abroad before traveling to the Netherlands for a period exceeding 90 days.

EU member countries	Canada	New Zealand
EEA countries	Japan	Switzerland
Australia	Korea (South)	Vatican City
	Monaco	United States

After arriving in the Netherlands, a foreign national must visit the Immigration and Naturalisation Service (Immigratie- en Naturalisatiedienst, or IND) to collect the residence permit in the Netherlands.

Foreign nationals who want to live in the Netherlands must satisfy all of the following conditions before they are issued residence permits:

- They must have sufficient means of financial support.
- They must not represent a threat to public order or national security.
- They must have already found work for which a work permit has been, or will be, issued. However, employers of European (EU, EEA and Switzerland) employees are not required to obtain work permits.

EU, EEA and Swiss nationals do not need residence permits to stay lawfully in the Netherlands.

If a foreign national has held a residence permit for five consecutive years, he or she may apply for a permanent residence permit. For permanent residence permit applications, integration courses must be completed.

Brexit and residence permits. To ensure that in the event of a "no deal" Brexit all UK nationals and their family members living in the Netherlands have the right to remain, they have received a temporary residence permit. It is important that UK nationals keep their temporary residence permit until the actual Brexit date. The temporary residence permit will be valid in the Netherlands only during the national transition period from the Brexit date until 1 July 2020. It will enable UK nationals and their family members to demonstrate that they are entitled to live, work and study in the Netherlands in the event of a "no deal" Brexit. The employment status stated on the temporary residence permit is "no employment restrictions." A work permit will not be required.

Throughout the transition period until 30 June 2020, the IND will be inviting UK nationals and their family members living in the Netherlands to apply for a permanent residence permit.

H. Work permits and self-employment

In principle, all non-European nationals (nationals from countries other than EU countries, EEA countries and Switzerland) who wish to be employed in the Netherlands need Dutch work permits. The existing law in the Netherlands seeks to limit the possibilities of Dutch employers' hiring non-European personnel.

Employers who want to hire foreign nationals must obtain work permits from the UWV WERKbedrijf (public employment service) before the start of the employment. If a work permit is not requested, the employer is subject to a fine of EUR8,000 per illegal foreign national.

Grounds for refusal. A work permit is not granted if one of the following compulsory grounds for refusal is met:

- A suitable unemployed person with greater priority is located. Top priority is given to qualified unemployed Dutch people and to qualified unemployed individuals in European countries.
- The vacancy has not been registered with the UWV WERKbedrijf for at least five weeks before the work permit request.
- The employer does not make enough of an effort to find labor within the European labor market.
- A residence permit has not been requested or was not granted.
- The conditions of employment are substandard compared to those of other employees in the same position, and consequently, no one from the European labor market is available to work under such conditions.
- The employer does not pay at least the minimum monthly wage for an adult.
- A foreign national performing the labor is not in the best interest of the Netherlands.
- A quota applies for the number of work permits to be granted for the activities performed, and this quota has been reached for the specific period.

Certain exceptions to the above compulsory grounds can be made for specific situations, such as the transfer of an employee within an international group of companies (see *Intra Corporate Transferees*), highly skilled migrants (see *Highly skilled migrants*) who will bring their specific expertise to the Netherlands and cross-border workers with a valid residence permit from another EU country.

The work permit application may also be denied on other grounds in addition to the compulsory refusal grounds. These additional refusal grounds include, but are not limited to, the following:

- It is expected that in the foreseeable future suitable unemployed persons with greater priority will be available.
- The foreign national is younger than 18 years of age.
- No suitable accommodation is available for the employee.

Work permits are not required in certain specific situations, including, but not limited to, the following:

- The foreign national (and his or her partner) has a residence permit for a highly skilled migrant (see *Highly skilled migrants*).
- The foreign national has a residence permit for an intra-corporate transfer. See *Intra Corporate Transferees*.
- The employee has his or her permanent residence outside the Netherlands and the employee works only occasionally (for a maximum period of 12 consecutive weeks in 36 weeks) in the Netherlands. The employee's employment in the Netherlands must involve installing or repairing machinery delivered by an employer located outside the Netherlands, and installing and

amending software, including providing or operating the machinery and software.
- The employee works for no longer than 13 weeks in a period of 52 weeks in the Netherlands for the purpose of attending business meetings or entering into agreements.

Period of validity. After the conditions for the issuance of a work permit are met, the permit may be issued for different time periods. If a work permit is granted after a labor market test, a work permit is issued for one year only. To receive another work permit, a labor market test should be redone near the end of that year. A work permit based on a transfer within an international group of companies can be granted for maximum of three years. After a five-year period, an employee may qualify for an endorsement on his or her residence permit, stating that he or she is allowed to perform labor and is no longer required to have a work permit.

Population Registrar. Each individual who stays in the Netherlands for more than four months in a six-month period must report his or her home address in the Netherlands to the Population Registrar in the town where he or she is residing. An original and translated legalized birth certificate, an original legalized and translated marriage certificate (if applicable) and a rental contract for accommodation are required.

If an individual stays in the Netherlands for less than four months in a six-month period, registration is done at the office for short-term registration (RNI office).

Self-employment. A self-employed person does not need a work permit. However, if a self-employed foreign national applies for a residence permit, the IND asks the Ministry of Economic Affairs whether the self-employed person is allowed to work in the Netherlands.

Highly skilled migrants. To attract highly skilled foreign employees to the Netherlands, a special procedure exists for so-called highly skilled migrants. Employers must be accredited sponsors to use the highly skilled migrant procedure. Accredited sponsors must fulfill certain obligations throughout the period in which the employee is in the Netherlands, and maintain full administration regarding the employee for the five years after the end of employment of the individual. Employers can apply to the IND for the status of accredited sponsor. The application fee is EUR3,927 (2019 amount). For companies with less than 50 employees, the fee is EUR1,963 (2019 amount). The status of accredited sponsor is granted for an unlimited time period.

An employer is not required to apply for a work permit on behalf of the highly skilled migrants. The employer needs only to apply to the IND for a residence permit on behalf of the employee. For 2019, an employee must earn a gross monthly salary of EUR4,500 (excluding holiday allowance) or more to qualify for a residence permit as a highly skilled migrant. Employees under 30 years of age must earn a gross monthly salary of EUR3,299 (excluding holiday allowance) or more to apply. The salary levels are adjusted annually.

A special salary requirement applies to highly skilled migrants after an orientation year for highly educated persons (see *Orientation year for highly educated persons*). A monthly gross salary of at least EUR2,364 (excluding holiday allowance) applies for these highly skilled migrants.

Salary payments must be made through bank transfers to a bank account in the name of the employee on a monthly basis.

The IND commits itself to grant the residence permit (TEV approval, if applicable) within two weeks. The residence permit is granted for a maximum period of five years under the restriction "highly skilled migrant" and can be renewed.

Football players, spiritual leaders, clerics and individuals performing activities in a sexually related business are excluded from the highly skilled migrant category.

If the individual falls within the scope of the Intra Corporate Transferees (ICT) directive, the ICT permit has priority over the highly skilled migrant permit. See *Intra Corporate Transferees*.

Orientation year for highly educated persons. Students who obtained a bachelor's or master's degree in the Netherlands or who have graduated from a top university abroad can apply for a Residence Permit Orientation Year for Highly Educated Persons. In addition, scientific researchers may apply for this residence permit.

This type of residence permit can be obtained within three years after completing the studies or after obtaining the PhD. This residence permit is valid for a maximum of one year. The student may work during this year without a separate work permit.

Intra Corporate Transferees. The ICT permit is implemented as of 29 November 2016 and is intended to improve the process by which third-country foreign nationals working for related companies abroad come into the EU to work, and to facilitate the mobility of such transferees within the EU.

An individual falls within the scope of the ICT directive if the following conditions are met:
- The individual does not have the nationality of an EU member state.
- The individual has his or her main residence outside the EU at the moment of application.
- The individual will serve in the position of manager, specialist or trainee.

The following criteria apply to obtain an ICT permit:
- The individual is coming to the Netherlands to work for a related company with operations in the Netherlands.
- The individual must keep his employment contract with the entity outside the EU.
- The individual must have been employed by the group of companies for at least three months prior to the assignment.
- The remuneration must be in accordance with Dutch market levels.

Within the framework of intra-EU mobility, subject to certain conditions, the individual can also be transferred to a branch of

this company within another EU member state that has implemented the directive (Denmark, Ireland and the United Kingdom do not participate).

The ICT permit application can be denied on the following grounds:

- The employer or branch in the Netherlands must not have been fined, during the five years immediately before the application, in connection with a violation of Article 2 of the Aliens Employment Act or due to nonpayment or insufficient payment of wage tax, premiums for employee insurance schemes or national insurance premiums.
- There is no existing economic activity between the entity outside the EU and the Dutch entity.
- The employee was resident in the Netherlands immediately before the application based on an ICT permit.

EU Blue Card. The EU Blue Card is intended for employees who perform highly qualified labor within the EU. The EU Blue Card is issued by a certain member state and only gives the right to stay and work in this specific member state. To qualify for the EU Blue Card in the Netherlands, employees must satisfy the monthly gross salary requirement of EUR5,272 (excluding holiday allowance; 2019 amount) or more and must have a diploma showing that the employee has completed a higher education degree program with a duration of at least three years. A foreign higher education diploma must be evaluated. The employee must have an employment contract for a highly qualified position for at least one year.

I. Family and personal considerations

Family members. Dutch law provides for the unification of families. For individuals who plan to bring their spouses and children under 18 years of age to the Netherlands, proof of sufficient means of subsistence and acceptable accommodation is necessary. Depending on the type of permit for the main application, the partner's requirements to work in the Netherlands need to be verified. The partner of a highly skilled migrant or ICT may work in the Netherlands without a work permit. As a result, the partner of a highly skilled migrant or ICT is only required to hold a residence permit.

Marital property regime. The default marital property regime in the Netherlands up to and including 2017 is one of community property. Various alternatives are possible and must be notarized. Changing the marital property regime after the marriage is solemnized is more expensive and requires court approval to ensure that creditors are not affected by the change.

The community property law applies to heterosexual and homosexual married couples. Other couples who are not married may form a "registered partnership," but the consequences are less extensive than for married couples (for example, with respect to heirship). If the marital property regime of expatriates working in the Netherlands becomes relevant, the tax authorities respect the regime or the arrangements in the country where they were married.

In addition to potential gift and inheritance tax consequences, community property law may also affect an individual's personal

income tax liability. This is generally the case only for nonresidents who have Dutch-source income taxable in the Netherlands, for example, income from Dutch real estate. If married, this income is allocated between the spouses based on the applicable marital property regime. Under community property, the allocation is 50% to each spouse. If a loss is incurred, it may be carried back or carried forward. If one spouse has no positive income to offset the loss, the carryover does not result in a tax benefit. For tax residents, no personal income tax consequences result from the marital property regime.

Change as of 1 January 2018 to default marital property regime. The default marital property regime is changed to limited community property as of 1 January 2018. The limited community of goods becomes the new standard of matrimonial property law. On entering into the marriage, only the property that the spouses build up during the marriage falls within the community of goods.

All of the property that the spouses had before entering into the marriage, as well as inheritances and gifts, fall outside the community of property. Only property that is acquired through the effort of both spouses during the marriage is therefore shared. In divorce, the property that is divided is only the property that had been jointly acquired by the spouses during the marriage. Each spouse retains in divorce the property that he or she had before the marriage.

Forced heirship rules. Parents may disinherit their children. However, a child may always claim his or her legal portion of the estate.

Driver's permits. In certain cases, a driver's license obtained outside the Netherlands can be exchanged for a Dutch driver's license. However, this is only possible if all of the following conditions are satisfied:
- The individual is a Dutch resident.
- His or her foreign driver's license is still valid.
- He or she has a valid Dutch residence status or permit.

For driver's licenses issued outside the EU, the following two additional requirements must be fulfilled before an exchange is possible:
- The driver's license must have been issued in a year in which the individual was resident in the issuing country for at least 185 days.
- The individual must meet the age limit set by Dutch law regarding the different categories.

An exception exists regarding the validity of a foreign driver's license. It is possible to exchange an expired European driver's license. However, to exchange it, the individual needs a statement from the issuing authority in which it declares that it does not object to exchanging this expired driver's license for a Dutch driver's license.

Valid driver's licenses issued in the following jurisdictions can be exchanged.

Alberta (province of Canada)*
Andorra
Aruba
Austria
Belgium
BES-Islands
Bulgaria
Croatia
Curaçao
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Ireland
Isle of Man
Israel*
Italy
Japan*
Jersey
Korea (South)*
Latvia
Liechtenstein
Lithuania
Luxembourg
Malta
Monaco
Netherlands Antilles (former)
Norway
Poland
Portugal (Azores and Madeira)
Québec (province of Canada)*
Romania
Singapore*
Sint Maarten
Slovak Republic
Slovenia
Spain (Canary Islands)
Sweden
Switzerland
Taiwan*
United Kingdom

* For these jurisdictions, a (valid) foreign driver's license can be exchanged only for a Dutch driver's license if the foreign driver's license is valid in a specific category.

It is not possible to exchange an international or European driver's license for a Dutch driver's license. Only the original driver's license issued by the proper authorities from the country of issue can be exchanged. Every driver's license is checked for validity and authenticity. This means that the person may have to prove its soundness by asking the embassy or the consulate of the country where the license was issued for a confirmation for the Dutch authorities. The person may also be requested to have his or her driver's license translated by an attested translator.

Exam to retake the driving test. If the abovementioned conditions are not met or if the 30% tax facility does not apply (see *Special rule for driver's license procedure in case of the 30% facility*), the individual must take the regular theory and practical test. The exam is administered by the Central Office for Motor Vehicle Driver Testing (CBR).

Special rule for driver's license procedure in case of the 30% facility. An individual who benefits from the 30% facility and his or her family members can directly apply for a Dutch license at the local Dutch municipal office without taking a driving test. To exchange the foreign driver's license for a Dutch driver's license, the individual must go to the local Dutch municipal office. He or she must pay a fee (the amount varies) for the license and submit the following:

- The completed and signed request form (3 E 0397).
- A copy of the statement issued by the International Tax Office in Heerlen proving that the individuals or another member of his or her family is entitled to benefit from the 30% facility.
- The individual's original, valid foreign driver's license, issued in a country where he or she has been a resident for longer than a period of 185 days (the individual must hand in the license).
- An extract from the municipal register, proving that the individual is registered and stating his or her address in the Netherlands.
- A Certificate of Capability, which is a questionnaire available at the local government office. To obtain a Dutch driver's

license, the individual must fill out a personal declaration, which is required by the CBR. A medical team reviews this declaration and decides whether the individual gets the driver's license.

- One passport photograph in a color that meets the demands of the Fotomatrix Model 2017.
- Under certain circumstances, a translation of the individual's driver's license by an attested translator (for example, if written in Chinese characters or in Cyrillic writing).

New Caledonia

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A. Income tax

Who is liable. Individual income taxation is based on residence. Taxpayers are categorized as residents or nonresidents. Treaty rules on tax residence override domestic rules.

Residents. Persons are considered residents for tax purposes if their home, principal place of abode, professional activity or center of economic interest is located in New Caledonia. A resident individual is taxed on his or her worldwide income, subject to applicable treaty exemptions. New Caledonia has entered into a double tax treaty with France. It has also entered into a double tax treaty with Canada to a certain extent, because New Caledonia is included with France for the purpose of the tax treaty between France and Canada.

Nonresidents. Persons not considered resident are taxed on New Caledonian-source income only.

Taxable income

Employment and self-employment income. Taxable income includes employment income and self-employment and business income, and all other payments for remuneration, reimbursements for expenses and allowances. Employment income also includes director's remuneration to the extent that it is deductible for corporate income tax purposes.

Taxable income or profit is total assessable income in cash or in kind, less expenses incurred in acquiring or deriving the income.

Income in New Caledonia is taxed on an annual cash basis.

Taxable income is subject to the progressive tax rates that apply to resident individuals (see *Rates*), plus an additional contribution (Contribution Calédonienne de Solidarité, or CCS) at a rate of 1%.

Individuals carrying on a business or a self-employment activity in New Caledonia are also subject to a business tax (Patente), which is imposed at various rates.

Capital gains are generally exempt from tax for individuals unless they derive from the sale of a business.

Investment income. Dividends distributed by companies established in New Caledonia are subject to a global withholding tax of 18%. This consists of the Tax on Income Derived from Securities (Impôt sur le Revenu des Valeurs Mobilières, or IRVM) at a rate of 11.5% plus a 2% CCS plus an additional contribution and duties at rates of 2% and 2.5%.

No additional income tax is due.

Interest income is generally subject to the following taxes:
- Withholding Tax on Receivables, Deposits and Guarantees (Impôt sur le Revenu des Créances, Dépôts et Cautionnements, or IRCDC) at 8%
- CCS at 2%

After payment of IRCDC, interest income received from deposits with local banks and from shareholders' loans in local companies, at up to an official published rate, is exempt from income tax but is subject to 2% CCS.

Directors' fees. Under New Caledonian law, directors' fees are treated as dividends.

Rental income. Net income derived from the rental of real estate is taxed as ordinary income.

Benefits in kind. Benefits in kind are not taxable except for benefits deriving from the use of a house or a car belonging to or rented by the employer company. These benefits are normally assessed at their actual value.

This valuation may not be challenged if it is equal to or more than the following:
- Housing benefit: 12% of the gross salary. However, this rule does not apply to Chief Executive Officers.
- Car benefit: XPF6,000 per month for each unit of horsepower of the vehicle.

Reimbursements of expenses incurred by an employee on behalf of the employer are not regarded as taxable benefits in kind.

Exempt income. Relief from income tax is available for foreign-source income that has already been subject to foreign income tax. In such case, the individual is entitled to relief from New Caledonian tax on that foreign income to the extent that foreign income tax has already been imposed. If an individual can prove that foreign income has already suffered foreign income tax, the income is excluded from the tax base for purposes of the individual income tax.

The following are other types of exempt income:
- Profits from the sale of shares and real estate
- Allowances paid to cover necessary employment expenses
- Family allowances and health care reimbursements

Capital gains. Subject to the provisions of France-New Caledonia tax treaty, capital gains derived from the disposal of sharehold-

ings and real estate by individuals are not subject to tax in New Caledonia.

Deductions and credits

Deductible expenses. Expenses incurred in earning or realizing income are generally deductible from such income, and credits may also be available. The following deductions and credits are specifically allowed:

- Taxpayers may either deduct 10% of net taxable employment income, limited to XPF800,000 as an allowance for unreimbursed business expenses, without providing proof of expenditure, or they may elect to deduct actual expenses and provide a detailed listing.
- Taxpayers may deduct 20% of their net salary (reduced by the 10% business deduction), subject to a maximum deduction of XFP1,800,000.
- Tax deductions are granted for loan interest under certain conditions.
- Tax deductions are granted for childcare expenses and for domestic employees' expenses.
- Tax credits are granted, within certain limits, for charitable donations to recognized charitable institutions.
- Amounts paid for alimony and child support and for limited dependent parent support are deductible under certain conditions.
- Tax incentives and tax credits are granted for certain investments.

Numerous other allowances and deductions may also be available.

Personal deductions and allowances. The family coefficient rules discussed in *Rates* are used in calculating tax at progressive rates and take into account the size and taxpaying capacity of the household.

Business deductions. In general, deductible expenses for commercial, professional and agricultural activities are similar. They include the following items:
- The cost of materials and stock
- General expenses of a business nature, including personnel expenses, certain taxes, rental and leasing expenses, finance charges and self-employed individuals' social security taxes
- Depreciation expenses

Rates. New Caledonian individual income tax is levied at progressive rates, with a maximum rate of 40%. Family coefficient rules are used to combine the progressive tax rate with the taxpaying capacity of the household. New Caledonia has a regime of joint taxation for married couples and individuals who have contracted a civil union (Pacte Civil de Solidarité, or PACS).

Income tax is assessed on the combined income of the members of the household including dependents. No option to file separately is available.

Family coefficient system. Under the family coefficient system, the income brackets to which the tax rates apply are determined by dividing taxable income by the number of allowances available to an individual. The final tax liability is then calculated by

multiplying the tax computed for one allowance by the number of allowances claimed. Available allowances are shown in the following table.

Family composition	Allowances
Single individual	1
Married couple	
No children	2
One child	2.5
Two children	3
One child pursuing his or her studies outside New Caledonia (under certain conditions)	1

Limits are imposed on the tax savings resulting from the application of the family coefficient system.

The table below provides the income tax brackets and rates for individuals.

Annual taxable income Exceeding XPF	Not exceeding XPF	Tax rate %
1,000,000	1,800,000	4
1,800,000	3,000,000	12
3,000,000	4,500,000	25
4,500,000	—	40

Nonresidents. Wages of nonresident employees who are seconded to New Caledonia by a company established outside New Caledonia are subject to a withholding tax on New Caledonian-source remuneration, after the deduction of statutory employee social security contributions and the 10% and 20% standard deductions (see *Deductible expenses*).

New Caledonian-source income of nonresident individuals are determined by reference to the rules applicable to revenues of the same nature that are received by resident individuals. However, a XPF1 million tax rebate is applicable to the net amount of pensions.

The following types of income, among others, are considered to be New Caledonia-source income:
- Real estate income derived from real estate in New Caledonia
- New Caledonian-source investment income
- Income derived from professional activities carried on in New Caledonia

A nonresident's tax liability may not be less than 25% of net taxable income. However, if a nonresident can prove that the effective rate of tax computed on his or her worldwide income, according to New Caledonian tax rules, is less than 25%, the progressive income tax rates may apply on request.

Effective rate rule (exemption with progression). If an individual has income exempt from tax under treaty provisions (that is, under the New Caledonia-France/Canada treaty [see *Who is liable*]), the effective rate rule generally applies. Under this rule, the taxpayer's income tax liability is calculated based on worldwide income using the progressive rates and other New Caledonian tax

rules. Total income tax is then divided by worldwide income to yield the effective percentage rate, which is then applied to income taxable in New Caledonia to determine total tax payable in New Caledonia.

Relief for losses. Taxable income is determined for each category of revenue. Expenses incurred in producing income are deductible from the income produced. In general, losses from a category of income may offset profits from the same category and may be carried forward for the following five years.

B. Other taxes

Inheritance and gift taxes. If a decedent or donor was resident in New Caledonia, inheritance tax is payable on gifts and inheritances of worldwide net assets. For nonresident decedents or donors, only gifts and inheritances of New Caledonian assets are taxable.

The following are the inheritance and gift tax rates.

Bequeathed or gifted to	Up to XPF1 million	XPF1 million to XPF3 million	XPF3 million to XPF10 million	More than XPF10 million
Spouse or direct descendent or ascendant	5%	10%	15%	20%
Sibling	30%	30%	30%	30%
Relative up to fourth degree	40%	40%	40%	40%
Others	50%	50%	50%	50%

Many tax reductions and allowances are available, depending on the situations.

C. Social security

Contributions

Employees. The employee's part of social security contributions is withheld monthly by the employer from the gross salary increased by the fringe benefits and allowances. The employee's and employer's contributions are paid quarterly by the employer to the Family Allowance and Work-Related Accidents Office (Caisse des Allocations Familiales et des Accidents du Travail, or CAFAT). The employee contribution equals 9.64% of gross salary. The rate of the employer contribution is 34.72%. CCS (see Section A) at a rate of 1% is also payable. A compulsory additional retirement fund contribution also applies.

Self-employed. Self-employed individuals must make social security contributions for the Unified Sickness and Maternity Insurance Plan (Régime Unifié d'Assurance Maladie et Maternité, or RUAMM) at a rate of approximately 6% to 8% of the annual revenue. CCS (see Section A) at a rate of 1% is also payable.

Social security agreements. New Caledonia has entered into a social security agreement with France.

D. Tax filing and payment procedures

Filing. New Caledonian residents are required to file annual tax returns by 31 March following the end of the relevant tax year (calendar year). This deadline is normally extended for tax returns filled via the internet process.

Married couples and individuals who have entered into a PACS must file a joint return for all types of income.

Payment. New Caledonian income tax for resident taxpayers is payable in three installments with two installment payments equal to one-third of the previous year's tax liability payable on 31 March and 15 July and a balancing payment generally payable by October.

Nonresidents. The filing date for the annual nonresident tax return is generally by the end of June.

E. Double tax relief and tax treaties

If a double tax treaty does not apply, income that has been subject to a personal tax abroad is exempted from tax in New Caledonia. However, this income less the taxes imposed in the country of origin and for which the payment is the responsibility of the beneficiary must be declared in the New Caledonian tax return. The amount declared is taken into account in determining the effective rate, which applies only to New Caledonian income.

New Caledonia has signed one tax treaty with France.

F. Visas and work authorizations

Although attached to France, New Caledonia is an overseas collectivity with special provisions, in particular with respect to the conditions of entry and residence of foreigners.

Unless expressly exempted by a visa waiver (see below), foreigners wishing to travel to New Caledonia are subject to visa requirements.

Short-stay visas. Nationals of European Union (EU) or European Economic Area member states or Switzerland and holders of a long-duration residence permit issued by France are exempt from the requirement to obtain short-stay visas (duration up to three months). This rule also applies to states associated with the Schengen Area and a large number of other states.

Long-stay visas. Foreigners must hold a long-stay visa for long stays (three months or longer) in New Caledonia. The only exception is EU nationals.

Working in New Caledonia. For non-French citizens, it is necessary to obtain a work authorization in advance in order to work in New Caledonia. The employer must also make representations to various public services to ensure that the hiring of a foreign employee does not harm the local labor market.

If the authorization is granted by the government of New Caledonia, the worker may apply for a residence permit corresponding to his or her situation.

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A. Income tax

Who is liable. Resident individuals are subject to income tax on worldwide income. Nonresident individuals pay tax on New Zealand-source income only.

Individuals are considered resident in New Zealand for tax purposes if they meet either of the following conditions:

- They have a permanent place of abode in New Zealand, regardless of whether they also have a permanent place of abode outside New Zealand.
- They are physically present in New Zealand for more than 183 days in any consecutive 12-month period.

Transitional residents' exemption. Resident individuals arriving for the first time in New Zealand after 1 April 2006, or who have been absent for at least 10 years before returning to New Zealand and have never previously claimed the transitional residents' exemption, are considered to be transitional residents and are eligible for an exemption on certain income arising from sources outside New Zealand for the first 48 months of their residence. However, transitional residents can elect to waive the exemption.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Generally, the responsibility for determining the taxability of employment income paid to an employee rests with the employer. Employers are also generally responsible for reporting employment income on behalf of employees and for correctly withholding income taxes through the Pay-As-You-Earn (PAYE) withholding tax system.

For employees without tax file numbers, employment income is subject to PAYE at a rate of 45%. Unless a tax file number is obtained and the employer's reporting is retrospectively amended to reflect the number, this rate is effectively a final liability for the employee.

Gross income includes all salaries, wages, bonuses, retirement payments and other compensation. Employer-paid items, including reimbursing payments, allowances such as hardship allowances, meal allowances and cost-of-living allowances, tuition for dependent children, per diems, and payments made on an employee's account is generally considered gross income as a starting point. The value of employer-provided or reimbursed accommodation is also generally included in an employee's gross income.

There are exemptions for particular employer payments and reimbursements, including for certain meals, accommodation, travel, relocations and other employment-related expenses in limited circumstances. For example, there is an exemption for employer-provided or reimbursed accommodation for up to three months after arrival as a result of a work-related relocation. Other specific exemptions include accommodation provided for out-of-town secondments or capital projects (subject to time limits), multiple-workplace situations, certain mobile or remote workplaces, and some shift worker accommodation.

The provision of benefits in kind to employees is generally subject to New Zealand's fringe benefit tax regime and does not form part of an employee's gross income. Benefits subject to the fringe benefit tax regime rather than the income tax regime include the availability of a motor vehicle for private use, employees' education expenses, medical insurance premiums, certain pension plan contributions, life insurance premiums, imputed interest on below-market rate loans, non-cash gifts or prizes, and other goods and services provided to employees.

Employers are subject to fringe benefit tax on pension or retirement savings contributions that are not otherwise subject to withholding taxes in New Zealand.

New Zealand has a work-based retirement savings initiative called KiwiSaver. Most New Zealand registered employers must make compulsory contributions to a KiwiSaver fund or a complying superannuation fund for all eligible employees who have elected to participate. To be eligible, employees must satisfy all of the following conditions:

- They must be New Zealand citizens or entitled to live permanently in New Zealand.
- They must normally live in New Zealand.
- They are under 65 years old.

Employers are subject to withholding tax on all KiwiSaver contributions.

Participating employees are also subject to minimum KiwiSaver contributions at either default or employee-elected rates, which are withheld from net (after-tax) pay.

Income from personal services (salary and wages) rendered by a nonresident in New Zealand is often not taxable if the nonresident is physically present in New Zealand for 92 days or less within a consecutive 12-month period, if the services are provided for or on behalf of a nonresident employer and if the income is taxable in the nonresident individual's country of tax residence. This period is often extended to 183 days by double tax treaties.

Self-employment and business income. Self-employed persons, including independent contractors, are subject to tax on profits derived from any business or income-earning activity, including the sale of goods, services and commissions. Although New Zealand's tax system does not have a dependent contractor regime, withholding taxes apply to many forms of payments made to individuals in business.

Self-employed persons and other individuals carrying on business activities may be subject to New Zealand's Goods and Services Tax regime.

A partnership must submit an income tax return setting forth the amount of profit or loss shared among the partners, but income tax is not assessed on the partnership. Each partner must file a separate tax return for all income, including his or her share of partnership income. The rules applying to limited partnerships are similar to those applying to general partnerships, but specific provisions may restrict limited partners' ability to claim

deductions in any given year for their shares of the partnership's expenditure and losses to their "partner's basis" amounts.

Owners of certain closely held New Zealand resident companies may elect that those companies be treated as look-through companies (LTCs). The income tax treatment of LTCs is generally similar to that for partnerships, with LTC income attributed to owners in proportion to their ownership interests and taxed at their personal tax rates. Until 31 March 2017, the owners' ability to claim deductions for their shares of LTC expenditure and losses in any given year was limited by reference to their "owner's basis" amounts. From 1 April 2017, this "owner's basis" limitation no longer applies for most LTC owners, unless the LTC is in a partnership or joint venture.

Nonresident entertainers are generally subject to withholding tax at a rate of 20%. This tax may be treated as a final tax. Nonresident contractors are generally subject to withholding tax at a rate of 15% for income from contract services. This tax is neither a minimum nor a final tax and is paid on account of any annual income tax liability.

Payers may not be required to withhold tax if either of the following circumstances exists:

- The contractor is eligible for total relief from tax under a double tax treaty and he or she is physically present in New Zealand for 92 days or less in any 12-month period.
- The total amount of contract payments made for the contract activities is NZD15,000 or less in any 12-month period.

Directors' fees. Directors who are not also ordinary employees of a company are generally taxed as self-employed persons. Directors' fees paid by New Zealand companies to nonresident individual directors are generally taxable in New Zealand. No special provisions apply other than a requirement for the payer to deduct withholding tax, generally at a rate of 33%.

Attributed income from personal services. Personal services income earned through an interposed entity, including a company or trust, may be attributed to the individuals performing the services and taxed at their personal tax rates. This attribution may occur if the individual and interposed entity are associated persons and the services are supplied to a single or limited number of clients. Attribution will not apply if both the individual and interposed entity are nonresidents.

Investment income. Dividends received from a New Zealand resident company may have imputation credits attached. The imputation credits represent tax paid by the company on the underlying profit from which the dividends are paid that is passed on to the shareholder. A resident shareholder is assessed on the combined amount of the dividend plus the imputation credits, and receives a tax credit for the amount of the imputation credits. Nonresidents are only assessed on the dividend amount and potentially a supplementary dividend amount and do not receive a tax credit for the amount of the imputation credits.

Income earned on investments in certain unlisted portfolio investment entities (PIEs) may be allocated and taxed at the fund level at individual investor rates, with a maximum rate of 28% and no

further tax on distribution. Listed PIE distributions may also be excluded from gross income.

Dividends (other than PIE distributions) and interest paid by New Zealand resident companies to New Zealand resident individuals are generally subject to an interim tax through a resident withholding tax (RWT) deduction.

The RWT rate on dividends is 33%, reduced by any imputation credits attached to the dividends.

Certain types of interest are exempt from RWT, including interest payable on trade debts or interest received under a hire-purchase agreement. Other items that are exempt are payments made to entities or persons holding valid certificates of exemption. These may include banks, building societies, moneylenders, and local or public authorities, and persons whose total gross income is expected to exceed NZD2 million in the next accounting year.

The rates of RWT on interest are elective rates of 10.5%, 17.5%, 30% or 33% if the interest recipients supply their tax identification numbers. The RWT rate on interest paid to companies is generally 28% if the recipients supply their tax identification numbers. The default RWT rate if interest recipients do not supply their tax identification numbers is 33% for all recipients. The recipients include the gross interest and dividends in their gross income and receive a credit for RWT.

Nonresidents are subject to withholding tax at a rate of 30% on dividends. This rate is reduced to 15% to the extent that cash dividends are fully imputed or to the extent that imputation credits are passed on through the payment of supplementary dividends under the foreign investor tax credit regime. The rate is reduced to 0% to the extent that noncash dividends are fully imputed.

A 0% rate also applies to fully imputed cash dividends paid to nonresidents if the nonresidents have a direct voting interest of at least 10% in the paying entity or if a tax treaty would reduce the New Zealand tax rate below 15%.

Nonresidents are subject to withholding tax at a rate of 15% for interest and royalties. Certain tax treaties may reduce this rate.

Nonresident withholding tax is a final tax on dividends, cultural royalties and interest paid to non-related persons. It is a minimum tax on non-cultural royalties and on interest paid to related persons. Nonresident withholding tax rates may be reduced under New Zealand's double tax treaties. A 0% rate of nonresident withholding tax may apply to interest paid to unrelated nonresidents by transitional residents (see *Transitional residents' exemption* in section A) in relation to money borrowed while they were nonresidents, so long as the interest does not relate to carrying on a business through a fixed establishment in New Zealand.

As an alternative to nonresident withholding tax on interest, if the borrower and lender are not related persons and if the interest is paid by a person registered as an approved issuer with respect to a registered security, the interest is subject only to an approved issuer levy of 2% of the interest actually paid. The New Zealand

government pays the 2% levy on interest paid on its loans from nonresidents that meet these criteria. Nonresident withholding tax and approved issuer levy may be imposed at a rate of 0% on interest paid to nonresident holders of certain widely held corporate bonds and similar securities.

The foreign investor tax credit (FITC) provisions reduce the effective rate of New Zealand tax imposed on dividends received by a nonresident investor from a New Zealand company. To the extent that a New Zealand company is owned by nonresident investors and imputation credits are attached to dividends paid, the company may claim a partial refund or credit of its New Zealand company tax liability. The company then passes on the refund or credit to the nonresident investors through supplementary dividends. The effective rate of tax on fully imputed dividends received by nonresident investors with supplementary dividends under the FITC provisions is 28%, which effectively equates to the company tax rate on the company's underlying profits and the extent of the credits passed to resident investors. However, the residents may need to pay further tax, depending on their individual marginal tax rates. Although the same result could be achieved for nonresident investors through a 0% rate of withholding on imputed dividends, the rather complicated FITC mechanism is intended to allow nonresident investors to claim a full tax credit in their home countries for New Zealand nonresident withholding tax.

The FITC provisions generally apply for dividends paid to nonresidents only if they hold less than 10% direct voting interests and if the New Zealand tax rate, after any tax treaty relief, is at least 15%.

Attributed income from controlled foreign investments. Under the controlled foreign company (CFC) regime, New Zealand residents may be taxed on passive income attributed to them that is derived by foreign entities in which they hold an interest if either of the following circumstances exists:

- Five or fewer New Zealand residents own over 50% of the foreign entity.
- New Zealand residents have de facto control of the company.

Exemptions from CFC attribution may apply if the CFC is resident in Australia and meets certain criteria or if the CFC's income meets a 95% active income test.

Under the foreign investment fund (FIF) regime, New Zealand residents may be taxed on income attributed to them that is derived by foreign entities in which they hold an interest not meeting the conditions for the applicability of the CFC regime. The FIF regime may apply to interests in the following:

- Companies and unit trusts
- Foreign superannuation schemes (however, different rules apply to some schemes, effective from 1 April 2014; see *Foreign superannuation scheme interests*)
- Foreign life insurance policies that have an investment component

Several exceptions apply, including exemptions for the following:

- Shares held in certain Australian companies listed on the Australian Stock Exchange

- Certain Australian unit trusts or superannuation schemes
- Individuals holding FIF investments that cost less than NZD50,000 in total
- Certain interests in employment-related foreign superannuation schemes and qualifying foreign private annuities
- Holdings of transitional residents

Investors who own interests of less than 10% in foreign companies, unit trusts, superannuation funds and life insurance policies can calculate their FIF income under the fair dividend rate method (FDR). Under the FDR method, investors are taxed on 5% of the market value of investments held at the beginning of the year and up to 5% of gains made as a result of the purchase and subsequent resale during the same tax year. Dividends and capital gains are not separately taxed under this method.

An active income exemption and approach, similar in some respects to that applying for interests in CFCs, may apply with respect to direct income interests of at least 10% in FIF companies and unit trusts.

Transitional residents (see *Transitional residents' exemption*) are exempt from the attribution of CFC or FIF income.

Foreign superannuation scheme interests. In certain circumstances, individuals who have applied FIF treatment to foreign superannuation scheme interests in previous returns of income may continue to apply FIF treatment to those interests. Otherwise, effective from 1 April 2014, the FIF rules do not apply to interests in foreign superannuation schemes that were first acquired by individuals when they were nonresidents. Interests that were first acquired by individuals when they were New Zealand resident remain subject to the FIF rules.

In general, no New Zealand income tax liability arises on lump-sum withdrawals or transfers in the first four years of an individual's New Zealand residence. After the end of that period, the extent to which lump-sum withdrawals or transfers to Australian or New Zealand superannuation schemes are taxed in New Zealand under the "schedule method" in the new rules generally depends on how long individuals have been New Zealand residents. Alternatively, individuals may use a "formula method" to determine any New Zealand income tax liability for such lump-sum withdrawals or transfers from defined contribution schemes if they have sufficient information to carry out the required calculations. Transfers between foreign superannuation schemes, other than to Australian schemes, are exempt from New Zealand income tax.

The government recognized that the pre-1 April 2014 rules were complex and taxpayers may not have dealt with lump-sum withdrawals or transfers appropriately for New Zealand income tax purposes. Transitional relief provisions allowed taxpayers to pay tax (at their marginal personal income tax rates) in either their 2013-14 or their 2014-15 returns on a flat 15% of the amounts of lump-sum withdrawals or transfers between 1 January 2000 and 31 March 2014 (or on lump sums for which appropriate applications to withdraw or transfer were made by 31 March 2014) if those lump-sum withdrawals or transfers had not been dealt with

appropriately in their previous New Zealand income tax returns. Otherwise, any reassessment of their past year treatments is based on the rules that applied for the relevant years, with potential penalty and interest charges for any increased income tax liabilities resulting for those previous years.

Specific rules apply to interests in certain Australian superannuation schemes. Effective from 1 July 2013, taxpayers moving between Australia and New Zealand may elect to transfer their superannuation savings between certain Australian and New Zealand superannuation schemes without tax liabilities arising in either country at that time.

Periodic pensions and annuities arising from foreign superannuation scheme interests continue generally to be taxable in full in New Zealand on receipt by residents other than transitional residents (see *Transitional residents' exemption*).

Trust income. Trust income is generally taxed in New Zealand if it is sourced in New Zealand or if it is derived by a beneficiary who is resident in New Zealand. Foreign-source income derived by a trustee may generally be taxed in New Zealand if a settlor of the trust (generally any person that provides some benefit to the trust) is a New Zealand resident. If the income is vested in, paid to or applied for the benefit of a beneficiary within the same income year or within six months after the end of the income year, the income is taxable to that beneficiary at their applicable marginal tax rate. Otherwise, trust income is taxable to the trustee or, if the trustee is not resident in New Zealand, then to any New Zealand-resident settlor at a rate of 33%. If the income of a trust has not been fully liable to New Zealand income tax, certain distributions to New Zealand beneficiaries may be taxable to them at their personal tax rates if the trust is regarded as a "foreign trust" or at a higher rate of 45% if the trust is regarded as a "non-complying trust" even though legally they may be considered distributions of capital. Beneficiary income derived by New Zealand-resident minors (younger than 16 years of age on the trust's balance date) is generally taxable at a rate of 33%.

Taxation of employer-provided stock options. In New Zealand, any benefit conferred under an agreement to sell or issue shares to an employee is taxable to the employee as remuneration. The benefit is calculated as the difference between the fair market value of the shares on the day they are acquired and the amount paid for the shares by the employee.

Individuals resident in New Zealand who exercise share options are subject to tax on the difference between the strike price and the fair market value of the shares on the date of exercise. The liability arises in the income year in which the options are exercised.

If the employee is a transitional resident (see *Transitional residents' exemption*) at the time the options are exercised, the value of the benefit is apportioned based on the ratio of the employee's transitional residency period in New Zealand to the total employment period during the sourcing period (the sourcing period is generally from the grant date to the vesting date).

For resident individuals who are not transitional residents, from 1 April 2018, the value of the benefit may also be apportioned based on the ratio of the time the individual was a nonresident of New Zealand to the total employment period during the sourcing period.

From 1 April 2017, employers can choose to withhold tax on share options under the Pay-As-You-Earn (PAYE) system. If PAYE is withheld at the correct extra pay tax rate (up to 33%), an employee should have no further tax to pay with respect to the share-option benefit. If the employer chooses not to withhold at source, employees need to account for tax on the value of the share-option benefit themselves, either through provisional tax installments paid throughout the year, or in one lump-sum payment after the year-end (see Section D).

Employers are required to disclose the share-option benefits received by employees to Inland Revenue (New Zealand's tax authority) through their payroll reporting, regardless of whether PAYE is withheld. This reporting requirement applies from 1 April 2017. Penalties may be payable by employers for under disclosure of share-option benefits.

The same principles apply to most other forms of employee-share schemes, but the taxing point and market value measurement date differs, depending on the terms of the particular scheme.

Capital gains and losses. New Zealand has no general capital gains tax, but profits from the sale of real and personal property may be subject to income tax in certain circumstances, including the following:

- The taxpayer's business consists of dealing in that real or personal property.
- The taxpayer's purpose at the time of acquisition was to sell the property at a later date (also, see the next paragraph).

Profits on the disposal of certain residential property (other than a "main home") acquired from 1 October 2015 may be taxable if sold within a two-year period, regardless of the taxpayer's purpose for the acquisition. This two-year period is extended to a five-year period if the taxpayer enters into an agreement to purchase residential property on or after 29 March 2018.

From 1 July 2016, residential land withholding tax (RLWT) applies to the sale of residential property located in New Zealand by "offshore RLWT persons" if the land was acquired on or after 1 October 2015 and is sold within a two-year period. This two-year period is extended to a five-year period if the taxpayer enters into an agreement to purchase residential property on or after 29 March 2018. An "offshore RLWT person" is defined broadly for individuals and other entities, with reference to citizenship, immigration status and physical absence throughout specific time frames for an individual vendor. RLWT is not a minimum or final tax but is deducted on account of any annual income tax liability. Any excess RLWT is refundable.

An accrual taxation system applies to New Zealand resident individuals who are parties to various types of financial arrangements, including debts and debt instruments. Under the accrual system, foreign-exchange variations related to the financial arrangements

are included in calculations of income and expenditure. A cash-basis system may be adopted by taxpayers deriving income and incurring expenditure of less than NZD100,000 from financial arrangements in an income year and by taxpayers with financial arrangement assets and liabilities with a total absolute value of NZD1 million or less. For the cash basis to apply, the cumulative difference between the actual income and expenditure and the notional income and expenditure on an accrual basis must be less than NZD40,000.

The accrual taxation regime does not apply to nonresidents, unless the transaction involves a business they carry on in New Zealand, or to transitional residents if the other parties to an arrangement are nonresidents and if the arrangement is not for the purposes of a business carried on in New Zealand by any of the parties.

Deductions

Deductible expenses. Employees are not permitted deductions for employment-related expenditure, except for tax return preparation fees and premiums for loss of earnings insurance if the insurance proceeds would be taxable. However, employers are able to reimburse employees on a tax-free basis for certain expenses that relate to the employee's employment.

Personal deductions and allowances. Taxpayers with dependent children may be entitled to family support payments based on family size, income and other circumstances. This assistance is generally not available to nonresidents or transitional residents.

An independent earner tax credit (IETC) may apply to individual tax residents who have annual income between NZD24,000 and NZD48,000 and who do not directly or indirectly receive family support, income-tested benefits, New Zealand superannuation, certain pensions or other amounts. The IETC is a maximum of NZD520 per year and abates at 13 cents per dollar earned over NZD44,000.

Donation tax credits are available for most donations of money over NZD5 made by individuals to registered charities or school boards if receipts are provided.

Business deductions. Expenses necessary to produce gross income (other than employment income) are deductible. However, only 50% of specified business entertainment expenses incurred by self-employed individuals is deductible. Interest deductions may be limited under the "thin capitalization" rules in certain circumstances where nonresidents own or control New Zealand entities or where New Zealand residents hold interests of at least 10% in CFCs or certain types of FIF.

Rates. The rates of tax applied to taxable income for both resident and nonresident individuals from 1 April 2019 to 31 March 2020 are set forth in the following table.

Taxable income NZD	Tax rate %	Tax due NZD	Cumulative tax due NZD
First 14,000	10.5	1,470	1,470
Next 34,000	17.5	5,950	7,420
Next 22,000	30	6,600	14,020
Above 70,000	33	—	—

Married persons are taxed separately, not jointly, on all types of income.

For withholding tax rates, see *Investment income.*

Relief for losses. Business losses of individual taxpayers may be offset against the individuals' other net income in the year in which the loss is sustained. The balance of any loss may be carried forward and offset against future net income of the taxpayer. The use of losses may be restricted if they are derived by the following:

- Limited partners through limited partnerships
- Owners of certain LTCs
- Nonresidents deriving income subject to nonresident withholding tax as a final tax

B. Estate and gift taxes

Estate duty is not levied in New Zealand, and gift duty has been abolished.

C. Social security

New Zealand does not have a social security system requiring compulsory contributions from employees. However, under the Accident Compensation Act 2001, levies are payable by employers, employees and self-employed persons to fund the comprehensive no-fault accident compensation scheme, which covers all accidents at home and at work. The levies are payable on employment income of up to NZD128,470 for the year ending 31 March 2020. For employers and self-employed persons, the rate of the levy depends on the relevant industry classification. For employees, the rate of the levy is 1.39% for the year ending 31 March 2020. Employers are responsible for withholding employee levies as part of the PAYE withholding tax system.

New Zealand has entered into reciprocal social security agreements with Australia, Canada, Denmark, Greece, Guernsey, Ireland, Jersey, Malta, the Netherlands and the United Kingdom.

D. Tax filing and payment procedures

The tax year in New Zealand runs from 1 April to 31 March of the following calendar year. Salary and wage earners generally have tax deducted from their salaries at source under the PAYE system. Income tax on other income is generally due on 7 February (7 April if on a tax agency list) following the end of the fiscal year.

Individuals who earn income only from reported sources (for example, employment income, bank interest and dividends) in New Zealand do not generally have a return filing requirement. Instead, these individuals are generally provided with automated assessments. Individuals who have income from reported sources and from unreported sources are required to amend any automated assessment to reflect their unreported income correctly.

If an automated assessment results in a refund, this will be paid by electronic transfer to the individual's nominated bank account. Assessments of tax to pay are written off if under NZD50.

An individual with unreported income may choose (or in some cases, be required) to file an income tax return. Income tax returns are due by the 7 July immediately following the end of the income year, or by the following 31 March if on a tax agency list.

Certain taxpayers must pay advance payments of provisional tax, generally in the 5th, 9th and 13th months following the beginning of their income years. These taxpayers are generally persons whose preceding year's tax liability on income from which no tax was withheld was greater than NZD2,500. Interest may be imposed on persons whose tax liability on income from which no tax was withheld was greater than NZD60,000 if the provisional tax paid by each installment date is less than the minimum amounts deemed due at those installment dates.

A nonresident individual must file an income tax return showing all taxable New Zealand-source income, except income subject to a final nonresident withholding tax.

From 1 October 2015, "offshore persons" must generally have a fully functional New Zealand bank account to obtain a tax identification number, which is necessary to meet their tax filing and payment obligations. Individuals without a New Zealand bank account are generally required to satisfy comprehensive due diligence documentation requirements, including providing notarized copies of identification documents and proof of a bank account held in a country with which New Zealand has an exchange-of-information agreement in order to satisfy the Commissioner of Inland Revenue of the applicant's identity and background.

E. Double tax relief and tax treaties

If a New Zealand resident derives income from a foreign jurisdiction, foreign income tax paid on that income is allowed as a credit against income tax payable in New Zealand. The credit is limited to the amount of tax payable in New Zealand on the same foreign-source income.

New Zealand has entered into comprehensive double tax treaties with the following jurisdictions.

Australia	Indonesia	Samoa
Austria	Ireland	Singapore
Belgium	Italy	South Africa
Canada	Japan	Spain
Chile	Korea (South)	Sweden
China Mainland	Malaysia	Switzerland
Czech Republic	Mexico	Taiwan
Denmark	Netherlands	Thailand
Fiji	Norway	Turkey
Finland	Papua New Guinea	United Arab Emirates
France	Philippines	United Kingdom
Germany	Poland	United States
Hong Kong SAR	Russian Federation	Vietnam
India		

F. Temporary visas

New Zealand Electronic Travel Authority. All travelers to New Zealand, excluding those who already hold a New Zealand visa or

who are a New Zealand or Australian citizen, are required to obtain a travel authorization through Immigration New Zealand's Electronic Travel Authority (NZeTA) system before traveling to New Zealand.

Travelers are encouraged to apply as soon as travel is planned, and it is strongly suggested that they apply no later than 72 hours before travel to New Zealand. An approved NZeTA travel authorization is valid for multiple entries into New Zealand and is generally valid, unless revoked, for up to two years. An NZeTA is not a guarantee of admission to New Zealand; it only authorizes a traveler who does not otherwise hold a New Zealand visa to board a carrier for travel to New Zealand.

Visitors' visas. In general, all visitors to New Zealand must apply for a visa to enter the country. Some exceptions to the general rule exist. Australian citizens and individuals who hold a current Australian permanent residence visa or a resident return visa do not need to formally apply for a New Zealand visa to enter New Zealand. United Kingdom passport holders who produce evidence of the right to reside permanently in the United Kingdom can be granted a visitor visa for up to six months on arrival in New Zealand. Individuals from certain jurisdictions (see below) who will be in New Zealand for no more than three months as a visitor do not need to apply for a visa before traveling to New Zealand. Visitors are not permitted to work in New Zealand. All visitors must provide travel tickets or evidence of onward travel arrangements and evidence of funds to support themselves while in New Zealand. Although visa waiver citizens and permanent residents of Australia are exempt from applying for a visitor visa ahead of their travel to New Zealand, they must still apply for an NZeTA. The following is the list of the "visa-waiver" jurisdictions.

Andorra
Argentina
Austria
Bahrain
Belgium
Brazil
Brunei Darussalam
Bulgaria
Canada
Chile
Croatia
Cyprus
Czech Republic
Denmark
Estonia (a)
Finland
France
Germany
Greece
Hong Kong SAR (b)
Hungary
Iceland
Ireland
Israel
Italy
Japan
Korea (South)
Kuwait
Latvia (a)
Liechtenstein
Lithuania (a)
Luxembourg
Macau SAR (c)
Malaysia
Malta
Mauritius
Mexico
Monaco
Netherlands
Norway
Oman
Poland
Portugal (d)
Qatar
Romania
San Marino
Saudi Arabia
Seychelles
Singapore
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Taiwan (e)
United Arab Emirates
United States (f)
Uruguay
Vatican City

(a) The visa waiver does not apply to persons traveling on an alien's (non-citizen's) passport issued by the respective countries.

(b) The visa waiver applies to residents of the Hong Kong Special Administrative Region (SAR) traveling on Hong Kong SAR or British National (Overseas) passports.
(c) The visa waiver applies to residents of the Macau SAR traveling on SAR passports.
(d) Portuguese passport holders must also have the right to live permanently in Portugal.
(e) The visa waiver applies to permanent residents of Taiwan traveling on Taiwan passports. A personal identity number printed within the visible section of the biographical page of the Taiwan passport demonstrates that the holder is a permanent resident of Taiwan.
(f) The visa waiver includes nationals of the United States.

Business visitors' visas. Business visitors who are from Australia, the United Kingdom or the visa-waiver countries mentioned above are not required to formally apply for business visitors' visas before traveling to New Zealand. They are granted business visitors' visas on arrival in New Zealand for no more than three months only if they are undertaking one of the following activities:

- A representative on official trade missions recognized by the New Zealand government
- A sales representative from an overseas company
- An overseas buyer of New Zealand goods or services
- A person undertaking business consultations or negotiations in New Zealand with respect to the establishment, expansion or winding up of a business enterprise in New Zealand involving the authorized representatives of an overseas company

Business visitors must not undertake work in New Zealand regardless of where or how they are remunerated. If an individual will be in New Zealand for periods totaling more than three months in any one year or if he or she is not undertaking one of the activities noted above, he or she must apply for a work visa.

Business visitors who are not from Australia, the United Kingdom or the visa-waiver countries mentioned above are required to formally apply for business visitors' visas before traveling to New Zealand.

Business visitors who are from Australia, the United Kingdom or the visa waiver countries mentioned above are not required to formally apply for business visitors' visas before travel. However, visa waiver citizens and permanent residents of Australia must still apply for an NZeTA.

Student visas. Student visas are issued to foreign nationals who intend to undertake studies in New Zealand. The duration of the visa depends on the length of the study program. In general, students are permitted to work part time while studying in New Zealand after seeking authorization from Immigration New Zealand (INZ).

Working holiday visas. Working holiday schemes are open to citizens from the following jurisdictions who satisfy certain conditions.

Argentina	Hungary	Philippines
Austria	Ireland	Poland
Belgium	Israel	Portugal
Brazil	Italy	Singapore
Canada	Japan	Slovak Republic
Chile	Korea (South)	Slovenia

China Mainland	Latvia	Spain
Croatia	Lithuania	Sweden
Czech Republic	Luxembourg	Taiwan
Denmark	Malaysia	Thailand
Estonia	Malta	Turkey
Finland	Mexico	United Kingdom
France	Netherlands	United States
Germany	Norway	Uruguay
Hong Kong SAR	Peru	Vietnam

To qualify for a visa under a working holiday scheme, an applicant must satisfy the following conditions:

- He or she must be aged between 18 and 30 (or 35 in some cases).
- He or she may not bring children.
- He or she must hold a return ticket or sufficient funds to purchase such a ticket.
- He or she must have available funds to meet living costs while in New Zealand, as prescribed by the scheme under which the individual is applying.
- He or she must meet health and character requirements.
- He or she must hold medical and comprehensive hospitalization insurance for the length of the stay if required by the scheme under which the individual is applying.
- He or she must be the holder of a valid temporary visa if applying in New Zealand.
- He or she must not have been previously approved for a visa under a working holiday scheme.

Applicants who apply for a working holiday visa are not required to provide evidence of a job offer. If a scheme has an "ordinarily resident" requirement, the applicant's usual place of permanent residence must be that country. This requirement is considered to be met if the applicant has not been absent from that country for more than two years immediately preceding the application. Successful applicants must not undertake permanent employment unless they apply for, and obtain, a work visa that allows such employment. Successful applicants may also enroll in one or more courses of training or study of up to six months' duration in total during their visit to New Zealand.

Work visas. All work visa applicants must meet the generic temporary entry instructions. This includes health and character requirements.

The Essential Skills instructions generally apply to an applicant who has been offered full-time employment with a New Zealand employer. An applicant must provide evidence that he or she is suitably qualified by training and experience to perform the job offered to him or her. The employer must provide evidence that no suitably qualified New Zealanders can perform the job offered to the applicant (a "labor-market test"). Work visas under the Essential Skills instructions are generally issued either as lower-, mid- or higher-skilled and for a maximum of either one, three or five years, depending on the skill band of the role.

The Work to Residence (Talent Visa) instructions apply if an applicant has a job offer from an Accredited Employer. The job offer must be for a full-time position (at least 30 hours) for 2 years or longer, the annual salary must be at least NZD55,000

and the applicant must be under the age of 56 years. Work visas under the Work to Residence (Talent Visa) instructions are valid for 30 months from the applicant's first date of entry into New Zealand. The applicant becomes eligible to apply for a residence visa after he or she has worked for an Accredited Employer for two years and if he or she meets the residence instructions. The two other types of Work to Residence categories are Long Term Skill Shortage (for those earning at least NZD45,000 per year and meeting the requirements in an occupation listed on the current Long Term Skill Shortage List) and Arts, Culture and Sport (for those demonstrating an international reputation in a declared field of arts, culture or sports and meeting all other requirements). The salary thresholds above are subject to change.

The Specific Purpose or Event instructions apply if the applicant is entering New Zealand for a specific purpose or event (for example, a short-term intercompany secondment) for which the applicant has demonstrated skills, expertise or attributes that are likely to benefit individuals and/or New Zealand and if no risk of a negative impact on opportunities for New Zealand citizens or residents exists. Under these instructions, a labor market test is not required, but the employer is required to provide either a support letter or a copy of the job offer. Work visas under the Specific Purpose or Event instructions are generally valid for the duration of the activity in New Zealand.

Special rules exist for certain categories of applicants, including partners of New Zealand citizens and residents, partners of mid- to higher-skilled work visa holders, entertainers, athletes and professional coaches.

In certain cases, applicants may not be granted a visa until they meet the necessary New Zealand registration requirements if New Zealand registration is required by law to undertake employment. Professionals are advised to contact individual professional bodies for information on required registration criteria.

The processing time for a work visa varies with each application, but the process generally takes three to eight weeks from the date of filing if no medical or character issues exist. INZ generally prioritizes the processing of Work to Residence visa applications over other work visa applications.

Health and character requirements for all visa applicants. All individuals who enter New Zealand must meet applicable good health and character requirements. If an applicant is not from a low-tuberculosis incidence country and intends to be in New Zealand for more than six months, he or she must obtain a chest X-ray certificate from a panel radiologist. If an applicant intends to be in New Zealand for longer than 12 months, he or she must obtain full medical and chest X-ray certificates from a panel physician. The panel physician and/or panel radiologist submits electronically the medical and chest X-ray certificates directly to INZ. Once the medical and chest X-ray certificates are submitted electronically, the applicant has three months to file his or her visa application with INZ. If an applicant is applying for a temporary visa and intends to be in New Zealand for 24 months or longer, he or she must also obtain a police clearance certificate

from his or her country or countries of citizenship and any country in which he or she has lived for five years or more since the age of 17. If an applicant is applying for a residence visa, he or she must obtain a police clearance certificate from his or her country or countries of citizenship and any country in which he or she has lived for 12 months or more in the last 10 years. Police clearance certificates are only valid for filing within six months after the date of issuance.

General requirements for all temporary visitors (work and holiday) to New Zealand. An applicant coming to New Zealand to work must provide evidence of qualifications and/or work experience, and a job offer. Applicants coming for a visit must provide evidence that they plan on leaving New Zealand and that they have funds to support themselves while in New Zealand. All applicants must also hold a valid passport for the duration of their intended stay.

G. Entrepreneur category visa

Experienced businesspersons who wish to obtain a work visa to enter New Zealand to establish and operate a business can apply under the Entrepreneur work visa category. If certain conditions are met, the applicant can eventually obtain New Zealand residence under the Entrepreneur residence visa category. To apply for an Entrepreneur work visa, applicants must satisfy the following requirements:

- They must have a minimum capital investment of NZD100,000.
- They must meet or exceed the pass mark on a scale that awards points for factors relating to the likely success of the proposed business and its value to New Zealand.
- They must be competent users of English.
- They must have a business plan specific to the proposed business.
- They must all meet health and character requirements.

H. Investor category visa

The Investor category is open to applicants who wish to obtain residence in New Zealand through investment. Under the Investor Plus category, an applicant must invest NZD10 million or more for three years in New Zealand. No age, English language, business experience or settlement funds requirements are imposed. Applicants who want to invest NZD3 million or more but less than NZD10 million can apply under the Investor 2 category if they meet the following requirements:

- They must be 65 years old or younger.
- They must have at least three years of recognized business experience.
- They must be competent users of English.

Under the Investor category, the required amounts must be invested into acceptable investments, as prescribed by INZ.

Like all visa categories, all applicants in the above categories must also meet New Zealand's health and character requirements. Investor applicants must also be physically present in New Zealand for prescribed time periods for each of the investment years.

I. Residence visas

Residence visas and permanent residence visas are issued to foreign nationals who intend to establish permanent residence in New Zealand. Various paths and policies to gain residency are available. Some of the most common paths are through skilled employment, the Investor category or working for an Accredited Employer for at least two years. Although the holder of a residence visa can stay in New Zealand indefinitely, residence visas are subject to travel conditions, which allow the holder to travel in and out of New Zealand for 24 months. After 24 months, a residence visa holder can apply for a permanent residence visa by demonstrating his or her commitment to New Zealand. Permanent residence visas do not have travel conditions and allow the holder to stay and travel in and out of New Zealand indefinitely.

J. Family and personal considerations

Family members. In general, the partner or spouse of a work visa holder can apply for his or her own visa to enter New Zealand based on their relationship. If the primary applicant will be holding or holds a work visa that is valid for more than six months, his or her partner is eligible for an "open" work visa for the same time period as the primary applicant if the relevant partnership requirements are met. This visa allows the partner or spouse to work for any employer in New Zealand. If the primary applicant will be holding or holds a work visa that is valid for less than six months, his or her partner is eligible for a visitor visa that is valid for the same time period as the primary applicant if the relevant partnership requirements are met. A partner holding a visitor visa cannot work in New Zealand. Dependent children of a work visa holder are granted either a student or visitor visa, depending on their age, and may attend primary and secondary schools in New Zealand as domestic students. Essential Skills work visa holders whose employment is classified as lower skilled are not eligible to support dependent family.

Driver's permits. Foreign nationals may drive legally using their home country driver's licenses for up to 12 months. Visitors whose licenses or permits are not in English must carry an accurate translation. Visitors holding international driver's licenses may also drive in New Zealand for up to 12 months. Visitors without overseas or international driver's licenses must apply for a New Zealand license before driving in New Zealand.

Foreign nationals in New Zealand must obtain New Zealand driver's licenses within a year.

Applicants are required to pass a theoretical test and take a practical driving test to obtain a New Zealand driver's license. Applicants with valid driver's licenses from certain European Union (EU) countries, Australia, Canada, Norway, South Africa, Switzerland or the United States may be exempt from the theoretical and the practical test. In general, a physical examination is not required, but eyesight is checked.

K. Other matters

Publicly funded health entitlements. The length of a person's visa determines whether they are entitled to publicly funded health in New Zealand. In general, a person who holds a work visa that

entitles the person to remain in New Zealand for two years or more is eligible for publicly funded health and disability services. Eligibility for all publicly funded health and disability services is determined by the Ministry of Health and not INZ.

Licensed immigration advisers. Anyone who provides immigration advice, both onshore and offshore, must be licensed or exempt from licensing. Immigration advice is defined as "using, or purporting to use, knowledge of or experience in immigration to advise, direct, assist or represent another person in regard to an immigration matter relating to New Zealand, whether directly or indirectly and whether or not for gain or reward." The Immigration Advisers Authority regulates the provision of immigration advice. INZ no longer accepts applications from representatives of applicants, unless they are licensed or exempt.

A person who provides immigration advice who is not licensed or exempt from licensing is liable to imprisonment for a term not exceeding seven years or a fine not exceeding NZD100,000, or both.

Nicaragua

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Please direct all inquiries regarding Nicaragua to the persons listed below in the San José, Costa Rica, office of EY. All engagements are coordinated by the San José, Costa Rica, office.

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A. Income tax

Who is liable. Resident and nonresident individuals, regardless of their nationality, are taxed on their income earned in Nicaragua. Foreign-source income is not taxed.

Nicaraguan nationals are considered resident.

A foreign individual is considered a resident for tax purposes if he or she meets either of the following criteria:

- He or she stays in Nicaragua for more than 180 consecutive or non-consecutive days during the calendar year.
- The center of his or her economic interests is located in Nicaragua, unless he or she can prove his or her residence or tax domicile is located in another country by submitting a certificate issued by the relevant tax authorities, provided that the country of domicile is not considered a tax haven under the Nicaraguan income tax law.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Annual employment income in excess of NIO100,000 is taxable, including salary, pensions, bonuses, premiums, commissions and allowances (for example, housing and educational allowances). However, the 13th month salary (*aguinaldo*), labor indemnification (up to five months' base salary), indemnification up to NIO500,000 received in addition to five

months' salary and social security contributions are exempt from tax.

Self-employment and business income. Income derived from self-employment or from trade or business activities is taxable. Resident individuals are subject to progressive tax rates ranging from 10% to 30% of net self-employment and business income. Nonresident individuals are subject to a flat 20% withholding tax on this income.

Investment income. Dividends paid or credited by local companies to resident or nonresident individuals are subject to a 15% withholding tax.

Per diem directors' fees. Per diem directors' fees paid to resident or nonresident individuals are subject to 25% withholding tax.

Capital gains. Capital gains derived by residents and nonresidents are subject to a final withholding tax at a rate of 15%.

A special rule applies to transfers of property subject to registration with a public deed in the Public Registry. Progressive withholding tax rates ranging from 1% to 7% of the value of the property apply to these transfers.

Deductions. The following are personal deductions and allowances:

- Social security contributions of employed individuals
- Contributions of employed individuals to pension or savings funds that are not part of the social security system, provided that these funds are approved by the relevant authority in Nicaragua
- 25% of expenses on education, health and professional services, up to a maximum amount of NIO20,000 per year

Rates. Employment income earned by resident individuals is taxable at the following rates for the period of 1 January 2019 through 31 December 2019.

Annual taxable income		
Exceeding NIO	Not exceeding NIO	Rate %
0	100,000	0
100,000	200,000	15
200,000	350,000	20
350,000	500,000	25
500,000	—	30

Payments to nonresident individuals for employment income (salaries, other remuneration, pensions, commissions, directors' fees and similar compensation items) are subject to a 20% final withholding tax.

Self-employment and business income earned by resident individuals (with annual gross income of NIO12 million or less) is taxable at the following rates for the period of 1 January 2019 through 31 December 2019.

Annual taxable income Exceeding NIO	Not exceeding NIO	Rate %
0	100,000	10
100,000	200,000	15
200,000	350,000	20
350,000	500,000	25
500,000	—	30

If an individual's gross income exceeds NIO12 million, the tax rate for self-employment and business income is 30%.

Payments to nonresident individuals for professional services or technical advice are subject to a 20% final withholding tax.

B. Inheritance and gift taxes

Gifts or inheritances from Nicaraguan sources are treated as capital gains and subject to a flat 15% tax.

C. Social security

Social security contributions are levied on salaries at a rate of 21.5% for employers and 7% for employees for the 2019 tax year. These rates are increased annually.

D. Tax filing and payment procedures

The ordinary tax year runs from 1 January through 31 December.

Employers are responsible for withholding income taxes and social security contributions from the employees' salaries on a monthly basis. Employees are not required to file an annual income tax return if their only source of income is employment compensation.

Returns must be filed and any tax due must be paid within two months after the end of the tax year. Self-employed individuals and individuals with a trade or business must pay installments of advance income tax.

E. Double tax relief and tax treaties

Nicaragua has not entered into tax treaties with any other countries.

F. Temporary visas

Nicaraguan law provides a three-tier classification system that imposes visa requirements based on the nationality and passport type of the traveler. Tiers may be amended from time to time without prior notice.

Tier A. Nonresident foreign nationals holding passports issued by Tier A jurisdictions are visa exempt. On arrival into Nicaragua, each traveler must pay a USD10 fee (cash only) and is issued a tourist permit valid for up to 90 days that may be extended for up to a total of 180 days.

The following are the Tier A jurisdictions.

Andorra
Antigua and Barbuda
Argentina
Australia
Austria
Bahamas
Bahrain
Barbados
Belarus
Belgium
Belize
Brazil
Brunei Darussalam
Bulgaria
Canada
Chile
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Ecuador
Estonia
Fiji
Finland
France (including overseas territories and collectivities)
Germany
Greece
Hungary
Iceland
Iran
Ireland
Israel
Italy
Japan
Korea (South)
Kuwait
Latvia
Liechtenstein
Lithuania
Luxembourg
Madagascar
Malta
Marshall Islands
Mexico
Monaco
Netherlands
New Zealand
North Macedonia
Norway
Panama
Paraguay
Poland
Portugal
Qatar
Romania
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
San Marino
São Tomé and Príncipe
Saudi Arabia
Singapore
Slovak Republic
Slovenia
Solomon Islands
South Africa
Spain
Sweden
Switzerland
Taiwan
Trinidad and Tobago
Turkey
Tuvalu
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Vanuatu
Vatican City

Tier B. Nonresident foreign nationals holding passports issued by Tier B jurisdictions are subject to visa requirements. An entry visa may be obtained at a Nicaraguan consular bureau before travel or at the port of entry. However, Nicaraguan authorities strongly recommend travelers to check in advance as to whether airlines allow boarding in the absence of a visa stamped on the passport. Normally, visas are valid for up to 30 days, renewable for up to a total of 90 days. Tier B travelers who arrive in Nicaragua without a visa stamped on the passport may be required to pay an entry fee of up to USD50 (cash only).

The following are the Tier B jurisdictions.

Algeria
Angola
Azerbaijan
Benin
Bhutan
Bolivia
Burkina Faso
Burundi
Cambodia
Cape Verde
Central African Republic
Chad
Colombia
Comoros
Gambia
Georgia
Ghana
Grenada
Guinea
Guinea-Bissau
Guyana
Indonesia
Jamaica
Jordan
Kazakhstan
Kiribati
Korea (North)
Kyrgyzstan
Lesotho
Myanmar
Namibia
Nauru
Niger
Oman
Palau
Papua New Guinea
Peru
Philippines
Rwanda
Samoa
Senegal
Serbia
Seychelles
Suriname

Côte d'Ivoire	Libya	Tajikistan
Djibouti	Malawi	Tanzania
Dominica	Malaysia	Thailand
Dominican Republic	Maldives	Togo
Egypt	Mauritius	Tonga
Equatorial Guinea	Mauritania	Tunisia
Eswatini	Micronesia	Turkmenistan
Ethiopia	Moldova	Uganda
Gabon	Montenegro	Uzbekistan
	Morocco	Zambia
	Mozambique	Zimbabwe

Tier C. Visas for nonresident foreign nationals holding passports from Tier C jurisdictions are issued on a case-by-case basis and only on express authorization from the General Directorate of Migrations and Foreign Citizens. The authorities may require extensive documentation, and the process may take from two months to one year.

The following are the Tier C jurisdictions.

Afghanistan	Haiti	Nigeria
Albania	Hong Kong SAR	Pakistan
Armenia	India	Sierra Leone
Bangladesh	Iraq	Somalia
Bosnia and Herzegovina	Kenya	Sri Lanka
Botswana	Laos	Sudan
Cameroon	Lebanon	Syria
China Mainland	Liberia	Timor-Leste
Cuba	Mali	Venezuela
Eritrea	Mongolia	Vietnam
	Nepal	Yemen

General. The immigration authorities require that passports of nonresident foreign nationals be valid for at least six months beyond the date of expected departure from Nicaragua.

Travelers entering Nicaragua from certain countries, including Argentina, Bolivia, Brazil, Colombia, Ecuador, French Guiana, Panama, Paraguay, Peru, Venezuela and most African countries are required to present proof of yellow fever vaccination as a condition for entry into Nicaragua. This requirement applies to Nicaraguan and foreign nationals who have visited or been in transit for more than 12 hours in any of these countries. Travelers affected by this requirement must show an International Certificate of Vaccination issued at least 10 days prior to arrival in Nicaragua as proof of immunization at the port of entry.

G. Work visas (and/or permits)

Under Nicaraguan law, travelers seeking to enter the country to perform professional activities or undertake employment must obtain a work permit following admission into the country. However, according to the Visa and Residence Permits subdivision of the General Directorate of Migrations and Foreign Citizens, travelers seeking to enter Nicaragua to exercise professional activities for short time periods (up to 90 days) are not normally issued any type of special permit. The issuance of work visas requires the submission of extensive documentation. Please consult a professional advisor for further information.

H. Residency visas (and/or permits)

Foreign nationals may apply for permanent or temporary residency after entry into the country. The application process requires documentation issued and authenticated or *apostilled* in the foreign national's home country and, if necessary, translated into Spanish.

I. Family and personal considerations

Family members. Dependents are not entitled to work in Nicaragua without a valid work permit. The application process for obtaining a Nicaraguan work permit may involve the submission of extensive documentation. Please consult a professional advisor for further information.

Marital property regime. Under Nicaraguan law, all assets acquired after the commencement of a marriage, with the exception of those received as a donation by either spouse, are assumed to be community property.

Forced heirship. Nicaraguan law requires intestate estates be settled through probate. In the case of intestacy, the Civil Code lists the order in which eligible persons may inherit.

Driver's permits. Holders of foreign-issued driver's licenses can drive in Nicaragua as long as their existing foreign license is valid. On expiration, drivers are expected to obtain a local driver's license.

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A. Income tax

Who is liable. Residents are generally subject to tax on their worldwide income. However, foreign earnings derived by Nigerian residents are exempt from tax if the earnings are repatriated into Nigeria in convertible currency through a domiciliary account with an approved Nigerian bank. Income earned by a Nigerian from employment with the Nigerian government is considered Nigerian-source income, even if services are performed abroad. Nonresidents are subject to tax on Nigerian-source income only.

Individuals are considered residents if they are in one of the following categories:
- Nigerian and non-Nigerian individuals who reside in Nigeria
- Expatriate employees of a resident company who are present in Nigeria for employment purposes
- Expatriate employees of a nonresident company who are present in Nigeria for more than 183 days in a 12-month period
- Expatriate employees of a non-Nigerian company if their remuneration is recharged to a Nigerian company or borne by a fixed base in Nigeria and if they are not liable to tax in another country that has entered into a double tax treaty with Nigeria

Income subject to tax

Employment income. Taxable income includes salaries, wages, fees, allowances and other gains or profits from employment, such as bonuses, premiums, noncash benefits and other perquisites.

Gratuities paid to employees at the end of assignments are fully exempt from tax. Compensation for loss of office is also fully exempt from tax.

Self-employment and business income. Resident individuals who carry on a trade, business, profession or vocation are subject to tax on income derived from activities in and outside Nigeria. Self-employment income derived by nonresidents is subject to tax in Nigeria if the trade, business, profession or vocation is carried on even partly in Nigeria. However, only the gains or profits attributable to the part of the operations carried on in Nigeria are taxable.

Partners are taxed on their shares of partnership income, regardless of whether the income is distributed.

For both residents and nonresidents, a 5% tax is withheld from contract payments, payments with respect to construction-related activities and commissions, as well as from consulting, professional, management and technical fees. The recipient must include the income in his or her tax return, but may claim a credit for the tax withheld.

Taxable income is calculated by deducting allowable expenses, statutory reliefs and losses from gross income. Resident and nonresident self-employed individuals are taxed at the rates set forth in *Rates*.

Investment income. Withholding tax at a rate of 10% is imposed on dividends, interest, royalties and income from the rental of movable or immovable property. For nonresidents, the withholding taxes are final taxes. For residents, the withholding taxes on dividends, interest and royalties are final taxes, but the withholding tax on rent is treated as an advance tax payment.

Investment income earned abroad and brought into Nigeria through the Central Bank of Nigeria, or through any other authorized dealer appointed by the Minister of Finance, is exempt from tax.

Directors' fees. Companies paying directors' fees must withhold tax on the fees at a rate of 10%. For a resident, final tax is assessed when the individual files a tax return including income from all sources. For nonresidents, the 10% withholding tax is a final tax.

Capital gains. Capital gains consist of the disposal proceeds of an asset, less its cost and disposal expenses. Capital gains are taxed separately from ordinary income at a rate of 10%.

Amounts derived from the disposition of capital assets are taxable. These assets include the following:
- Land and buildings
- Options, debts and other property rights
- Any currency other than Nigerian currency
- Any form of property created by the disposing person or otherwise coming to be owned without being acquired
- Movable assets including motor vehicles

If these assets are located in Nigeria, they are taxable in Nigeria, regardless of where the beneficial owner is resident. Assets located outside Nigeria are taxable in Nigeria if the beneficial owner is resident in Nigeria or if he or she is a foreigner who is present in Nigeria for a period, or for an aggregate of periods, exceeding 183 days within a 12-month period. Capital gains derived from the

disposal of capital assets located outside Nigeria, and administered by a trustee of a trust or settlement with a seat of administration outside Nigeria, are taxable if the seat of administration is transferred to Nigeria during the year of assessment and if the disposal of the asset occurred while the seat of administration was in Nigeria. For capital assets located outside Nigeria, a capital gains tax is levied on the proportionate amount of gain remitted to or received in Nigeria by nonresidents. For example, if 40% of the sales proceeds is remitted to Nigeria, 40% of the capital gain is subject to tax in Nigeria.

The taxation of gains accruing from the disposal of trade or business assets, including real property, may be deferred if the assets are replaced within one year before or after disposal.

Deductions

Deductible expenses. The following expenses are deductible from employment income:

- Contributions to approved pension funds in Nigeria
- Contributions to the National Housing Fund
- Contributions to the National Health Insurance Scheme
- Compensation for loss of office
- Mortgage interest on a loan to develop an owner-occupied residential house

Personal allowances. Nigeria provides the following personal reliefs.

Type of allowance	Amount of allowance
Consolidated relief allowance	NGN200,000 or 1% of gross income, whichever is higher, plus 20% of gross income
Child allowance (up to 4)	NGN2,500 each
Dependent relative allowance (up to 2)	NGN2,000 each
Life insurance premiums (self or spouse)	No limit
Any expenses proved to the satisfaction of the relevant tax authority to have been incurred by the individual on research during the period, including the amount of levy paid to the National Agency for Science and Engineering Infrastructure Act	No limit

An allowance for a child may not be claimed by more than one taxpayer. However, a husband and wife may make separate claims for other allowances.

Business deductions. Expenses are deductible if they are reasonable and are incurred wholly, exclusively and necessarily in producing income. Expenses of a capital, private or domestic nature are not deductible.

Allowable expenses include the following:

- Interest on money borrowed and employed as capital in acquiring income
- Rental payments on business premises

- Repair and maintenance expenses
- Salaries, wages, allowances, utility costs and insurance premiums
- Bad debts

Any loss incurred in a previous year is deductible from the income of the same trade or business for up to four years.

Rates. The following rates apply to residents and nonresidents.

Taxable income NGN	Rate %	Tax NGN	Cumulative tax NGN
First 300,000	7	21,000	21,000
Next 300,000	11	33,000	54,000
Next 500,000	15	75,000	129,000
Next 500,000	19	95,000	224,000
Next 1,600,000	21	336,000	560,000
Above 3,200,000	24	—	—

Minimum tax of 1% of gross income is due, even if applicable reliefs reduce tax liability beneath that level.

Individuals whose annual taxable income is NGN30,000 or less are exempted from the requirement to file a tax return.

Relief for losses. Business losses of a self-employed person may be carried forward for four years. Loss carrybacks are not allowed.

B. Inheritance and gift taxes

Nigeria does not impose inheritance and gift tax.

C. Social security

Pension. The mandatory minimum contribution to the Nigerian Pension Scheme is 18% of an employee's monthly emoluments. Employers and employees are required to make contributions of 10% and 8%, respectively. Monthly emoluments are total emoluments as may be defined in the employee's employment contract but cannot be less the sum of basic salary, housing allowance and transport allowance.

In addition to the above contributions, employees may make voluntary contributions to their retirement savings accounts. An employer may agree to the payment of additional benefits to the employee on retirement or elect to bear full responsibility for the scheme provided that the employer's contribution is not less than 20% of the monthly emoluments of the employee. In addition, every employer must maintain a group life insurance policy in favor of each employee for a minimum of three times the annual total emoluments of the employee. The premium must be paid not later than the date of commencement of coverage.

National Housing Fund. Nigerian employees earning a basic salary of NGN3,000 or more per year must contribute 2.5% of their basic salary to the National Housing Fund.

Employee Compensation Scheme. The Employee Compensation Scheme (ECS) is designed to provide adequate compensation for all employees or their dependents for any death, injury, disease or disability arising out of or in the course of employment. Under the ECS, employers are required to remit on a monthly basis to the National Social Insurance Trust Fund 1% of the employer's

total monthly payroll as ECS contributions. This guarantees the registration of the employees for the benefits of the scheme. The contribution is mandatory for employers.

Industrial Training Fund. Employers with five or more employees are required to contribute 1% of their total payroll costs to the Industrial Training Fund (ITF). Employers with less than five employees but with a turnover of NGN50 million (approximately USD138,000) and above are also required to make the above contribution to the ITF. The term "employee" includes temporary employees who work for periods of not less than three months. The ITF may refund up to 50% of the amount contributed by an employer if the employer has engaged in approved training for its employees.

D. Tax filing and payment procedures

The federal government is responsible for enacting individual income tax legislation. The Internal Revenue office in each state administers and collects taxes from taxable residents. The federal government collects taxes from the armed forces, police personnel, External Affairs Officers and residents of the Federal Capital Territory, as well as tax levied on nonresidents for income derived from Nigeria.

The tax year in Nigeria is the calendar year. Income tax is assessed on employment income on a current-year basis. Tax on income from a trade, business, profession or vocation is assessed on a preceding-year basis, except for the first three and the last two years of assessment. The basis period is the financial year chosen for the trade, business, profession or vocation. Investment income and other income are also assessed on a preceding-year basis.

Employers are obliged to file annual returns in respect of an assessment year for employees not later than 31 January of the following assessment year. Other individual taxpayers must file a tax return within 90 days after the beginning of each year of assessment. Individuals with annual taxable income of NGN30,000 or less are not required to file tax returns.

Like residents, nonresidents must account for all income in their tax returns, and they may claim a credit for most taxes withheld.

Tax on employment income is paid by withholding from salary under the Pay-As-You-Earn (PAYE) system. For business income, the tax due must be paid within 60 days after the receipt of an assessment notice from the Internal Revenue.

Married persons are taxed separately, not jointly, on all types of income.

E. Double tax relief and tax treaties

Foreign tax paid on income brought into Nigeria through the Central Bank of Nigeria, or through any other authorized dealer approved by the Minister of Finance, may be credited against tax payable in Nigeria on the same income.

Nigeria has entered into double tax treaties with the following countries.

Belgium	Korea (South)	Romania
Canada	Mauritius	South Africa
China	Netherlands	Spain
Czech Republic	Pakistan	United Kingdom
France	Philippines	

F. Entry visas

Nigerian consulates abroad issue various types of entry visas to bona fide business travelers, expatriate assignees (either on short- or long-term assignments) and visitors traveling for holidays. Entry visas are typically issued for a single entry into Nigeria, but visitors on tourist and business visa platforms may be granted multiple entries at the discretion of the Nigeria consulates abroad.

The various entry visas include transit visas issued to individuals who are passing through Nigeria en route to other destinations, but expect to stay in the country for up to seven days. Travelers in direct transit or whose transition period does not exceed 48 hours do not need transit visas.

Tourist visas are issued to applicants coming to Nigeria to visit families and friends or for tourism purposes. The visitor's stay in Nigeria can be extended subject to the approval of Nigeria Immigration Service (NIS), and relevant statutory fees may apply.

Business visas are issued to visitors and investors coming to Nigeria for discussions or meetings relating to business purposes. Any form of work-related activity is prohibited for holders of this visa. An extension of stay in Nigeria is permissible subject to NIS approval, and relevant statutory fees may apply.

A few years ago, the federal government introduced the Visa on Arrival (VOA) program to promote foreign direct investment and to ease doing business in Nigeria. The VOA program facilitates expedited entry into Nigeria for top executives of multinationals, high net worth private investors and business travelers from countries where no Nigerian consulates are located. In addition, consideration is given to other business travelers who need to urgently attend meetings, seminars and conferences in Nigeria on short notice. The approval of this facility is at the sole discretion of the Comptroller General (CG) of the NIS.

Temporary work permit (TWP) visas are issued to expatriates with specialized skills for work on short-term specific projects that are based in Nigeria. The visa application process is initiated in Nigeria by obtaining a local approval (a TWP cablegram) for up to two months, which is granted by the CG of the NIS. The expatriates then present the approval, together with other supporting documents at the relevant Nigerian consulate abroad. An extension of stay in Nigeria is permissible subject to NIS approval, and relevant statutory fees may apply. For further details regarding the TWP visas, see Section G.

The subject-to-regularization (STR) visa is issued to expatriate assignees (including their dependents if applicable) who will be coming to work and live in Nigeria on a long-term basis. Expatriate assignees on this work visa platform are expected to be placed in the host company's approved Expatriate Quota (EQ)

positions. On arrival in Nigeria, a Combined Resident Permit and Alien Card (CERPAC) is issued to an expatriate assignee as a temporary resident permit receipt. Subsequently, a Green Card, which is a permanent resident permit, is expected to be issued within 90 days.

G. Work permits and self-employment

The federal government, through its relevant agencies, regulate the employment of expatriates in Nigeria to ensure that the right skills are imported or transferred and, at the same time, to promote employment opportunities for qualified Nigerians. Applications for entry visas into Nigeria are screened for security as well as the potential for foreign direct investment.

The TWP visa application process is initiated in Nigeria by obtaining a TWP cable approval from the headquarters of the NIS. Specific information about the expatriate, including a copy of the international passport data page, the nature of assignment to be performed and country of visa application must be well articulated in the application. On approval of the CG of the NIS, a TWP cable approval is issued for presentation at the relevant Nigeria consulate abroad.

The following documents are generally required to process a TWP visa application:
- Completed visa application form
- Copy or original TWP cablegram as approved by the CG of the NIS
- Letter of invitation or visa application letter (to be provided by the host company on its letterhead and addressed to the specific Nigerian consulate abroad)
- Acknowledgment receipt confirming payment of visa fee
- Postal order made payable to the Nigeria consulate office and additional administrative charges for express service (this may not apply to all Nigerian consulates)
- International passport with a minimum of six months' validity and with two blank facing pages
- Return flight ticket

The above list is not exhaustive because visa requirements are determined by the various Nigerian consulates abroad.

Companies that require services of foreign nationals for permanent or long-term employment must have previously obtained an approval for specific EQ positions at the Federal Ministry of Interior (FMI) in Abuja as well as a business permit for non-indigenous companies. After the validity and availability of the EQ positions are confirmed, host companies can bring their qualified expatriate assignees to Nigeria on the STR visa platform (see Section F).

Foreign nationals taking up employment in Nigeria are classified into the following categories for visa application purposes:
- Individuals taking up employment in Free Trade Zones in Nigeria. This category is not subject to EQ conditions.
- Individuals taking up employment with partially government-owned organizations and private sector companies and organizations. This category is subject to EQ conditions.

Expatriates coming to Nigeria for employment under the above categories must apply for entry visas through Nigerian consulates abroad. The Nigerian consulates may issue entry visas, including STR visas (see Section F).

Applications for STR visas must be supported with quadruplicate copies of the following documents, stamped by the appropriate Nigerian consulate in the applicant's home country or country of residence:

- Completed visa application form (Form IMM/22)
- Credentials and academic qualifications or certificates
- Valid EQ approval letter
- Business permit and certificate of incorporation of the host company
- Offer of employment letter
- Acceptance of employment letter
- Board of directors' resolution (applicable if roles are to be assigned for senior management positions, such as Managing Director, Chief Executive Officer and General Manager)
- Letter of invitation or visa application letter (to be provided by the host company on its letterhead and addressed to the specific Nigerian consulate abroad)
- Acknowledgment receipt confirming payment of visa fee, as well as a postal order made payable to the Nigeria consulate for additional administrative charges and express service (this may not apply to all Nigerian consulates)
- International passport with a minimum of six months' validity and with two blank facing pages

Requirements may vary slightly among Nigerian embassies in different countries.

STR visas are granted for three months. The required documents must be approved and endorsed by the Nigerian embassy abroad and given to the expatriate in a sealed envelope, for presentation to the NIS on the expatriate's arrival in Nigeria. The host company must present these documents to the NIS together with a CERPAC usually referred to as a temporary residence permit and an application letter for "Regularization of Stay." On approval of the CG of the NIS, a permanent residence permit (Green Card) is issued.

The CG of the NIS abolished the use of re-entry visas (single and multiple re-entry visas) by resident expatriates, effective from 6 March 2015. Consequently, resident expatriates can commute in and out of Nigeria based on endorsed CERPACs or valid Green Cards. Expatriates employed in Nigeria are issued CERPACs on application for regularization of stay, which must be made within three months of arrival in the country. Permanent resident permits (Green Cards) are issued on completion of this process.

Expatriates may transfer from one company to another if the prior consent of the NIS is obtained. To obtain consent, the previous employer must signify in writing it has no objection to the change of employment, and the new company then applies to the NIS for the transfer of the expatriate.

Economic Community of West African States (ECOWAS) nationals are exempted from EQ conditions and are only required

to obtain ECOWAS residence cards for work purposes. This type of residence permit is valid for two years, subject to the validity of the assignee's international passport.

Foreign nationals may establish businesses in Nigeria and own up to 100% of the share capital of their companies. Companies that are partly or wholly owned by foreign nationals must be registered with the Nigerian Investment Promotion Commission or the FMI in Abuja after incorporation.

H. Family and personal considerations

Family members. Family members of expatriates must show evidence of their relationships, including marriage certificates and birth certificates. Dependents above 18 years of age are also issued CERPACs. Dependent minors are issued "Minor" immigration status endorsements, subject to the validity of their parents' residence permits. This allows them travel in and out of the country. Dependent minors are permitted to attend public or private schools.

A dependent with CERPAC status may be employed by a Nigerian company if he or she is at least 18 years of age, with requisite academic qualifications and if the company has vacant expatriate quota positions. An application is forwarded by the Nigerian company to the NIS with copies of the applicant's résumé and academic professional certificates. On NIS approval of the application, the status of the applicant is upgraded from the status of dependent to principal residence expatriate.

Driver's permits. Foreign nationals are not permitted to drive legally in Nigeria with their home country driver's licenses. They must have international driver's licenses or prove that they have applied for Nigerian driver's licenses.

Nigeria does not have driver's license reciprocity with any other country. Foreign nationals must apply for Nigerian driver's licenses after obtaining their residence permits.

The following documents must be submitted with an application form and payment of the necessary fee to obtain a driver's license:
- A copy of the residence permit
- A copy of the foreign driver's license
- Two passport-size photographs
- The applicant's blood group
- Evidence of good eyesight

No actual driving test is required of a license applicant. However, a physical examination is conducted if considered necessary by the issuing authority.

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A. Income tax

Who is liable

Territoriality. Individuals resident in the Republic of North Macedonia (RNM) are subject to income tax on their worldwide income. Nonresident individuals are subject to income tax on their income earned in the RNM.

Definition of resident. An individual is a resident of the RNM if he or she has a permanent or temporary residence in the RNM. An individual is considered to be resident in the RNM if he or she is present in the RNM either continuously or with interruptions for 183 or more days in any 12-month period.

Income subject to tax. Under the North Macedonian Law on Personal Income Tax, the following types of income are subject to tax:
- Labor income
- Self-employment income
- Income from the sale of own agricultural products
- Income from property and property rights
- Income from copyrights and industrial property rights
- Investment income
- Capital gains
- Insurance income, including insurance premiums
- Gains from games of chance
- Other revenues, including income from e-trading, e-marketing services, income generated from the sale of solid waste, unused financial help intended for medical treatments and costs for inventory shortages that are not a result of *vis major* or theft and are not on account of the employer

The various types of income are discussed below.

Labor income. Labor income consists of any income earned by an individual on the basis of employment, including income derived from a temporary contract or the temporary rendering of services, with state administrative bodies and domestic and

foreign legal entities and individuals, as well as income derived by domestic and foreign individuals performing an independent activity, unless exempted from taxation. The following items are included in labor income:

- Salaries and allowances (to the extent that the amounts exceed the legal threshold amounts for allowances) arising from employment, performance-based remuneration (for example, bonuses) and fringe benefits
- Pensions
- Income realized by members of management and supervisory boards of enterprises
- Income realized by officials, members of parliament, advisers and similar high-level persons
- Income realized by professional sportsmen
- Sick-leave allowances
- Annual leave allowances
- Allowances for judges and jury members, forensic experts and receivers not employed by the respective institutions or enterprises
- Compensation and remuneration paid to the members of the North Macedonian Academy of Sciences and Arts
- Salaries earned and paid abroad based on employment contracts with North Macedonian employers
- Income derived from rendering services under contracts with entities and individuals on a temporary or occasional basis

Self-employment income. Self-employment income includes income from the following types of activities:

- Business activities
- Professional and other intellectual services
- Agricultural activities
- Other activities with the objective of realizing revenues

Self-employed persons must maintain accounting books, except individuals whose total income from agricultural activities does not exceed MKD1 million annually. The tax base for employment income is net income, which is the difference between revenues and expenditures.

Income from sale of own agricultural products. The tax base for income realized from the sale of agricultural products is the difference between the total income realized and the recognized normative expenses in the amount of 80% (that is, 80% of the expenses incurred by the taxpayer are recognized as deductible for personal income tax purposes). Taxpayers whose income realized from the sale of agricultural products does not exceed MKD1 million are entitled to claim back the tax paid.

Income from property and property rights. Income from property and property rights includes income earned through the lease or sublease of land, residential or business premises, garages, leisure and recreational premises, equipment, transportation vehicles and other types of property.

Income from copyrights and industrial property rights. Income from royalties is considered to be payments received for the use of, or the right to use, copyrights and industrial property rights.

Investment income. Under the North Macedonian Law on Personal Income Tax, investment income includes the following items:

- Dividends and other income received from participations in the profits of legal entities
- Interest on loans granted to natural persons and legal entities
- Interest on deposits
- Interests on securities
- Other income from securities or financial instruments

The gross amounts of the above items are taxable.

Capital gains. Capital gains consist of income realized through the difference between the sale and the purchase price when selling or exchanging immovable property, securities, equity interests, and other tangible and intangible assets. If the difference is negative, a capital loss is generated.

The taxation of capital gains derived from the sale of securities will become effective as of 1 January 2020.

Gains from games of chance and other prize games. An amount of gain exceeding MKD5,000 from conventional games of chance is subject to personal income tax. Gains from gambling on sports games is fully subject to tax.

Insurance income. Insurance income includes the following:

- Life insurance premiums paid by legal entities or individuals who generate income from independent activities
- General insurance premiums paid by legal entities or individuals who generate income from independent activities, except for premiums that are exempted from taxation
- Amounts paid to the insured

The following are the tax bases for calculating the tax on income from insurance:

- The amount of the premium for life insurance paid by a legal entity or an individual that generates income from an independent activity
- The amount of the premium for insurance other than life insurance by a legal entity or an individual who generates income from an independent activity
- The insured amount reduced by the amount of the paid life insurance premiums if the premiums are paid by a natural person (that is, the insured amount reduced by the amount of the paid life insurance premiums subject to tax)

The following are exempted from tax:

- Paid premiums for the collective insurance of employees borne by the employer and by self-employed individuals for injuries at work
- Paid premiums for life and other insurance for employees and for self-employed individuals, in the amount of two average monthly gross salaries in the country per year

Other income. Any income that is not specifically mentioned in the Law on Personal Income Tax as being exempt from tax is considered to be other income, including income from e-trading, e-marketing services, income generated from the sale of solid

waste, unused financial help intended for medical treatments and costs for inventory shortages that are not a result of *vis major* or theft and are not on account of the employer. The base for calculating the income tax on income referred to in the preceding sentence is gross income. However, the base for calculating the tax on the income generated from selling useful solid waste equals the gross income reduced by the tax-deductible costs in the amount of 50% of gross income.

Taxation of employer-provided stock options. No specific measures in the North Macedonian tax law cover the taxation of stock options. Stock options granted are generally regarded as part of employment remuneration.

Deductions

Deductible expenses. Deductible expenses for personal income tax purposes include the following:

- Contributions by an individual for pension, disability and health insurance and for employment
- Contributions by the individual for voluntary pension and disability insurance
- Fees and other public duties paid

Nonresident individuals may not claim the above deductions.

Personal deductions and allowances. Resident individuals may claim a deductible personal exemption in the annual income tax calculation. For 2019, the annual personal exemption equals MKD96,000. Nonresident individuals may not claim such exemption.

Rates. Under the most recent amendments to the Law on Personal Income Tax, personal income tax on employment income, self-employment income, income from the sale of own agricultural products and income from royalties is taxed at the following progressive rates:

- Annual tax base up to MKD1,080,000 (approximately EUR17,500): 10%
- Annual tax base exceeding MKD1,080,000: 18%

Consequently, the progressive tax rates on monthly payments is taxed at the following rates:

- Monthly tax base up to MKD90,000 (approximately EUR1,464): 10%
- Monthly tax base exceeding MKD 90,000: 18%

The other types of income listed above are subject to tax at a fixed rate of 15%.

Tax credit. Individuals donating financial resources to a legal entity under the Law on Donations and Sponsorship of Welfare Activities may claim a credit against personal income tax in their annual tax return. The credit may not exceed an amount equal to the first 20% of the annual tax debt, up to a maximum of MKD24,000.

Relief for losses. Capital losses from sales of shares can be carried forward for three years. Loss carrybacks are not allowed.

B. Other taxes

Property tax. Property tax is imposed on the owners of real estate, non-agricultural land, residential buildings or flats, business areas, administrative buildings, buildings or flats for rest and recreation, garages and other constructions. Property tax rates range between 0.1% and 0.2%, depending on the type and location of the property.

Real estate transfer tax. Transfers of real estate are subject to real estate transfer tax at a rate of 2% to 4% of the market value of the real estate.

Inheritance and gift taxes. Inheritance and gift taxes are imposed on the transfer of certain property by inheritance or gift. Inheritances and gifts are subject to tax if the market value of the inheritance or gift is higher than the amount of the average annual salary in the RNM in the preceding year, according to the data from the State Statistics Bureau. The following types of property are subject to tax:

- Immovable property
- Money and claims of money
- Securities and other movable property

The inheritance and gift tax rates vary depending on the order of succession of the recipient. The tax rate is 0% for taxpayers in the first line of succession. For taxpayers in the second line of succession, the tax rate is between 2% and 3%. For other taxpayers, the rate is between 4% and 5%. The municipal authorities fix the actual rate of tax.

C. Social security

Contributions. Employers are required to withhold the contributions listed in the table below from gross salary. No employer contributions are required. The following are the rates for the contributions.

Contribution	Rate (%)
Pension insurance	18.4
Health insurance	7.4
Unemployment insurance	1.2
Additional health insurance	0.5

The minimum base for social security contributions equals 50% of the average national salary (50% of MKD36,017 [approximately EUR586]). The maximum base for social security contributions equals 16 times the average national salary (MKD576,272 [approximately EUR9,370]).

Self-employed individuals must pay the contributions at the above rates. Their minimum base is the same while the maximum base equals 12 times the average national salary (MKD432,204 [approximately EUR7,028]).

Totalization agreements. To provide relief from double social security contributions and to assure benefit coverage, North Macedonia has entered into totalization agreements, which usually apply for a maximum of two years, with the following jurisdictions.

Albania	Czech Republic	Netherlands
Australia	Denmark*	Poland
Austria	Germany	Romania
Belgium	Hungary*	Serbia
Bosnia and Herzegovina	Italy	Slovak Republic
Bulgaria	Kosovo	Slovenia
Canada	Luxembourg	Switzerland
Croatia	Montenegro	Turkey

* This agreement has not yet entered into force.

D. Tax filing and payment procedures

Reporting obligations for individuals. Resident individuals must submit an e-calculation (E-PDD) with the Public Revenue Office (PRO) and report any income received from local individuals and income received from abroad. Nonresident individuals must electronically report their North Macedonian-source income received from local individuals.

The submission of the E-PDD must be made by the 10th of the month following the month in which the income is received.

The tax obligation is calculated by the PRO on the submission of the E-PDD and the payment must be made by the 15th of the month following the month in which the income is received.

Reporting obligations for legal entities. Legal entities that pay personal income to resident and nonresident individuals must submit an e-calculation with the PRO and report the income paid to individuals. The tax obligation is calculated by the PRO on the submission of the E-PDD, and the tax should be paid simultaneously with the payment of the income.

Tax returns. The annual tax returns are prepared by the tax authorities based on the data provided by the legal entities that pay personal income and the individuals through the E-PDD system.

The completed tax returns are provided to the individuals by 30 April in the year following the reporting year. Individuals are entitled to review and to correct (if necessary) the tax return no later than 31 May. The annual tax obligation is determined from the tax returns provided by the PRO or from the tax clearance issued by the PRO based on the corrected tax returns.

The deadline for payment of the tax determined with the tax return is 30 June. The deadline for payment of the tax determined with tax clearance is 15 days after receiving the clearance.

Other rules. Tax at rates of 10% and 18% (see *Rates*) is withheld from the following types of income:
- Employment income
- Income from the sale of agricultural products if the income payer maintains business records
- Income from royalties

A fixed tax rate of 15% is withheld from the following types of income:
- Investment income
- Income from property and property rights

- Income from property and property rights if the income payer maintains business records
- Capital gains
- Gains from games of chance
- Income from insurance, including insurance premiums
- Other income, including income from e-trading, e-marketing services, income generated from the sale of solid waste, unused financial help intended for medical treatments and costs for inventory shortages that are not a result of *vis major* or theft and are not on account of the employer

Individuals must pay the difference between the annual tax amount and the advance payments within 15 days after receiving the decision on tax liability based on the submitted annual tax return (PDD-GDP form).

E. Double tax relief and tax treaties

The RNM has entered into double tax treaties with the following jurisdictions.

Albania
Austria
Azerbaijan
Belarus
Belgium
Bosnia and Herzegovina
Bulgaria
China Mainland
Croatia
Czech Republic
Denmark
Egypt*
Estonia
Finland
France
Germany
Hungary
India
Iran
Ireland
Israel*
Italy
Kazakhstan
Kosovo
Kuwait
Latvia
Lithuania
Luxembourg
Moldova
Montenegro
Morocco
Netherlands
Norway
Poland
Qatar
Romania
Russian Federation
Saudi Arabia
Serbia
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Taiwan
Turkey
Ukraine
United Arab Emirates
United Kingdom
Vietnam*

* These treaties have not yet been ratified and entered into force.

F. Temporary visas

Under North Macedonian law, foreign nationals may request a temporary visa for touristic, business, personal and other purposes. The duration of the temporary visa is usually up to one year.

G. Work visas and permits

The reciprocity principle in international relations is considered in evaluating applications for work and residence permits. Apart from reciprocity criteria, only domestic economic problems may cause difficulties in the obtaining of work and residence permits. North Macedonian law provides for the following types of working visas:

- Self-employment visas, which are issued for a period of one year or three years or as permanent visas. Permanent visas may be issued to members of families in the RNM, foreign citizens from humanitarian programs or foreign individuals granted asylum.

- Employment visas, which are issued for up to one year.
- Work permits, which have a duration that depends on the nature of the work.

H. Residence visas and permits

North Macedonian law provides for the following three types of residence visas and permits:

- Residence permits, which are issued for up to three months.
- Temporary visas, which are issued to foreign citizens who intend to stay longer than three months. They are usually issued for a duration of up to one year, depending on the reason for the visit (for example, employment, self-employment, study, scientific research or visiting family members). Temporary visas are renewable.
- Permanent visas, which are issued to foreign nationals who have been residing in the RNM with a temporary visa for 5 years or more and, during this period, the individual has not left the country for a continuous period of 6 months or for a discontinuous period of 10 months.

I. Family and personal considerations

Family members. After a foreign national obtains a residence permit or visa, the spouse and children may apply for their own residence permits.

Family members of foreign nationals holding residence permits or visas receive priority in the RNM for the obtaining of work permits.

Marital property regime. The ordinary marital property regime in the RNM is participation in jointly acquired properties.

Driver's permits. Foreign or international driver's licenses may be used in the RNM.

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A. Income tax

Who is liable. Commonwealth of the Northern Mariana Islands (CNMI) residents are subject to tax on their total income regardless of source. An individual who is not a US citizen or permanent resident or a CNMI resident is subject to tax on income from sources within the CNMI only.

Foreign nationals who are not lawful US permanent residents (who do not hold US immigrant visas) are considered CNMI residents under a "substantial presence" test if they meet either of the following conditions:

- They are deemed to be present in the CNMI for at least 31 days during the current year.
- They are deemed to have been present in the CNMI for at least 183 days during a test period of three consecutive years, including the current year, using a formula weighted with the following percentages:
  — Current year: 100%
  — First preceding year: 33.33%
  — Second preceding year: 16.67%

Among the exceptions to the substantial presence test are the following:

- An individual may claim to be a nonresident of the CNMI in the year of departure by having a "closer connection" to a foreign country.
- Under certain circumstances, it may be beneficial to be considered a resident of the CNMI for income tax purposes. If certain

conditions are met, an individual may elect to be a resident in the year of arrival (first-year election) for tax purposes.

Citizens and permanent residents of the United States are generally considered bona fide residents of the CNMI if they satisfy both of the following conditions:
- They are physically present in the CNMI for 183 days or more during the tax year.
- They do not have a tax home outside the CNMI during any part of the tax year and do not have a closer connection to the United States or a foreign country during any part of the tax year.

The CNMI, part of the post-World War II Trust Territory of the Pacific Islands, is now a self-governing commonwealth in political union with, and under the sovereignty of, the United States. Because of this connection with the United States, US citizens and permanent residents with CNMI income are taxed somewhat differently from nonresidents. In addition to its wage and salary tax and earnings tax system, the CNMI has adopted the US Internal Revenue Code (IRC) as its income tax law, with "CNMI" substituted for all references to "United States." US citizens and permanent residents who are bona fide residents of the CNMI must file their individual tax returns with the CNMI instead of with the US Internal Revenue Service (IRS).

Income subject to tax. A nonresident alien is subject to CNMI tax on income that is effectively connected with a CNMI trade or business and on CNMI-source gains, profits and fixed or determinable, annual or periodical income (generally includes investment income, dividends, interest and rental income).

Employment income. A two-tier tax system applies to all employees in the CNMI, one under the IRC and the other under the CNMI wage and salary tax and earnings tax laws.

Under the IRC, gross income and deductions in the CNMI are determined as they are in the United States. Taxable income from personal services includes all cash wages, salaries, commissions and fees paid for services performed in the CNMI, no matter where the payments are made. In addition, taxable income includes the value of an employee's expenses paid by the employer and the fair-market value of noncash goods and services provided by the employer, including housing and vehicles.

Under the CNMI wage and salary tax and earnings tax rules, taxable income is determined as in the preceding paragraph, except that reasonable travel and per diem allowances furnished by the employer are excluded.

Individuals are subject to the earnings tax on nonbusiness income earned in the CNMI. Examples of nonbusiness income include the following:
- Gain from the sale of personal property
- One-half of the gain from the sale of real property located in the CNMI
- Gross gambling winnings
- All other CNMI income, except retirement plan income, alimony, social security or unemployment compensation

A nonresident alien who performs personal services as an employee in the CNMI any time during the tax year is considered to be engaged in a CNMI trade or business. A limited exception to this rule applies to a nonresident alien performing services in the CNMI if the services are performed for a foreign employer, if the employee is present in the CNMI for no more than 90 days during the year and if compensation for the services does not exceed USD3,000.

Compensation is considered to be from a CNMI source if it is paid for services performed in the CNMI, regardless of where the income is paid or received. If income is paid for services rendered partly in the CNMI and partly in a foreign country, and if the amount of income attributable to services performed in the CNMI cannot be accurately determined, the CNMI portion is determined based on a workday ratio. Fringe benefits that meet certain requirements are sourced to the person's principal place of work. These benefits include moving expenses, housing, primary and secondary education for dependents and local transportation.

Educational allowances provided by employers to their local or expatriate employees' children 18 years of age and under are taxable for income tax and social security tax purposes.

Self-employment and business income. Every CNMI resident who operates a business is taxable on the worldwide income of the business. Nonresidents are taxable on business income derived from CNMI sources only. Nonresidents are taxed on income effectively connected with a CNMI trade or business after related deductions at the graduated rates of tax set forth in *Rates*. The rules for the computation of an individual's taxable income from a business are similar to the US rules. An individual's self-employment income is combined with income from other sources and is subject to individual income tax at the rates discussed in *Rates*. The rebate provisions described in *Rates* also apply to income tax on self-employment income. Business gross revenue tax (see Section B) also applies on income earned by an individual in connection with a business in the CNMI.

Investment income. In general, dividend and interest income earned by residents is taxed at the ordinary rates.

Nonresident alien individuals with investment income are subject to special rules. Investment income received by nonresidents from CNMI sources is ordinarily taxed at a flat rate of 30% of gross income, which may be withheld by the payer. The nonresident alien must then file an individual tax return to obtain the 90% rebate (see *Rates*). Portfolio interest from the sale of stock in a CNMI company is exempt from the 30% tax. An election to tax rental income on a net basis is available.

Directors' fees. In general, directors' fees are considered earnings from self-employment. The business gross revenue tax (see Section B) applies to directors' fees earned in the CNMI.

Income from certain foreign corporations. Under a complex set of rules, US citizens and CNMI residents with ownership interests in "controlled foreign corporations" may be subject to tax

on certain categories of income, even if the income has not been distributed to them as a dividend. Beginning in 2018, the categories of income subject to current taxation are expanded. Individuals who were subject to these rules in 2017 were required to calculate a "transition tax" when filing their 2017 tax returns.

Capital gains and losses. Net capital gain income is taxed at ordinary rates, except that the maximum rate for long-term gains is limited to the following:

- 0% for married individuals filing jointly, with a maximum taxable income of USD78,750 (USD39,375 for single individuals)
- 15% for married individuals filing jointly, with a maximum taxable income of USD488,850 (USD434,550 for single individuals)
- 20% for married individuals filing jointly, with taxable income of more than USD488,850 (USD434,550 for single individuals)

Net capital gain is equal to the difference between net long-term capital gains over net short-term capital losses. Long-term refers to assets held longer than 12 months. Short-term capital gains are taxed as ordinary income at the rates set forth in *Rates*.

Investors who hold "qualified small business stock" may be entitled to exclude from income part or all of the gain realized on disposition of the stock.

Once every two years, CNMI taxpayers, including resident aliens, may exclude up to USD250,000 (USD500,000 for married taxpayers filing jointly) of gain derived from the sale of a principal residence. To be eligible for the exclusion, the taxpayer must generally have owned the residence and used it as a principal residence for at least two of the five years immediately preceding the sale. However, if a taxpayer moves as a result of a change in place of employment, for health reasons or as a result of unforeseen circumstances, a fraction of the maximum exclusion amount is allowed in determining whether any taxable gain must be reported. The numerator of the fraction is generally the length of time the home is used as a principal residence, and the denominator is two years. The repayment of a foreign currency mortgage obligation may result in a taxable exchange-rate gain, regardless of any economic gain or loss on the sale of the principal residence. In certain cases, part of the gain on the sale of a principal residence may not be eligible for exclusion. To the extent the taxpayer has "non-qualified use" of the property, that portion of the gain (determined on a time basis over the total holding period of the property) is not eligible for exclusion from income. A complex set of rules applies to determine whether a particular use of the property, such as renting out the property or leaving it vacant, is considered a "non-qualified use."

Capital losses are fully deductible against capital gains. However, net capital losses are deductible against other income only up to an annual limit of USD3,000. Unused capital losses may be carried forward indefinitely. Losses attributable to personal assets (for example, a personal residence or an automobile) are not deductible.

When the IRC took effect in the CNMI on 1 January 1985, a provision was adopted to exempt pre-1985 appreciation of CNMI property from income tax. For the purposes of determining gains and allowances for depreciation and amortization, the basis of CNMI real and personal property is the greater of the basis determined under the IRC or the fair-market value as of 1 January 1985. Fair-market value may be established either by independent appraisal or by discounting the ultimate sales price back to 1 January 1985, using discount factors specified in the tax regulations. Rates published by the IRS are currently used.

In general, capital gains received by nonresidents from the sale of stock in a CNMI company are exempt from the 30% tax that applies to investment income received by nonresidents. Gains from sales of CNMI real property interests, however, are generally considered to be "effectively connected income," and special complex rules apply.

Dividends. Dividends received by individuals from domestic corporations and "qualified foreign corporations" are taxed at the same special rates as those applicable to net capital gains, for both the regular tax and the alternative minimum tax. See *Capital gains and losses* for the tax rates.

To qualify for the 15% (or 0% or 20%) tax rate, the shareholder must hold a share of stock for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date. Other dividends are taxed at ordinary rates.

Deductions. Deductions are allowed under the same rules that apply in the United States.

Rates. Taxes on income derived within the CNMI by CNMI residents are low, but their computation is complicated. The following factors affect the amount of taxes paid:

- The wage and salary tax, earnings tax and business gross revenue tax (see Section B)
- The tax under the IRC
- A rebate, usually at a rate of 90%, of the excess of taxes under the IRC over the combined total of wage and salary tax and earnings tax, and business gross revenue tax (see *Credit and rebate*)

Wage and salary tax and earnings tax. The following wage and salary tax and earnings tax rates apply to total taxable income in the CNMI.

Total taxable income Exceeding USD	Total taxable income Not exceeding USD	Rate on total taxable income %
0	1,000	0
1,000	5,000	2
5,000	7,000	3
7,000	15,000	4
15,000	22,000	5
22,000	30,000	6
30,000	40,000	7
40,000	50,000	8
50,000	—	9

Individual income tax. Under the IRC, the applicable CNMI tax rate, like the US rate, depends on whether an individual is married and, if married, whether the individual elects to file a joint return with his or her spouse. Certain individuals also qualify to file as a head of household. For 2019, the graduated tax rates listed below apply in the CNMI.

Married filing joint return

Taxable income	Amount of tax
Not over USD19,400	10% of the taxable income
Over USD19,400 but not over USD78,950	USD1,940 plus 12% of the excess over USD19,400
Over USD78,950 but not over USD168,400	USD9,086 plus 22% of the excess over USD78,950
Over USD168,400 but not over USD321,450	USD28,765 plus 24% of the excess over USD168,400
Over USD321,450 but not over USD408,200	USD65,497 plus 32% of the excess over USD321,450
Over USD408,200 but not over USD612,350	USD93,257 plus 35% of the excess over USD408,200
Over USD612,350	USD164,709.50 plus 37% of the excess over USD612,350

Married filing separate return

Taxable income	Amount of tax
Not over USD9,700	10% of the taxable income
Over USD9,700 but not over USD39,475	USD970 plus 12% of the excess over USD9,700
Over USD39,475 but not over USD84,200	USD4,543 plus 22% of the excess over USD39,475
Over USD84,200 but not over USD160,725	USD14,382.50 plus 24% of the excess over USD84,200
Over USD160,725 but not over USD204,100	USD32,748.50 plus 32% of the excess over USD160,725
Over USD204,100 but not over USD306,175	USD46,628.50 plus 35% of the excess over USD204,100
Over USD306,175	USD82,354.75 plus 37% of the excess over USD306,175

Head of household

Taxable income	Amount of tax
Not over USD13,850	10% of the taxable income
Over USD13,850 but not over USD52,850	USD1,385 plus 12% of the excess over USD13,850
Over USD52,850 but not over USD84,200	USD6,065 plus 22% of the excess over USD52,850
Over USD84,200 but not over USD160,700	USD12,962 plus 24% of the excess over USD84,200
Over USD160,700 but not over USD204,100	USD31,322 plus 32% of the excess over USD160,700
Over USD204,100 but not over USD510,300	USD45,210 plus 35% of the excess over USD204,100
Over USD510,300	USD152,380 plus 37% of the excess over USD510,300

Single individual

Taxable income	Amount of tax
Not over USD9,700	10% of the taxable income
Over USD9,700 but not over USD39,475	USD970 plus 12% of the excess over USD9,700
Over USD39,475 but not over USD84,200	USD4,543 plus 22% of the excess over USD39,475
Over USD84,200 but not over USD160,725	USD14,382.50 plus 24% of the excess over USD84,200
Over USD160,725 but not over USD204,100	USD32,748.50 plus 32% of the excess over USD160,725
Over USD204,100 but not over USD510,300	USD46,628.50 plus 35% of the excess over USD204,100
Over USD510,300	USD153,798.50 plus 37% of the excess over USD510,300

The brackets of taxable income are indexed annually for inflation.

The preceding rates are used to compute an individual's regular CNMI income tax liability. In addition, higher income taxpayers (income over USD250,000 for married filing jointly and USD200,000 for single) are subject to a 3.8% tax on their "net investment income." The definition of "net investment income" is broad and essentially includes all income other than income from a trade or business. Compensation from personal services is generally excluded from this tax.

CNMI also imposes alternative minimum tax (AMT) at a rate of 26% on alternative minimum taxable income, up to USD194,800, and at a rate of 28% on alternative minimum taxable income exceeding USD194,800 (long-term capital gains and qualified dividends are generally taxed at lower rates of 15% or 20%; see *Capital gains and losses* and *Dividends*). The primary purpose of AMT is to prevent individuals with substantial income from using preferential tax deductions (such as accelerated depreciation), exclusions (such as certain tax-exempt income) and credits to substantially reduce or to eliminate their tax liability. It is an alternative tax because, after an individual computes both the regular tax and AMT liabilities, the greater of the two amounts constitutes the final liability.

Credit and rebate. The income tax, wage and salary tax, earnings tax and business gross revenue tax (see Section B) are applied against the same income, but two provisions in the CNMI laws provide substantial tax benefits. To avoid double taxation, the law provides a credit against income tax for the wage and salary tax, earnings tax and business gross revenue tax paid on income earned in the CNMI. If income tax on CNMI income exceeds the sum of wage and salary tax, earnings tax and business gross revenue tax, part of the excess income tax is rebated. The following are the rebate percentages.

Excess income tax		Rebate on	Rebate on
Exceeding USD	Not exceeding USD	lower amount USD	excess %
0	20,000	0	90
20,000	100,000	18,000	70
100,000	—	74,000	50

Income earned by CNMI residents from foreign sources is subject to the full amount of income tax under the IRC. A special rule prevents US residents from taking advantage of the rebate by changing their residence to report gains derived on the sale of US property or stock in US companies on their CNMI tax return.

Relief for losses. In general, passive losses, including those generated from limited-partnership investments or rental real estate, may be offset only against income generated from passive activities.

Limited relief may be available for real estate rental losses. For example, an individual who actively participates in rental activity may use up to USD25,000 of losses to offset other types of income. The USD25,000 offset is phased out for taxpayers with adjusted gross income of between USD100,000 and USD150,000, and special rules apply to married individuals filing separate tax returns.

Disallowed losses may be carried forward indefinitely and used to offset net passive income in future years. Any remaining loss may be used in full when a taxpayer sells the investment in a transaction that is recognized for tax purposes.

B. Other taxes

Business gross revenue tax. The following table presents the brackets and rates for the business gross revenue tax.

Gross revenue Exceeding USD	Gross revenue Not exceeding USD	Rate on total gross revenue %
0	5,000	0
5,000	50,000	1.5
50,000	100,000	2
100,000	250,000	2.5
250,000	500,000	3
500,000	750,000	4
750,000	—	5

Manufacturers, ocean shippers and wholesalers are taxed at a maximum rate of 2%.

The business gross revenue tax on income earned in the CNMI may be credited against income tax paid on income earned in the CNMI. The rebate provisions described in Section A also apply to income tax on business income.

Estate and gift taxes. Non-US citizens and US citizens who receive their citizenship by birth or naturalization in the CNMI and are CNMI residents at the time of death are subject to US estate and gift taxes on assets located in the United States only, not on those located in the CNMI. US citizens other than those who receive their citizenship by birth or naturalization in the CNMI are subject to US estate and gift taxes on all of their assets, including those located in the CNMI.

The CNMI imposes an estate tax that applies only to estates that have US estate tax liability. The CNMI estate tax equals the lesser of the amount of the foreign death tax credit allowed under Section 2014 of the United States Internal Revenue Code, or the

amount derived by multiplying the US estate tax less any allowable credits by the quotient of the value of the property situated in the CNMI, divided by the value of the gross estate.

C. Social security taxes

Social security tax. CNMI is covered under the US social security system. Under the Federal Insurance Contributions Act (FICA), social security tax is imposed on wages or salaries received by individual employees to fund retirement benefits paid by the federal government. The following two taxes are imposed under FICA:

- Old-age, survivors and disability insurance (OASDI)
- Hospital insurance (Medicare)

For 2019, the OASDI tax is imposed on the first USD132,900 at a rate of 6.2% on the employee and 6.2% on the employer. Medicare tax is imposed, without limit, at a rate of 1.45% on the employee and 1.45% on the employer. In addition, higher income employees (but not their employers) pay an extra 0.9% Medicare tax. The income threshold varies by tax return filing status. Married couples filing jointly pay the extra tax on their combined wages in excess of USD250,000, single taxpayers and heads of households on wages exceeding USD200,000, and married taxpayers filing separately on wages exceeding USD125,000. Self-employment income (see below) is added to the amount of wages when determining the threshold.

FICA tax is imposed on compensation for services performed in the CNMI, regardless of the citizenship or residence of the employee or employer. Consequently, absent an exception, nonresident alien employees who perform services in the CNMI are subject to FICA tax. Certain categories of individuals are exempt from FICA tax, including foreign government employees, exchange visitors in the CNMI under J visas, foreign students holding F, M or Q visas, and individuals covered under social security totalization agreements between the United States and other countries. These agreements allow qualifying individuals to continue paying into the social security system of their home countries, usually for a period of five years.

Filipino and Korean nonresidents are exempt from FICA under treaty provisions. A CNMI or foreign employer is responsible for withholding social security taxes from compensation paid to nonresident alien employees.

Self-employment tax. Self-employment tax is imposed under the Self-Employment Contributions Act (SECA) on self-employment income, net of business expenses, that is derived by US citizens and CNMI residents. The following two taxes are imposed under SECA:

- OASDI
- Hospital insurance (Medicare)

For 2019, the OASDI tax is imposed on the first USD132,900 of the net earnings of a self-employed individual at a rate of 12.4%. Medicare tax is imposed, without limit, at a rate of 2.9%. In addition, higher income individuals pay an extra 0.9% Medicare tax. The income threshold varies by tax return filing status. Married

couples filing jointly pay the extra tax on their combined self-employment income in excess of USD250,000, single taxpayers and heads of households on self-employment income exceeding USD200,000, and married taxpayers filing separately on self-employment income exceeding USD125,000. Wage income (see above) is added to the amount of self-employment income when determining the threshold.

Self-employed individuals must pay the entire tax (unlike an employee who pays half the tax while the employer pays the other half of the tax) but may deduct 50% (not including the extra 0.9% Medicare tax) as a trade or business expense on their federal income tax return. No tax is payable if net earnings for the year are less than USD400. If a taxpayer has both wages subject to FICA tax and income subject to SECA tax, the wage base subject to FICA tax is used to reduce the income base subject to SECA tax. SECA tax is computed on the individual's US income tax return (Form 1040-SS). Nonresident aliens are not subject to SECA tax unless they are required to pay the tax under a totalization agreement (see *Social security tax*).

D. Tax filing and payment procedures

CNMI income tax returns are filed under the rules of the United States, but they are filed with the CNMI government instead of with the IRS. Residents of the CNMI report their US income on their CNMI returns, and residents of the United States report their CNMI income on their US returns. Income taxes withheld on CNMI wages may offset CNMI income tax liability reported on a US return, and taxes withheld on US wages may offset US income tax liability reported on a CNMI return. Estimated tax payments are filed with the CNMI or the United States, depending on where the taxpayer resides the day the payment is due. Self-employment taxes are paid to the IRS.

Nonresidents must file tax returns if they are engaged in a trade or business in the CNMI, even if they earn no income from the business. Individuals not engaged in a CNMI trade or business must file returns if they have any CNMI-source income on which all of the tax due is not withheld. If all of the tax is withheld, the returns must be filed to obtain the 90% rebate. Nonresident employees subject to CNMI income tax withholding must file tax returns by 15 April. Other nonresidents must file returns by 15 June.

E. Double tax relief and tax treaties

Foreign tax credits offset CNMI taxes on foreign income in the same manner as in the United States. However, none of the US double tax treaties applies to the CNMI, and the CNMI has no double tax treaties of its own.

F. Non-immigrant and immigrant visas

On 28 November 2009, the CNMI transitioned from the CNMI immigration laws to the immigration laws of the United States. The transition period to the US immigration laws ended on 31 December 2014. The transitional worker non-immigrant visa classification (CW) for foreign workers only in the CNMI was scheduled to expire on 31 December 2019 but was extended

through 2029 by the Northern Mariana Island U.S. Workforce Act of 2018. The CW-1 program allows employers within the CNMI to apply for permission to employ foreign (nonimmigrant) workers who are otherwise ineligible to work in the CNMI under other nonimmigrant worker categories. Beginning with the 2020 fiscal year, all CW-1 filings must include an approved temporary labor certification from the US Department of Labor. For details regarding the US immigration laws, see the chapter on the United States in this book.

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A. Income tax

Who is liable. Individuals resident in Norway are subject to tax on their worldwide income. Nonresidents are taxable on Norwegian-source income only. Wages and remuneration may be considered Norwegian-source even if an employer has no permanent establishment in Norway.

Individuals present for a period or periods exceeding in aggregate 183 days in any 12-month period or 270 days in any 36-month period are considered to be resident for tax purposes. After emigrating from Norway, an individual continues to be considered a resident for tax purposes if the individual, or someone closely related to him or her, maintains a home in Norway. After emigrating from Norway, an individual who does not maintain a home in Norway is considered to be a resident if the individual stays in Norway for more than 61 days per income year.

Notwithstanding the conditions mentioned above, an individual who has been resident in Norway for more than 10 years is considered to be resident for tax purposes in the three-year period after emigration and for as long as he or she maintains a home in Norway or stays in Norway for more than 61 days during a year.

Special rules may apply to individuals working on the Norwegian Continental Shelf.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable income generally includes salaries and wages, bonuses, directors' fees, benefits in kind, annuities and pensions, whether the benefit is earned over a period of time,

occasionally or on a single occasion. Most allowances and fringe benefits are considered taxable income.

Nonresidents are subject to tax at various rates on income earned from work carried out in Norway and on wages earned on ships registered with the Norwegian common shipping register.

Self-employment and business income. Residents are subject to tax on worldwide self-employment and business income. Nonresidents are subject to tax if they engage or participate in business or other economic activities carried on or administered in Norway. Furthermore, persons with assets in Norway in the form of real property or tangible assets are subject to tax on income derived from such assets at the ordinary 22% rate described in *Rates*. Special rules may apply to shipping activities.

Partnerships are subject to so-called net assessment. The partnership model applies to general partnerships (ANS), limited partnerships (KS), silent partnerships (IS) and shipping partnerships (Partsrederier). Effective from 2016, new regulations were introduced for distributed income to personal shareholders and participants in partnerships. As a result of the reduction of the corporate tax rate from 23% to 22%, the basis for the calculation of distributed income is increased by an adjustment factor of 1.44.

For 2019, such partnership taxation ensures the same level of taxation on both retained and distributed profits as in limited companies. The maximum marginal tax rate for distributed income is 46.7% for 2019.

The partnership model applies to all partners, regardless of whether the partners are active. However, partners, other than partners who are individuals, are not subject to additional taxation at distribution under the exemption method.

For self-employed individuals, all business profits exceeding a risk-free interest on the capital invested are taxed as personal income.

Taxable personal income serves as the basis for levying both personal income tax (step tax) at a rate of up to 16.2% and the social security contribution at a rate of 11.4%. It also entitles an individual to pension points in the social security system.

Nonresidents are also subject to tax at the same rates that apply to residents on the following amounts:

- Income from, and capital invested in, activities carried on or managed either in Norway or on the Norwegian Continental Shelf
- Income derived from providing employees for principals who are carrying on activities in Norway
- Income derived from, and capital invested in, real and movable property located in Norway
- Fees paid to foreign entertainers and artists for performances in Norway

Nonresidents may also be subject to Norwegian taxes if they participate as general partners or limited partners in businesses carried on in Norway. For example, a leasing business with property in Norway is taxable, even if the activity is not carried out through a fixed place of business in Norway.

Investment income. Interest, rental income and royalties are subject to tax with other ordinary income at a rate of 22%.

For dividends received by shareholders who are individuals, a shareholders' model has been introduced. Under the shareholders' model, dividends exceeding a risk-free return on the investment (the cost base of the shares) are taxed as general income when distributed to individual shareholders. The part of the dividend that does not exceed a risk-free return on the investment is not taxed in the hands of the shareholder. If the dividend for one year is less than the calculated risk-free interest, the tax-free surplus amount can be carried forward to be offset against dividends distributed in a subsequent year or any capital gain derived from the alienation of the shares on which the dividend is paid. In addition, an adjustment factor of 1.44 is introduced for dividends in 2019.

The shareholders' model applies to dividends received by Norwegian individuals and to individuals resident in other European Economic Area (EEA) states who are subject to Norwegian withholding tax.

Effective from 2019, dividends are multiplied by an adjustment factor of 1.44, and the adjusted basis is then taxed as ordinary income at a rate of 22%. As a result, the effective tax rate for dividends is 31.68%.

Nonresidents are subject to a 22% withholding tax on dividends paid by Norwegian companies, unless a lower treaty rate applies. Withholding tax is not imposed on interest and royalties paid to nonresidents.

Directors' fees. Nonresident and resident directors are taxed on directors' fees from Norwegian companies. Directors' fees are taxed in the same manner as employment income.

Optional simplified tax regime for foreign workers. From 2019, a simplified tax regime for foreign workers is introduced to the Norwegian tax system. The simplified tax regime is optional; that is, the individual can choose to be part of the regular tax regime, as described above, or the simplified tax regime. In the simplified tax regime, employment income is taxed based on a gross method with a fixed rate of 25% (including the employee social security contribution). If an A1 form is provided, an individual can be exempt from social security contributions of 8.2%, resulting in a fixed rate of 16.8%. No deductions from the tax base are allowed. In addition, the tax is determined and assessed as final on an ongoing basis through the employer's tax withholding and reporting to the tax administration.

To be eligible for the simplified tax regime, the individual must be considered a tax nonresident according to Norwegian law. The regime does not apply to offshore workers and foreign seafarers. In addition, the annual employment income must be below a certain threshold. Other conditions may apply; therefore, a case-by-case evaluation is required.

Individuals who are part of the simplified tax regime do not have an obligation to submit an annual individual tax return (see Section D).

Taxation of employer-provided stock options. Stock options provided by employers to employees are taxed at the date of exercise as income from employment.

The taxable value at the date of exercise is the fair market value of the shares at the date of exercise, less the exercise price and any other costs incurred by the employee related to the grant of the options or the conversion of the options to shares.

Capital gains and losses. Capital gains derived from disposals of business assets, including real property, are subject to ordinary income tax at a rate of 22%.

Effective from 2019, capital gains from the disposal of shares are multiplied by an adjustment factor of 1.44, and the adjusted basis is then taxed as ordinary income at a rate of 22%. As a result, the effective tax rate for capital gains from the disposal of shares is 31.68%.

Capital losses derived from disposals of shares are deductible against ordinary income (22%). However, the taxable gain may be reduced by any unused tax-free amount with respect to dividends received (see *Investment income*).

The gain derived from the sale of a personal residence is not subject to tax if the owner lived in the residence for at least 12 months during the 24 months before the sale. Otherwise, the gain derived from the sale of a private residence is subject to ordinary income tax, and losses are deductible from ordinary income.

Nonresidents are taxed on capital gains from capital assets located in Norway only.

Exit tax. Norway imposes an exit tax on unrealized profits on shares or share units in Norwegian or foreign companies including units in securities funds and stock options. The exit tax applies only to profit exceeding NOK500,000.

Individuals who have been resident in Norway for tax purposes are taxed on profits as if the shares, units, options and similar instruments were realized on the last day the individual was considered a tax resident of Norway for either domestic or tax treaty purposes. The deemed gain after an adjustment of 1.44 is subject to capital gains tax at the normal rate of 22%. As an exception, the deemed gain on employee share options is treated as normal compensation income, which is taxable at the individual's marginal rate.

For individuals who have resided in Norway for more than 10 years and were born in Norway, the profit is calculated as the spread between the original cost price of the asset and the market value at the time of emigration. However, individuals who have resided in Norway for less than 10 years may choose to use the market price at the time he or she became tax resident in Norway instead of the actual cost basis. However, this rule applies only to shares and share units owned by the individual when he or she took up residence in Norway.

The exit tax ceases to apply if the gain on the assets is not actually realized within five years after the emigration (or in the case of stock options, if the options are not exercised in the five-year period). The taxable profit can also be reduced if the actual

sales price was lower than the value of the shares at the date of emigration.

It is possible to defer the payment of the exit tax until actual realization of gain takes place. To achieve this deferral, the taxpayer needs to furnish adequate security for the payment obligation or move to a state within the EEA with which Norway has entered into an agreement for the exchange of information and assistance with recovery of taxes.

Deemed losses on emigration are also calculated using the same rules (that is, on shares sold within five years of emigration), and any loss is offset against gains chargeable at the capital gains rate of 22%. However, the loss may be excluded on emigration outside the EEA, and no loss is granted as a result of step-up of the historic cost price.

In general, strict documentation requirements apply at the time of emigration and for the following five years. If the deemed profit is less than NOK500,000 and, consequently, no exit tax applies, the taxpayer is still required to report the unrealized profit to the Norwegian tax authorities.

Deductions

Deductible expenses. A 10% standard deduction can be claimed by foreign seafarers and shelf workers because they cannot be included in the new regime for foreign workers (see *Optional simplified tax regime for foreign workers*).

Personal allowances. In calculating ordinary income tax for 2019, individuals are allowed a standard minimum allowance of 45% of gross compensation, with a maximum of NOK100,800 and a minimum of NOK4,000. This allowance is reduced proportionately if the individual is taxable in Norway for only part of the fiscal year.

Business deductions. To be deductible for tax purposes, items must be included in the statutory financial statements. In principle, all expenses for earning, securing or maintaining income, with the exception of gifts and entertainment expenses, are deductible. Valuation and depreciation rules for individuals earning self-employment or business income are the same as those for corporations.

Rates

Personal income tax. Personal income tax (step tax) is levied on income from employment and pensions, and no deductions are allowed. The step tax rates for 2019 are set forth in the following table.

Taxable income		
Exceeding NOK	Not exceeding NOK	Rate %
0	174,500	0
174,500	245,650	1.9
245,650	617,500	4.2
617,500	964,800	13.2
964,800	—	16.2

Ordinary income tax. A 22% ordinary income tax (county municipal tax, municipal tax and state tax) is levied on taxable net

income from all sources after taxable income is reduced by NOK56,550 for individuals both with and without dependents. The personal allowance in tax Class 2 for individuals with dependents was terminated from 1 January 2018.

If an individual is taxable in Norway for part of a fiscal year only, the income brackets and excludable amounts are reduced proportionately.

Relief for losses. In general, losses may be carried forward for 10 years.

B. Other taxes

Wealth tax. A municipal and national wealth tax is levied at a rate of 0.7% on taxable net assets exceeding NOK1,500,000.

Inheritance and gift taxes. Effective from 1 January 2014, inheritance and gift taxes no longer apply in Norway.

C. Social security

Contributions. Employers and employees, as well as self-employed individuals, must make social security contributions. Contributions are payable on all taxable salaries, wages and allowances and, for self-employed individuals, on personal income.

For employees, contributions are withheld by employers together with income tax, and the total amount is paid to the tax authorities. Employers' contributions, payable bimonthly, are deductible for income tax purposes. Employees' and self-employed individuals' contributions are not deductible. The 2018 contribution rates are 8.2% of salary for employees and 11.4% for self-employed persons. For 2018, the employer's contribution is 14.1%. In certain municipalities, the rate for employers is lower.

Expatriates and foreign employers of employees working in Norway are subject to these contributions if an exemption (or reduction) is not available under a social security convention between Norway and the country where the expatriate or the employer is domiciled.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Norway has entered into social security agreements with the following jurisdictions.

Australia
Austria (a)
Belgium (a)
Bosnia and Herzegovina
Bulgaria (a)
Canada (b)
Chile
Croatia
Cyprus (a)
Czech Republic (a)
Denmark (a)
Estonia (a)
Finland (a)
France (a)
Germany (a)
Greece (a)
Hungary (a)
Iceland (a)
India
Ireland (a)
Israel
Italy (a)
Latvia (a)
Liechtenstein (a)
Lithuania (a)
Luxembourg (a)
Malta (a)
Netherlands (a)
Poland (a)
Portugal (a)
Romania (a)
Serbia and Montenegro
Slovak Republic (a)
Slovenia (a)
Spain (a)
Sweden (a)
Switzerland
Turkey
United Kingdom (a)
United States

(a) EEA countries' agreement. European Union regulation 883/2004 is implemented 1 June 2012 in Norway.
(b) Separate agreement with Quebec.

D. Tax filing and payment procedures

Income tax and wealth tax on net taxable assets are assessed for a fiscal year ending 31 December. For most individuals resident in Norway who do not have trading income, annual tax returns must be submitted by 30 April in the year following the income year. An extension of one month may normally be obtained. For self-employed individuals, annual tax returns filed electronically must be submitted by 31 May.

Individuals who are self-employed or who have income from sources other than salaries, wages and similar compensation, receive from the tax authorities an individual estimate of taxes to be paid during the tax year. These estimated taxes are due in four equal installments on 15 March, 15 May, 15 September and 15 November. Assessments have normally been made in the third quarter of the year following the income year. Beginning with 2011, the Norwegian authorities announce the assessments in four different months. An individual may receive an assessment in June, August, September or October. At the time of assessment, an individual receives a tax computation showing total assessed taxes compared to taxes paid. Any amount of tax overpaid is refunded to the taxpayer, and any tax due is payable in two equal installments.

Taxes are withheld by employers from salaries, wages and other remuneration paid to employees. Nonresident employees who do not provide their employers their tax-deduction cards issued by the tax authorities are subject to 50% withholding. Employees who present their tax-deduction cards are eligible for the reduced rate specified in the cards. The withholding taxes are preliminary payments and are credited to the taxpayers in their tax assessments.

Individuals who are part of the simplified tax regime are not required to file an annual individual tax return.

E. Tax treaties

Norway's double tax treaties generally follow the Organisation for Economic Co-operation and Development (OECD) model. Norway has entered into double tax treaties with the following jurisdictions.

Albania
Argentina
Australia
Austria
Azerbaijan
Bangladesh
Barbados
Belgium
Benin
Bosnia and Herzegovina
Brazil
Bulgaria
Greenland
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Kazakhstan
Kenya
Korea (South)
Portugal
Qatar
Romania
Russian Federation
Senegal
Serbia
Sierra Leone
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka

Canada
Chile
China
Côte d'Ivoire
Croatia
Cyprus
Czech Republic
Denmark
Egypt
Estonia
Faroe Islands
Finland
France
Gambia
Germany
Greece
Latvia
Lithuania
Luxembourg
Malawi
Malaysia
Malta
Mexico
Morocco
Nepal
Netherlands
Netherlands Antilles
New Zealand
Pakistan
Philippines
Poland
Sweden
Switzerland
Tanzania
Thailand
Trinidad and Tobago
Tunisia
Turkey
Uganda
Ukraine
United Kingdom
United States
Venezuela
Vietnam
Zambia
Zimbabwe

F. Immigration regulations

Norway has a closed-border policy with strict immigration controls that are highly regulated. In general, all foreign nationals, except EEA countries, must have visas to enter Norway. Entrance for short-term visits—tourist visits, family visits, official assignments, business trips, study visits and certain other purposes no longer than three months—is allowed in accordance with the applicable visa. All other basis for stay in the Norwegian regulations are called permits rather than visas.

All foreign nationals (except Nordic nationals) who wish to enter Norway must also carry valid passports or other identification officially recognized as valid travel documents.

Norway entered into the Schengen Agreement on 25 March 2001. Under the agreement, no passport controls apply to pass borders within the Schengen area. Passport controls will apply to pass the Schengen area's outer border, both to enter and depart the area. Non-EEA nationals are subject to extended controls, that is, a search of the Schengen Information System to determine whether the individual is registered with a denial to enter. As a general rule, under the agreement, visas issued by Norwegian authorities are valid to enter the entire Schengen area. Likewise, visas issued by other Schengen countries are valid to enter Norway.

Norway has visa-free arrangements for short-term visitors with 64 jurisdictions, in addition to all of the EU/EEA countries. Citizens of these countries are not required to obtain visas to enter Norway for short-term visits. Other exceptions to the visa requirement may exist. For further details, contact a Norwegian Foreign Service mission or the Directorate of Immigration (UDI).

G. Work visas (and/or permits)

Foreign nationals for whom a visa is required must apply for a visa or residence permit in order to stay or work in Norway for any length of time. Foreign nationals for whom a visa is not required who intend to stay in Norway longer than three months or who want to work must apply for a residence permit.

Residence permits are granted only if a particular reason for living or working in Norway exists, such as a work assignment, a trainee

assignment, cultural exchange or family immigration. Any person who applies for a work permit must receive a concrete offer of employment in advance. The applicant must also have adequate income.

Nordic citizens do not need a residence permit to reside or work in Norway.

EU/EEA nationals do not need to apply for residence permits in Norway. They can do an advance registration online and attend an appointment with the authorities in person on arrival in Norway. EU/EEA nationals need to register in Norway only if they intend to work and stay in Norway for more than three months.

Work permit application process. The residence permit application must generally be submitted from abroad before an individual enters Norway. An application can also be submitted through a power of attorney by a third party in Norway. A first-time work permit must be granted before entry. However, skilled workers may apply for a first-time residence permit after entry provided that they are legally in Norway. If they apply in Norway, they can submit the application either to the police district where they live or at a service center for foreign workers.

Prior to submission, all applications must be registered through the Application Portal, and an appointment for submission must be booked. Accordingly, the application must be submitted on paper at the immigration authorities. The Foreign Service mission can provide information about documents that must be included with the application.

The Foreign Service mission sends the work or residence permit application to the Directorate of Immigration, which decides whether to grant the permit. After the application is considered, the applicant is informed of the results by the Foreign Service mission in the applicant's home country or via a third party in Norway with a power of attorney. Foreign nationals from certain countries are requested by the police to complete a mandatory and free tuberculosis test within the first weeks after arrival in Norway.

Non-EEA nationals with an EEA employer. A non-EEA national may have the right to work in Norway without a work permit if he or she is employed by an EEA employer and if the following additional conditions are met:

- The assignment is of temporary nature.
- The assignee holds a work permit in the EEA country and has the right to return to that country.

For stays in Norway above three months, the assignee must apply for a residence card.

Exempt categories. The following foreign nationals are exempt from the work permit requirement for work travel lasting up to three months:

- Commercial travelers, business travelers or individuals who will attend meetings or seminars, receive training or attend pre-contract sales or negotiations.
- Research workers, lecturers and others invited to Norway by educational or research institutions for professional or charity reasons.

- Technical experts, technicians, consultants or instructors. The purpose must be to install, check, repair or maintain machines or technical equipment or to provide information on their use.
- Employees in private households or foreign nationals who are staying in Norway on visits.
- Professional athletes attending sports engagements in Norway.
- Civil servants who are paid by their own countries.
- Personnel of foreign rail, air, bus or truck services working internationally, and necessary watchmen and maintenance personnel on ships laid up in Norway.
- Journalists, foreign newspaper staff and radio or television teams on assignment in Norway, who are paid by foreign employers.

Self-employment. Non-EEA nationals who are self-employed and have established a business abroad may be granted a residence permit for a period of up to four years. Also, self-employed persons who intend to engage in a permanent business activity are entitled to a residence permit if the presence of the self-employed person in Norway and active participation in running the business is necessary for the establishment or continued operation of the business.

H. Permanent residence

A permanent residence permit entitles the holder to permanently reside and work in Norway. This permit is granted, upon application, to persons who have had permits for a total of three years that form the basis for a permanent residence permit in Norway.

I. Family and personal considerations

Family members. Family members of a foreign national who has a residence permit in Norway have certain privileges concerning the right to receive their own residence permits.

Close relatives of a person in Norway may receive residence permits in connection with family reunions, which are granted primarily to the spouse and to children younger than 18 years of age. In general, the person who is granted a residence permit for family reunification must be guaranteed sufficient economic support.

In general, an application for family reunification must be submitted from abroad, or via a family member or a third party with a power of attorney in Norway.

EEA nationals employed in Norway may normally be accompanied by a spouse, children and parents. If the family member is an EEA national, he or she can also register through the registration scheme for EEA nationals. If not, he or she must apply for a residence permit.

If the conditions for family reunification are met, work permits are granted to persons older than 18 years of age, regardless of whether they have received job offers.

Depending on nationality, different relation documents are required for family immigration. Relation documents, such as marriage contracts, divorce contracts and birth certificates, are officially required to have an *apostille*. However, this is not always enforced.

Driver's permits. Foreign nationals may drive in Norway with their home countries' driver's licenses under the following circumstances:

- To drive a car with foreign license plates, the foreign driver's license must be valid for at least one year.
- To drive a car with Norwegian license plates, the foreign driver's license must be valid for at least three months.

After the end of the allowed periods, a foreign license must be changed to a Norwegian driver's license. A theoretical and a practical test may be required. The expatriate must apply for a Norwegian driver's license at the Biltilsynet office in the county where he or she lives within one year of arriving in Norway. If an application for a driver's license is made later than this time, it is difficult to obtain a driver's license. In general, to obtain a driver's license in Norway, an individual must attend an authorized driving school and take both theoretical and practical lessons.

A driver's permit issued by another EEA country is accepted on an equal basis with a Norwegian driver's license.

Oman

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A. Income tax

Oman does not levy personal income taxes. However, tax is imposed on the income derived by sole proprietors. Only an Omani national or, under certain circumstances, a national of a Gulf Cooperation Council (GCC) member country may operate a business as a sole proprietor in Oman. Individual persons carrying on professional business in their individual capacities are taxable in Oman.

Partnerships are taxed at corporate rates. To transact business in Oman, partnerships must have at least one Omani partner and must be registered with Omani authorities. Partnerships established by agreements entered into outside Oman that carry on profitable activity in Oman are taxed in Oman on income that is attributable to a permanent establishment in Oman.

No special rules apply to capital gains. Capital gains are taxed as part of the regular income of sole proprietors and partnerships.

Profits derived from the sale of investments and securities listed on the Muscat Securities Market are exempt from tax.

Up to the 2016 tax year, taxable income of OMR30,000 was exempt from tax, and any amount in excess of OMR30,000 was subject to tax at a rate of 12%. Royal Decree 9/2017 (RD 9/2017), which was published in the *Official Gazette* on 26 February 2017, increased the tax rate to 15% and removed the statutory deduction of OMR30,000. Also, RD 9/2017 provides a 0% or 3% tax rate to small-scale establishments, including sole proprietorships and Omani partnerships, subject to certain conditions. These amendments to the tax rates introduced by RD 9/2017 are effective from tax years beginning on or after 1 January 2017.

Up to 26 February 2017, a 10% withholding tax (WHT) applied to royalties, consideration for research and development, consideration for the use of or right to use computer software and management fees paid to foreign persons not having a permanent establishment (PE) in Oman or to foreign persons having a PE if such payments did not form part of the income of the PE in

Oman. Effective from 27 February 2017, under RD 9/2017, the scope of WHT is extended to dividends, interest and fees for performance of services.

Ministerial Decision (MD) 14/2019 published in the *Official Gazette* on 10 February 2019, amended the Executive Regulations (ER) to the Income Tax Law (ITL) to provide certain exclusions and clarifications with respect to categories of payments that may be covered by or excluded from performance of services, dividend and interest for purposes of the WHT.

WHT on performance of services. The Secretariat General of Taxation's view is anything that is not a purchase of tangible goods is considered performance of services and is subject to WHT. Although the term "services" is not defined in the ITL or the ER, MD 14/2019 introduces the following list of payments that are excluded from WHT:

- Participation in organizations, conferences, seminars or exhibitions
- Training
- Transporting, shipping and insurance of goods
- Air tickets and accommodation expenses abroad
- Board meeting fees
- Reinsurance payments
- Any services related to an activity or property outside Oman

WHT on interest. The amendments to the ER define the term "interest" for WHT purposes and clarify the treatment of returns generated by certain Islamic Finance products. The ER also excludes the following payments from WHT:

- Interest paid on amounts deposited in banks in Oman
- Returns on bonds and sukuk issued by the government or banks in Oman
- Benefits from transactions and facilities between banks for providing and managing liquidity or financing, if the term for repayment of the debt does not exceed five years

WHT on dividends. Amendments contained in MD 14/2019 have define the term "dividends" for WHT purposes to include dividends distributed by joint stock companies and distributions by investment funds. Consequently, WHT applies to dividend payments made by joint stock companies and investment funds to foreign shareholders.

Dividends and interest paid to foreign persons. A recently issued Royal Assent suspended WHT applicable on dividend and interest payments to foreign persons for a period of three years, effective from 6 May 2019. Accordingly, dividend and interest payments to foreign persons by Omani taxpayers are not subject to WHT during that period.

B. Other taxes

Oman does not levy value-added tax (VAT), net worth tax, estate tax or gift tax. A new VAT law will be introduced in Oman, but details of the law have not yet been announced.

Sin tax. A new sin (excise) tax was introduced by Royal Decree (RD) 23/2019 on selected products. The RD stipulated the sin tax was to enter into effect 90 days after publication in the *Official Gazette*; accordingly, it was implemented from 15 June 2019.

Following the issuance of the RD, an MD was issued setting out the following list of affected products and applicable rates for the sin tax.

Goods	Tax rate (%)
Tobacco and tobacco derivatives	100
Carbonated drinks	50
Energy drinks	100
Pork products	100
Alcoholic products	50

The government issued guidelines providing that the due date for filing the first sin tax return for taxpayers dealing in excisable goods will be 15 July 2019. Tax returns thereafter are required to be filed every quarter.

C. Social security and vocational training levy

Under the social security law, employers and employees must make contributions to a pension fund. The rates, which are applied to each employee's monthly "gross salary," are 11.5% for employers and 7% for employees.

The following is the definition of "gross salary":

"The basic salary in addition to all other allowances payable to the employee for his return of work."

In addition, employers must contribute an amount equal to 1% of an employee's basic salary to cover the risks of occupational injuries and diseases.

Social security taxes currently apply to Omani employees only.

A vocational training levy (VTL) must be paid by private sector employers in Oman with respect to their expatriate employees. The VTL rate is OMR300 (USD780) once every two years for each expatriate employee.

D. Tax treaties

Oman has entered into double tax treaties with the following jurisdictions.

Algeria
Belarus
Brunei Darussalam
Canada
China
Croatia
France
Hungary
India
Iran
Italy
Japan
Korea (South)
Lebanon
Mauritius
Moldova
Morocco
Netherlands
Pakistan
Portugal
Seychelles
Singapore
South Africa
Spain
Sudan
Switzerland
Thailand
Tunisia
Turkey
United Kingdom
Uzbekistan
Vietnam
Yemen

E. Visit visas

All foreign nationals must obtain valid entry visas to enter Oman, with the exception of Gulf Cooperation Council (GCC) nationals from Bahrain, Kuwait, Qatar, Saudi Arabia and the

United Arab Emirates. However, foreign nationals who are residents of any GCC country and whose residence permits are valid for a minimum of six months may obtain entry visas on arrival in Oman.

Normal visit visas. Several different types of normal visit visas are issued based on the purpose of the visit, including visas for businesspersons, tourists, family members of resident permit holders and those making official or personal visits to Oman. Stays are limited to one month from the date of entry, except for family visit visas, which are valid for three months.

Citizens from countries mentioned in List #1 issued by the immigration authorities, such as Austria, France, Germany, Italy, the United Kingdom and the United States, may obtain single-entry visit visas on arrival at all ports-of-entry into Oman. Nationals of countries mentioned in List #1 may also obtain single-entry visit visas by applying to Omani diplomatic missions and commercial representation offices. Missions and offices can issue these visas without obtaining the approval of the Directorate General of Passports and Residency in Muscat. The validity period of an applicant's passport must be at least six months.

Citizens of countries on the above lists can obtain multiple-entry visit visas. This visa is issued on arrival at all land-, sea- and air-entry points after filing the visa application form. It is not possible to extend the length of the visa. A holder of this visa must enter Oman within three months after the date of its issuance (see *Multiple-entry visas*).

Citizens of countries not appearing on the above lists may apply for express visas, which can generally be obtained within 24 hours (see *Express visas*).

A penalty of OMR10 per day is imposed if an individual stays in the country beyond the validity period of a visa.

Express visas. Express visas are for business visits only and can generally be obtained within 24 hours. The visas are valid for one month from the date of issuance, and stays are limited to three weeks. The duration of a stay cannot be extended beyond three weeks. The fee for express visas is OMR30.

Multiple-entry visas. Multiple entry visas can be granted for entry into Oman more than once. In general, these visas are valid for six months to one year. Visa holders can enter the country during the validity period of the visa and stay in Oman for a maximum of three weeks at a time. These visas can be issued without a local sponsor.

Alternatively, local sponsors can request multiple-entry visas for business purposes.

Foreign investors in land or buildings in integrated tourism complexes that are under construction and their relatives of the first degree can be granted a multiple-trips investors visa for two years each time, up to the completion of construction. The fee for the visa is OMR50.

Foreign investors in land or buildings in integrated tourism complexes that are constructed and their relatives of the first degree

are granted owners' visas for a period of two years each time. These visas are renewed automatically two years each time, up to a total of six years, without the need to submit an official application. The fee for the visa is OMR50.

Scientific-research visas. Scientific-research visas are issued to foreigners coming to Oman for scientific research. These visas are issued at the request of the local specialized authorities. The visas must be used within three months after the date of issuance. The visa holder can stay in Oman for three months, which may be extended for a maximum of two months. The fee for the visa is OMR50.

F. Employment visas and self-employment

Employment visas. Employers must obtain employment visas for their expatriate employees aged 21 or older to enter Oman. The application process requires a labor clearance from the Ministry of Manpower. The ministry reviews the labor clearance request from the employer and considers whether the position meets with approval criteria, which includes the level of Omanization (nationalization) achieved or planned.

The duration of employment visas is limited to two years from the date of entry. Applicants may not work in Oman until all papers are completely processed. The employment visa must be used within three months after the date of its issuance.

Individuals holding employment visas in Oman must not stay outside Oman for more than six months. However, this rule does not apply to family members of employment visa holders.

Resident cards. Expatriates on work visas in Oman must have a resident card which is issued by the Directorate General of Civil Status. This card must be obtained within 30 days after entry into Oman. The card is valid for two years from the date of issuance.

It is possible to change employers after an applicant has received a resident card. However, the initial employer must provide a letter stating no objection to the change. Otherwise, the expatriate must leave the country after canceling his or her previous employment visa.

Investors' visas. Foreign nationals may obtain investors' visas under certain circumstances. The investor or the investor's partner must obtain the approval of the investment from the Ministry of Commerce and Industry. Investors' visas are valid for a period of two years.

Owners' visas. Owners' visas are granted to foreigners who own a unit built in an integrated tourism complex in Oman. These visas are issued to two natural persons representing the owner if the owner is a juristic person. Owners' visas must be used within six months after the date of their issuance. They can be issued without a sponsor. A joint owner's visa is also issued to the spouse of the holder of an owner's visa. The fee for an owner's visa is OMR50.

Self-employment. Foreign nationals, except nationals of GCC-member countries, may not start businesses in Oman. However,

an individual holding a business visa may conduct business through a company that includes Omani shareholding.

Only an Omani and a national of one of the GCC-member countries may own land or buildings in Oman. Foreigners may own property only within designated integrated tourism complexes.

A foreign company is allowed to set up a subsidiary headed by a foreigner; however, certain rules limit the extent of foreign shareholding.

G. Residence permits

Employees must obtain residence permits, which are valid for two years. Residence permits are applied for by the employer in Oman. Residence permits are renewable every two years.

To obtain a residence permit, the employee must have a valid resident card (see Section F) and an employment visa endorsed in his or her passport.

H. Family and personal considerations

Family members. Applications for family-joining visas must be sponsored by an Omani national or a company with commercial registration in Oman. The recipient must be either the spouse, a child below the age of 18 or close dependent of the holder of a valid resident card and residence permit.

Driver's permits. Western nationals with visit visas may drive rental cars in Oman using their home country driver's licenses for a period of three months. For most Western countries and all GCC-member countries, license holders may exchange their licenses for Omani driver's licenses, provided that the license had been issued at least one year earlier. Oman has driver's license reciprocity with most countries.

Country-specific driver's licenses are valid for two years. GCC licenses are no longer being issued.

Pakistan

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A. Income tax

Who is liable. Taxation in Pakistan is based on an individual's residential status and not on his or her nationality or citizenship. Expatriates who stay in Pakistan for 183 days or more in a tax year (1 July to 30 June) are considered to be residents for tax purposes. In addition, under the 2019 Finance Act, individuals who are present in Pakistan for 120 days or more in the tax year and were present in Pakistan for 365 days in the four previous tax years in aggregate are also classified as residents. Residents of Pakistan are taxed on their worldwide income regardless of where it is received, while nonresidents are taxed on their Pakistan-source income only. Foreign-source income of an individual who is a resident solely by reason of his or her employment in Pakistan and who is present in Pakistan for a period or periods not exceeding in aggregate three years is exempt from tax unless such foreign-source income is brought into or received in Pakistan by the individual or unless the income is derived from a business of the person established in Pakistan. A resident is exempt from Pakistan tax on foreign-source salary if he or she has paid foreign income tax on such salary income.

Income subject to tax

Employment income. Income from salary is Pakistan-source income if it is earned in Pakistan, regardless of where it is received. Consequently, an expatriate is taxable on such income in Pakistan, regardless of his or her residential status. Taxable income includes directors' fees and all remuneration for employment, subject to allowances and additions for certain noncash benefits.

Employer contributions to recognized retirement benefit funds, including provident funds (up to certain limits), gratuity funds and superannuation pension funds, do not constitute taxable income for an employee. A gratuity is a lump-sum payment made to an employee at the time of separation from the employer. A gratuity

fund is a separately administered fund created for the purpose of making gratuity payments to employees. If they exceed certain specified limits, gratuity payments from unapproved gratuity funds are taxable when received by employees.

For employees, the entire salary amount, including allowances and benefits, is subject to tax, with the following exceptions:

- Free provision of medical treatment and/or hospitalization by the employer to the employee or the reimbursement of medical expenses is 100% exempt, if paid in accordance with the terms of the employment agreement. If not provided for in the employment agreement, a medical allowance up to a maximum of 10% of basic salary is exempt.
- For employer-provided automobiles that are partly for business and partly for personal use, the amount included in salary is 5% of either of the following:
  - The cost of acquisition of the automobile to the employer.
  - If the automobile is leased by the employer, the fair market value of the automobile at the beginning of the lease.
- For employer-provided automobiles that are solely for personal use, the amount included in salary is 10% of either of the following:
  - The cost of acquisition of the automobile to the employer.
  - If the automobile is leased by the employer, the fair market value of the automobile at the beginning of the lease.
- For employer-provided rent-free accommodation, the notional value of the benefit of accommodation provided by an employer is the amount that would have been paid by the employer if such accommodation was not provided. However, such amount may not be less than 45% of the basic salary of the employee.

Self-employment and business income. All individuals who are self-employed or in business are taxed on their business income.

All income received in Pakistan is subject to tax, unless specifically exempt. Residents are taxed on their worldwide income, while nonresidents are taxed on their Pakistan-source income only.

Investment income. Amendments introduced by the 2019 Finance Act have changed the concept of "filers" and "non-filers" to "Persons Appearing in the Active Taxpayers' List (ATL)" and "Persons Not Appearing in the ATL."

In general, dividends are subject to a withholding tax at a rate of 15% for Persons Appearing in the ATL and 30% for Persons Not Appearing in the ATL. A dividend paid by an Independent Power Purchaser that is a pass-through item under an Implementation Agreement, Power Purchase Agreement or Energy Purchase Agreement and that is required to be reimbursed by the Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity is taxable at 7.5% for persons appearing in the ATL and 15% for persons not appearing in the ATL.

Interest and profit- and loss-sharing income from investments and deposits, unless otherwise exempt from tax, is subject to a 15% withholding tax for Persons Appearing in the ATL and 30% for Persons Not Appearing in the ATL. However, if the yield or profit paid is PKR500,000 or less, the rate of withholding tax is

10% and 20% for Persons Appearing in the ATL and Persons Not Appearing in the ATL, respectively. Interest on government securities is taxed at the same rates.

Profit on debt (interest) derived by taxpayers, other than companies, is taxed as a separate block of income at the following rates.

Profit on debt	Rate (%)
Not exceeding PKR5,000,000	15
Exceeding PKR5,000,000 but not exceeding PKR25,000,000	17.5
Exceeding PKR25,000,000 but not exceeding PKR36,000,000	20

Profit on debt exceeding PKR36 million is taxable at the slab rates for individuals.

The above provisions do not apply with respect to profits on investments in Behbood Saving Certificates or Pensioner's Benefit Accounts, provided that the tax on the profits is taxable at slab rates. However, the tax payable with respect to this income shall not exceed 10% of such profits. The withholding tax deducted is offset against the tax determined above.

Income from prize bonds and crossword puzzles is subject to a final withholding tax at a rate of 15% for Persons Appearing in the ATL and 30% for Persons Not Appearing in the ATL. Income from raffles, lotteries and winnings from quizzes or sales promotions offered by companies is subject to a final withholding tax at a rate of 20% for Persons Appearing in the ATL and 40% for Persons Not Appearing in the ATL.

Nonresidents are subject to tax on investment income as described in *Rates*.

Taxation of employer-provided stock options. Legislation taxes an employee on stock options granted by an employer or the employer's associate. The grant of an option or a right to acquire shares at a future date does not constitute income at the date of grant. If an option to purchase shares is exercised by the employee, the difference between the market value of the shares on the date of issuance and the amount paid by the employee is subject to tax. If the shares acquired by the employee are subject to a transfer restriction, the employee is subject to tax at the earlier of the time the employee has a free right to transfer the shares or the time the employee disposes of the shares.

In such a case, the difference, if any, between the fair market value of the shares at the time of getting the free title, or at the time of sale of the shares, and the cost to the employee is considered to be part of the taxable salary of the employee.

Capital gains and losses. In general, capital gains resulting from the disposal of capital assets, other than depreciable assets, receive favorable tax treatment if the assets are held longer than 12 months prior to disposal.

For assets held longer than 12 months, only 75% of the capital gain is subject to tax at the normal rates.

These provisions do not apply to capital gains derived from transfers of public company shares, vouchers of Pakistan

Telecommunication Corporation, *modaraba* certificates, instruments of redeemable capital, derivative instruments and debt securities (collectively known as "securities"). Capital gains derived from the disposal of securities in the 2019 tax year are taxable at the following rates.

Holding period	Security acquired before 1 July 2016 %	Security acquired on or after 1 July 2016 %
Less than 12 months	15	15
More than 12 months but less than 24 months	12.5	15
More than 24 months but the security was acquired on or after 1 July 2013	7.5	15
More than 24 months but the security was acquired before 1 July 2013	0	0
Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5	5

The rates for the taxation of capital gains of immovable property has been revamped. Under the new measures, gains arising on disposal of open plots and constructed plots are taxable at the following rates.

Serial number	Amount of gain	Tax rate (%)
1	The gain does not exceed PKR5,000,000	5
2	The gain exceeds PKR5,000,000 but does not exceed PKR10,000,000	10
3	The gain exceeds PKR10,000,000 but does not exceed PKR15,000,000	15
4	The gain exceeds PKR15,000,000	20

The amount of gain arising from the disposal of immovable property that is an open plot is computed as shown in the following table, with "A" equaling the consideration received by a person less the cost of the asset.

Serial number	Holding period	Gain
1	The holding period of does not exceed 1 year	A
2	The holding period of exceeds 1 year but does not exceed 8 years	A x 3/4
3	The holding period exceeds 8 years	0

As a result of the above, if the open plot is held for more than eight years, no gain arises.

The amount of gain arising on disposal of immoveable property that is constructed property is computed as shown in the following table, with "A" equaling the consideration received by a person less the cost of the asset.

Serial number	Holding period	Gain
1	The holding period of does not exceed 1 year	A
2	The holding period of exceeds 1 year but does not exceed 4 years	A x 3/4
3	The holding period exceeds 4 years	0

As a result of the above, if the constructed property is held for more than four years, no gain arises.

Advance tax on the sale, transfer, attestation and recording of immovable property is collected by sellers who are dependents of a Shaheed belonging to the Pakistan Armed Forces, or a person who dies while in the service of the Pakistan Armed Forces or the service of federal or provincial government, with respect to the first sale of immovable property if the property is acquired from or allotted by the federal government, provincial government or any authority duly certified by the official allotment authority and if the property acquired or allotted is in recognition of or for services rendered by the Shaheed or the person who dies in service.

The person responsible for registering or attesting to the transfer of immovable property is required to collect, at the time of registration or attestation, advance tax from the seller or transferor of the property at 1% of the gross amount of consideration received for Persons Appearing in the ATL, and 2% for Persons Not Appearing in the ATL. Also, tax at a rate of 1% and 2% is required to be paid on the purchase or transfer of immovable property from Persons Appearing in the ATL and Persons Not Appearing in the ATL, respectively.

The advance tax is offset against the tax liability of the person from whom tax has been collected. Advance tax is not collected from the federal government, provincial government or local government.

However, provincial governments levy stamp duties on all transactions involving immovable property.

Capital losses may be set off against capital gains only.

Super tax. The 2015 Finance Act introduced a super tax, which applied for the 2015 tax year to income from all sources, including capital gains of listed securities, and to all persons, including insurance companies, oil and gas and mineral companies, and banking companies. To compute taxable income for super tax purposes, business losses carried forward and depreciation carried forward are not taken into account.

The super tax is required to be paid at the time of filing of the income tax return. This tax applies to all types of income, whether taxable under the normal tax regime or the final tax regime at the following rates.

Person	Rate of super tax 2019 tax year %	2020 tax year %	2021 tax year %
Banking companies	4	4	4
Persons other than banking companies, having income equal to or exceeding PKR500 million	2	0	0

Deductions

Deductible expenses. Muslim taxpayers may claim a deduction for *zakat* paid (see Section B) in a tax year.

A taxpayer may claim a deduction with respect to any markup paid on a loan meeting either of the following conditions:
- It is sanctioned by a scheduled bank or by a nonbanking finance institution regulated by the Securities and Exchange Commission of Pakistan.
- It is advanced by the government, a local authority, a statutory body or a public company listed on a stock exchange of Pakistan.

To claim the deduction, the loan must be used for the construction or acquisition of a house.

The amount of the above tax deduction may not exceed 50% of the taxable income of the individual or PKR2 million, whichever is lower.

An individual may claim a deduction for tuition fees paid in a tax year (deductible allowance for education expenses) if the individual's taxable income is less than PKR1,500,000. The amount of the deduction may not exceed the lower of the following:
- 5% of the total tuition fees paid by the individual
- 25% of the individual's taxable income for the year
- An amount computed by multiplying 60,000 by the number of children of the individual

In general, taxpayers may deduct all expenses (excluding personal or capital expenditures) incurred in carrying on a business in Pakistan, provided that the expenses were incurred solely for a business purpose and proper withholding was made with respect to such expenses. Depreciation on fixed assets used in a business is allowed at specified rates.

Tax credits

Tax credit for charitable donations. An individual may claim a tax credit for charitable donations, including donations in kind, made by him or her to any of the following:
- A board of education or any university in Pakistan established by or under a federal or provincial law
- An educational institution, hospital or relief fund established or run in Pakistan by the federal government, provincial government or a local government
- A nonprofit organization

To compute the above tax credit, the average rate of tax is applied to the lesser of the following amounts:

- The amount of the donation including the fair market value of any property donated
- 30% of the taxable income of an individual or association of persons donor

Tax credit for investment in shares and insurance. An individual is entitled to an allowance for an investment in shares and insurance for a tax year with respect to the cost of acquiring the following:
- New shares offered to the public by public companies listed on a stock exchange in Pakistan.
- Shares from the Privatization Commission of Pakistan.
- *Sukuks* offered to the public by public companies listed and traded on stock exchange in Pakistan.
- Life insurance premiums paid on a policy to a life insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided that the resident person is deriving income subject to tax under the heading "Salary" or income from business. If the insurance policy is surrendered within two years of its acquisition, the tax credit allowed is deemed to have been wrongly allowed, and the Commissioner Inland Revenue recomputes the tax payable by the taxpayer for the relevant tax years.

Shares acquired by the taxpayer must be held for at least 24 months from the date of acquisition. If the shares are disposed of within 24 months, the tax relief is recaptured in the year when the shares are sold.

To compute the above tax credit, the average rate of tax is applied to the lesser of the acquisition cost of the shares, PKR2,000,000 or 20% of the taxable income of the investor.

Tax credit for contribution to an approved pension fund. Certain resident individuals are entitled to an allowance with respect to premiums paid in an approved pension fund under the Voluntary Pension System Rules, 2005. This allowance is available to individuals who have obtained a valid National Tax Number or a National Identity Card and are not entitled to benefit under any other approved employment pension or annuity scheme.

To compute the above tax credit, the average rate of tax is applied to the lesser of the following amounts:
- The total contributions or premiums paid by the individual in a tax year
- 20% of the taxable income of the individual, provided that for an individual joining the pension fund at the age of 41 years or above, during the first 10 years, the individual is allowed an additional contribution of 2% per year for each year of age exceeding 40 years, and provided further that the total contribution allowed to such individual may not exceed 50% of the total taxable income of the preceding year

Rates. The amounts of tax imposed on the income of individuals and associations of persons, except for salaried individuals, are shown in the following table.

Taxable income	Amount of tax
Up to PKR400,000	0
PKR400,001 to PKR600,000	5% of amount exceeding PKR400,000

Taxable income	Amount of tax
PKR600,001 to PKR1,200,000	PKR10,000 + 10% of amount exceeding PKR600,000
PKR1,200,001 to PKR2,400,000	PKR70,000 plus 15% of the amount exceeding PKR1,200,000
PKR2,400,001 to PKR3,000,000	PKR250,000 plus 20% of the amount exceeding PKR2,400,000
PKR3,000,001 to PKR4,000,000	PKR370,000 plus 25% of the amount exceeding PKR3,000,000
PKR4,000,001 to PKR6,000,000	PKR620,000 plus 30% of the amount exceeding PKR4,000,000
Amount exceeding PKR6,000,000	PKR1,220,000 plus 35% of the amount exceeding PKR6,000,000

The amounts of tax imposed on the income of individuals whose income chargeable under the head "Salary" exceeds 75% of his or her taxable income is shown in the following table.

Taxable income	Amount of tax
Up to PKR600,000	0
PKR600,001 to PKR1,200,000	5% of the amount exceeding PKR600,000
PKR1,200,001 to PKR1,800,000	PKR30,000 plus 10% of the amount exceeding PKR1,200,000
PKR1,800,001 to PKR2,500,000	PKR90,000 plus 15% of the amount exceeding PKR1,800,000
PKR2,500,001 to PKR3,500,000	PKR195,000 plus 17.5% of the amount exceeding PKR2,500,000
PKR3,500,001 to PKR5,000,000	PKR370,000 plus 20% of the amount exceeding PKR3,500,000
PKR5,000,001 to PKR8,000,000	PKR670,000 plus 22.5% of the amount exceeding PKR5,000,000
PKR8,000,001 to PKR12,000,000	PKR1,345,000 plus 25% of the amount exceeding PKR8,000,000
PKR12,000,001 to PKR30,000,000	PKR2,345,000 plus 27.5% of the amount exceeding PKR12,000,000
PKR30,000,001 to PKR50,000,000	PKR7,295,000 plus 30% of the amount exceeding PKR30,000,000
PKR50,000,001 to PKR75,000,000	PKR13,295,000 plus 32.5% of the amount exceeding PKR50,000,000

Taxable income	Amount of tax
Amount exceeding PKR75,000,000	PKR21,420,000 plus 35% of the amount exceeding PKR75,000,000

Nonresidents. Income of nonresidents pertaining to Pakistani-source employment, self-employment or business income is taxed at the rates applicable to residents.

Individuals are subject to withholding tax at source on income at the following rates.

	Rate	
Type of income or activity	Persons appearing in the ATL	Persons not appearing in the ATL
Dividends		
General rate	15%	30%
Dividends paid by Independent Power Purchasers if such dividends are pass-through items under an Implementation Agreement, Power Purchase Agreement or Energy Purchase Agreement and is required to be reimbursed by the Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity	7.5%	15%
Interest paid to nonresidents without a permanent establishment in Pakistan	10%	10%
Fees for technical services and royalties	15%	30%
Prizes from prize bonds, raffles, lotteries and crossword puzzles	15% or 20%	30% or 40%
Payments to nonresidents for		
Execution of contracts or subcontracts for construction, assembly or installation projects, including contracts for rendering supervisory activities with respect to such projects	7%	7%
Execution of contracts for payments to nonresident sportspersons	10%	20%
Execution of contracts (other than contracts for the sale of goods or the rendering of or providing services) through a permanent establishment	7%	14%
Passenger transport services	2%	4%

Type of income or activity	Rate: Persons appearing in the ATL	Rate: Persons not appearing in the ATL
Brokerage fee or commission		
Advertising agents	10%	20%
Life insurance agents if the commission received is less than PKR500,000 per year	8%	16%
All other cases	12%	24%
Export sales proceeds, on receipt	1%	1%
Collection at import stage	6%	12%
Advance tax with respect to functions and gatherings	5% or PKR20,000, whichever is higher	5% or PKR20,000, whichever is higher
Advance tax on dealers, commission agents, *arhatis* (for example, middlemen, dealers, wholesalers and distributors) and others	PKR50,000 to PKR100,000	PKR50,000 to PKR100,000
Educational institutions; on the amount of fees	5%	5%
Collection of tax by National Clearing Company Pakistan Limited	10%	10%
Purchase of domestic air ticket	5%	5%
Purchase of international air ticket		
First/Executive Class	PKR16,000 per person	PKR16,000 per person
Economy	PKR0	PKR0
Others	PKR12,000 per person	PKR12,000 per person
Sale or transfer of immovable property	1%	2%
Purchase of immovable property if value is more than PKR4,000,000	2%	4%
Nonbanking transactions of Persons Not Appearing in the ATL (for example, demand draft, pay order and special deposit receipt) if total payments for all such transactions in a day exceed PKR50,000	0%	0.6%
Other payments to nonresidents that are not otherwise specified	20%	40%

In general, the withholding taxes on nonresidents are advance taxes that may be offset against the eventual tax liability.

Relief for losses. Business losses, other than losses arising out of speculative transactions, may be carried forward to offset profit in the following six years. Unabsorbed depreciation was formerly carried forward indefinitely. However, under the amended provisions of the law, the adjustment of unabsorbed depreciation and amortization is now available against "Income from Business" only to the extent of 50% of taxable income (after offsetting business losses, if any) in a tax year. Nevertheless, if the income from business in a tax year is less than PKR10 million, the unabsorbed depreciation and amortization can be set off without any limitations (that is, to the extent of taxable income).

B. Other taxes

Net worth tax. Net worth tax has been abolished.

Zakat. *Zakat,* an Islamic wealth tax on specified assets, is levied at a rate of 2.5%. This tax applies only to Muslim citizens of Pakistan.

Estate and gift taxes. The federal law in Pakistan does not levy estate taxes. However, under the tax laws, the receipt of a gift is included in taxable income, unless received from immediate family members.

C. Social security

Pakistan offers benefits to employees for death, disability, injury, medical expenses and pensions, as well as academic scholarships for workers' children. Employees earning less than PKR17,500 a month are generally covered by these benefits, with employers making contributions to the government at the following rates.

Benefit	Employer contribution
Employees' Old Age Benefits	PKR780 per month
Provincial Employees' Social Security (Sindh)	6% of monthly salary of up to PKR16,200*
Workers' Children (Education)	PKR100 annually

* No contribution is payable on employee salary in excess of PKR16,200 per month.

Employees are also required to contribute PKR130 per month for Employees' Old Age Benefits.

Pakistan has not entered into any social security totalization agreements.

D. Tax filing and payment procedures

The tax year in Pakistan for all individuals is from 1 July to 30 June. Individuals must obtain special permission from the Federal Board of Revenue in Pakistan to select a different accounting year-end. All individuals must file their income tax returns by 30 September following the tax year-end. Non-salaried individuals must also file their income tax returns by 30 September following the tax year-end.

Employers must withhold taxes from the salaries of their employees.

Individuals other than employees having taxable income of PKR1 million or more must pay advance tax in four equal

installments on 15 September, 15 December, 15 March and 15 June. Tax due after adjustment for both advance tax payments and tax paid at source must be paid with the tax return.

E. Double tax relief and tax treaties

Under Pakistani tax law, residents are taxed on worldwide income. However, a tax credit is generally granted for income from sources outside Pakistan (from both treaty and non-treaty jurisdictions), at the lower of the average foreign tax paid or the average Pakistani tax attributable to the foreign income.

Pakistan has entered into double tax treaties with the following jurisdictions.

Austria
Azerbaijan
Bahrain
Bangladesh
Belarus
Belgium
Bosnia and Herzegovina
Brunei Darussalam
Canada
China Mainland
Czech Republic
Denmark
Egypt
Finland
France
Germany
Hong Kong SAR
Hungary
Indonesia
Iran
Ireland
Italy
Japan
Jordan
Kazakhstan
Korea (South)
Kuwait
Kyrgyzstan
Lebanon
Libya
Malaysia
Malta
Mauritius
Morocco
Nepal
Netherlands
Nigeria
Norway
Oman
Philippines
Poland
Portugal
Qatar
Romania
Saudi Arabia
Serbia
Singapore
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Syria
Tajikistan
Thailand
Tunisia
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan
Vietnam
Yemen

This list does not include treaties that relate only to shipping and air transport.

Most of these treaties exempt from Pakistani tax any profits or remuneration received for personal services performed in Pakistan in an assessment year if one or more of the following conditions are satisfied:

- The individual is present in Pakistan for less than a specified period (usually not in excess of 183 days).
- The services are performed for, or on behalf of, a resident of the other country.
- The profits or remuneration are subject to tax in the other country.
- If self-employed, the individual has no regularly available fixed base in Pakistan.
- The remuneration is paid by, or on behalf of, an employer who is not a resident of Pakistan.
- The remuneration is not borne by a permanent establishment or a fixed base maintained by the employer in Pakistan.

F. Visas

To promote domestic and foreign investment, enhance Pakistan's international competitiveness, and contribute to economic and social development, Pakistan has a liberal visa policy. The significant aspects of the new visa policy are described below.

Visas on arrival are granted to nationals of 95 jurisdictions.

Business visas for a period of up to five years are granted to the investors and businesspersons of 95 jurisdictions.

Pakistan missions abroad are authorized to grant entry work visas to foreign expatriates on the recommendation of the Board of Investment (BOI) for one year (multiple entry) with the validity extendable on a yearly basis in Pakistan. The BOI processes work visa applications within four weeks and makes recommendations to the Ministry of Interior regarding the authorization of granting visas by concerned missions.

Conversion of business visas into work visas had been discontinued, effective from 11 November 2014. However, conversion of business visas into work visas is again permitted. The conversion of business visas to work visas is processed within four weeks by the BOI.

Pakistan missions abroad have the authority to restrict the grant of visas to nationals of the country where the mission is located. The granting of Pakistan visas to third-country citizens residing in a country and holding a valid residence permit for that country can only be decided by the Ambassador, High Commissioner or the Head of Mission or Consulate.

Details regarding the various types of visas issued by Pakistan are provided below.

Business visas on arrival. Pakistan has a policy of granting visas on arrival (non-reporting) at the airports in Pakistan to foreign investors or businesspersons from 95 jurisdictions. Single-entry visas are granted for 30 days on production of the following documents:

- Recommendation letter from the Chamber of Commerce and Industry of the respective country of the visitor
- Invitation letter from a business organization recommended by the concerned trade organization or association in Pakistan
- Recommendation letter by an Honorary Investment Counselor of the Board of Investment posted at Pakistan missions abroad

The following documents must be submitted for a business visa on arrival:

- Invitation letter from the sponsor
- Two latest passport-size photographs
- Photocopy of passport of visitor or employee, including pages with picture and particulars of passport holder
- Certificate of registration of the employer with the Chamber of Commerce and Industry, if any
- Copy of NTN certificate of sponsor
- Copy of registration certificate of company or firm registered in Pakistan
- Exact travel plan of the visitor, including flight details

A prescribed visa fee is payable at the visa counter at the Pakistan International Airport on arrival.

Although the visa on arrival is granted based on production of the required documents, it is suggested that the required documents be filed in advance with the immigration authorities at the airport. Individuals should retain the invitation letter from the sponsor and a copy of the certificate from the Chamber of Commerce and Industry, because the immigration authorities may ask for these documents at the time of arrival.

Currently, the following countries are approved for the purpose of visas on arrival.

Algeria
Angola
Argentina
Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Belgium
Benin
Brazil
Bulgaria
Cambodia
Cameroon
Canada
Chile
China
Colombia
Comoros
Côte d'Ivoire
Croatia
Czech Republic
Denmark
Djibouti
Ecuador
Egypt
Estonia
Finland
France
Gambia
Germany
Ghana
Greece
Guatemala
Guinea
Guinea Bissau
Honduras
Hungary
Indonesia
Iran
Iraq
Ireland
Italy
Japan
Jordan
Kazakhstan
Kenya
Korea (South)
Kuwait
Latvia
Lebanon
Lithuania
Madagascar
Malaysia
Mauritius
Mexico
Montenegro
Morocco
Mozambique
Myanmar
Netherlands
New Zealand
Nigeria
Norway
Oman
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Qatar
Romania
Russian Federation
Saudi Arabia
Senegal
Sierra Leone
Singapore
Slovenia
South Africa
South Sudan
Spain
Sri Lanka
Sweden
Switzerland
Tanzania
Thailand
Togo
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Vietnam

Visas are not granted to nationals of countries not recognized by Pakistan. Pakistan does not recognize Israel.

Tourist visas. Tourist visas are issued to foreign nationals of 175 countries (List A) who intend to visit Pakistan for recreational purposes but who intend neither to immigrate to Pakistan nor engage in remunerated activities.

A tourist visa is valid for a maximum period of 90 days. If a foreign national wishes to extend his or her stay in Pakistan beyond this period, to obtain an extension of the visa, he or she must

apply to the relevant regional passport office located in their city or the visa desk of the Ministry of Interior (MOI).

Tourist visas generally are not granted to nationals of Bhutan, India, Israel and Somalia. They are also not granted to members of the Palestinian Liberation Organization. However, temporary visas may be issued to these individuals for certain specific reasons, including visiting relatives or attending weddings or funerals.

Work visas

Permissible activities. A work visa allows the foreign national to exercise employment in Pakistan in the entity for which the visa is granted. Such employment can be exercised for the period for which the visa is valid. A renewal of the visa allows the foreign national to remain employed. The work visa does not entitle the foreign national to work for another employer without submitting a new application and obtaining permission for employment with the other employer. The visa of a foreign national found to be engaged in activities other than employment with the approved employer is canceled and the foreign national is deported.

No written policy allows a foreign national to begin work in Pakistan while his or her application for a work visa is in process. However, as a result of the liberal policy followed by Pakistan, no serious exception is taken for beginning work before the issuance of a work visa if the foreign national has a valid business visa and if his or her application for a work visa is ultimately approved and business visa conversion instructions are issued by the MOI.

Documents required. Five sets of the following documents must be submitted for employees with respect to applications for work visas and work visa extensions:

- Properly completed application signed by the person authorized by the employer.
- Employment contract signed by both parties or job letter stating the term, designation and salary.
- Latest passport-size photographs of employee.
- Photocopy of passport of employee, including pages with the picture and particulars of the passport holder. A copy of the visa page is also required if the person is already in Pakistan. The visa page is not required if the person is not in Pakistan.
- Local and international address of the applicant.
- Qualification.
- Professional experience.
- Certificate of incorporation or certificate of registration, if the entity is a local company or a subsidiary of a nonresident company in Pakistan, or a permission letter issued by the BOI to a foreign company for opening the branch office where the applicant will be employed.
- National tax number of entity for which the employment will be exercised.
- Power of attorney in favor of the person or firm authorized to represent the entity with respect to the handling of the visa applications.
- Company's profile.
- Processing fee of USD100 (or equivalent in PKR) per applicant for a one-year work visa, or USD200 (or equivalent in PKR) for

a two-year work visa, payable in the form of a money order or demand draft made out to Board of Investment, Government of Pakistan.

The following documents must be submitted for an accompanying spouse and children with respect to applications for work visas and work visa extensions:
- Five latest passport-size photographs.
- Five sets of photocopies of passports of spouse and children, including pages with the picture and particulars of the passport holder. Copies of the visa page are also required if the person is already in Pakistan. If the person is outside Pakistan, copies of the visa page are not required.
- Power of attorney in favor of the person authorized to represent the entity with respect to the handling of the visa applications.

Applications. Applications for work visas and family visas are initially filed electronically with the BOI in Pakistan by the person authorized by the employer, who could be the principal officer or the head of Human Resources of the employer in Pakistan or any consultant. After e-filing, all documents must be filed in person along with the visa processing fee. After the work visa and family visa are approved by the BOI, if the foreign national is already in Pakistan on a business visa and his family is also already in Pakistan on any visa, a further application is filed with the MOI by the employee and his or her family for the issue of instructions to the concerned Passport Office for endorsement of the visas on the passports. If the foreign national is not in Pakistan, the work visa approval is sent to the concerned Pakistan Embassy, Mission or Consulate Office located in the country of the foreign national.

Although no requirement exists for the presence of a registered entity in Pakistan for the issuance of a business visa, the presence of a registered entity in Pakistan where the employment will be exercised is essential for the issuance of a work visa.

Business visas

Permissible activities. An approved list of activities that could be carried out by a foreign national visiting Pakistan on a business visa has not been issued. However, the following are permissible activities:
- Attend business meetings
- Negotiate and sign contracts
- Attend exhibitions, displays, conferences, symposiums, workshops and similar events
- Conduct training of short duration
- Deliver lectures, make presentations and engage in similar activities
- Provide technical services of short duration, including removal of faults during the warranty period of equipment supplied by foreign suppliers, installation of software, troubleshooting to correct faults in software, software training and transfer of technical know-how
- Visiting project sites to obtain information, technical specifications or material required for executing a contract for the supply of goods or providing of technical or consultancy services to an entity in Pakistan

- Setting up of a branch office or a local company for doing business in Pakistan
- Hiring of local personnel for utilizing their services in a Pakistan project or a Pakistan entity
- Inspection of the goods that the entity intends to purchase from Pakistan

Extensions. The following documents must be submitted for a business visa extension:
- Two sets of the properly completed application signed by the applicant.
- Two latest passport-size photographs.
- Two sets of photocopies of the visitor's passport, including pages with the picture and particulars of the passport holder, and the visa page.
- Invitation letter from the employer.
- Documents showing substantial investment, exports or imports during the preceding year.
- Business documents, such as a letter from the Chamber of Commerce and Industry (CCI) or Registrar of Companies, partnership deed or articles of association, or, in special cases only, a copy of CCI membership documents. Extension of a visa beyond one year is granted by the Ministry of Interior on production of the requisite business documents.

Applications. The application for a business visa must be filed by the applicant with the Pakistan Mission or Visa Consulate in the country of the applicant.

Family visas. A family visa entitles the spouse and children to stay with the foreign national who is entitled to exercise employment in Pakistan based on a work visa. A spouse who wants to exercise employment for remuneration needs the approval of the Board of Investment.

G. Application for citizenship by investors

To encourage foreign investment in Pakistan, the government allows foreign investors to apply for Pakistani citizenship. Nationals of countries recognized by Pakistan may receive Pakistani citizenship by making a one-time investment of at least USD750,000 in tangible assets and USD250,000 (or the equivalent in a major foreign currency) in cash on a non-repatriable basis (that is, the funds may not be taken out of Pakistan). The amount must be brought into Pakistan through normal banking channels, must be converted into rupees and may not subsequently be remitted through the free market. Citizenship is also subject to the fulfillment of the general conditions for Pakistani citizenship and the security situation in Pakistan.

H. Family and personal considerations

Family members. Family members of working expatriates may reside with the expatriates in Pakistan. Family members must obtain their own work visas if they plan to work in Pakistan or stay in Pakistan with their family.

Children of expatriates do not need student visas to attend school in Pakistan.

Driver's permits. Expatriates may not drive legally in Pakistan with their home country driver's licenses. However, they generally may drive legally in Pakistan with international driver's licenses.

Pakistan does not have driver's license reciprocity with any other country. Therefore, a home country driver's license may not be automatically exchanged for a Pakistani driver's license.

To obtain a driver's license in Pakistan, an applicant must submit an application form, a copy of his or her passport, a copy of his or her foreign driver's license and two passport-size photographs to the license-issuing authority. The license-issuing authority then examines all the documents and, at its discretion, may grant exemption to the applicant. If the license-issuing authority grants an exemption to an applicant, the applicant is issued a driver's license in one day on payment of the required fee. If the license-issuing authority does not grant an exemption, an applicant must acquire a learner's permit. About six weeks after obtaining a learner's permit, an applicant must take physical and verbal tests. If the applicant passes the tests, a driver's license is issued on payment of the required fee.

I. Other matters

Overstay surcharge. An overstay surcharge is imposed on foreigners who overstay the duration of their visas.

The following are the amounts of the surcharge for foreign nationals other than Indian nationals and nationals of Pakistani origin.

Period of overstay	Overstay surcharge (USD)
Up to 2 weeks	0
More than 2 weeks and up to 1 month	50
More than 1 month and up to 3 months	200
More than 3 months and up to 1 year	400

In addition to imposing the above surcharge, the Ministry of Interior (MOI) may exercise its powers of externment (deportation) and any of its other powers with respect to the overstaying individual. No surcharge is imposed on holders of diplomatic passports.

The following are the amounts of the surcharge for foreign nationals of Pakistani origin.

Period of overstay	Overstay surcharge (USD)
Up to one month	0
More than 1 month and up to 6 months	40
More than 6 months and up to 1 year	80
More than 1 year	200 per year

Overstay charges are not condoned.

No surcharge is imposed for children up to 12 years of age, and a 50% surcharge is imposed for children over 12 years of age, but not older than 18 years of age.

For Indian nationals, a surcharge of PKR40 per day is imposed for any period of overstay.

Indians working for certain international organizations and multinational companies. Indian passport holders working for the World Bank, Asian Development Bank, International Monetary Fund, the United Nations or multinational companies may obtain a visa under an expedited procedure from the respective Ambassador to Pakistan after clearing with the link offices (the office of the employer of the Indian national).

Palestinian Authority

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The exchange rate between the new Israel shekel and the US dollar is USD0.280 = ILS1.

A. Income tax

Who is liable. Unless otherwise stated in the law, income tax in Palestine is imposed on all income realized by any individual in Palestine.

A Palestinian national is considered resident for tax purposes if he or she resides in Palestine for a total period of at least 120 days in a calendar year.

A non-Palestinian national is considered resident for tax purposes if he or she resides in Palestine for a total period of at least 183 days in a calendar year.

Income subject to tax

General. As stated in *Who is liable*, all income derived by individuals is subject to tax unless otherwise provided in the law.

Investment income. Under the Income Tax Law amendments in 2014, dividends are subject to income tax. Dividends distributed by companies resident in Palestine are subject to withholding tax at a rate of 10%. The Ministry of Finance has put on hold the application of this rate and treats dividends as exempt income. The current treatment is that no taxes are imposed on dividends paid to individuals.

Interest income is taxable.

Rental income is treated as ordinary income and is taxed at the rates set forth in *Rates.*

Exempt income. The following types of income are exempt from income tax:

- Pension payments or lump-sum amounts paid in accordance with Labor Law. Amounts paid in excess of that required by the Labor Law are taxed.
- Salaries and allowances paid by the United Nations from its budget to its staff and employees.

- Income earned by funds approved by the Minister of Finance, such as retirement, savings, social security and health insurance funds, provided that the exemption is limited to income from the contributions of both employers and employees.
- Compensation paid for work injuries or death and employees' medical expenses.
- Travel mission or representation allowances that are paid to public or private sector employees, provided that they are spent for purposes of the job.
- Income from jobs or services earned by blind or disabled persons with 50% disability according to the report of the competent medical committee.
- Tax-exempt income pursuant to a special law or a bilateral or multilateral agreement concluded by the national authority.
- Additional amounts that are paid as allowances or bonuses to Palestinians while working abroad in the diplomatic or consular corps. This exemption does not include a cost-of-living allowance.
- The wages of non-Palestinian staff of the diplomatic or consular corps who represent other countries in Palestine, subject to reciprocal treatment.
- Income earned abroad unless originating from taxpayers' funds or deposits in Palestine.
- Inheritances, except for revenues generated from inherited properties.
- The income of cooperative associations in relation to their transactions with their members.
- Severance payments that are paid according to the legislation in force and not exceeding one month for each year.
- Tax refunds resulting from settling previous years.

Capital gains and losses. In general, capital gains are taxable. An exception is the exemption for gains derived from the sale of financial securities from an investment portfolio, but a certain percentage of the entity's expenses must be added back to income as disallowed expenses.

Deductions

Personal deductions and allowances. Nationals and foreigners who are considered residents are granted the following annual allowances that are deductible.

- Residency allowance in the amount of ILS36,000
- A one-time allowance in the amount of ILS30,000 for the building or purchase of a house, or an allowance for actual interest paid on a housing loan for a maximum of 10 years, up to a maximum of ILS4,000 per year
- The lesser of actual transportation expenses or 10% of gross salary
- University student exemption for the individual himself or his spouse or his children in the amount of ILS6,000 annually, with a maximum of two students
- An employee's contributions to retirement plans, provident funds, medical insurance or other funds approved by the Minister of Finance

Business deductions. All business expenses incurred in generating income are deductible. However, certain limitations apply to donations, write-offs of accounts receivable, and hospitality and training expenses.

Rates. Personal income, net of deductions, is subject to income tax at the following rates.

Taxable income ILS	Tax rate %	Tax due ILS	Cumulative tax due ILS
First 75,000	5	3,750	3,750
Next 75,000	10	7,500	11,250
Above 150,000	15	—	—

Withholding tax. Payments made by resident taxpayers to non-resident individuals or companies are subject to withholding tax at a rate of 10% of the gross amount paid.

All governmental agencies and shareholding companies that pay rent to local persons and make payments to local providers of services and suppliers of goods should request a Deduction at Source Certificate. Payments exceeding ILS2,500 are subject to withholding tax at the rate stated in the certificate. If the beneficiary does not provide a Deduction at Source Certificate, payments are subject to withholding tax at a rate of 10%.

Relief for losses. Losses may be carried forward and deducted from future profits for five years if the individual maintains proper accounting records. Losses cannot be carried back.

B. Property tax

Property tax is levied on the assessed rental value of real property at a rate of 17%. Twenty percent of the assessed or rental value is deducted from the tax base.

C. Tax filing and payment procedures

The tax year in Palestine is the calendar year. Tax returns must be filed in Arabic using a prescribed form within four months after the end of each fiscal year. The total amount of tax due must be paid at the time the return is filed.

Married persons can be taxed jointly or separately on all types of income. However, if they decide to be taxed separately, the housing allowance (see Section A) is granted to only one of them.

The tax regulations provide incentives to taxpayers who make advance tax payments. These taxpayers are entitled to the following credits:

- 8% on payments made in the first and second month of the fiscal year.
- 6% on payments made in the third month of the fiscal year.

In addition, the following special incentives are granted to taxpayers who pay the tax due and file their tax returns within the filing period.

Month of payment	Incentive (%)
First month	4
Second and third months	2

D. Tax treaties

The Palestinian Authority has entered into double tax treaties with Jordan, Serbia, Sri Lanka, Sudan, Turkey, the United Arab Emirates, Venezuela and Vietnam.

The Palestinian Authority has initialed a tax treaty with Oman. Tax treaty negotiations are underway with Turkmenistan.

E. Temporary visas

All visitors must obtain entry visas to visit Palestine. Nationals of Canada, the United States and Western European countries may obtain a three-month temporary visa at the time of entry.

An exit fee may be required, depending on the port of exit.

F. Work permits

Individuals of all nationalities must apply for working permits if they want to work in Palestine. Work permits are issued by the Ministry of Interior.

An applicant may not begin working in Palestine before obtaining a work permit. Work permits may not be transferred from one employer to another; therefore, if an employee changes employers, the previous work permit is canceled, and the worker must apply for a new permit.

Foreign investors may engage in almost any type of economic activity. The Palestinian Authority does not limit foreigners' investments, except for certain sectors, including energy, manufacturing of firearms, oil and gas, which require prior approval. In addition, foreign ownership of a public shareholding company may not exceed 49%.

Foreign investment for the establishment of a new company requires prior registration and authorization from the Palestinian Ministry of National Economy. To register and obtain authorization, the articles of incorporation, bylaws and board of directors' authorization must be filed, and a resident representative must be appointed.

G. Family and personal considerations

Family members. The spouse of a foreign national with a work permit does not automatically receive the same type of work permit as the primary applicant. He or she must file independently for a work permit to work in Palestine.

Driver's permits. Foreign nationals in Palestine may exchange their home countries driver's licenses for a Palestinian license after passing a simple driving test.

Panama

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A. Income tax

Who is liable. Resident and nonresident individuals are taxed on their Panamanian-source income regardless of the nationality of the individual and the location of the payment of the income. For tax purposes, the nationality of the individual is irrelevant. Individuals are considered resident for tax purposes if they reside or remain in Panama for more than 183 continuous or non-continuous days in the calendar year or in the immediate preceding year or if they have established their permanent residence in Panama.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable income includes wages, salaries (including salaries in kind), bonuses, pensions, directors' fees, profit sharing, severance payments, seniority premium payments and other remuneration for personal services.

Education allowances are considered to be taxable salary and, consequently, they are subject to income tax and social security contributions.

Amounts received by the taxpayer for representation expenses are subject to a flat 10% withholding tax rate on amounts up to PAB25,000. Representation expenses in excess of PAB25,000 are subject to withholding tax at a rate of 10% on the first PAB25,000 and 15% on the excess. All representation expenses are subject to social security contributions.

Self-employment and business income. Profits derived from business, commercial and agricultural activities in Panama are subject to tax. Farming income is exempt from tax if gross sales are less than PAB300,000.

If self-employment and business income is received in addition to employment income, the total income is taxed at the rates listed in *Rates*.

Investment income. Panamanian-source dividends earned by residents and nonresidents are subject to a final 10% withholding tax. The tax rate is 20% for dividends paid on bearer shares. A final 5% withholding tax applies to dividends distributed by companies operating in free-trade zones in Panama and to foreign-source dividends distributed by companies with local operations. Foreign-source dividends distributed by Panamanian companies that do not require a Notice of Operations, that are not established in a Free Zone and that do not produce taxable income in Panama are exempt from dividend tax.

Dividends distributed from interest and gains on the sale of government securities and other interest from deposits with Panamanian banks are subject to a final 5% withholding tax. Other interest income and royalties derived from Panamanian sources are subject to tax under the common regime for resident taxpayers and for nonresident taxpayers. This tax is withheld at 50% of the ordinary tax rate on a gross basis.

However, interest is exempt from tax if it is earned with respect to any of the following:
- Savings or time-deposit accounts maintained in banking institutions established in Panama
- Government securities

Foreign-source interest and royalties are exempt from tax. Royalties received or earned by foreign persons from businesses established in the Colon Free Zone (a duty-free zone) are exempt from tax and are not deductible for the payers of the royalties.

Stock option plans. In principle, the benefit derived from stock option plans granted by the employer is subject to tax at the time of sale of the shares. However, gains derived from sales of shares issued by companies registered on the Panama Stock Exchange and negotiated through the stock exchange are exempt from tax.

Capital gains and losses. Net capital gains derived from the sale of bonds, shares, quotas and other securities issued by legal entities are subject to income tax at a rate of 10%.

Capital gains derived from the sale of shares (or other forms of equity participation) of a Panamanian company are considered Panamanian-source income, regardless of where the transaction takes place, if the company has operations in Panama or has assets located in Panama.

The buyer must withhold and deposit 5% of the gross purchase price paid to the seller with the tax authorities. The 5% withholding tax must be remitted to the tax authorities within 10 days after the date on which the withholding obligation arose. The 5% withholding tax may be considered the final capital gain tax due.

If the 5% withholding tax is greater than 10% of the net capital gain, the taxpayer may credit the 5% withholding tax against the 10% capital gain tax that is finally determined. The excess amount may be refunded, credited against other tax liabilities or transferred to other taxpayers.

Indirect transfers of shares "economically invested in Panama" are also subject to Panamanian capital gains tax, even if the seller and buyer are nonresidents.

In addition, gains derived from the sale of real estate are subject to tax at a rate of 10%. The tax base equals the sales price minus the sum of the original cost of the property and expenses incurred on the sale. However, if the sale is made in the ordinary course of trade or business of the taxpayer, the general income tax rates apply.

For purposes of capital gains on real estate taxed at the 10% rate, the seller must pay 3% of the sales price or the recorded value of the property, whichever is greater, as a capital gains tax advance. The 3% tax may be considered the final capital gain tax due. If the 3% tax is greater than 10% of the net capital gain, the taxpayer may credit the 3% tax against the 10% capital gain tax that is finally determined. The excess amount may be refunded, credited against other tax liabilities or transferred to other taxpayers. The transfer of real estate is also subject to an additional tax of 2%.

Deductions

Deductible expenses. Individuals may deduct the following from gross taxable income:

- Mortgage interest related to loans for a principal residence, up to PAB15,000 a year
- Interest paid on educational loans
- Donations up to USD50,000 if made to charitable organizations recognized by the tax authorities
- Medical expenses incurred in Panama and not reimbursed by insurance
- Medical and hospitalization insurance premiums (excluding payments or withholdings for social security)
- Certain investments in tourism
- Contributions up to 10% of gross salary or up to PAB15,000 to pension plans

Personal deductions and allowances. Individuals are entitled to a PAB800 deduction when filing jointly with the spouse.

Recipients of severance and seniority premium payments on termination of employment are entitled to a deduction at a rate of 1% of the payments for each complete year of service with the same employer. In addition, PAB5,000 may be deducted from the payments.

Nonresidents may not claim any deductions or personal exemptions.

Business deductions. All costs and expenses that are necessary to generate taxable income and protect investments are deductible.

Rates. Employment income and self-employment income are taxable at the following rates.

Taxable income Exceeding PAB	Not exceeding PAB	Tax on lower amount PAB	Rate on excess %
0	11,000	0	0
11,000	50,000	0	15
50,000	—	5,850	25

Withholding tax is levied on the income of nonresidents at a rate of 15% plus the educational tax at a rate of 2.75%.

Relief for losses. Self-employed individuals incurring a loss in a tax year may deduct 20% of the loss in each of the five subsequent tax years. However, the deduction is limited to 50% of taxable income in each subsequent tax year, and any nondeductible amount may not be carried forward.

B. Other taxes

Estate or gift taxes. Panama does not tax estates or gifts.

Real property tax. A real property tax applies to land, buildings and other permanent structures located in Panama. These properties are subject to tax at progressive rates, which are shown below.

The following are the tax rates if the property is considered a Tributary Family Patrimony (Patrimonio Familiar Tributario) or a Primary Residence (Vivienda Principal).

Tax base Exceeding USD	Not exceeding USD	Rate %
0	120,000	0
120,000	700,000	0.5
700,000	—	0.7

A Tributary Family Patrimony is a property that is destined for permanent family habitation use by its owner(s), in accordance with the Article 476 of the Family Code.

A Primary Residence is a property that is destined for permanent residential habitation use by its owner (whether it is a natural person or juridical person) and that does not constitute a Tributary Family Patrimony.

The following are the tax rates for Secondary Residences and commercial and industrial properties.

Tax base Exceeding USD	Not exceeding USD	Rate %
0	30,000	0
30,000	250,000	0.60
250,000	500,000	0.8
500,000	—	1

Horizontal Properties that have an existing property tax exemption will continue to receive the benefits of that exemption. However, if the owner files the form requesting Primary Residence status, the remaining years of property tax exemption are lost. The owner is then subject to the normal Primary Residence property tax rates.

All new residential construction that is the purchasers' first residence and is considered a Tributary Family Patrimony or Primary Residence and that has a registered cadastral value of between USD120,000 and USD300,000 is exempt from property tax for a period of three years, as of the date of the issuance of the occupation permit or the date of inscription in the Public Registry, whichever occurs first.

Properties under the Horizontal Property Regime that are exempt for their improvements are subject to tax at a rate of 1% of the value of the land until the expiration of the exemption for the improvements. After the exemption for improvements expires, the regular progressive rates apply.

Education tax. Education tax is imposed on employers and employees. The rates are 1.5% for employers and 1.25% for employees.

C. Social security

Social security contributions are levied on salaries, at a rate of 12.25% for the employer and 9.75% for the employee. Contributions are computed based on an employee's gross compensation. No ceiling applies to the amount of remuneration subject to social security contributions. In addition, employers must pay workers' compensation insurance, which covers work-related personal injuries and death and occupational diseases, at rates that vary from 0.056% to 5.67%, depending on the type of business and other risk factors.

Panama has not entered into any social security totalization agreements with other countries.

D. Tax filing and payment procedures

Employers are responsible for withholding income taxes and social security contributions from an employee's salary on a monthly basis. Employees are not required to file an annual income tax return if their only source of income is employment compensation. Nonresidents are not required to file an annual income tax return if their income tax liability has been satisfied through withholding at source.

By 31 May of each year, employers must file an annual form providing all information on taxes withheld from employees. Individuals earning more than one salary or receiving other taxable income not subject to withholding tax must file an annual income tax return. If individuals earn taxable income from their own business, they must file annual income tax returns, even if the net result for the period is a loss.

The ordinary tax year is the calendar year. Tax returns are due on 15 March of the year following the tax year. The regulations provide for an extension of up to one month to file an income tax return. The late payment of taxes is subject to a 10% surcharge and late payment interest, which is imposed at a rate of approximately 0.79% to 1%. This interest rate equals the annual market interest rate determined by the Banking Supervisory Authority, plus two basis points for every month or fraction thereof that the

tax payment is late. Tax returns are filed on electronic forms provided by the Ministry of Finance and Treasury.

Estimated tax, which is calculated in the annual income tax return of the preceding tax year, is due by 30 June or in equal installments on 30 June, 30 September and 31 December of the tax year. If the actual taxable income is lower than estimated income, any overpaid tax is applied toward the following year's estimated income tax liability.

Married persons are taxed jointly or separately, at the taxpayers' election, on all types of income.

E. Double tax relief and tax treaties

Panama has entered into double tax treaties (DTTs) with Barbados, the Czech Republic, France, Ireland, Israel, Italy, Korea (South), Luxembourg, Mexico, the Netherlands, Portugal, Qatar, Singapore, Spain, the United Arab Emirates, the United Kingdom and Vietnam.

Dependent personal services clause. The DTTs follow the Organisation for Economic Co-operation and Development (OECD) Model Convention. Accordingly, salaries earned by a resident of the other state (non-Panamanian resident) from employment exercised within Panama should not be taxable in Panama if all of the following requirements are met:

- The recipient of the salary is present in Panama for a period or periods not exceeding, in the aggregate, 183 days in any 12-month period commencing or ending in the tax year concerned.
- The remuneration is paid by, or on behalf of, an employer who is not a Panamanian resident.
- The remuneration is not borne by a permanent establishment in Panama.

F. Temporary visas

Depending on their country of citizenship, individuals may be required to apply for and obtain an entry visa before traveling to Panama. A Panamanian consulate overseas grants the visa. Because the rules indicating the countries of citizenship of individuals who are required to obtain an entry visa before entering Panama and requirements for obtaining a visa often vary, it is necessary to check the entry visa requirements on a case-by-case basis.

To enter Panama as a tourist, the following is required:

- Ticket to the individual's home country or next destination
- Demonstration of economic solvency, which is not less than USD500 or the equivalent in credit cards, bank references, work letters or travelers checks
- Passport or travel document valid for at least six months
- Authorized tourism card or visa, if applicable according to the nationality of the tourist
- Proof of payment from the hotel where the individual will be staying, if applicable

Foreigners may stay in Panama as tourists for up to 180 days. Foreigners from certain countries are only allowed to stay in Panama for 90 days with a tourist visa.

G. Work visas (and/or permits)

The government of Panama grants work permits to foreign employees who have special knowledge or experience in a certain field and whose country of origin maintains economic, professional and friendly ties with the Republic of Panama. The granting of a work authorization is subject to certain rules that have to be checked on a case-by-case basis because these rules often vary. The Ministry of Labor and Employment Development grants the work permit after the foreigner obtains the residence permit granted by the National Immigration Service.

Foreign nationals may work in Panama only if they have obtained a permanent or temporary residence permit and the work permit that allows them to work. Depending on the category, a visa may be valid for one year and may be renewed for the same period, up to five additional years. Certain types of visas are issued indefinitely and others are issued for up to five years and are renewable for the same time period.

Residence and temporary work permit in the capacity of personnel hired as executives of international companies, whose functions take effect abroad. Special temporary visitors' visas may be obtained by international executives of companies that have Panamanian operations and by press correspondents.

International executives with a special temporary visa who receive a monthly salary of at least USD2,000 that comes from a foreign source for transactions or services executed or having effects abroad are not subject to income tax, educational tax and or social security tax in Panama.

Residence permit for permanent employee hired by Multinational Company Headquarters. Under the Multinational Company Headquarters Law (Law No. 41 of 27 August 2007; known as SEM for its acronym in Spanish), foreign personnel and their dependents may obtain a Multinational Company Headquarters Permanent Personnel Visa or a Dependent of Multinational Company Headquarters Permanent Personnel Visa. For tax purposes, salaries and other similar remuneration received by foreign persons with a Multinational Company Headquarters Permanent Personnel Visa is considered foreign-source income, and accordingly, not subject to tax in Panama if the foreigner receives the payments from abroad. SEM visas also provide for an exemption from social contributions in Panama.

Migratory and labor options for a company hiring a foreigner. The migratory and labor options for a company hiring a foreigner include, among others, the following:

- 10% of the ordinary personnel (10% category).
- 15% of the specialized personnel (15% category).
- Marrakesh Agreement. The residence and work permit under this agreement applies to foreigners who enter the country to work in a company with less than 10 Panamanian employees.

The 10% category can be requested by foreigners who will be hired by private companies in Panama and who earn a monthly salary not less than USD850. Foreigners hired under the 10% category must hold ordinary positions, which do not denote

hierarchy, command or specialization within the company, and their hiring must not exceed the percentage established by the labor legislation in relation to national workers, according to the detail of the payroll reported to the Social Security Authority.

The 15% category may be requested by foreigners who will be hired by private companies in Panama and who earn a monthly salary not less than USD850. Foreigners hired in the 15% category must hold a position of technician, expert or manager, and/or be considered trustworthy personnel (as defined in Article 84 of the Labor Code) within the company, and their hiring must not exceed the percentage established by the labor legislation in relation to national workers, according to the detail of the payroll reported to the Social Security Authority.

After the term of two years of the provisional residence permit, the foreigner can apply for permanent residence.

H. Residence visas (and/or permits)

The government of Panama may grant a temporary residence permit or a permanent residence permit, depending on the category in which the foreigner falls. All residence permits must be submitted to and processed by the National Immigration Service. The applicable requirements may vary depending on the foreigner's immigration category. Consequently, it is necessary to check in advance the requirements in each case.

A foreign national with a residence visa may transfer his or her residence to Panama for an indefinite period of time. The foreign national may be employed as a professional by a Panamanian employer if he or she obtains a work permit or may establish his or her own business, or both.

Friendly Countries Visa. Executive Decree No. 343 of 16 May 2012 created the immigration category of permanent resident for foreign nationals from specific jurisdictions who maintain friendly, professional, economic and investment relations with Panama. Through the Friendly Countries Visa, an applicant may acquire a permanent residence permit and a work permit for three years, which is renewable for the same period in Panama. Citizens of the 50 jurisdictions considered "friendly" can move to Panama with their immediate family and acquire a permanent residence permit more quickly than citizens from other jurisdictions. To qualify, a citizen of a "friendly" jurisdiction can establish a Panamanian company, be the holder of at least 50% of the shares of such company or be employed in a professional capacity by a Panamanian company.

Citizens of the following jurisdictions may obtain a permanent residence permit under the category of Friendly Countries Visa.

Andorra
Argentina
Australia
Austria
Belgium
Brazil
Canada
Chile
Costa Rica
Greece
Hong Kong SAR
Hungary
Ireland
Israel
Japan
Korea (South)
Latvia
New Zealand
Norway
Paraguay
Poland
Portugal
San Marino
Serbia
Singapore
Slovak Republic

Croatia	Liechtenstein	South Africa
Cyprus	Lithuania	Spain
Czech Republic	Luxembourg	Sweden
Denmark	Malta	Switzerland
Estonia	Mexico	Taiwan
Finland	Monaco	United Kingdom
France	Montenegro	United States
Germany	Netherlands	Uruguay

Professional Foreigner. The residence permit of a Professional Foreigner is a migratory permit that grants a provisional residence for two years, and after the end of this period, gives the option of applying for permanent residence, based on the quality of a foreign professional graduate with the corresponding university degree, master's degree or doctorate.

Through immigration reform published on 13 May 2015, the National Immigration Service established as a new requirement of homologation of diplomas or university degrees before the submissions of applications for residence and work permits.

In Panama, the institutions that make such Homologations are the University of Panama, the Technological University of Panama or the national authority that corresponds to the diploma or degree that is being presented.

A professional foreigner who applies for this permit must graduate in a profession that is not restricted to only Panamanians by law or the Constitution.

The list of professions reserved for Panamanian are the following:

- Security agent
- Dental assistant
- Medical assistant
- Barber and cosmetology
- Agricultural sciences (agronomy, agricultural botany, forestry, edaphology, economy agriculture, agricultural vocational education, entomology, agricultural extension, phytopathology, breeding, horticulture, agricultural engineering, agricultural chemistry, agricultural zoology, zootechnical and other sciences that are declared by the Technical Council National Agriculture)
- Accounting
- Law
- Education (history, geography and civics)
- Economics
- Nursing
- Pharmacy
- Physiotherapy
- Engineering and architecture (agricultural engineer, architectural engineer, civil engineer, electrical engineer, mechanical engineer, mining engineer, chemical engineer, industrial engineer, geologist engineer, surveyor and work master)
- Medicine
- Nutrition
- Dentistry
- Journalism
- Psychology
- Chemistry

- Chiropractor
- Radiology
- Public relations
- Sociology
- Laboratory technician
- Speech therapist
- Social work
- Veterinary

Treaty of friendship, trade and navigation between Panama and Italy. Under a treaty between Panama and Italy, citizens of each of the contracting parties are allowed to enjoy in the territory of the other national treatment with respect to the admission to economic or professional activities of any kind and the exercise of such activities with the exception of the exercise of retail trade.

Based on the treaty, Panama has developed a special category of migration and labor for Italian nationals so that they can obtain a permanent residence permit, foreign certificate and indefinite work permit, if the Italian nationals fulfill the requirements for these items.

I. Family and personal considerations

Family members. By law, only family members or dependents in the following categories can apply as dependents of the applicant:
- Spouses (formally married).
- Children under 18. If the dependent is older than 18 but younger than 25, single and a student in an authorized academic institution in Panama, he or she can also apply as a dependent of the applicant.
- Parents of the applicant.

Only the applicant has the right to request a work permit. Consequently, if a dependent wishes to work in Panama, he or she must resign as a dependent and apply for an independent residence permit and work permit.

Marital property regime. Agreement regarding the matrimonial regime can be reached before the marriage ceremony. The agreements to establish the matrimonial regime are called matrimonial capitulations. The Family Code recognizes the following three matrimonial regimes:
- Profit-sharing regime
- Separation of property regime
- Partnership regime

The spouses choose the matrimonial regime that will govern their marriage. In Panama, if the spouses do not expressly establish the matrimonial regime that will govern the marriage, the law indicates that the profit-sharing regime applies automatically to all marriages entered into after 1995.

Forced heirship. If an individual dies without leaving a will, the beneficiaries of the individual's assets and patrimony according to the law are descendants, ascendants, the spouse, father and mother, collaterals, and brothers. The priority order is set by the Civil Code, according to a series of different combinations. Amounts to pay maintenance and other obligations of the deceased are removed from the deceased's estate before the estate is distributed among the beneficiaries.

Driver's permits. The Authority of Transit and Land Transport allows tourists (individuals who do not have an approved residence permit and are visiting Panama) to drive vehicles with their current license from their country of origin. Tourists are allowed to drive with the current license from their country of origin up to a period of 90 days. Once the foreigner changes his or her immigratory status that allows him or her to reside in Panama, he or she must apply to the Panamanian authorities for a local driver's license.

Papua New Guinea

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A. Income tax

Who is liable. Residents of Papua New Guinea (PNG) are subject to PNG Salary and Wages Tax (SWT) on worldwide income. Nonresidents are subject to SWT on PNG-source income only.

PNG's domestic law contains the following definition of a "resident" or "resident of Papua New Guinea":

"(a) in relation to a person, other than a company, means a person who resides in Papua New Guinea, and includes a person

(i) whose domicile is in Papua New Guinea, unless the Chief Collector is satisfied that his permanent place of abode is outside Papua New Guinea;

(ii) who has actually been in Papua New Guinea, continuously or intermittently more than one half of the year of income, unless the Chief Collector is satisfied that his usual place of abode is outside Papua New Guinea, and that he does not intend to take up residence in Papua New Guinea; or

(iii) who is a contributor to a prescribed superannuation fund or is the spouse, or a child under 16 years of age, or such a contributor…"

If an individual does not satisfy the above definition, he or she is considered to be a nonresident of PNG. The residency of an individual may be affected if PNG has entered into a double tax treaty with a relevant country.

The residence tests, and in particular, the overriding "resides" test (see paragraph [a] of the definition above) can potentially be met relatively easily. The PNG Internal Revenue Commission (IRC) may consider a person who is in PNG for employment purposes for as little as six months to be a resident of PNG for domestic tax purposes. For purposes of the residency tests, a person's facts and circumstances should be weighed and considered appropriately. For example, whether a person has a usual place of abode outside PNG should also be considered. Because PNG has a relatively limited treaty network, the residency test under PNG domestic law can be very important.

Income subject to tax. Except for salary and wages, income is calculated by subtracting deductible expenses and losses from the assessable income of the taxpayer. The taxability of various types of income is discussed below.

Employment income. Salary, wages, allowances and most cash compensation is included in the employee's assessable income in the year of receipt. Non-cash benefits are either taxed in the employee's hands (often at concessional rates) or are exempt from tax. No specific PNG tax is imposed on employers with respect to the provision of non-cash benefits. However, SWT withholding obligations exist for employers to the extent that employees are taxed on such benefits.

Self-employment and business income. Taxable income from self-employment or from a business is subject to PNG tax. Each partner in a partnership is taxed on his or her share of the partnership's taxable income.

Directors' fees. Directors' fees are included in assessable income as personal earnings and are taxed in the year of receipt.

Dividends. Dividends paid to resident individuals, resident trust estates and nonresidents by PNG companies are subject to a 15% dividend withholding tax unless the income is expressly exempt.

Dividends that have been subject to dividend withholding tax are excluded from the assessable income of resident persons, resident trust estates and nonresidents.

For dividends derived from nonresident sources, a foreign tax credit (FTC) may be allowed for foreign taxes paid. The FTC allowed is equal to the lesser of the foreign tax paid or the amount of PNG tax payable on that income.

Interest, royalties and rental income. Interest, royalties and rental income derived by residents are included in assessable income with a deduction allowed for applicable expenses.

If tax is paid in the foreign country on foreign income, the resident may be able to claim an FTC. If the foreign investment results in a tax loss (that is, deductible expenses exceed assessable income), the tax loss is quarantined and can only be offset against other foreign-source investment income.

Interest paid by residents to nonresident lenders is generally subject to a final withholding tax of 15% (subject to any reductions available under an applicable double tax treaty).

Accrued foreign company income. The PNG tax law does not currently contain controlled foreign company rules or any similar measures. Accordingly, income or gains accumulating in foreign companies or foreign trusts are typically only taxed on a receipt basis.

Converting transactions denominated in foreign currency into PNG kina amounts. Taxpayers are generally required to convert income amounts denominated in foreign currency into PNG kina (PGK) amounts at the time of derivation of the income. Likewise, taxpayers must convert expense amounts into kina amounts at the time of payment.

Realized foreign-exchange gains are assessable and realized foreign-exchange losses are allowable deductions, to the extent they relate to the derivation of income assessable in PNG.

Concessions for individuals on short-term assignments. PNG tax legislation does not contain concessions with respect to living away from home allowances. Any such allowances paid in cash are fully taxable to employees.

Taxation of employer-provided stock and stock options. The PNG tax law does not contain any specific rules that deal with the taxation of employer-provided stock options. However, discounts provided to employees on stock or options acquired under an employee stock scheme are generally taxed as ordinary income in the employees' hands.

Capital gains and losses. Capital gains are generally not subject to tax in PNG. However, the disposal of a capital asset may be subject to tax to the extent the disposal takes place as part of a profit-making scheme or is part of the ordinary business of the taxpayer.

Deductions

Deductible expenses. To claim deductions, an individual must file an income tax return (see Section C). Expenses of a capital, private or domestic nature, and expenses incurred in producing exempt income are not deductible.

Some employment-related expenses may be rebated.

Dependent rebates and personal tax offsets. If a dependent's declaration has been furnished, a resident individual taxpayer is allowed a rebate for a maximum of three "dependents." A dependent is a person who is related to the taxpayer, whose separate net income during the year does not exceed PGK1,040, and who is one of the following:

- A spouse
- An unmarried child who is less than 16 years old
- A full-time student child over 16 years old but under 25 years old
- An invalid relative
- A parent of the taxpayer or of his or her spouse, if the parent is a resident of PNG

For an individual earning salary or wage income, the rebates are built into the SWT tax rate schedule published each year by the IRC. The following are the fixed amounts of the fortnightly rebates:

- One dependent: PGK17.31
- Two dependents: PGK28.85
- Three or more dependents: PGK40.38

Business deductions. Losses and expenses are generally fully deductible to the extent they are incurred in producing assessable income or are necessarily incurred in carrying on a business for that purpose, and are not capital or of a capital, private or domestic nature.

Deductions are allowed for salaries and wages paid to employees, as well as for interest, rent, repairs, commissions and similar expenses incurred in carrying on a business.

Specific records must be kept for all business expenses incurred.

Expenditure for the acquisition or improvement of assets is not deductible, but depreciation deductions may be claimed.

Rates. The following are the annual rates for tax residents.

Taxable income PGK	Tax rate %	Tax due PGK	Cumulative tax due PGK
First 12,500	0	0	0
Next 7,500	22	1,650	1,650
Next 13,000	30	3,900	5,550
Next 37,000	35	12,950	18,500
Next 180,000	40	72,000	90,500
Above 250,000	42	—	—

The following are the rates for tax nonresidents.

Taxable income PGK	Tax rate %	Tax due PGK	Cumulative tax due PGK
First 20,000	22	4,400	4,400
Next 13,000	30	3,900	8,300
Next 37,000	35	12,950	21,250
Next 180,000	40	72,000	93,250
Above 250,000	42	—	—

B. Social security taxes

Superannuation/pension contributions. Under the Superannuation (General Provision) Act 2000 (PNG Superannuation Act), a PNG employer with 15 or more employees that has employed an employee for 3 months or more must make a minimum contribution to an Authorised Superannuation Fund (ASF). An ASF is a PNG resident superannuation fund that has been authorized to operate by the Bank of PNG.

Currently, the requirement to make superannuation contributions into an ASF exists only with respect to PNG-citizen employees. Contributions are currently optional for non-citizen employees. Under certain proposals, contributions would be required with respect to non-citizens.

The compulsory employer contribution is 8.4% of an employee's gross ordinary time earnings. It is also compulsory for PNG-citizen employees to contribute 6% of their gross ordinary time earnings into an ASF from their post-tax salary. This contribution

is in addition to the compulsory employer contribution of 8.4%. It is deducted and remitted by the employer.

A tax deduction is not available for employers who make contributions to nonresident superannuation funds.

C. Tax filing and payment procedures

The PNG tax year is the calendar year (1 January to 31 December).

Returns for the year must be filed by 28 February of the following year. Extensions are available if the return is filed by a registered tax agent and if a request for extension of time is made. Nonresidents are subject to the same filing requirements as residents. No specific additional filing requirements are imposed on persons arriving in, or persons preparing to depart from, PNG.

Married persons are taxed separately, not jointly, on all types of income. Joint filing of returns by spouses is not permitted.

Individuals who derive employment income only are not required to file an income tax return in PNG. SWT withheld by an employer is a final tax. PNG national or expatriate employees who derive income other than employment income must file an income tax return in PNG. No return is required for dividend income that has been subject to PNG dividend withholding tax. An income tax return is required if any of the following circumstances exist:

- The individual has income of more than PGK100 from other sources.
- The individual is claiming a rebate for work-related expenses or donations.
- The individual received a housing allowance, and a variation was granted by the Commissioner General of Internal Revenue for the individual to receive the housing allowance before tax.
- The individual received a motor vehicle allowance, and a Section 299E variation has been granted. A Section 299E variation refers to an application to the Commissioner General of Internal Revenue to allow payment of a cash allowance to an employee without deducting SWT.
- A school fee rebate is claimable. A school fee rebate refers to an amount paid by the government through the tax system to taxpayers who have paid school fees for dependent children. The rebate is granted per child and is limited to 25% of the net education expenses incurred or PGK750, whichever is less. This rebate has been repealed, effective from 1 January 2019.

The IRC issues a tax assessment after a tax return is filed. After an assessment is issued and served on the taxpayer, the taxpayer must pay the amount of tax due within 30 days. If the taxpayer files an objection, the IRC requires that the amount of tax assessed be paid pending the review of the objection. A taxpayer may request the Commissioner General of Internal Revenue to grant an extension to pay the tax or allow the taxpayer to make the payment in installments.

D. Double tax relief and tax treaties

Foreign tax credit. A foreign tax credit (FTC) may be allowed for foreign taxes paid. The FTC equals the lesser of the foreign tax paid and the amount of PNG tax payable on the relevant income.

For FTC purposes, income derived from treaty and non-treaty countries are treated the same.

Double tax treaties. PNG has entered into double tax treaties with the following countries.

Australia	Germany*	New Zealand
Canada	Indonesia	Singapore
China	Korea (South)	United Kingdom
Fiji	Malaysia	

* This treaty has been signed, but it has not yet been ratified.

E. Temporary visas

Nonresidents seeking entry into PNG must obtain an appropriate visa prior to entry.

Temporary residence visas are granted to individuals whose activities are considered to benefit PNG, including individuals entering for business, skilled employment, cultural or social activities.

The types of temporary residence visas, and the conditions that must be fulfilled prior to such visas being issued, are discussed below.

Visitors. The following are the eight categories of visitor visas:
- Tourist (tour package)
- Tourist (own itinerary)
- Easy Visitor Permit (EVP)
- Visiting Relative
- Journalist
- Sportsperson
- Filmmaker (noncommercial)
- Yachtsperson

Nonresidents seeking entry into PNG for purposes such as tourism can either obtain the visa at a PNG consulate prior to entry or, for eligible country passport holders, online or on arrival at a designated port of entry.

Business visa. The three types of business visitor visas are described below.

Single-entry business visas. Single-entry business visas allow for a single visit of up to 30 days (to attend business meetings, board meetings, conferences, conduct an exploratory business visit or participate in a business negotiation). Employment is prohibited on this visa, and the status cannot be extended. For eligible country passport holders, this visa can be applied for online, on arrival at designated ports of entries or through a PNG consulate prior to travel. Nationals from high-risk jurisdictions must seek approval from the PNG Immigration & Citizenship Authority (PNGICA) before they can apply through a PNG consulate prior to travel.

Restricted Employment Visa. A Restricted Employment Visa (REV) is a temporary visa for foreign specialists or experts urgently required if no such specialist is immediately available in the country to perform short-term, highly specialized work that

is not ongoing or to assist in a national emergency relief situation.

A REV can be used in the following sectors:
- Mining
- Gas
- Petroleum
- Agriculture
- Fisheries
- Forestry
- Building infrastructure
- Aviation

The REV has the following restrictions:
- It is limited to a stay of up to 30 days per visit.
- Entry is limited to four times per calendar year.
- No extensions are permitted.
- The individual can only work for a sponsoring employer.

The REV must be obtained through the PNG consulate prior to travel or at port of entry for eligible country passport holders if the individual holds an approval uplift letter issued by the PNGICA.

Asia-Pacific Economic Cooperation Card. Individuals from fully participating Asia-Pacific Economic Cooperation (APEC) economies can be issued a five-year travel card that serves as the entry authority to other fully participating economies that have granted pre-clearance for short-term business travel of up to 60 or 90 days.

Employment. Non-citizens seeking to enter PNG for employment in the private sector may apply for a work and employment permit. The work permit can be issued for short- or long-term periods from six months and up to five years.

The work and employment permit process consists of the following three steps:
- A work permit application must be submitted to the Department of Labour and Industrial Relations (DLIR).
- Once the work permit is approved, an entry permit application must be submitted to the PNGICA.
- Once the work permit and entry permit are approved, the visa will be telexed to the nearest PNG consulate (or Australian consulate) for the consular visa issuance.

Long-term work permits can be renewed in the country or out of the country three months prior to the expiration of the work permit. However, any changes to the applicant's employer or occupation (including promotion) will require the individual to apply for a new work permit. If individuals repatriate prior to the expiration of their work permits, they will be required to submit a work permit cancellation application with DLIR.

Applicants may be required to apply for membership and registration with professional bodies in PNG prior to the submission of their work permit application. For example, engineers are required to apply for membership with the Institution of Engineers Papua New Guinea (IEPNG), and accountants are required to apply for membership with Chartered Professional Accountants Papua New Guinea (CPA PNG). Spouses (including de facto

spouses) and dependents can apply for a dependent entry permit with PNGICA. Family members who are not included in a temporary resident's initial visa application may generally apply for a visa at a later date.

F. Permanent residence

To qualify for permanent residence, an individual must have lived in PNG on a valid visa for at least five years and must meet the criteria of one of the following classes of visa (subject to change at any time):

- Chief executive officer of a large company
- Majority owner of a business
- Skilled professional
- Missionary and religious worker
- Retired persons
- Spouses and children of PNG citizen aged 19 years or more

Nationals from Melanesian Spearhead Group countries (Fiji, the Solomon Islands and Vanuatu) may qualify for permanent residency without the five-year requirement.

G. Family and personal considerations

Spouses (including de facto spouses) and dependents of temporary and permanent visa applicants can be included in the same visa application as the primary applicant and are granted visas for the purpose of residing in PNG with the primary applicant. Family members who are not included in a temporary resident's initial visa application may generally apply for a visa at a later date.

Paraguay

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The Paraguayan Congress is evaluating an amendment of the Paraguayan tax system, including personal income tax. This amendment is expected to enter into force on 1 January 2020. The tax period for personal income tax is from 1 January to 31 December; consequently, the personal income tax rules discussed in this chapter are expected to apply until 31 December 2019. Because of this expected amendment of the personal income tax, readers should obtain updated information before engaging in transactions.

A. Income tax

Who is liable. The personal income tax is imposed on Paraguayan-source income derived from services rendered by individuals and on other certain types of income (see *Income subject to tax*).

The personal income tax calculation is based on the difference between the actual income received and expenses incurred in Paraguay (cash basis) during the fiscal year (January through December).

Income subject to tax

Employment income and other amounts received for services. Employment income, directors' fees, management remuneration and all other remuneration for personal services performed in Paraguay are subject to personal income tax in Paraguay. This rule applies regardless of whether the individual performs the services under a dependency relationship with an employer or as an independent service provider. Value-added tax (VAT) at a rate of 10% is also imposed on individuals rendering services as independent service providers. Individuals working under dependency relationships with employers are not subject to VAT, but they are subject to social security contributions.

Investment income. Personal income tax is imposed on 50% of the dividends received by Paraguayan individuals from

Paraguayan companies that are subject to corporate income tax in Paraguay.

Interest, commissions and capital gains derived by local individuals are subject to personal income tax.

Self-employment and business income. A productive unit owned by an individual and registered with the Paraguayan tax authorities as a sole proprietorship that uses capital and labor is subject to corporate income tax or to small contributor income tax (also known as "single tax").

Single tax is paid by individuals based in Paraguay if their income for the past fiscal year does not exceed PYG500 million (approximately USD80,906). If the income of a registered individual exceeds PYG500 million, he or she must pay corporate income tax instead of single tax.

Exempt income. The following items are exempt from personal income tax:

- Income earned by diplomats, consulate agents and foreign government representatives, only if reciprocity with their home countries exists
- The beneficiaries of severance payments in the case of death or total or partial incapacity, illness, maternity leave, accidents or dismissals
- Retirement income received from companies established in Paraguay if the individual contributed to entities specified in Paraguayan laws
- Exchange-rate differences resulting from deposits in national or foreign entities, as well as the valuation of the patrimony
- Interest payments and other benefits derived from investments, deposits and certificates of deposit in local financial entities, as well as from cooperatives
- Income received from investments in securities and other debt instruments of local companies whose shares are traded on the Asuncion Stock Exchange

Capital gains. Capital gains derived from the occasional sale of real estate or from transfers of certain specified capital interests are subject to personal income tax.

If more than two real estate properties are sold in a year, the sales are subject to corporate income tax.

Deductions. Expenses incurred by an individual in Paraguay are fully deductible if they are supported by documentation that complies with the tax rules. Deductible expenses include, among others, the following:

- Medical and dental insurance premiums
- Social security contributions
- Pension plan contributions
- Family and amusement expenses incurred in Paraguay

Individuals who are not subject to social security contributions may also deduct from annual taxable income a specified portion (15% of total taxable income for the year) of savings deposits maintained in local financial institutions for more than three years.

Rates. Individuals earning more than 120 minimum wages or salaries (PYG253,507,440 or approximately USD41,020)

annually must pay personal income tax at a rate of 10% of their net income (as of June 2019, USD1 = PYG6,180).

Effective from 2019, the 10% rate applies to individuals earning more than 120 minimum wages per year, and an 8% rate applies to individuals earning more than 36 minimum wages per year.

Relief for losses. Losses may be carried forward five years, subject to the limitation set forth in the Personal Income Tax Law and regulations.

B. Social security

Social security tax is levied on employees' compensation. Employees pay contributions at a rate of 9% (11% for banking employees), and employers at a rate of 16.5% (17% for banks), on employees' compensation.

Totalization agreements. To provide relief from double social security taxes and to assure benefits coverage, Paraguay entered into totalization agreements with several countries, including, among others, Argentina, Bolivia, Brazil, Chile, Ecuador, Spain and Uruguay.

In practice, the Paraguayan Social Security Institution is very formal regarding the documents and deadlines required for issuing Certificates of Coverage for foreign individuals.

C. Tax filing and payment procedures

The tax year in Paraguay is the calendar year (1 January through 31 December).

Individuals must file a tax return by March of the following year. The exact date depends on the taxpayer's Tax Identification Number.

D. Tax treaties

Paraguay has entered into double tax treaties with Chile and Taiwan to avoid double taxation on income tax, including personal income tax. During 2019, Paraguay signed a double tax treaty with Uruguay that will enter into force on 1 January 2020.

E. Residence permits

All foreigners wishing to maintain residency in Paraguay must obtain residence permits. The Paraguayan migratory legislation does not provide for work visas. Individuals may enter as tourists for a maximum period of 90 days (renewable). During this period, they can start the process to obtain temporary or permanent residence permits.

Temporary residence permits allow their holders to reside in Paraguay. They are valid for a period of one year and may be renewed for a period of up to six years. The generally required documents to reside in Paraguay are the following:

- Identity card or passport from the country of origin
- Birth certificate
- Marriage certificate or divorce decree (to demonstrate civil status)
- Police or criminal records (from the age of 14) from the country of origin or residence during the previous five years

- Police records certificate for foreigners issued by the Department of Informatics of the National Police (from the age of 14)
- Health certificate from the Ministry of Health, mentioning psycho-physical health and confirming absence of infectious diseases
- Certificate of life and residence, issued by the police department of the country of origin
- Certificate of entrance and permanence in Paraguay
- Consular visa for countries that require it (verified by the Paraguayan Ministry of Foreign Affairs)
- Two passport-size photos (2.5 cm x 2.5 cm) in color
- Work promise, mentioning the salary, with a signature certified before a notary public
- Commercial patent, Tax Identification Number and identity card of the employer
- Professional and/or technical title (legalized) or an official education certificate
- Proof of maintenance (for adults)

An individual with temporary residence must renew his or her permit each year.

For obtaining permanent residence, the following additional documents are required:
- Proof of economic solvency, which is USD5,000 or the equivalent in a bank, credit union or financial entity, or a university title with a work promise mentioning the salary to be received (same as for temporary residence; see above).
- Signed affidavit with the promise to obey Paraguayan laws, signed before a notary public.

Permanent residence permits are valid for 10 years and may be renewed.

All original documents must be valid and also filed with two complete copies authenticated by a notary public. The documents in foreign languages (except Portuguese) must be translated into Spanish (including the passport) by a translator certified by the Paraguayan Supreme Court of Justice. Documentation from the country of origin or residence must be endorsed by the Paraguayan consulate abroad and legalized by the Ministry of Foreign Affairs in Asunción or *apostilled*.

F. Work permits

Neither permanent nor temporary residents need to obtain a work permit in Paraguay. The residence permit is sufficient for performing gainful activities in the country.

G. Family and personal considerations

Family members. Family members of a working expatriate must have separate permits to reside in Paraguay. However, the family members may file jointly with the working expatriate for residence permits. The dependents of a working expatriate may attend schools in Paraguay without student visas.

Driver's licenses. International driver's licenses are permitted in Paraguay.

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A. Income tax

Who is liable

Territoriality. Individuals resident in Peru are taxed on their worldwide income. Nonresidents are taxed on their Peruvian-source income only.

In general, Peruvian-source income is any income obtained in Peru, regardless of the citizenship or residence of the individual.

Under the Peruvian Income Tax Law, Peruvian source-income includes, among other items, the following:

- Income earned for services rendered in Peru or for civil, commercial or business activities performed in the country, regardless of where it is paid
- Personal work-related income
- Income earned for selling, transferring or renting property or land located in Peru
- Income earned for selling, transferring, renting assets or rights, if such assets are physically located in Peru or such rights are used economically in Peru
- Royalties if they originate in assets or rights that are economically used in Peru or if the payer is a Peruvian resident
- Capital gains, interest, commissions, premiums and any amount additional to the agreed interest with respect to loans, credits or other financial transactions, if the capital is allocated or economically used in Peru or if the payer is a Peruvian resident
- Dividends and any other forms of profit-sharing distribution, if the payer (company or society) is domiciled in Peru
- Income earned from the sale, transfer or redemption of shares, participations, bonds, securities and other instruments representing the capital stock
- Income received for serving as a member of a board (performing abroad) if the payer company is domiciled in Peru

Definition of resident. Residence for income tax purposes is generally bound to the physical presence of an individual in Peru. In general, remaining more than 183 days in Peru results in residency and remaining 183 days abroad loses it. Residency of foreign citizens is acquired as of 1 January of the calendar year subsequent to the foreign citizen's cumulative physical presence

in Peruvian territory for more than 183 days, measured in any 12-month period. An exception applies to individuals who leave the country after signing a long-term contract (at least one year) or who hold a resident visa of the destination country. For these individuals, residence status changes immediately as of the departure date, from resident to nonresident.

Peruvian citizens who lost tax residence may regain such status on the first day of the first calendar year after they return to Peru, unless they do it temporarily and stay in Peru no more than 183 days in any 12-month period.

Income subject to tax

Employment income. Tax is imposed on all remuneration received by an employee in the form of salaries, bonuses, living and housing allowances, tax reimbursements, benefits in kind and any other fringe benefits at the rates set forth in *Rates*.

Salaries and remuneration received by nonresidents for services provided in Peru are taxed at a flat rate of 30%.

Self-employment and business income. Taxable self-employment income includes fees from independent professional, artistic and scientific activities, and from skilled occupations carried out by individuals, and is taxed at the rates set forth in *Rates*. Taxable income for self-employed persons equals their gross income minus a deduction of 20%. Such deduction is allowed up to a maximum of PEN99,600, which equals 24 annual tax units (ATUs; see *Rates*).

Nonresidents are allowed a deduction equivalent to 20% of gross income received as remuneration for services as an independent professional. As a result, they are subject to an effective withholding tax rate of 24%.

Business income includes profits from personal business and is taxed at a rate of 29.5% of net income. For information regarding the deductibility of expenses, see *Deductions*.

Directors' fees. Directors' fees are included in taxable income and are subject to tax at the rates set forth in *Rates*. In addition, directors' fees are subject to an 8% withholding tax, which may be taken as a credit against the director's final income tax liability.

Investment income. Dividends and other forms of profit distributions, as well as remittances of net profits by branches, are subject to a 5% withholding tax if paid to resident individuals or to nonresident individuals or entities.

For residents and nonresident individuals, interest on deposits and savings in Peruvian banks and interest from bonds issued by the government are exempt from income tax. Other interest and royalties are considered taxable income.

Income from the rental of real estate received by residents is taxed as a capital gain at a rate of 6.25%. A deduction of 20% of gross rental income is allowed. As a result, the effective rate is 5%.

Income from the rental of real estate received by nonresidents is subject to an effective final withholding tax at a rate of 5%.

Taxation of employer-provided stock options. The Peruvian Income Tax Law has not established specific rules regarding taxation of equity awards. Under the general taxation rules, the benefit obtained from a stock option plan equals the spread between the purchase price and the fair market value of the shares. Such spread must be recognized as compensation income because it is provided as part of an employment relationship. However, on the sale of the shares, the individual derives a capital gain equal to the difference between the sale price and the purchase price. Because no specific rule allows the purchase price to include the spread previously taxed as compensation income, a double taxation issue may arise.

Capital gains. For both resident and nonresident individuals, capital gains derived from the sale of real estate (except for real estate occupied as dwellings) are subject to a definitive payment, which equals 5% of the sale value.

Taxable capital gains include profits derived from the sale of shares issued by Peruvian entities and gains derived from an indirect sale of shares (including, among others, the sale of more than 10% of the shares of a nonresident company in any 12-month period, provided the total share value of such nonresident company included 50% or more of a Peruvian company's shares in any month in the 12-month period before the sale). If the sale of shares is made on the Peruvian Stock Exchange Market and if the shares meet specific requirements (generally speaking, permanence in the Peruvian Stock Exchange Market of at least 12 months and trade activity during that period for less than 10% of the total number of shares issued by such company), the capital gains can be exempted from tax.

Net taxable income for resident individuals derived from capital gains on Peruvian shares equals their gross income minus a deduction equal to 20%. Withholding tax is imposed on this amount at a rate of 6.25%. As a result, such income is subject to an effective withholding tax rate of 5%.

Nonresidents are taxed at a rate of 5% if the Peruvian shares are listed and traded on the Peruvian Stock Exchange Market. Otherwise, they are subject to tax at a rate of 30% on their gross income.

Capital gains also include profits derived through investment funds, trust funds or pension funds established in Peru. These profits are taxed at an effective rate of 5% for residents and nonresident individuals.

For capital gains on foreign shares, the tax treatment varies depending on the residence status of the individual and the exchange market on which the shares are traded.

Gains derived from sales of personal property are not considered capital gains.

Deductions

Deductible expenses. Individuals receiving business income may deduct expenses incurred to earn the income or maintain the source of income.

Personal deductions. Individuals earning employment and self-employment income may deduct from taxable income the first PEN29,400 of income earned, which is equivalent to 7 ATUs (for information regarding ATUs, see *Rates*) without proof of expenses. It is possible to deduct up to 3 additional ATUs, based on actual expenses related to housing rental, health care, professional services, social security of housemaids and amounts paid for accommodation in hotels and consumption in restaurants, subject to specific requirements and limits for each type of expense.

In addition, individuals earning employment or self-employment income may deduct donations to public agencies and nonprofit organizations that are certified by the Ministry of Economy and that are dedicated to educational, social welfare and other similar activities. Donations made by taxpayers as sports sponsors to sports beneficiaries, such as athletes, are deductible if the activity sponsored is authorized by the Peruvian Institute of Sport. If a location is declared to be in a state of emergency as a result of a natural disaster, donations made to help the population of such location during the state of emergency can also be deducted. The total donation deduction may not exceed 10% of net employment income or net self-employment income.

Rates. For resident employees, the tax rates are applied on a progressive scale expressed in ATUs, as set forth in the table below. ATUs are established by the government at the beginning of each year. For 2019, one ATU equals PEN4,200 (approximately USD1,272). The following are the tax rates.

Taxable income		Rate on
Exceeding ATU	Not exceeding ATU	excess %
0	5	8
5	20	14
20	35	17
35	45	20
45	—	30

Relief for losses. No relief is provided for nonbusiness losses incurred by individuals. However, individuals may select either of the following two systems to carry forward losses related to business income:

- Carrying forward losses to the following four consecutive years
- Carrying forward losses indefinitely, subject to an annual limit equal to 50% of the taxpayer's taxable income in each year

Business losses may not be carried back.

B. Other taxes

Property tax. Property tax is imposed on urban and rural property and is payable by the property owners. The tax is administered and collected by the government of the locality where the

property is located. The property tax base equals the total value of the taxpayer's property in every jurisdiction. To determine the total value of the property, land tariff values and construction official unitary values in force as of 31 October of the preceding year and the depreciation tables formulated by the National Council of Valuation must be applied. Property tax is levied at progressive rates ranging from 0.2% to 1%.

Vehicle tax. Vehicle tax is imposed on automobiles, vans, buses and station wagons that are up to three years old. The tax is payable by the vehicle owners. If the ownership of the vehicle is transferred, the new owner becomes the taxpayer from 1 January of the year after the transfer. The tax base equals the original value on acquisition or importation of the vehicle, which cannot be lower than the value approved by the Ministry of Economy and Finance. Vehicle tax is levied at a rate of 1%. The amount of tax cannot be less than 1.5% of one ATU as of 1 January of the year in which the tax is payable.

Tax on financial transactions. The rate of the tax on financial transactions is 0.005%. This tax is generally imposed on debits and credits in Peruvian bank accounts.

C. Social security

Employees must contribute 13% of their salaries and wages to the government-sponsored pension fund (Oficina de Normalizacion Previsional, or ONP). Under an alternative system, employees must contribute approximately 12% of their salaries and wages to the Private Pension Funds Trustee (Administradora de Fondo de Pensiones, or AFP). These amounts must be withheld by employers under both the ONP and AFP systems. Employers must contribute to the Health Care Fund (HCF) at a rate of 9%. Following the procedure established by law, employers can hire private health providers (Spanish acronym EPS). This allows them to use a credit of up to 25% of the HCF contribution, subject to certain limits. The health care system provides the employee with medical attention and subsidies in case of disability.

D. Tax filing and payment procedures

Employers must withhold income tax monthly from salaries of employees. An 8% tax must also be withheld on fees paid for independent professional services that are provided to legal entities as payment toward the professional's annual income tax. Such professionals may avoid withholding up to PEN36,750 if they foresee that their incomes will not be higher than this amount.

The tax year is the calendar year. Individual tax returns must be filed with the tax office usually in late March or by early April, and any balance due must be paid at that time. Only tax residents are subject to tax return filing obligations.

Married persons are taxed separately. However, for income derived from properties held in common, they may elect to be taxed jointly.

Individuals earning only employment income are not required to file tax returns, unless they want to apply the additional deduction of expenses up to 3 ATUs.

E. Double tax relief and tax treaties

A tax credit is granted for taxes paid or withheld abroad, within certain limits. Under a treaty with Bolivia, Colombia and Ecuador (signatories to the Andean Pact), income earned in those countries is excluded from taxable income in Peru to avoid double taxation, subject to certain exceptions. Peru has double tax treaties that are currently in force with Brazil, Canada, Chile, Korea (South), Mexico, Portugal and Switzerland.

F. Temporary visas

In general, all foreign nationals must obtain visas to enter Peru. However, citizens of the jurisdictions listed below may enter Peru for tourist, cultural or sporting purposes without visas for periods of a maximum of 183 days. The visas are granted after the expatriates enter Peru.

Andorra
Antigua and Barbuda
Argentina
Australia
Austria
Bahamas
Barbados
Belarus
Belgium
Belize
Bolivia
Brazil
Brunei Darussalam
Bulgaria
Canada
Chile
Colombia
Cook Islands
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Ecuador
Estonia
Fiji
Finland
France
Germany
Greece
Grenada
Guyana
Hong Kong SAR
Hungary
Iceland
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Kiribati
Korea (South)
Latvia
Liechtenstein
Lithuania
Luxembourg
Malaysia
Malta
Marshall Islands
Mexico
Micronesia
Moldova
Monaco
Nauru
Netherlands
New Zealand
Niue
North Macedonia
Norway
Palau
Panama
Papua New Guinea
Paraguay
Philippines
Poland
Portugal
Romania
Russian Federation
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Samoa
San Marino
Serbia
Singapore
Slovak Republic
Slovenia
Solomon Islands
South Africa
Spain
Suriname
Sweden
Switzerland
Taiwan
Thailand
Tonga
Trinidad and Tobago
Turkey
Tuvalu
Ukraine
United Kingdom
United States
Uruguay
Vanuatu
Vatican City
Venezuela

Foreign nationals may enter Peru with temporary visas, which allow entry and stays for up to 183 days and are not renewable. Temporary visas are issued to individuals with tourist, business, official, artistic, religious, student, employee, designated employee and crew member status.

The granting of a visa is subject to the judgment of the Peruvian migratory office. All temporary visas are required before entry into Peru. If the expatriate will obtain the visa before entering Peru, he or she needs to pick up the visa at the Peruvian Consular Office, which can also evaluate whether a visa should be issued to the expatriate. The essential requirements for obtaining a visa are a passport and evidence of transitory status.

Foreign nationals holding the following visa statuses receive temporary visas:

- Business visas, granted to foreign nationals who enter Peru temporarily to carry out business activities that do not generate Peruvian-source income and who do not intend to establish permanent residence. These foreign nationals are permitted to sign agreements and undertake transactions. This visa can be granted for up to 183 days, and is not renewable.
- Work visas for designated employees, granted to foreign nationals who are sent to work in Peru by their foreign company employers to perform agreed services. This visa can be granted for up to 90 days and is renewable for up to one year.
- Work visas for employees who have a work contract with a Peruvian entity for a term of less than one year and for foreign nationals who enter Peru to carry out activities related to their own profession. This visa can be granted for up to 90 days and is renewable for up to one year.
- Official visas, granted to foreign nationals who are recognized as official visitors by the Ministry of Foreign Affairs and are subject to special regulations. This visa can be granted for up to 90 days and is renewable.
- Diplomatic and consular visas, which can be granted for up to 90 days and are renewable.
- Tourist visas, granted to foreign nationals who visit Peru for recreational purposes and who do not intend to immigrate or to enter into remunerated activities. This visa can be granted for up to 183 days and may not be extended. A foreign national who is in Peru on a tourist visa can change his or her migratory status while in Peru.
- Student visas, granted to foreign nationals who enter Peru to study in educational institutions recognized by the Peruvian government and who do not generate Peruvian-source income, except for professional practices or vacation jobs approved by a corresponding policy-making body. This visa can be granted for up to 90 days and is renewable up to one year.
- Artist visas, granted to foreign nationals who enter Peru with the purpose of carrying out approved remunerated artistic or performance-related activities and who do not intend to establish a permanent residence in Peru. This visa can be granted for up to 90 days and is renewable twice for additional periods of 30 days each within a calendar year.

G. Work visas and self-employment

Domestic and foreign companies established in Peru may employ foreign nationals up to a maximum of 20% of the total personnel of a company. Salaries paid to foreign nationals may not exceed 30% of the total payroll. Specialists or management personnel of a new industry may be exempt from these limits, among others.

The following individuals are not considered foreign nationals for purposes of hiring foreign personnel:

- Foreigners with Peruvian spouses, ascendants, descendants or siblings
- Foreigners who have immigrant visas
- Foreigners whose country of origin has a treaty of labor reciprocity or a treaty of double nationality with Peru
- Personnel from foreign transport enterprises that operate under a foreign flag
- Personnel from foreign enterprises or multinational banks that have a special regulation
- Foreign personnel under bilateral or multilateral agreements honored by the Peruvian government who render services in the country
- Foreign investors, regardless of whether they have waived the right to repatriate capital investments or profits, if an investment of no less than PEN500,000 (approximately USD156,000) is maintained throughout the term of their contracts
- Artists, athletes and, in general, those who work in public events in the country for a maximum of three months during a calendar year

Documents that must be submitted to obtain a work visa include the following:

- An application addressed to the Ministry of Labor
- Affidavit of limiting percentages subscribed by the employer, attesting that the employment agreement complies with the limits set under the law for hiring foreign personnel (other documents may apply with respect to employees exempt from these limits)
- Employment agreement with all of the mandatory clauses for a term of one year or more (limit of three years)
- Affidavit stating that the expatriate is qualified to perform the service; a copy of his or her professional degree, technical study or work certificates must be in his or her personal file
- Copy of the passport or the foreign card (the passport must have a minimum validity of six months at the moment of the visa application)
- Copy of the company's tax registration
- Receipt for payment
- Document issued by the Peruvian Public Registry proving that the Peruvian legal representative of the company is authorized to submit work contracts

Employment agreements are approved by the Ministry of Labor automatically. The hired person may begin to render services after the work visa is obtained. This visa can be granted as a temporary or resident visa, depending on the term of the work contract with the Peruvian company.

The Peruvian immigration office approves resident work visas in approximately 60 working days. This visa can be granted temporal or resident and can be renewed. Temporal visas have a maximum duration of one year, while resident visas can be renewed annually with no limit.

A foreign national with a valid work visa may change employers after notifying the Ministry of Labor and the migratory office.

For a work visa for designated employees, the following documents must be filed with the immigration authorities:

- A service agreement between the foreign company and the local company, *apostilled* or legalized by the Peruvian consulate of the place where the document was issued
- A letter of assignment from the foreign company, *apostilled* or legalized by the Peruvian consulate of the place where the document was issued
- A letter from the local company, signed by the legal representative
- A copy of the passport (the passport must have a minimum validity of six months at the time of the visa application)

The Peruvian immigration office approves designated work visas in approximately 45 working days. This visa can be granted temporal or resident and can be renewed.

Self-employed foreign nationals are required to obtain work permits in Peru.

H. Residence visas

Foreign nationals holding the following visa status may receive residence visas:

- Employees who have a work contract with a Peruvian entity for a term of one to three years and foreign nationals who enter Peru to carry out activities related to their own profession may obtain a work visa. This visa can be granted for one year and is renewable annually for up to one year.
- Foreign nationals who are sent to work in Peru by their foreign company employers to perform agreed services may obtain an assignment work visa. The service agreement and assignment letter must be for one year. This visa can be granted for one year and is renewable for up to one year.
- Diplomatic, consular and official visa holders may obtain residence visas valid for a specific period established by the Ministry of Foreign Affairs.
- Religious, student and work visa holders may obtain residence visas valid for up to one year, which are renewable. In these cases, a document that supports the residence must exist. For example, for work visas, a work contract for a period of one year is required for an employee. If the term of the contract is less than one year, a temporary visa applies.
- Immigrants (now called permanent residents) may obtain residence visas with an undetermined time period.

Foreign nationals from Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay and Uruguay can obtain residence visas for a two-year period under the Southern Common Market (Mercado Común del Sur, or MERCOSUR) Agreement. This visa allows them to live and work in Peru. The visa is not renewable, but individuals can request permanent residency for an undetermined period three months before the expiration date. For permanent residency, it is necessary to prove that the expatriate has resources to live in Peru.

I. Family and personal considerations

Family members. A resident visa allows a foreigner to obtain a visa for his or her family members, including a spouse, children

younger than 18 years old, children 18 years old or older (in this case, the dependents must be single and must be studying in Peru), parents and other dependents. This visa applies also to concubines. To obtain the visa for family members, the individual must submit a marriage certificate and birth certificates, which must have been issued in the preceding year. These documents must be *apostilled* or legalized before the Peruvian consulate. If they are not in Spanish, they must be translated into Spanish by a Public Translator in Peru. Expatriates who have this type of visa are allowed to work in Peru.

Driver's permits. Foreign nationals may drive legally in Peru with their home country driver's licenses for the first six months after their arrival in Peru. Foreign nationals can also drive legally in Peru with their international driver's licenses, but the six-month period will apply. If the expatriate become a migratory resident in Peru, it will be necessary to obtain a Peruvian driver's license.

The following are the two ways to obtain a Peruvian driver's license:

- Taking a written test, physical test and practical driving exam
- Exchanging a local driver's license for a Peruvian one

This driver's license is granted for up to eight years depending on the category of the license.

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A. Income tax

Who is liable. Resident citizens are subject to tax on worldwide income. Nonresident citizens, resident aliens and nonresident aliens are subject to tax on income from Philippine sources.

Bureau of Internal Revenue (BIR) Ruling 517-2011 declared that employees of a Philippine entity who are working abroad for most of the tax year but remain on the local payroll are not non-resident citizens. Accordingly, payments to them are subject to withholding tax in the Philippines.

For foreign nationals, residence is determined by the length and nature of an individual's stay in the Philippines. An alien who comes to the Philippines for a definite purpose that is promptly accomplished is not deemed to be resident. However, if an alien makes his or her home temporarily in the Philippines because an extended stay may be necessary for the accomplishment of the alien's purpose for coming to the Philippines, the alien becomes a resident even though it may be the alien's intention at all times to return to the alien's domicile abroad when the alien consummates or abandons the purpose of the stay in the Philippines. Aliens who reside in the Philippines with the intention to remain permanently are considered resident. Aliens who acquire residence in the Philippines remain residents until they depart with the intention of abandoning that residence.

Nonresident aliens are classified as either engaged or not engaged in trade or business in the Philippines. A nonresident alien who stays in the Philippines for more than a total of 180 days during any calendar year is deemed to be engaged in trade or business in the Philippines; any other nonresident alien is deemed to be not engaged in trade or business in the Philippines.

A ruling issued by the BIR stated that in applying the above rules to nonresident aliens, all the months in a calendar year covered by the period of assignment of the nonresident alien individual must be considered in evaluating if he or she exceeded the

180-day period. If an expatriate's stay in the Philippines exceeds the 180-day period during any calendar year, he or she becomes a nonresident alien doing business in the Philippines for the entire duration of his or her Philippine assignment. As a result, if an expatriate stays in the Philippines for more than 180 days in any calendar year, he or she is considered a nonresident alien engaged in a trade or business and taxed at the graduated rates of 0% to 35% (as a result of the implementation of Republic Act No. 10963), not only during the year that his or her stay in the Philippines exceeds the 180-day period, but also during the other years of assignment, even if such stay did not exceed 180 days (BIR Ruling DA-056-05).

Income subject to tax. Gross income includes compensation, income from the conduct of a trade, business or profession, and other income, including gains from dealings in property, interest, rent, dividends, annuities, prizes, pensions and partners' distributive shares.

The following income items are excluded from gross income (the Tax Code refers to these items as "exclusions") and are, consequently, exempt from taxation:

- Thirteenth month pay, productivity incentives, Christmas bonuses and other benefits, up to an aggregate of PHP90,000
- Proceeds of life insurance policies
- Amounts received by an insured as a return of premium
- Gifts, bequests and devises
- Compensation for injuries or sickness from accident or health insurance or under the Workers' Compensation Acts
- Income exempt under treaty provisions
- Retirement benefits received pursuant to certain laws or under a reasonable private benefit plan
- Amounts received as a consequence of separation from service as a result of death, sickness, physical disability or any cause beyond the control of the employee
- Social security benefits, retirement gratuities and other similar benefits received by resident or nonresident citizens of the Philippines or aliens who come to reside permanently in the Philippines from foreign government agencies and other public or private institutions
- Payments or benefits due or to become due to individuals residing in the Philippines under US laws administered by the US Veterans Administration
- Benefits received from or enjoyed under the social security systems
- Prizes and awards in recognition of religious, charitable, scientific, educational, artistic, literary or civic achievement, as well as awards in authorized sports competitions
- Mandated contributions to the government and private social security systems and housing fund
- Gains from the sale of bonds, debentures or other certificates of indebtedness with a maturity of longer than five years
- Gains from redemptions of shares in a mutual fund

Employment income. Employment income includes all remuneration for services performed by an employee for his or her employer under an employer-employee relationship. The name by which compensation is designated is immaterial. It includes salaries, wages, emoluments and honoraria, allowances,

commissions, fees including director's fees for a director who is also an employee of the firm, bonuses, fringe benefits, taxable pensions and retirement pay and other income of a similar nature. Emergency cost-of-living allowances received by employees are also included in their compensation income.

Employment income received for services provided in the Philippines is subject to tax in the Philippines regardless of where the compensation is paid. Remuneration for services remains classified as compensation even if paid after the employer-employee relationship is ended.

Taxable employment income equals employment income less exclusions. With the passage of the Tax Reform for Acceleration and Inclusion (TRAIN) Act (Republic Act [RA] No. 10963), personal and additional exemptions and premium payments on health and/or hospitalization insurance are no longer considered as deductions from employment income of citizen and resident alien taxpayers. As a result, beginning with the 2018 tax year, these deductions may no longer be deducted from employment income to arrive at taxable employment income. Nonresident aliens not engaged in trade or business in the Philippines remain taxable on their gross income.

Fringe benefits are any goods, services or other benefits granted in cash or in kind by employers to employees (except rank-and-file employees, as defined) such as, but not limited to, the following:

- Housing
- Expense account
- Any vehicles
- Household personnel, such as maids, drivers and others
- Interest on loan at less than market rate to the extent of the difference between the market rate and actual rate granted
- Membership fees, dues and other expenses borne by the employer for the employee in social and athletic clubs or other similar organizations
- Expenses for foreign travel
- Holiday and vacation expenses
- Educational assistance to the employee or his or her dependents
- Life or health insurance and other non-life insurance premiums or similar amounts in excess of the amounts allowed by law

Under the tax law, the following fringe benefits are exempt from tax:

- Fringe benefits that are authorized and exempt from tax under special laws
- Contributions of employers for the benefit of employees to retirement, insurance and hospitalization benefit plans
- Benefits granted to the rank-and-file employees (as defined), regardless of whether they are granted under a collective bargaining agreement
- *De minimis* benefits (see below)
- Fringe benefits required by the nature of, or necessary to, the trade, business or profession of the employer
- Fringe benefits granted for the convenience or advantage of the employer

De minimis benefits are items furnished or offered by employers to their employees that are of relatively small value and are

offered or furnished by the employers as a means of promoting the health, goodwill, contentment, or efficiency of their employees. *De minimis* benefits are expressly exempt from income tax as well as from fringe benefits tax (FBT).

The following are *de minimis* benefits:

- Monetized unused vacation leave credits of private employees not exceeding 10 days during the year and the monetized value of the vacation and sick leave credits paid to government officials and employees
- Medical cash allowance to dependents of employees, not exceeding PHP1,500 per employee per semester or PHP250 per month
- Actual medical assistance not exceeding PHP10,000 per year
- Laundry allowance not exceeding PHP300 per month
- Employees' achievement awards, which must be in the form of tangible personal property other than cash or gift certificates, with an annual monetary value not exceeding PHP10,000, received by the employee under an established written plan that does not discriminate in favor of highly paid employees
- Gifts given during Christmas and major anniversary celebrations not exceeding PHP5,000 per employee per year
- Daily meal allowance for overtime work not exceeding 25% of the basic minimum wage on a per-region basis (the basic minimum wage rate is not the same across jurisdictions within the Philippines because such rates are determined by a Wage Board on a per region [city or province] basis)
- Rice subsidy of PHP2,000 or 1 sack of 50 kilograms of rice per month amounting to not more than PHP2,000
- Uniform and clothing allowance not exceeding PHP6,000 per year
- Benefits received by an employee in accordance with a collective bargaining agreement (CBA) and productivity incentive schemes, if the total combined annual monetary value received from the CBA and the productivity incentive schemes do not exceed PHP10,000 per employee per tax year

The above list is exclusive. All other benefits granted by employers that are not included in the above list are not considered *de minimis* benefits, and accordingly are subject to income tax, withholding tax on compensation, and FBT (Revenue Regulations [RR] No. 5-2011), as amended by RR No. 11-2018 with the introduction of the TRAIN Act.

Fringe benefits are subject to FBT if the cost of the benefit is borne or claimed as an expense by the Philippine entity and if the recipient of the benefit is a non-rank-and-file employee. If the cost is not borne by the Philippine entity or if it is borne by the Philippine entity but received by a rank-and-file employee, the benefit is classified as compensation income subject to income tax and accordingly withholding tax on wages. As mentioned above, *de minimis* benefits are exempt from both FBT and income tax or withholding tax on wages.

Business income. Gross income from the conduct of a trade or business or the exercise of a profession may be reduced by certain allowable deductions.

Resident or local suppliers of goods and services, including nonresident aliens engaged in trade or business in the Philippines, are

subject to a 1% creditable expanded withholding tax on their sales of goods and to a 2% creditable expanded withholding tax on their sales of services, if the payer is among the top withholding agents as classified by the BIR. Expanded withholding tax is a withholding tax that is prescribed for certain payers and that is creditable against the income tax due of the payee for the relevant tax quarter or year (RR No. 11-2018, as amended by RR No. 14-2018).

Professional fees paid to individuals are subject to a 10% creditable expanded withholding tax (EWT) if the individual earns gross income of more than PHP3 million during the year or if the individual is VAT-registered regardless of the amount of his or her gross income. If an individual has gross income during the year of PHP3 million or less, the professional fees are subject to a creditable EWT of 5% (RR No. 11-2018, as amended by RR No. 14-2018).

Directors' fees. Directors' fees derived by individuals who are employees of the same company are taxed as income from employment and are subject to creditable withholding tax on wages. Directors' fees derived by individuals who are not employees of the same company are included in the recipients' business income and are subject to a creditable withholding tax. The rate of the withholding tax is 10% if the gross income for the current year exceeds PHP3 million. Otherwise, the rate is 5%. Directors' fees derived by nonresident aliens deemed to be not engaged in a trade or business are subject to a final withholding tax at a rate of 25% (RR No. 11-2018).

Investment income. In general, interest on peso deposits and yields, or any other monetary benefit derived from deposit substitutes, trust funds and similar arrangements, is subject to a final 20% withholding tax. However, interest on certain long-term deposits or investments evidenced by qualifying certificates is exempt from the final 20% withholding tax. Final tax is imposed at rates ranging from 5% to 20% on the income from long-term deposits if the investment is withdrawn before the end of the fifth year. Interest received by residents on foreign-currency deposits is subject to a final 15% withholding tax. Interest received by nonresident individuals on foreign-currency deposits is exempt from tax (RR No. 11-2018).

Cash or property dividends actually or constructively received by citizens and resident aliens from domestic corporations, as well as a partner's share in the after-tax profits of a partnership (except a general professional partnership), are subject to final withholding tax at a rate of 10% (RR No. 11-2018). Nonresident aliens engaged in a trade or business in the Philippines are subject to final withholding tax on these types of income at a rate of 20%. For nonresident aliens not engaged in a trade or business in the Philippines, investment income is generally taxed at a rate of 25%, except for gains from sales of real estate and sales of shares of domestic corporations.

Rental income is considered business income and is taxed at the rates set forth in *Rates*.

Taxation of employer-provided stock options. In general, employer-provided stock options are taxable to the employee as

additional compensation at the time the option is exercised. This has been the trend in the treatment of stock options regardless of whether the recipient employee was a rank-and-file employee, or a supervisory or managerial employee. This trend ensued despite the introduction of the fringe benefit tax (FBT) on certain benefits received by supervisory or managerial employees. In other rulings, the BIR subjected the stock options to FBT. Recent rulings are summarized below.

In 2012, the BIR issued BIR Ruling 119-2012, in which the BIR held that income derived by employees from their exercise of stock options is considered additional compensation income subject to income tax and withholding tax on compensation. BIR Ruling 119-2012 involved stock options granted to all full-time and most part-time employees of the company. The option plan was designed to reward employees based on performance, outstanding business achievements, and exemplary organization, technical or business accomplishments or demonstrated expertise, yielding significant effects on the business or society.

The BIR subsequently issued Revenue Memorandum Circular (RMC) 88-2012 in which the BIR declared that "The foregoing notwithstanding, any income or gain derived from stock option plans granted to managerial and supervisory employees which qualify as fringe benefits is subject to fringe benefit tax imposed under Section 33 of the National Internal Revenue Code (NIRC) of 1997, as amended." The term "foregoing" refers to BIR Ruling 119-2012.

It appears that the RMC did not alter the BIR's position in BIR Ruling 119-2012. The RMC did not indicate that if a plan is granted to managerial and supervisory employees, the benefit derived from the plan automatically becomes a fringe benefit subject to FBT. As a result of the absence of a statement to that effect, the nature of the benefits must be examined. If it is a fringe benefit, the income derived from it is subject to FBT. If it is compensation, the income is subject to income tax and withholding tax. Consequently, the RMC affirmed the Tax Code provision indicating that FBT is imposed if the benefit is determined to have the character of a fringe benefit.

However, in 2014, the BIR issued RMC No. 79-2014. This provides a more comprehensive treatment of employee income arising from the grant, exercise and sale of stock options. It states that for both Equity Settlement Options and Cash Settlement Options, the difference between the book value or fair market value of the shares, whichever is higher, at the time the stock option is exercised, and the price fixed on the grant date shall, on exercise of the option, be treated in the following manner:

- Additional compensation subject to income tax and to withholding tax on compensation, if the option is granted by an employer to a rank-and-file employee involving the employer's own shares of stock or shares owned by it
- A fringe benefit subject to FBT, if the employee receiving and exercising the option occupies a supervisory or managerial position

The RMC also imposed reportorial requirements on the issuing corporation with respect to the grant and exercise of options.

Capital gains and losses. In general, capital gains are included in an individual's regular taxable income and are subject to tax at the graduated rates set forth in *Rates*. The gain is the excess of the amount realized from the disposal of the asset over the adjusted basis. If the asset is held for 12 months or less prior to disposal, the entire gain or loss is reported. For assets held longer than 12 months, 50% of the gain or loss is reported. The holding period rules do not apply to capital gains derived from the sale of real property in the Philippines or shares of stock in a domestic corporation (see below).

Capital losses are deductible only to the extent of capital gains. Losses carried over are treated as short-term capital losses. Losses incurred from wash sales of stocks or securities are not deductible, unless incurred by a dealer in the ordinary course of business. This rule does not apply to shares of stock in a domestic corporation or to sales of real property described below.

A final tax of 6% is imposed on capital gains derived from transfers of real property located in the Philippines. The tax is based on the higher of the gross sales price and the fair market value.

Capital gains derived from the sale of shares in unlisted domestic corporations are taxed at a rate of 15%. The amount of the taxable gain is the excess of the sale price over the cost of the shares.

Gains derived from the sale of listed shares are exempt from capital gains tax. However, a percentage tax (stock transaction tax) is imposed at a rate of 0.6% on the gross selling price of the shares.

Gains derived by resident citizens from the sale of shares in foreign corporations are taxed as capital gains, subject to the regular income tax rates.

Deductions

General. As mentioned above in *Employment income*, the TRAIN Act removed personal and additional exemptions as deductions from gross taxable compensation income, effective from 1 January 2018. Individuals who earn income from a trade, business or the practice of a profession may deduct expenses incurred in connection with their trade, business or profession subject to Philippine income tax. These expenses include ordinary and necessary business or professional expenses, interest expense, taxes, losses, bad debts, depreciation, charitable contributions, contributions to a pension trust, and research and development. Alternatively, such taxable individual (except a nonresident alien not engaged in trade or business) may elect the optional standard deduction (OSD) of 40% of gross income instead of the itemized deductions. A taxpayer must signify his or her intention to claim the OSD in the annual tax return; otherwise, the taxpayer is deemed to have claimed the itemized deductions. After the election to claim the OSD is indicated in the return, it is irrevocable for the tax year for which the return is filed.

Contributions to government agencies. Employees age 60 or younger and their employers are compulsorily covered by the Social Security System (SSS). Individuals who are covered by the SSS are compulsorily covered by the Philippine National Health Insurance Program (Philhealth) and the Home Development

Mutual Fund (HDMF). Compulsory contributions to the SSS, Philhealth and HDMF are deductible from the gross income of an individual. Voluntary contributions to these institutions in excess of the amount considered compulsory are not deductible and, accordingly, not exempt from income tax and withholding tax.

For the 2019 calendar year, the employee's total maximum compulsory monthly contribution to these entities amounts to PHP1,450 (SSS: PHP800; Philhealth: PHP550; HDMF: PHP100). Employers' maximum monthly contributions to these entities amount to PHP2,280 (SSS: PHP1,630; Philhealth: PHP550; HDMF: PHP100). The monthly contribution varies depending on the salary bracket of the individual.

The social security contributions mentioned above increased in April 2019. Also, HDMF issued Circular No. 421 in January 2019 informing employers to stop deducting contributions from all expatriates employed by them. This repeals Item B, Section (1)(1.1)(1.1.5) of HDMF Circular No. 274 issued on January 2010.

Rates. Net taxable compensation and business income of resident and nonresident citizens, resident aliens, and nonresident aliens engaged in a trade or business are consolidated and taxed at the following graduated rates.

Net taxable income		Tax on lower amount	Rate on excess
Exceeding PHP	Not exceeding PHP	PHP	%
0	250,000	0	0
250,000	400,000	0	20
400,000	800,000	30,000	25
800,000	2,000,000	130,000	30
2,000,000	8,000,000	490,000	32
8,000,000	—	2,410,000	35

Effective from 1 January 2023, the following will be the graduated rates.

Net taxable income		Tax on lower amount	Rate on excess
Exceeding PHP	Not exceeding PHP	PHP	%
0	250,000	0	0
250,000	400,000	0	15
400,000	800,000	22,500	20
800,000	2,000,000	102,500	25
2,000,000	8,000,000	402,500	30
8,000,000	—	2,202,500	35

The preferential income tax rate of 15% on gross income for aliens and Filipinos employed by regional or area headquarters (RHQs) and regional operating headquarters (ROHQs) of multinational companies occupying a managerial or technical position, including those in offshore banking units (OBUs) and petroleum service contractors and subcontractors, is no longer applicable without prejudice to the application of preferential tax rates under existing international tax treaties. Beginning 1 January 2018, all employees of RHQs and ROHQs of multinational companies, offshore banking units and petroleum service contractors and subcontractors are subject to the regular income tax rate

under Section 24(A)(2)(a) of the Tax Code, as amended (RR No. 8-2018).

Individuals earning income only from self-employment, business and/or the practice of a profession, whose gross sales or receipts and other nonoperating income do not exceed the value-added tax (VAT) threshold of PHP3 million have the option to be subject to an 8% final tax instead of the graduated income tax rates under Section 24(A) and the percentage tax under Section 116, respectively, of the Tax Code, as amended. The taxpayer must notify the tax authorities of his or her intention to elect the 8% income tax rate option in the first-quarter return of the tax year. If the taxpayer fails to do so, the graduated tax rates apply. The income tax rate option, once elected, is irrevocable for the tax year in which it is made. VAT-registered taxpayers whose gross sales or receipts exceeded the VAT threshold are automatically subject to the graduated income tax rates.

In calculating the FBT, the monetary value of the benefit is taken into consideration. The monetary value depends on the type of benefit granted, as well as on the manner in which the benefit is extended to the employee. For example, if the employer purchases a motor vehicle for the use of the employee (who is assumed to be a non-rank-and-file employee), the value of the benefit is the acquisition cost of the vehicle. The monetary value of the fringe benefit is the entire value of the benefit (meaning the entire acquisition cost). If the employer leases and maintains a fleet of motor vehicles for the use of the business and the employees, the value of the benefit is the amount of rental payments for motor vehicles not normally used for sales, freight, delivery, service and other non-personal uses. The monetary value of the benefit is 50% of the value of the benefit (rental payment). The BIR has issued specific regulations on the treatment of fringe benefits.

After the monetary value is determined, it is then grossed up and subjected to the applicable FBT rate.

The FBT rates and the gross-up factors are shown in the following table.

Type of employee	FBT rate %	Factor used in determining the grossed-up monetary value %
Resident citizen, resident alien or nonresident alien engaged in a trade or business in the Philippines	35	65
Nonresident alien not engaged in a trade or business in the Philippines	25	75
Alien employed by or Filipino employee occupying a managerial or technical position in regional or area headquarters of multinational companies, offshore banking units and petroleum contractors and subcontractors	25/35	65/75

Although the FBT is a tax on the employee, the actual payment of the tax is borne by the employer. This method is used to ensure that all benefits received by employees are subject to tax. During the deliberations of the Philippine Congress regarding the adoption of the FBT, it noted that many executives were able to avoid taxation by being paid fringe benefits rather than straight salaries. The collection of FBT from employers is intended to plug this loophole.

For nonresident aliens engaged in a trade or business in the Philippines, dividends, shares in profits of partnerships taxed as corporations, interest, royalties, prizes in excess of PHP10,000 and other winnings (including Philippine Charity Sweepstakes Office winnings) are subject to final withholding tax at a rate of 20% of the gross amount. Royalties on musical compositions, books and other literary works are subject to a final withholding tax at a rate of 10%. Nonresident aliens are taxed on capital gains derived from sales of real property or shares in domestic corporations in the manner discussed in *Capital gains and losses*.

Nonresident aliens not engaged in a trade or business in the Philippines are subject to a final withholding tax of 25% on gross income, including fringe benefits, from all sources in the Philippines. However, capital gains derived from sales of real property or from sales of shares in domestic corporations are subject to the same tax rates imposed on citizens and resident aliens.

Relief for losses. Under certain circumstances, self-employed persons may carry forward business losses for three years, unless a 25% change in the ownership of the business occurs. Carrybacks are not permitted.

B. Estate and gift taxes

Estate tax. An estate tax is imposed at a fixed rate of 6% on the transfer of a decedent's net estate. Citizens, regardless of whether resident at the time of death, and resident aliens are taxed on their worldwide estates.

An estate tax return must be filed by the executor or administrator, or any of the legal heirs, if any of the following circumstances exist:

- Transfers that are subject to estate tax.
- Regardless of the gross value of the estate, the estate consists of registered or registrable property such as real property, motor vehicles, shares of stock or other similar property for which a clearance from the BIR is required as a condition precedent for the transfer of ownership thereof in the name of the transferee.

If the estate tax return shows a gross value exceeding PHP5 million, it must be supported with a statement certified by a certified public accountant.

For estate tax purposes, only that part of a nonresident alien decedent's estate located in the Philippines is included in the taxable estate. Under specified conditions, deductions may be permitted for certain items, including expenses, losses, indebtedness, taxes and the value of property previously subject to estate or gift tax or of property transferred for public use.

The net estate is computed by deducting the following amounts from the total value of a decedent's real or personal, tangible or intangible, property, wherever situated:
- Claims against the estate, claims against insolvent persons, and unpaid mortgages or indebtedness on property
- The value of property transferred for public use
- The value of property subject to estate or gift tax (subject to special rules) within five years prior to a decedent's death
- The value of the family home, not exceeding PHP10 million
- The amount received from the decedent's employer as a result of the death of the employee

In addition, estates of residents or citizens are entitled to a standard deduction of PHP5 million as well as a deduction of up to PHP500,000 for medical expenses incurred by the decedent within one year prior to death.

In the case of married decedents, the surviving spouse's net share in the conjugal partnership property may also be deducted from the net estate.

To prevent double taxation of estates, the Philippines has concluded an estate tax treaty with Denmark.

Gift tax. Residents and nonresidents are subject to gift tax, which is payable by the donor on total net gifts made in a calendar year. Similar to estate taxation, citizens and resident aliens are subject to gift tax on worldwide assets. Nonresident aliens are subject to gift tax on their Philippine assets only.

In the calculation of the net taxable gift, the law allows the following items to be deducted from the total value of the donation:
- Encumbrance assumed by the donee
- Diminution of gift provided by the donor
- Gifts made to or for the use of the national government or any of its agencies
- Gifts to nonprofit organizations

The tax on the donor is imposed at a fixed rate of 6% of the total gifts in excess of the PHP250,000 exemption for gifts made during the calendar year, regardless of whether the donee is a stranger.

C. Social security

Contributions. All individuals working in the Philippines must pay social security contributions. The employee's contribution is approximately 4% of salary and is withheld by the employer. The employer's contribution is approximately 8% of employees' salaries. Coverage is mandatory for self-employed persons and Overseas Filipino Workers. The minimum monthly salary subject to social security contributions is PHP1,000. The maximum monthly contributions are PHP1,630 for employers and PHP800 for employees, which apply to employees receiving monthly compensation of PHP19,750 or more.

As mentioned in *Contributions to government agencies* in Section A, employees covered by the SSS also must contribute to the Philhealth and HDMF. Beginning in 2018, employer and employee contributions to HDMF for foreign nationals who live and work in the Philippines are no longer required.

Bilateral social security agreements. The Philippines has entered into bilateral social security agreements with the following jurisdictions.

Austria	Germany (a)	Quebec
Belgium	Japan (b)	Spain
Canada	Korea (South) (c)	Sweden (e)
Denmark	Netherlands (d)	Switzerland
France	Portugal	United Kingdom

(a) This agreement entered into force on 1 June 2018.
(b) This agreement entered into force on 1 August 2018.
(c) This agreement has not yet been ratified.
(d) The agreement with the Netherlands is limited to mutual administrative assistance (for example, income validation and life certification [a document that helps attest or prove that the pensioner is alive and accordingly still entitled to the benefit or pension]). The agreement does not cover a Certificate of Continuing Liability (a certification issued by the SSS regarding continuing coverage under the Philippine SSS in relation to a bilateral agreement that the Philippines has with the country of temporary assignment or employment).
(e) This agreement will enter into force on the exchange of diplomatic notes of ratification.

D. Tax filing and payment procedures

The tax year in the Philippines is the calendar year. An income tax return must be filed, and the tax due paid, on or before 15 April for income derived in the preceding year. If the tax due exceeds PHP2,000, it may be paid in two equal installments, the first at the time of filing the return and the second on or before 15 October following the end of the relevant tax year. If the deadline falls on a Saturday, Sunday or holiday, the return is due the next business day. Filing and payment extensions are not allowed. Failure to file the income tax return and pay the taxes by the due date, if required, exposes the taxpayer to a 25% surcharge, interest and a compromise penalty not exceeding PHP50,000. The amount of interest to be paid is computed based on double the legal interest rate for loans or forbearance of any money, in the absence of an express stipulation, set by the Bangko Sentral ng Pilipinas from the date prescribed for payment until the amount is fully paid. Currently, this rate is 12%.

In prior years, the BIR allowed the manual filing of income tax returns. However, with the issuance of RR No. 5-2015, which amends RR No. 6-2014, it is now mandatory for taxpayers enumerated under RR No. 6-2014 to use the eBIR Forms facility. This means that the tax returns, including individual income tax returns (BIR Forms 1700 and 1701), must be prepared using eBIR Forms. This provision is supported by RMC 28-2017, which reiterates the mandate of electronic filing of tax returns. Such RMC provides the guidelines on how and where to file the returns, and which attachments are required to be filed with the tax return. RMC 24-2018 mentions that the disclosure of supplemental information on BIR Forms Nos. 1700 and 1701 for the 2017 tax year is optional on the part of the individual taxpayer. The returns must be filed through the online eBIR Forms System. A penalty of PHP1,000 is imposed for each return not filed electronically. The taxpayer is also liable for a civil penalty amounting to 25% of the tax due to be paid for filing a return in a manner not in compliance with existing regulations, thus tantamount to wrong-venue filing. Other individual taxpayers who do not fall in the categories in RR No. 6-2014 or are exempted may

still file manually by using the printed BIR Form or using the form generated from the Offline eBIR Forms either manually or electronically by online submission or e-Filing.

Minimum wage earners (MWEs) who work in the private sector and are paid the Statutory Minimum Wage (SMW), as fixed by the Regional Tripartite Wage and Productivity Board (RTWPB)/ National Wages and Productivity Commission (NWPC), applicable to the locations where they are assigned, are not subject to withholding tax on compensation. Likewise, employees in the public sector with compensation income of not more than the SMW in the non-agricultural sector, as fixed by RTWPB/NWPC, applicable to the locations where they are assigned, are also exempt from withholding tax on compensation.

Holiday pay, overtime pay, night shift differential pay and hazard pay earned by the MWEs mentioned above are also covered by the above exemption.

Employees do not qualify as MWEs if they earn additional compensation such as commissions, honoraria, fringe benefits, benefits in excess of the allowable statutory amount of PHP90,000, taxable allowances and other taxable compensation. Such additional compensation does not include the SMW, holiday pay, overtime pay, hazard pay and night shift differential pay. Consequently, such employees' entire earnings are subject to income tax and, accordingly, withholding tax.

MWEs receiving other income, such as income from the conduct of trade, business, or practice of profession, except income subject to final tax, in addition to compensation income are not exempt from income tax on their entire income earned during the tax year. Notwithstanding this rule, such MWEs are exempt from withholding tax on the SMW, holiday pay, overtime pay, night shift differential pay and hazard pay.

Individuals deriving business income may credit against income tax due the creditable expanded withholding tax withheld from the income by the payers of the income (see Section A).

Although spouses may compute their individual income tax liabilities separately based on their respective total taxable incomes, they must file joint returns. However, spouses (both husband and wife) that would qualify under the "substituted filing" of income tax returns (see below) may not be required to file income tax returns.

For the sale of shares not traded through a local stock exchange and the sale of real property considered to be a capital asset, the filing and payment of the tax due must be made within 30 days after the sale or disposition, using BIR Forms Nos. 1707 and 1706, respectively. For the sale of real property considered to be an ordinary asset, the remittance of tax withheld must be made on or before the 10th day following the month of the transaction, using BIR Form No. 1606.

The BIR has implemented a "hassle-free" method of filing individual income tax returns (BIR Form No. 1700). Under certain circumstances, this method recognizes the employer's annual information return (BIR Form No. 1604CF) as the "substitute" income tax return filed by the employee, because the employer's

return contains the information (amount of income payment, the tax due and tax withheld) included in an income tax return ordinarily filed by the employee. Under "substituted filing," an individual taxpayer who is required under the law to file an income tax return does not need to personally file an income tax return, and the employer's filed annual information return is considered the "substitute" income tax return of the employee. On or before 31 January of the year following the tax year, the employer must issue BIR Form No. 2316 to the employee. This form must be certified by both parties under the penalty for perjury.

A taxpayer may qualify under the substituted filing method of the BIR provided that all of the following qualifications and requirements are met:

- The employee receives purely compensation income during the taxable year.
- The employee receives income from only one employer in the Philippines during the taxable year.
- The amount of tax due from the employee at the end of the year is fully covered by the amount of tax withheld by the employer.
- If the employee is married, his or her spouse also complies with all three aforementioned conditions, or otherwise receives no income.
- The employer files BIR Form No. 1604CF.
- The employee has BIR Form No. 2316 or BIR Form No. 2306 issued by his employer.

Under RR No. 2-2015, the employer is required to scan the duplicate copies of BIR Form No. 2316 and save them in a digital versatile disk-recordable (DVD-R disk) and submit them to the BIR no later than 28 February following the end of the calendar year.

The following individuals do not qualify for substituted filing:

- Individuals deriving compensation income from two or more employers during the calendar year
- Employees deriving compensation income during the calendar year from whom the tax due is not equal to the tax withheld, resulting in a collectible or refundable return
- Individuals deriving other income, in addition to compensation that was not subjected to final tax
- Individuals deriving purely compensation income from only one employer and said income has been correctly subjected to withholding tax, but said individual's spouse is not entitled to substituted filing
- Nonresident aliens engaged in trade or business in the Philippines

For income subject to final withholding tax, the taxpayer is not required to file a tax return if such income is his or her sole income from the Philippines. The withholding agent is responsible for reporting the income and remitting the tax withheld.

E. Double tax relief and tax treaties

Foreign taxes paid or incurred in connection with a taxpayer's profession, trade or business may be deducted from gross income, subject to exceptions. Resident Filipino citizens may claim a credit for income tax due to any foreign country; the credit may not exceed the Philippine income tax payable on the same

income multiplied by a fraction, the numerator of which is taxable income from foreign countries and the denominator of which is worldwide taxable income.

The Philippines has entered into double tax treaties with the following countries.

Australia	Indonesia	Romania
Austria	Israel	Russian Federation
Bahrain	Italy	Singapore
Bangladesh	Japan	Spain
Belgium	Korea (South)	Sri Lanka (b)
Brazil	Kuwait	Sweden
Canada	Malaysia	Switzerland
China	Mexico (a)	Thailand (c)
Czech Republic	Netherlands	Turkey
Denmark	New Zealand	United Arab Emirates
Finland	Nigeria	United Kingdom
France	Norway	United States
Germany	Pakistan	Vietnam
Hungary	Poland	
India	Qatar	

(a) The treaty with Mexico entered into force on 18 April 2018 and took effect on 1 January 2019 with respect to income arising from sources in the Philippines.
(b) The treaty with Sri Lanka entered into force on 14 March 2018 and took effect on 1 January 2019 with respect to income arising from sources in the Philippines.
(c) The treaty with Thailand has been renegotiated. The renegotiated treaty entered into force on 5 March 2018 and took effect on 1 January 2019 with respect to income arising from sources in the Philippines.

The Philippines is negotiating tax treaties with Brunei Darussalam, Cambodia, Iran, Laos, Myanmar, Oman, Papua New Guinea, Saudi Arabia (air transport only) and Tunisia.

Benefiting from tax treaty relief in the Philippines is not automatic. A Tax Treaty Relief Application Form (TTRA) must be filed with the International Tax Affairs Division (ITAD) of the BIR at least 15 days before the transaction, in accordance with the provisions of Revenue Memorandum Order (RMO) No. 1-2000. This requirement was further reiterated in RMO No. 72-2010, which states that the TTRA and the supporting documents must be submitted and received by the ITAD. If they are filed with any other office, the application is considered improperly filed. The submission must be done before "the first taxable event," which is defined as the "first or the only time when the income payor is required to withhold the income tax thereon or should have withheld taxes thereon had the transaction been subjected to tax." Consequently, the TTRA must be filed before the first income payment is made.

However, in the case of *Deutsche Bank AG Manila v. Commissioner of Internal Revenue* (G.R. No. 188550, 19 August 2013), the Supreme Court of the Philippines ruled that a failure to comply with the requirement under RMO No. 1-2000 — that is, to file a TTRA 15 days in advance — should not deprive the taxpayer of the benefit of the tax treaty. Nevertheless, it is advisable to file a TTRA for protection purposes, such as in the event of a BIR audit, and for confirmation of the tax implications of the relevant transaction.

The BIR has adopted a self-assessment system and the automatic withholding of taxes on nonresidents deriving dividends, interest and royalties from sources in the Philippines at the applicable tax treaty rates. The guidelines are contained in RMO No. 8-2017, dated 24 October 2016. They were issued to provide new procedures for claiming preferential tax treaty benefits. These procedures were originally contained in RMO No. 72-2010. These new procedures provide that a TTRA should no longer be filed with the ITAD. Instead of filing the TTRA, the withholding agents apply and use outright the preferential treaty tax rates for dividends, interests and royalties on submission of a Certificate of Residence for Tax Treaty Relief (CORTT) form by the nonresident to the ITAD and Revenue District Office No. 39 within 30 days after payment of final withholding tax (FWT). Failure to submit a CORTT form to the withholding agent or income payer means that the nonresident is not claiming any tax treaty relief and therefore such income is subject to the normal rate.

For income other than dividends, interest and royalties, the provisions in RMO No. 72-2010 continue to apply, and obtaining a ruling continues to be required.

F. Types of visas

Not all foreign nationals desiring entry to the Philippines are required to submit a medical certificate to the Philippine embassy when applying for an entry visa, or to the immigration officer at the border upon arrival. However, nationals of certain countries (see the list below), particularly those who arrived in the Philippines on or after June 2014 and are applying for specified visas (these visas are listed in Annex B of Operations Order No. SBM-2014-059-A), are required to obtain a medical clearance from the Bureau of Quarantine (BOQ). The BOQ provides such clearance on the presentation of a medical report resulting from a medical examination conducted by a duly authorized physician.

The following is the list of countries whose nationals are required to obtain the above medical clearance (this list is contained in Annex A of Operations Order No. SBM-2014-059-A).

Afghanistan
Angola
Bangladesh
Benin
Bolivia
Brazil
Burkina Faso
Burundi
Cambodia
Cameroon
Central African Republic
Chad
Colombia
Congo (Democratic Republic of)
Congo (Republic of)
Cote d'Ivoire
Ecuador
Equatorial Guinea
Eritrea
Ethiopia
French Guiana
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Guyana
Indonesia
Iraq
Israel
Kenya
Liberia
Mali
Mauritania
Myanmar
Niger
Nigeria
Pakistan
Papua New Guinea
Paraguay
Peru
Rwanda
Senegal
Sierra Leone
Somalia
Sudan
Suriname
Syria
Togo
Trinidad and Tobago
Uganda
Venezuela
Vietnam

In general, foreign nationals who are not classified as restricted or high-risk may visit the Philippines without obtaining entry visas before departure from their point of origin if they have valid passports and onward tickets or confirmed travel tickets for a return journey. Restricted or high-risk nationals must secure an entry visa from Philippines embassies or consulates to enter the Philippines.

Unless specifically exempted or excluded by law, all foreign nationals seeking long-term (at least one year) employment in the Philippines, whether residents or nonresidents, must secure an Alien Employment Permit (AEP) from the Department of Labor and Employment (DOLE). This rule applies to nonresidents who want to work in the Philippines, to nonresidents who were admitted under non-working visas and are seeking employment, and to missionaries or religious workers who intend to engage in gainful employment. Executives of area or regional headquarters and offshore banking units are exempt from the AEP requirement (see Section G).

Non-immigrant visas. A foreign national may be granted a non-immigrant visa as provided in Section 9 of the Philippine Immigration Act under the following categories of admission status.

Temporary visitor's visa under Section 9(a). Temporary visitor's visas are available to individuals coming to the Philippines for business, pleasure or health reasons. Visa-required nationals may not enter the Philippines unless they obtain entry visas from a Philippine consulate before coming to the Philippines. Visa-free nationals are not required to obtain entry visas. In general, both are allowed an initial period of stay of up to 30 days. Business visitors are foreign nationals who intend to engage in commercial, industrial or professional commerce or in any other legitimate activity if the activity is of a temporary nature (for example, attending conferences or conventions, negotiating contracts, or attending educational or business meetings). Writers, lecturers and theatrical performers are considered business visitors. Foreign nationals seeking employment of any kind in the Philippines do not qualify as temporary visitors for business, even if they intend to stay for a few months only.

Visitors who come for pleasure include tourists, those visiting relatives or friends, those who come for recreational and amusement purposes, and professional athletes who compete for prizes if they do not receive compensation or salary for their services.

Foreign nationals requiring medical treatment in the Philippines are also classified in the Section 9(a) category.

Under the existing immigration rules, foreigners holding temporary visitor visas may extend their stay in the country on a 1-, 2- or 3-month basis (or even 6 months, subject to good justification) for a total stay of 16 months. Extensions of stay beyond 16 months up to 24 months need the approval of the Chief of the Immigration Regulation Division (IRD) of the Bureau of Immigration (BI). Extensions of stay beyond 24 months need the approval of the Commissioner of the BI. Some persons take the view that this privilege applies only to visa-free nationals, and that individuals on the visa required list are allowed a maximum

stay of six months only. As a result of this possible uncertainty, coordination with the officers of the BI is highly recommended.

Generally, Chinese and Indian nationals are required to secure an entry visa prior to traveling to the Philippines. However, Chinese nationals with a valid American, Japanese, Australian, Canadian or Schengen (AJACS) visa or permanent residency are granted visa-free entry for an initial authorized stay of seven days. This 7-day initial stay can be extended for another 14 days. Indian nationals holding a valid American, Japanese, Australian, Canadian, Schengen, Singapore or UK (AJACSSUK) visa or a permanent residence permit from the AJACSSUK-issuing states may enter the Philippines visa-free and stay for an initial 14 days, if traveling to the country for tourism purposes. This 14-day stay can be extended up to another 7 days. Chinese and Indian nationals are granted the privilege of applying for permanent resident visas, subject to certain conditions.

Foreign nationals who will work in the Philippines on a short-term basis (not exceeding six months) must secure a Special Work Permit (SWP). This is valid for three months. A second SWP, valid for three additional months, can be secured. An SWP can only be applied for twice in a calendar year. SWP holders should maintain a valid 9(a) visa at all times while in the country. On the day of filing an SWP application, foreign nationals should have at least 20 days of 9(a) visa validity left in his or her passport. Foreign nationals who will work in the Philippines for a period of more than six months must secure the appropriate work visa and, generally, an AEP.

Transient's visa under Section 9(b). Section 9(b) of the Philippine Immigration Act defines a transient as a person passing in transit to a destination outside the Philippines. Transient visas may be obtained at Philippine consulates abroad.

Seamen's visa under Section 9(c). Seamen and airmen may enter the Philippines as vessel or aircraft crew members only if their names appear on a crew list visa or if they possess an individual seamen's visa.

International treaty trader/investor under Section 9(d). A treaty trader visa is granted to a foreign national coming to the Philippines solely to carry on substantial trade between the Philippines and his or her home country, or to direct and develop the activities of an enterprise in the Philippines in which he or she has invested, pursuant to the provisions of a treaty of commerce or navigation. An individual is considered a treaty investor if the individual seeks to enter the Philippines solely for the purpose of developing and directing the operations of an enterprise in the Philippines and if either of the following requirements is satisfied:

- The individual has invested in the enterprise, or is in the process of investing, a substantial amount of capital.
- The employer of the individual has invested, or is actively in the process of investing, a substantial amount of capital in the enterprise, such employer is a foreign person or organization of the same nationality as the individual, and the individual is serving in an overall supervisory or executive capacity.

For purposes of the above rule, a substantial amount of investment is at least USD30,000 for individuals and at least USD120,000 for corporations.

Treaty trader visas currently are granted only to nationals of Germany, Japan and the United States.

Diplomatic visa under Section 9(e). Pursuant to international conventions and bilateral agreements, the government of the Philippines accords varying degrees of privileges and immunities to various categories of foreign government officials coming to the country for official purposes.

Officials of the United States and its specialized agencies may be issued 9(e) visas, regardless of the officials' citizenship or nationality. Officials of the United Nations and other international organizations may be granted diplomatic visas under Section 9(e) on the basis of the United Nations' *laissez passer* (UNLP or LP). The UNLP is a travel document issued by the UN under the provisions of Article VIII of the 1946 Convention on the Privileges and Immunities of the UN in its offices in New York and Geneva, as well as by the International Labour Organization.

Non-immigrant student visa under Section 9(f). Foreign nationals may secure student visas from the Philippine mission in their home country or they may apply to the BI to change or convert their admission status to Section 9(f). Foreign nationals with 9(f) visas may not change or convert their visas to another category unless they first depart from the country.

A student visa holder may not work or engage in any trade or occupation in the Philippines unless the completion of the degree requires it.

Prearranged employee visa under Section 9(g). Prearranged employee visas under Section 9(g) (9(g) visas) are issued to foreign nationals coming to the Philippines to engage in any lawful occupation, whether for wages or salary or for another form of compensation, if bona fide employer-employee relations exist. The visa is issued only when it has been established that no person can be found in the Philippines willing and competent to perform the labor or service for which the foreign national is desired and that his or her admission would benefit the public interest. These visas may also be granted to qualified dependents (legal spouse and unmarried children below 21 years of age) accompanying the foreign nationals. Persons coming to perform unskilled manual labor in pursuance of a promise or offer of employment, express or implied, cannot be granted a 9(g) visa.

Applicants for a 9(g) visa whose undertaking in the Philippines will involve the practice of a profession that is regulated by the Professional Regulation Commission (PRC) must submit to the BI, together with all the other requirements for the 9(g) visa, a Special/Temporary Permit issued by the professional board governing his or her profession and the PRC.

The issuance of a 9(g) visa depends on the grant of an AEP (see Section G) by the DOLE. An AEP approval is not issued if a foreign national has not obtained a Taxpayer Identification Number (TIN) from the BIR. It takes approximately two to four

months to process the 9(g) visa from TIN application until the release of the Alien Certificate of Registration (ACR) I Card (this is an identification card issued to foreign nationals who have registered with the BI for purposes of working in the Philippines). An application for a Provisional Work Permit is required to allow an individual to perform services while his or her application for the issuance of the 9(g) visa is pending.

A 9(g) visa may be renewed annually for a total period not exceeding five years. It appears that this is the maximum period for holding a 9(g) visa, because labor rules state that the validity of an AEP may not exceed five years. However, if it is reasonably expected that a foreign national's employment in the Philippines will extend beyond five years, coordination with the DOLE is advisable before filing a petition for a further extension of the AEP.

Special non-immigrant visa. The Philippine Immigration Act, specifically Section 47(a)(2), as well as several special laws, provides for special non-immigrant visas. These types of visas grant the holder multiple-entry privileges, and in some cases, exemption from registration requirements of the BI.

47(a)(2) visa. Acting through the appropriate government agencies, the President may allow the entry of foreign personnel for the following enterprises:

- Oil-exploration companies
- Philippine Economic Zones Authority (PEZA)-registered enterprises
- Board of Investment-registered enterprises

PD 1034 visa. A PD 1034 visa is granted to foreign personnel of entities licensed by the Central Bank of the Philippines (Bangko Sentral ng Pilipinas) to operate as offshore banking entities, as well as to the foreign employees' qualified dependents.

EO 226 visa. An EO 226 visa is granted to foreign personnel of regional or area headquarters or regional operating headquarters of multinational companies. The visa is valid for three years and may be extended for an additional three years but, in practice, the validity period for the visa may vary. Foreign nationals admitted under this type of visa and their qualified family members are granted incentives under the omnibus investment laws, including exemption from the payment of all fees imposed under immigration laws, and from requirements for all types of clearance required by government departments or agencies, except on final departure from the Philippines.

Special visa for employment generation. The special visa for employment generation (SVEG) under EO No. 758 is a special visa issued to a qualified non-immigrant foreigner who will employ at least 10 Filipinos in a lawful and sustainable enterprise, trade or industry. Qualified foreigners who are granted the SVEG are considered special non-immigrants with multiple-entry privileges and conditional extended stay, without need of prior departure from the Philippines.

Special resident visa. Several types of special resident visas may be issued, including those described below.

Special investor resident visa. Qualified foreign nationals who are at least 21 years old, except nationals of Cambodia, Korea (North) and other restricted countries, may obtain a probationary special investor resident visa (SIRV) on proof of an inward remittance of USD75,000 or its equivalent in acceptable foreign currency. On investment in specified areas, the probationary SIRV visa is converted to an indefinite visa and remains in force for as long as the investment exists.

An investor may apply for an SIRV at the Philippines consulate in his or her home country or place of residence. If the foreign national is already in the Philippines, he or she may apply to the Board of Investment for a change of visa status to special investor resident.

Special investor resident visa in tourist-related projects and tourist establishments. Foreign nationals who invest an amount equivalent to USD50,000 in a tourist-related project or in any tourist establishment are eligible to apply for SIRVs. To obtain this type of visa, a foreign national must prove that he or she has remitted the required amount in an acceptable foreign currency to the Philippines through the Philippine banking system. A holder of an SIRV is entitled to reside in the Philippines while his or her capital remains invested. However, if the holder withdraws the investment, the SIRV expires automatically. An SIRV holder must submit an annual report to prove that he or she has maintained the investment in the Philippines.

Foreign nationals wishing to obtain SIRVs must apply to the Philippine consulate in their home country or place of residence. An investor who is already in the Philippines must apply to the Department of Tourism (DOT). The BI issues the visa on DOT approval.

Special resident retiree's visa. To obtain a special resident retiree's visa, an individual must satisfy certain age and minimum deposit requirements. The applicant must be at least 35 years old, and the deposit requirement ranges from USD1,500 to USD50,000, depending on the circumstances. Former Filipino citizens must be at least 35 years old and make an inward remittance of USD1,500. Ambassadors of foreign countries who served and retired in the Philippines and current and former staff members of international organizations, including the Asian Development Bank, are also eligible for this program. They must make an inward remittance of USD1,500 and be at least 50 years old.

Coordination with the Philippine Retirement Authority is highly recommended.

Subic special investor's visa. A Subic special investor's visa entitles a qualified investor, as well as his or her qualified dependents, to indefinite resident status in the Subic Bay Freeport Zone and to multiple entries into the Philippines if the individual makes an investment of at least USD250,000 or its equivalent in acceptable foreign currency in the Subic Bay Freeport Zone.

Subic special work visa. A Subic special work visa (SSWV) may be issued to qualified foreign nationals who are employed by Subic enterprises for a period not exceeding two years. The visa is extendible every two years. An SSWV is also issued to the

applicant's qualified dependents if they accompany the foreign national to the Subic Bay Freeport Zone within six months after the foreign national is admitted to the zone as an SSWV holder.

Temporary work permit. The Subic Bay Metropolitan Authority (SBMA) may issue a temporary work permit (TWP) to foreign expatriates in order to immediately legalize a foreign national's status as an investor or worker in the Subic Bay Freeport Zone. The permit is issued while the foreign national's investor or work visa application is still in process. It is valid for three months and may be extended every three months, subject to a maximum total extension of one year.

Immigrant visa. An immigrant is classified as a foreign national admitted to the Philippines either as a quota (not in excess of 50 per nationality per calendar year) or non-quota (without numerical limitation) immigrant.

Immigrant status may be acquired on application before a competent consular office abroad or by direct application for a change of admission status before the BI. As a matter of policy, immigrant visas are issued to nationals or subjects of countries that grant similar privileges to Filipino citizens.

An applicant for quota immigrant status must clearly and beyond doubt demonstrate that his or her special qualification will advance the national interest of the Philippines. A minimum capitalization of USD40,000 in a viable and acceptable area of investment is required of each quota immigrant applicant.

The Philippines may grant the status of non-quota immigrant to the following categories of people:

- Foreign nationals who are legally married to Filipino citizens and their unmarried children below 21 years of age
- Children of foreign nationals who were born during the temporary visits of their parents abroad and whose mothers were previously admitted for permanent residence
- Children born subsequent to the issuance of viable, unexpired immigrant visas of the accompanying parents
- Women who were citizens of the Philippines who lost their citizenship through marriage, and their unmarried children younger than 21 years of age if accompanying or following their mothers
- People previously lawfully admitted for permanent residence returning from temporary visits abroad for unrelinquished residence in the Philippines
- Natural born citizens of the Philippines who were naturalized in foreign countries and who are returning to the Philippines for permanent residence, their spouses and their minor children

On registration, quota and non-quota immigrants are issued an I-Card by the BI.

G. Alien Employment Permit

Unless specifically exempted or excluded, all foreign nationals desiring to work in the Philippines must obtain an AEP from the DOLE. AEPs are normally valid for one year, but may be extended annually to cover the foreign national's length of employment, up to a maximum of five years.

Local employers who desire to employ a foreign national must apply for the AEP on the foreign national's behalf with the regional office of the DOLE having jurisdiction over the employee's place of work.

The petitioning company must prove that the foreign national possesses the required skills for the position. Educational background, work experience and other relevant factors are considered in evaluating the application. The petitioning company must prove that no Filipino is available who is competent, able and willing to do the specific job and that the employment of the foreign national is in the best interest of the public.

The AEP is not an exclusive authority for a foreign national to work in the Philippines. It is just one of the requirements in the issuance of a work visa to legally engage in gainful employment in the country.

Companies that are listed in the "Tenth Regular Foreign Investment Negative List" must comply with the Understudy Training Program and Anti-Dummy conditions of the authorities, which require them to obtain an "Authority to Employ Alien" from the Department of Justice (DOJ) based on the DOJ Ministry Order No. 210, series of 1980.

H. Family and personal considerations

Family members. The family members, spouses and unmarried dependent children under 21 years of age of visa holders in the following categories do not need student visas or special study permits:

- Permanent foreign residents (immigrants)
- Holders of Sec. 9(d) or 9(g) or 47(a)(2) visas
- Foreign diplomatic and consular missions personnel
- Personnel of duly accredited international organizations
- Holders of special investor resident visas (SIRVs)
- Holders of special resident retirees' visas (SRRVs)

The privileges of SVEGs (see Section F) may extend to SVEG holders' spouses and dependent unmarried children under 18 years of age, regardless of whether the children are legitimate, illegitimate or adopted. Dependent children of SVEG holders also do not need student visas or special study permits.

Marital property regime. Before 3 August 1988, property relations between a future husband and wife were governed by any of the following:

- Marriage settlement
- Provisions of the Philippine Civil Code
- Custom

In a marriage settlement, the future spouses agree to absolute community of property, conjugal partnership of gains, complete separation of property or any other property regime. Absolute community is a property regime under which all property of the spouses—present and future, movable and immovable, however acquired—form a single patrimony. Conjugal partnership of gains is a regime under which everything earned during the marriage belongs to the conjugal partnership, but the spouses retain ownership of their respective separate property. Whichever regime the

spouses adopt may not be altered after the marriage is solemnized and continues to apply until the marriage is dissolved. In the absence of a marriage settlement or if the settlement is void, the system of conjugal partnership of gains applies.

After 3 August 1988, future spouses may elect a marital property regime of absolute community, relative community, complete separation of property or any other regime in a written marriage settlement to govern their property relations. In the absence of a marriage settlement or if the property regime elected is void, the system of absolute community of property applies.

Philippine family law is binding on citizens of the Philippines, even if they marry and establish their residence abroad. Foreign nationals are not governed by these laws, regardless of where their marriage is solemnized and where they reside.

Forced heirship. Under the succession rules in the Philippine Civil Code, an estate is divided into the legitime and the free portion. The legitime is the part of a decedent's entire estate that must be reserved for compulsory heirs. The distribution of the inheritance among the heirs may be effected by a will or by law.

The system of forced heirship in the Philippines applies only to citizens of the Philippines. In general, issues related to succession are regulated by the national law governing the deceased.

Driver's permits. Foreign nationals may drive legally in the Philippines with their home country driver's licenses for 90 days from the time of their entry into the country. Beyond 90 days, foreign nationals are required to obtain a Philippine driver's license. An application for conversion of the home country driver's license to a Philippine driver's license may be made at the Philippine Land Transportation Office (LTO).

An applicant must pass a written examination, an actual driving test and a medical examination. After completion of the examinations, the applicant is issued a driver's license receipt, which serves as a temporary driver's license and is valid for 60 days. Thereafter, a driver's license is issued to the applicant. A driver's license is valid for three years and expires on the holder's third birthday following the date of issuance.

An expatriate intending to secure an international driver's permit must submit additional documents to the Automobile Association of the Philippines (AAP), a private company that deals with the issuance of International Driving Permits.

The Philippines has driver's license reciprocity with certain countries.

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Major changes in the tax laws have been enacted and entered into force in 2019. The following are recent developments:

- *The tax-deductible costs of an employee is increased from the statutory lump sum of PLN1,335 to a maximum of PLN3,000 annually from 1 October 2019.*
- *Amendments to the Personal Income Tax Act on 1 August 2019 introduced an exemption from tax for the employment income of young people. Under the new measures, employment income earned by a taxpayer not older than 26 years old, up to a maximum amount of PLN85,528 annually, is exempt from tax (for 2019, a proportional limit applies).*
- *From 1 October 2019, the income tax rate for final tax return purposes is reduced from 18% to 17%. However, for annual tax reconciliations for 2019 only, a 17.75% rate applies.*
- *The income tax scale has changed together with the amounts reducing the tax as shown in Rates in Section A.*
- *The limit (cap) for pension and disability contributions remains unchanged for the time being. The new amount for 2020 will be communicated.*

Because of future potential changes in the tax laws, readers should obtain updated information before engaging in transactions.

A. Income tax

Who is liable. Residents are taxed on worldwide income. Nonresidents are taxed on Polish-source income only.

Under domestic law measures, individuals who have their center of personal or economic interests (a center of vital interests) in Poland or stay in Poland for a period exceeding 183 days in a given tax year are generally considered Polish tax residents. Individuals who do not have their center of personal or economic interests in Poland and stay in Poland for a period shorter than 183 days in a given tax year are taxed in Poland only on Polish-source income.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable compensation includes salaries, bonuses and other compensation from employment exercised in Poland, regardless of whether paid in cash or in kind.

It is possible to increase the tax-deductible costs of an employee from the statutory lump sum of PLN1,335 (see introductory language preceding Section A) to a maximum of PLN85,528 annually. Such deduction is currently possible based on the mechanism of the transfer of copyrights to works created within the employment contract and is intended for employees who are performing certain creative activities in specified fields. The applicability of increased tax-deductible costs for creative activities was restricted in 2018 to certain specified activities, such as the creation of computer programs, research and development works, audiovisual works, and journalistic works.

Education allowances provided by employers to their local and expatriate employees' children 18 years of age and under, as well as the cost of additional (not provided for by the labor law) medical packages provided to employees, are taxable for income tax and social security purposes.

Amendments to the Personal Income Tax Act introduced an exemption from tax for employment income of young people. Under the amendments, employment income up to a maximum annual amount of PLN85,528 that is earned by a taxpayer who is not older than 26 years old is exempt from tax.

Self-employment and business income. Taxable self-employment income consists of income from self-employment activities after the deduction of allowable expenses. Self-employment income is generally taxed with other income at the progressive rates set forth in *Rates*.

Under certain circumstances, self-employment income may be taxed at a 19% flat rate (the difference between earnings and tax-deductible costs equals taxable income). Real estate rental income may be taxable as self-employment income or may be treated as a separate source of income.

Directors' fees. In general, directors' fees paid to residents are taxed with other income at the rates set forth in *Rates*. Directors' fees paid to nonresidents are subject to a final withholding tax of 20%.

Investment income. Interest income derived in Poland (except for interest derived from loans connected with business activities) and income derived from capital (investment) funds in Poland are generally taxed at a flat rate of 19%. Dividends from Poland are generally taxed at a flat rate of 19%. In general, interest on personal bank account deposits is taxed at a flat tax rate of 19%. In principle, all of these taxes are withheld at source.

Income from the rental of real estate is taxed at the progressive rates set forth in *Rates*. Rental income up to PLN100,000 may also be taxed at a flat rate of 8.5%; the excess over PLN100,000 may be taxed at a flat rate of 12.5%. For the taxation of real estate sales, see *Capital gains*.

Taxation of employer-provided stock options. In general, employer-provided stock options are taxed at the time of exercise on the difference between the fair market value at the date of exercise and the exercise price. This amount is generally taxed at the standard progressive tax rates. However, this amount may be exempt from tax for employees or contractors granted the right to obtain

shares of a joint stock company seated in a European Union (EU) or European Economic Area (EEA) member state or in a state that has entered into a double tax treaty with Poland (the Company), based on a resolution of the shareholders' meeting of the Company, or of the joint-stock company dominant (according to the Polish Accounting Act) to the Company, implementing the incentive program (which is legally defined).

At the time the shares are sold, an amount equal to the sale price decreased by the exercise price and by the amount of the taxable income recognized at the time of exercise is taxed at a 19% rate.

Capital gains. In general, income received from the sale of real estate is taxed at a flat rate of 19%. Real estate income equals the difference between the sales price and respective expenses, which include the purchase price.

However, if the sale of real estate occurs more than five years after the end of the calendar year in which the real estate was acquired or built (six months for other property, counted from the end of the month in which the property was acquired), the income from the sale is not subject to tax.

Income derived from the sale of shares is subject to tax at a rate of 19%.

Deductions

Personal deductions and allowances. Small personal deductions or allowances may be claimed in calculating income tax.

Deductible expenses. A limited number of deductions and credits are allowed, and only a few apply to nonresidents.

Donations to public benefit organizations and religious institutions are deductible from income, up to 6% of the annual taxable income. Expenses up to PLN760 incurred with respect to internet access are deductible from income for two consecutive years, provided that the deduction was not applied in preceding years. Child reliefs depend on the number of children. A credit of PLN92.67 per month of child raising can be subtracted from the tax liability for the first (provided that the parental income does not exceed a certain limit) and second child. Child relief is increased to PLN166.67 per month for the third child and to PLN225 per month for each additional child.

Business deductions. Self-employed individuals may deduct most costs related to generating business income, unless they are subject to lump-sum taxation (see *Rates*).

Rates. Income tax until 30 September 2019 is levied at the rates set forth in the following table.

Taxable income	Tax	Tax-free threshold
PLN1 to PLN8,000	18% – PLN1,440	PLN8,000
PLN8,001 to PLN13,000	18% – reducing amount (a)	Degressive (PLN8,000 to PLN3,091)
PLN13,001 to PLN85,528	18% – PLN556.02	PLN3,091

Taxable income	Tax	Tax-free threshold
PLN85,529 to PLN127,000	32% – reducing amount (b)	Degressive (PLN3,091 to PLN0)
Over PLN127,000	32%	—

(a) Tax on this bracket is calculated at an 18% rate and then reduced by a degressive tax-reducing amount (between PLN1,440 and PLN556.02).
(b) Tax on this bracket is calculated at a 32% rate and then reduced by a degressive tax-reducing amount (between PLN556.02 and PLN0).

From 1 October 2019, income tax is levied at the rates set forth in the following table.

Taxable income	Tax	Tax-free threshold
PLN1 to PLN8,000	17% – PLN1,360	PLN8,000
PLN8,001 to PLN13,000	17% – reducing amount (a)	Degressive (PLN8,000 to PLN3,091)
PLN13,001 to PLN85,528	17% – PLN525.12	PLN3,091
PLN85,529 to PLN127,000	32% – reducing amount (b)	Degressive (PLN3,091 to PLN0)
Over PLN127,000	32%	—

(a) Tax on this bracket is calculated at a 17% rate and then reduced by a degressive tax-reducing amount (between PLN1,360 and PLN525.12).
(b) Tax on this bracket is calculated at a 32% rate and then reduced by a degressive tax-reducing amount (between PLN525 and PLN0).

For 2019, income tax for final tax return purposes is levied at the rates set forth in the following table.

Taxable income	Tax	Tax-free threshold
PLN1 to PLN8,000	17.75% – PLN1,420	PLN8,000
PLN8,001 to PLN13,000	17.75% – reducing amount (a)	Degressive (PLN8,000 to PLN3,091)
PLN13,001 to PLN85,528	17.75% – PLN548.30	PLN3,091
PLN85,529 to PLN127,000	32% – reducing amount (b)	Degressive (PLN3,091 to PLN0)
Over PLN127,000	32%	—

(a) Tax on this bracket is calculated at a 17.75% rate and then reduced by a degressive tax-reducing amount (between PLN1,420 and PLN548.30).
(b) Tax on this bracket is calculated at a 32% rate and then reduced by a degressive tax-reducing amount (between PLN548.30 and PLN0).

Income from an undisclosed source is separately taxed at a rate of 75%.

Different types of taxation of self-employment income exist in Poland. In general, self-employment income is taxed together with other income at the rates set forth above. Under certain circumstances, self-employment income may be taxed at a 19% flat rate (the difference between earnings and tax-deductible costs equals taxable income). In addition, if self-employment income did not exceed the equivalent of EUR250,000 in the preceding year, lump-sum taxation at rates ranging from 2% to 20% may apply.

Nonresidents are subject to a final withholding tax of 20% on fees received for membership on management boards granted under a specific resolution and on income derived from commission, management contracts, interest, copyrights, trademarks, designs and know-how.

Relief for losses. Losses from self-employment activities may offset income only from the same source. Unused losses may be carried forward for the following five years. In general, the deduction in any one year is limited to 50% of the original loss incurred, subject to a PLN5 million de minimis whereby the taxpayer can deduct up to PLN5 million of the loss carryforward without restriction in the first relevant year following the year in which the loss is incurred (that is, the year in which income from the same source are realized); any excess loss can continue to be carried forward subject to the 50% limitation rules, within the five-year carryforward period. Consequently, part of the benefit of the losses carried forward may be forfeited if a taxpayer has insufficient profit from a particular income source.

B. Other taxes

Inheritance and gift tax. In general, inheritance tax and a tax on gifts apply to assets that are located in Poland or property rights executed in Poland. In certain cases, the acquisition through inheritance or gift of immovable property and other assets located abroad is taxable if at the time of inheritance or execution of a donation contract, the acquirer is a Polish citizen or has permanent residence in Poland.

Tax rates are progressive and range from 3% to 20% for 2019, depending on the recipient's relationship to the donor or the deceased. The recipient of the property is required to pay the tax due. Under specific conditions, the closest relatives of the donor or the deceased are exempt from inheritance and gift tax.

Solidarity tax. Beginning in 2019, a solidarity tax is imposed at a rate of 4% on individuals obtaining total income exceeding PLN1 million in a given tax year (only particular sources of income are subject to this tax, including, but not limited to, employment income and rental income). The covered taxpayers are also required to file a separate tax return (DSF-1 form).

Exit tax. Poland applies an exit tax at a rate of 3% or 19%. This tax applies to Polish residents planning to move their tax residency to another country. Deemed income is taxable, regardless of the fact that potential capital gains have not yet been realized as of the date of the move of residency.

C. Social security and health care taxes

Social security. Social security contributions are paid partly by the employer and partly by the employee. Contributions are levied at the following rates calculated on the employee's gross remuneration.

Type of contribution	Rate (%)
Retirement insurance	19.52
Disability insurance	8.00
Sickness insurance	2.45
Industrial injuries insurance	0.67 to 3.33*

* The rate depends on the employer's type of business activity.

Contributions for retirement insurance are paid half by the employer and half by the employee. For disability insurance, the employer covers 6.5% and the employee covers 1.5%. The employee pays the entire sickness insurance contribution, and the employer pays the entire industrial injuries insurance contribution. The maximum annual base for calculating retirement and disability contributions is 30 times the projected national average monthly remuneration for that year (PLN142,950 for 2019).

Directors' fees payable to board members and commercial proxies based on a specific resolution are not subject to social security and health care contributions.

As a result of Poland's accession to the EU, it is covered by the EU social security regime, which is principally provided in European Community (EC) Regulations 1408/71 and 883/2004.

Health care system. Contributions to the health care system are levied at a rate of 9% on the employee's assessment base, which is gross remuneration after deduction of the employee's contributions to retirement, disability and sickness insurance. In general, health care contributions are partially (7.75% of the health care base) deductible for personal income tax purposes.

D. Tax filing and payment procedures

The tax year in Poland is the calendar year. By 30 April following the close of the tax year, taxpayers must file tax returns and pay any difference between total tax payable and advance payments. Married persons who are Polish tax residents may be taxed jointly, if certain conditions are met. Under additional conditions, joint filing may be available to Polish tax nonresidents who are tax resident elsewhere in the EU, the EEA or Switzerland.

Income tax may be generally withheld directly by employers on behalf of employees and remitted to the tax office within 20 days after the end of the month in which the income is paid or made available to the employee. Self-employed individuals and expatriates on temporary assignments to Poland who are paid from abroad must generally make advance tax payments each month, and must file annual tax reconciliations stating their income received and the advance tax paid by 30 April of the following year.

From 2017, the following employer-reporting obligations are in force:

- Polish Labor Inspectorate notification duty regarding new assignees
- The Common Reporting Standard of the Organisation for Economic Co-operation and Development (OECD) regarding the tax residency of financial institutions' customers

E. Double tax relief and tax treaties

Poland has entered into double tax treaties with the jurisdictions listed below. Most of the treaties follow the OECD Model Convention.

Albania	Indonesia	Portugal (e)
Algeria (a)	Iran	Qatar
Armenia	Ireland	Romania
Australia	Isle of Man (c)	Russian Federation

Austria
Azerbaijan
Bangladesh
Belarus
Belgium (b)
Bosnia and Herzegovina
Bulgaria
Canada
Chile
China Mainland
Croatia (e)
Cyprus
Czech Republic
Denmark
Egypt
Estonia
Ethiopia
Finland
France
Georgia
Germany
Greece
Guernsey (c)
Hungary
Iceland
India
Israel
Italy
Japan
Jersey (c)
Jordan
Kazakhstan
Korea (South)
Kuwait
Kyrgyzstan
Latvia
Lebanon
Lithuania
Luxembourg
Macedonia
Malaysia (g)
Malta
Mexico
Moldova
Mongolia
Montenegro (d)
Morocco
Netherlands
New Zealand
Nigeria (a)
Norway
Pakistan
Philippines
Saudi Arabia
Serbia (d)
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden (e)
Switzerland
Syria
Taiwan (f)
Tajikistan
Thailand
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States (g)
Uruguay (a)
Uzbekistan
Vietnam
Zambia (a)
Zimbabwe

(a) These treaties have been signed or initialed, but they are not yet in force.
(b) This treaty was amended by a protocol that was signed on 14 April 2014 and entered into force on 2 May 2018.
(c) This treaty applies to enterprises operating ships or aircraft in international traffic and certain income of individuals.
(d) This is based on the tax treaty with the former Yugoslavia.
(e) The Ministry of Finance has issued a rectification for this treaty. In this case, rectification means that the Polish Minister of Foreign Affairs has issued an official error correction notice with respect to an omission or error found in the final text of the double tax treaty. It is an administrative remedy for printing errors or omissions found in the final document after its publication.
(f) This treaty is regulated by a local Polish act as a result of the disputed international status.
(g) A new treaty has been signed, but it is not yet in force.

F. Temporary permits

An individual who is not a Polish citizen is considered a foreign national. Visas may be obtained in a Polish consulate abroad relevant to the foreigner's permanent residence. Foreigners entering Poland with a Schengen visa or under the "visa-free" travel regulations may not stay in Poland (and other Schengen countries) for a total of more than 90 days during any 180-day period. In certain cases, if a bilateral agreement between Poland and the other country exists, the 180-day restriction period may be abolished.

In general, a foreigner who wishes to stay in Poland for longer than 90 days must apply for a temporary residence permit or long-term visa and demonstrate good cause for an extended stay. Good cause includes, but is not limited to, the grant of an employment permit or the performance of other work in Poland. In addition, he or she must have financial resources to live in Poland and

must be covered by health insurance valid in Poland. Temporary residence permits are, in principle, valid for a period of up to three years. In principle, long-term visas are valid for a period of up to one year.

A special type of residence permit (intra corporate transfer [ICT] permit) is available for third-country nationals who are transferred within the same group of companies. This type of residence permit applies to non-EU country managers, specialists and trainees. It can be issued for a maximum period of three years to managers and specialists and for one year to trainees. The entity required to file for this permit is the host company and it must file for the permit before the non-EU national's arrival in Poland. To apply for such a permit, the individual should have been employed within the same group of companies for at least 12 months prior to the transfer in the case of managers and specialists, and at least 6 months in the case of trainees. The host company must provide evidence that the non-EU national manager or specialist has the professional qualifications and adequate professional experience needed for a given job or position, or in the case of trainees an appropriate diploma. The ICT permit allows an individual to stay and work in Poland.

Individuals holding a valid ICT permit issued by another EU country may benefit from short-term and long-term mobility to Poland. If a non-EU national's transfer to Poland does not exceed 90 days in a 180-day period, he or she can legally work in Poland based on a notification submitted to the Polish immigration office by the host company that the non-EU national was assigned to Poland within the structure of an ICT (short-term mobility). If a transfer exceeds 90 days, a special long-term mobility residence permit is required. This is issued by the immigration office in Poland at the request of the local host entity.

A foreign individual is expected to register at a specific address with the municipal office in the district of his or her intended residence. Citizens of EU and European Free Trade Association (EFTA) states must register within 30 days after their date of arrival in Poland if his or her stay in Poland is to exceed 3 months. Third-country nationals must register within 4 days after their arrival in Poland if his or her stay in Poland is to exceed 30 days.

For EU citizens, in general, registration of their stay is required for stays longer than three months. In addition, an EU citizen must meet one of the following conditions:

- He or she works or performs a business activity in Poland.
- He or she is covered by health insurance and has sufficient financial resources to live in Poland.
- He or she is pursuing studies and is covered by health insurance.
- He or she is a spouse of a Polish citizen.

After a five-year period, EU citizens acquire the status of permanent resident if he or she continues to fulfill the respective conditions.

G. EU long-term residence permit

Foreign individuals intending to stay in Poland permanently may obtain EU long-term residence permits, which entitle them to

permanent domicile in Poland. In general, a foreign individual may obtain an EU long-term residence permit if he or she satisfies the following conditions:
• He or she has financial resources to live in Poland.
• He or she is covered by health insurance.
• He or she has resided in Poland at least five years.
• He or she has fluency in the Polish language at the B1 level.

EU long-term residence permits are issued by the voivod in the district where the applicant intends to reside permanently. The Commandant of Voivod Police must give his or her opinion on the suitability of the applicant before the card is granted.

A person with an EU long-term residence permit is treated as a Polish citizen for purposes of labor regulations and does not need a work permit or permission to undertake employment in Poland.

The EU long-term residence permit is considered the foreigner's identity card in Poland.

H. Work permits and self-employment

Work permits. Polish law concerning the employment of expatriates is subject to frequent change. In general, foreign nationals wishing to work in Poland must obtain a work permit. However, citizens of the EU and EFTA states are exempt from the requirement of obtaining a work permit in Poland.

Work permits for foreigners are required for the following types of employment:
• Type A: A foreigner works in Poland under an employment contract with an entity whose headquarters, place of residence, branch, permanent establishment, or other form of activity is located in Poland.
• Type B: A foreigner performing a function in the management board, acting as a proxy or a general partner of a legal person entered into the Register of Entrepreneurs or of a company under organization remains in Poland for more than a total of 6 months in any 12-month period.
• Type C: A foreigner is employed by a foreign employer and is delegated to Poland for a period longer than 30 days in a calendar year to a branch or a permanent establishment of the foreign entity, or its related entity, as defined in the Act of 26 July 1991 on income tax from individuals.
• Type D: A foreigner employed by a foreign employer that has no branch, permanent establishment or other form of an organized business activity in Poland is delegated to Poland for the purpose of performing temporary and occasional services (export services).
• Type E: A foreigner is employed by a foreign employer and is delegated to Poland for a period longer than 30 days in any 6-month period for purposes other than those listed for Types B, C and D.
• Type S: A foreigner is employed as a seasonal worker in areas such as agriculture, gardening and tourism. It allows foreigners to work in Poland for a maximum period of nine months in a calendar year and is available for nationals from all countries.

A work permit may be obtained in a single-stage procedure. If a local Polish contract will be signed with the foreigner, in certain cases, when applying for the work permit for the foreigner, it is necessary to prove that an employer is not able to fulfill the need of employment using local individuals (that is, to obtain a so-called "negative labor market test"). In July 2018, a list was published of the professions that are exempt from performing the labor market test in order to prove that an employer is not able to fulfill the need of employment. The list contains, among others, a wide range of information technology (IT) professions.

A work authorization application must be accompanied with a statement that the company has never been convicted of crimes connected to employment, human trafficking and forgery of documents. After the work permit is granted, the foreigner must obtain a visa with the right to work in the Polish consulate of his or her country of origin or a residence permit in Poland (possible only if the person is legally present in Poland). A foreigner may work in Poland only if he or she is staying in Poland legally (including visa-free travel).

An entity planning to employ a foreigner should apply for the issuance or extension of a work permit at least 60 to 90 days before the planned employment date or expiration date of the preceding work permit.

A work permit is issued for an individual foreigner. The work permit includes details regarding the employer, the position or type of work to be performed by the foreigner, remuneration and the expiration date of the permit.

It is possible to apply for a residence permit with a right to work in a unified procedure. Such option is available in case of a Polish employment contract and a person legally staying in Poland. Foreigners who are staying in Poland based on a tourist visa or family/friends visit visa are not able to apply for the residence permit with a right to work in a unified procedure. Restrictions apply both for Schengen and national visas.

Each year, a maximum yearly limit of work authorizations that can be issued by the authorities may be introduced. It needs to be checked whether the limits have been introduced.

The work permit may be revoked if any of the following occurs:
- The recipient performs activities contrary to those set out in the permit.
- The recipient loses certain qualifications required for the performance of the job (for example, a driver's license is withdrawn).
- The recipient acting on behalf of the employer in labor law matters grossly and persistently breaches the labor law rules.

The administrative fee for obtaining the work permit is up to PLN200.

The following foreigners, among others, may be exempted from the work permit requirement:
- A foreigner authorized to live and work in the EU, employed by an employer established in the EU and assigned to provide services in Poland

- Citizens of Armenia, Belarus, Georgia, Moldova, the Russian Federation or Ukraine who work during a period not exceeding 6 months in 12 consecutive months on the basis of an employer's declaration of the intention to employ such nationals, provided that such nationals are registered in the district employment agency competent for the place of residence or registered office of the entity submitting such declaration. If the application for a work permit or a residence permit with a right to work was submitted before the expiration of the foreigner's declaration, the foreigner's work remains legal after the expiration of the declaration until the issuance of a work or residence permit. However, this rule applies only if the foreigner has worked in Poland based on the declaration for minimum period of three months and has concluded an employment contract with the employer.
- Foreigners who are board members of Polish companies or branches of the companies are allowed to work in Poland for 6 months in a period of consecutive 12 months without the obligation to obtain a work permit. Since January 2018, this regulation has been extended also to proxies and general partners whose work in Poland is connected to managing limited partnership companies. However, proxies and general partners, whose work in Poland is to exceed 6 months in a period of 12 consecutive months, need to obtain a work permit.
- Foreigners authorized under the agreement establishing an association between the EC and Turkey
- Persons who have permanent residence abroad and are sent to Poland by a foreign employer for a period not longer than three months in a calendar year for one of the following purposes:
  - Installation and maintenance or repair of delivered, technologically complete appliances, constructions, machines or other equipment, if the foreign employer is the manufacturer of such items
  - Collection of ordered appliances, machines, other equipment or parts manufactured by a Polish producer
  - Providing a training course for the workers of a Polish employer that is a user of appliances, constructions, machines or other equipment referred to in the first item above, in the scope of operation or use of such appliances, constructions, machines or other equipment
  - Assembly or disassembly of exhibition stands as well as supervision over such stands, if the exhibitor is a foreign employer who delegates foreigners for this purpose

Business activities. Non-EU foreigners running businesses in Poland may obtain visas or temporary residence permits. In some cases, a work permit may be required. In general, non-EU foreigners may engage in business activities exclusively in the form of the following:

- Limited partnership
- Limited joint stock partnership
- Limited liability company
- Joint stock company

International agreements between individual jurisdictions and Poland may provide for additional limitations or rights.

Blue Card. Poland accepts EU Blue Card applications from highly skilled third-country nationals who have an employment contract with a Polish company and possess the required qualifications (relevant higher education certificates and documents proving professional experience). An individual holding a Blue Card may apply for an EU long-term residence after he or she has spent five years living in the EU of which the last two years were spent in Poland.

I. Family and personal considerations

Family members. Family members of expatriate applicants who obtain work or business visas may receive visas/residence permits as accompanying persons. These visas/residence permits may be issued for a period no longer than the period of validity of the primary applicant's visa/residence permit. EU citizens' family members may obtain EU citizens' family member cards. After five years, they acquire the status of permanent resident if they fulfill the respective conditions.

Marital property regime. A community property regime applies in Poland to married couples. Under the regime, property acquired before the marriage or during the marriage for proceeds received as an equivalent for the property acquired before the marriage remains separate. Couples may amend or opt out of the regime by a notarized agreement.

Forced heirship. Under Polish inheritance law, specified legal heirs, including descendants, surviving spouse and parents, are entitled to a legal portion of an estate if certain conditions are met.

Driver's licenses. In general, foreign individuals may drive legally in Poland with their home country driver's licenses or international driver's licenses for a period of six months. After an individual has been in Poland for six months, he or she should change a foreign driver's license to a Polish driver's license. A driver's license issued by another EU member state does not have to be changed after six months.

Members of the diplomatic corps often enjoy special privileges with respect to driver's licenses.

J. Proposed changes to the law

From January 2019, a simplified procedure for obtaining a residence permit with a right to work has been introduced for foreigners whose purpose of stay in Poland is to perform work in professions desired for the Polish economy. This procedure will enter into force once a list of professions is published by the competent ministry. As of the time of writing, such list had yet not been published.

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The personal income tax rules described in this chapter are in line with the current legislation and should be in force until 31 December 2019.

A. Income tax

Who is liable. Residents of Portugal are subject to tax on their worldwide income. Nonresidents are subject to personal income tax on income arising in Portugal.

An individual is considered resident in Portugal if, among other conditions, he or she meets either of the following conditions:

- He or she stays in Portugal for more than 183 days in any 12-month period, beginning or ending in the fiscal year concerned.
- He or she has a dwelling in Portugal, in any day of the abovementioned period, which may imply his or her intention to use it as his or her habitual residence.

As a rule, individuals that meet the above conditions become tax residents in Portugal from the first day of permanence in Portugal. As a result of the above two conditions, it is possible to split the year for tax purposes.

Despite the possibility to split the year for tax purposes, some additional rules apply. The loss of the tax resident status occurs from the last day of permanence in Portugal unless the individual remains in Portugal more than 183 days in the departure year and, after the departure, derives any income that would otherwise be subject (and not exempt) to tax as a resident of Portugal. In such case, he or she will continue to be considered tax resident of Portugal for the whole year, unless certain conditions are met. If a tax resident leaves Portugal and returns in the following year (after becoming nonresident of Portugal), that individual is deemed Portuguese tax resident for the prior year (year in which he or she had previously been deemed a nonresident), according to the Portuguese domestic law.

The tax status (resident versus nonresident) should be updated within 60 days (that is, the taxpayer must communicate any change to the tax authorities within the mentioned period; otherwise, penalties may be applied).

As a result of the elimination of the spouse attraction rule, tax residency is now determined with respect to each taxpayer separately.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Personal income tax (IRS) is imposed on the earned income of employed individuals.

Business and professional income. Taxable income includes all earned income of a professional individual, including commissions and profits from a trade. Business and professional income is taxed at the personal income tax rates listed in *Rates* and may be subject to one of the following two regimes:
- Simplified regime
- Organized bookkeeping regime

Income may be taxed under the simplified regime if the taxpayer does not choose to use, and is not required to use, organized bookkeeping and if the annual gross business and professional income of the taxpayer did not exceed EUR200,000 in the preceding year.

Directors' fees. Directors' fees are taxed in the same manner as employment income.

Investment income. A withholding tax of 28% is imposed on interest income derived from public company bonds and state bonds and on bank interest. Dividends paid by resident companies are

subject to a 28% final withholding tax. Withholding taxes are final with respect to the following:
• Dividends
• Bank interest
• Interest on shareholders' loans
• Interest from public company bonds, bills or other paper
• Interest on public debt

The taxpayer may elect to include these items in taxable income in the tax return unless they are obtained within the scope of a business or trade activity. If the taxpayer makes the election, the income is taxed at the rates set forth in *Rates*, with a credit given for the tax withheld (a 50% relief applies to dividends received from resident companies subject to and not exempt from Portuguese corporate tax or from European Union [EU] companies or companies resident in European Economic Area [EEA] countries that have entered into an exchange-of-information agreement with Portugal concerning tax matters, provided that these companies fulfill the requirements of the EU Parent-Subsidiary Directive).

In general, other investment income is subject to a final withholding tax of 28%.

Rental income and royalties are subject to withholding tax at rates of 25% and 16.5%, respectively. Most of the costs effectively borne by the landlord to obtain the rental income, except financial costs, depreciation, the purchase of furniture, domestic appliances and decorations, and the additional to the municipal real estate tax (the additional to the municipal real estate tax is levied on the total amount of the property tax values of residential properties and plots of land held by individuals and companies [exempt minimum thresholds apply for individuals]), are deductible from the rental income. Expenses related to maintenance and repair of the property incurred and paid in the 24 months before the beginning of the lease are also deductible from the rental income under certain conditions. The landlord must keep the supporting documentation and present it, if requested. The expenses can be deducted only against the income of each property and carryforward of losses is allowed for a six-year period under certain conditions.

Rental income is subject to a 28% flat tax rate. However, the taxpayer may elect to include rental income in the taxable income in the tax return. If the taxpayer makes the election, the income is taxed at the rates set forth in *Rates*, with a credit given for the tax withheld. Royalties are taxed at the personal income tax rates set forth in *Rates*, with a credit available for the withholding tax. Long-term rentals are subject to the following reduced rates, according to the term of the contract:
• More than 2 years and less than 5 years: 26%. For each renewal of equal term, the flat tax rate is reduced by 2 percentage points up to 14% (that is, the reduced flat tax rate cannot be lower than 14%).
• Equal or more than 5 years and less than 10 years: 23%. For each renewal of equal term, the flat tax rate is reduced by 5 percentage points up to 14% (that is, the reduced flat tax rate cannot be lower than 14%).
• Equal or more than 10 years and less than 20 years: 14%
• 20 years or more: 10%

Capital gains and losses. Taxable capital gains that are not specifically exempt or taxed separately are taxed at the ordinary rates listed in *Rates*. No withholding tax applies. In general, gains derived from sales of the following assets are taxed at the personal income tax rates set forth in *Rates*:

- Real estate and associated rights
- A taxpayer's property transferred to the taxpayer's business (however, this gain may be deferred; see below)

Capital gains derived from sales of the following assets are exempt from tax:

- Securities acquired before 1 January 1989
- Real estate, except land for construction, owned prior to 1 January 1989
- A personal residence if, among other conditions, the proceeds are reinvested in another personal residence in Portugal (or in other EU member states or EEA countries that have entered into an exchange-of-information agreement with Portugal concerning tax matters) within 36 months after the sale or 24 months before the sale
- A personal residence if the proceeds are used to repay loans under certain circumstances (temporary measure for loans granted on or before 31 December 2014 and sales of property between 2015 and 2020)
- A personal residence if the proceeds are invested in an insurance contract, individual membership in an open pension fund or contributions to the capitalized public scheme, and if the following conditions are met:
  - The taxpayer or the respective spouse are retired or are, at least, 65 years old on the date of the sale of the personal residence.
  - The purchase of the insurance contract, individual membership in an open pension fund or contributions to the capitalized public scheme, occur within six months after the sale.
  - In the case of the purchase of an insurance contract or individual membership in an open pension fund, the applications entitle exclusively the taxpayer or the respective spouse, to a periodic payment of a maximum annual amount equal to 7.5% of the value invested.

  Additional conditions may have to be met in order for the abovementioned exclusions from taxation to apply.

The following capital gains benefit from special tax treatment:

- Gains derived from the sale of real estate or associated rights, excluding real estate used in a trade or business, are taxed only to the extent of 50% of the gain.
- Gains derived from transfers of a taxpayer's property to the taxpayer's business are deferred until a subsequent disposition of the property occurs or another event results in the ending of the deferral, if certain conditions are met (except in the case of the transfer back to the taxpayer's property of a residential property that generates rental income, in which case the deferral of taxation is maintained as long as the property is used for residential purposes and is generating rental income), and only 50% of the gain is taxed.
- Gains derived from the sale by non-original owners of copyrights, patents and various other types of intellectual property are taxed only to the extent of 50% of the gain.

- Gains derived from disposals of securities (including disposals of autonomous warrants, redemptions of bonds and other debt securities, redemptions of participation units of investment funds, receipts of liquidation proceeds, assignments of credits and assignments of supplementary capital contributions or ancillary contributions) and derivative financial products are subject to tax at a rate of 28% (a 50% exclusion from tax applies to gains from shares in unlisted micro and small companies) if an exemption does not apply. An exemption may apply to nonresidents under domestic rules or an applicable double tax treaty.

In calculating the capital gain derived from the sale of real estate or securities, the purchase price is indexed by an official government coefficient to account for inflation if the sale occurs more than 24 months after the purchase.

Capital losses may offset capital gains only. In certain conditions, capital losses may be carried forward five years.

Taxation of employer-provided stock options. Income derived from employer-provided stock options is taxed in the same manner as employment income (see *Employment income*).

Taxation of residents in EU member states and EEA countries that have entered into an exchange-of-information agreement with Portugal concerning tax matters. Residents of EU member states and EEA countries that have entered into an exchange-of-information agreement with Portugal concerning tax matters may opt to be taxed as if they were tax residents of Portugal. This option is available for certain capital gains and other income that are not attributable to a permanent establishment and are not liable to definitive taxation, as well as for rental income. It may also apply if the individual's Portuguese-source income is at least 90% of his or her worldwide income derived during the relevant tax year. In determining the tax rate applicable to the income mentioned above, worldwide income must be considered and reported.

Taxation of non-habitual residents. A special regime applies to individuals who become tax residents of Portugal and have not been taxed as such in any of the previous five years. Non-habitual resident status applies for up to 10 years and requires the taxpayer to be registered as non-habitual resident with the tax authorities. Principal aspects of this regime are summarized below.

Employment income and business or professional income derived from high value-added activities of a scientific, artistic or technical nature (including activities of architects and engineers, artists, auditors and tax advisors, physicians, teachers, other professionals, board members on companies with approved investment projects and senior executive employees), are taxed at a flat rate of 20% on net income.

On 23 July 2019, a new list of high value-added activities was published. New activities have been added and others (such as auditors and tax advisors) have been eliminated. The new list is applicable from 1 January 2020, but there is a transitory regime

under which individuals can request up to 31 March 2020 that the non-habitual residents' regime apply for the 2019 tax year.

Foreign-source income, such as employment income, income from certain business or professional activities (as listed above), income from copyrights, industrial property rights or transfer of know-how, investment income, rental income and capital gains, is exempt from tax in Portugal if such income is effectively taxed (for employment income) or may be taxed (for other types of income) in either of the following countries:

- A tax treaty country, in accordance with the terms of the treaty.
- A non-tax treaty country in accordance with the Organisation for Economic Co-operation and Development (OECD) Model Tax Convention rules, provided that the country is not a territory considered a tax haven (not applicable to employment income) and that the income cannot be deemed sourced in Portugal under domestic tax law.

Foreign-source pension income not resulting from contributions that have been claimed as a tax deduction in Portugal is exempt from tax in Portugal if such income is taxed in a tax treaty country or is not deemed sourced in Portugal under domestic tax law.

Income benefiting from the exemption method is considered to determine the tax rate applicable to the remaining income (except capital gains from securities, dividends, interest and other investment income sourced abroad, rental income and employment and business or professional income subject to the 20% rate mentioned above, which are taxed at special flat rates). Taxpayers may opt to apply the credit method (rather than the exemption method) to this income. In such case, such income is aggregated with the remaining income and taxed at the normal IRS rates.

Favorable regime for returning individuals. A 50% exclusion on employment and self-employment income applies to individuals that become Portuguese tax residents in 2019 or 2020, provided that the individuals were not tax residents of Portugal in the three years prior to their return and were tax residents of Portugal prior to 31 December 2015. The individuals must have their tax affairs up to date. This regime is not cumulative with the non-habitual residents' regime and is applicable in the year of the return and in the four following years.

Exemption for outbound expatriates working abroad. An exemption for outbound expatriates (working abroad) has been applicable since 2015. The exemption applies to employment income, in the part corresponding to the compensation for travel and stay abroad that exceeds the legal limits foreseen in the Personal Income Tax Code, earned by tax resident individuals temporarily assigned abroad, in the respective tax year, for a period of not less than 90 days (of which 60 should be consecutive days).

The exempt amount cannot exceed the higher of the following:

- The difference between the annual employment income subject to tax of the individual, including compensation, and the total amount of his or her regular employment income subject to tax in the preceding year (excluding any compensation paid in the previous year under this regime)
- EUR10,000

This regime operates as an exemption with progression. The exemption also applies to nonresident individuals with a limit of three years from the date of the assignment, under certain conditions.

Deductions

Personal deductions and allowances. For 2019, employees may deduct an amount of EUR4,104. Compulsory social security contributions in excess of EUR4,104 are deductible without limitation. Union contributions and indemnities paid to employers may also be deducted, subject to applicable limits.

Business and professional deductions. Professionals and individuals carrying on a business may be taxed under one of the following two regimes:
- Simplified regime
- Organized bookkeeping regime

Business and professional income may be taxed under the simplified regime if the taxpayer does not choose to use and is not required to use organized bookkeeping and if the annual gross business and professional income for the preceding year did not exceed EUR200,000.

Under the simplified regime, taxable income is calculated by applying the following predefined coefficients, which vary depending on the activity's sector, to gross income:
- 0.15 on sales of goods and products, as well as hotel and similar services (except the operation of local accommodation units consisting of apartments or dwellings), food and beverages activities
- 0.75 on income from professional activities (that is, services rendered) listed in the table referred to in Article 151 of the Personal Income Tax Code and 0.35 for the remaining activities
- 0.95 on income from intellectual or industrial property, royalties, investment income from a trade or business and other income from capital gains, rentals and net worth increases
- 0.30 on non-operating subsidies or grants, such as subsidies or grants for the purchase of equipment
- 0.10 on operating government subsidies (for example, grants for personnel training) and other business and professional income not mentioned above

The simplified regime also applies to income derived from services rendered by partners to a company taxed under the tax transparency regime and to companies in which, during more than 183 days in the respective tax year, either of the following circumstances exists:
- The taxpayer holds, direct or indirectly, at least 5% of the shareholdings or voting rights.
- The taxpayer, spouse or life partner, ascendants or descendants hold together, direct or indirectly, at least 25% of the shareholding or voting rights.

The deduction to the taxable income that derives from the coefficients of 0.75 for income from professional activities and 0.35 for the remaining service rendering activities is partially conditioned on the expenses effectively borne by the taxpayer, as it is added to the taxable income, which is the positive difference between 15% of

gross income derived from such activities and the sum of certain expenses mentioned specifically in the law.

Taxpayers earning income from professional activities or other services rendered can deduct from taxable income compulsory social security contributions, in excess of 10% of the gross business and professional income, which have not been claimed as deductions for any other purpose.

Coefficients on the taxable income for services rendered and operating subsidies are reduced by 50% and 25%, in the first and second years of activity, if certain requirements are satisfied. This benefit does not apply if the entrepreneurs have ceased their activity in the last five years.

The simplified regime ceases to apply if the qualifying limit is exceeded for two consecutive years or by more than 25% during a single year.

The organized bookkeeping regime provides for the deduction of activity-related expenses. Taxable income is calculated using the corporate tax rules, with additional limitations imposed on the deduction of the following expenses:

- Amounts booked as remuneration paid to the self-employed individual are not deductible.
- Amounts booked as per diem allowances, kilometer allowances, meal allowances and other remuneration allowances are not deductible.

If a professional's house is partially used as an office, the professional may deduct certain expenses, including rent, electricity, water and telephone costs, and depreciation, up to 25% of the total amount of expenses incurred.

Certain expenses borne by professionals or other individuals who have or should have an organized bookkeeping regime are taxed autonomously, triggering an additional tax burden. These expenses include the following:

- Undocumented expenses are not tax-deductible and are subject to a surcharge of 50%.
- Entertainment expenses that are deductible from gross business or professional income are subject to a 10% surcharge.
- Expenses deductible from gross business or professional income that are related to cars (except electric cars) are subject to a 0%, 10% or 20% surcharge, depending on the nature and acquisition cost of the vehicle.
- Per diems and expenses related to the use of a personal car by the employee for the company's business are taxed at a rate of 5% if such expenses were not charged to clients or taxed as employment income.
- Payments to nonresident entities that are subject to a favorable tax regime are not tax-deductible and are subject to a 35% surcharge if it cannot be proved that these expenses relate to operations effectively performed, that the payments are normal for the type of activity and that the amount is not unreasonable.

Rates. The following personal income tax rates apply for 2019.

Taxable income Exceeding EUR	Not exceeding EUR	Tax on lower amount EUR	Rate on excess %
0	7,091	0	14.50
7,091	10,700	1,028	23.00
10,700	20,261	1,858	28.50
20,261	25,000	4,583	35.00
25,000	36,856	6,242	37.00
36,856	80,640	10,629	45.00
80,640	—	30,331	48.00

For married taxpayers, the progressive tax rate is determined by dividing taxable income by two.

For 2019, taxable income exceeding EUR80,000 but not exceeding EUR250,000 is subject to an additional solidarity tax of 2.5%, and taxable income exceeding EUR250,000 is subject to an additional solidarity tax of 5%.

Credits. For 2019, individuals may credit the following amounts against their tax liability:

- EUR600 for each child (EUR726 for each child who is younger than three years old).
- EUR300 for each child (EUR363 for each child who is younger than three years old) for each taxpayer with parental responsibilities, whenever the agreement for the exercise of parental responsibility establishes joint responsibility and alternating residency.
- EUR525 for each ascendant who lives with the taxpayer and does not receive income above the minimum social security retirement pension. This credit is increased to EUR635 if only one ascendant complies with the abovementioned requirements.
- 35% (45% for single-parent families) of general expenses borne by any member of the household, with the limit of EUR250 (or EUR335 for single-parent families) per taxpayer.
- For health expenses that are exempt from value-added tax (VAT) or are subject to VAT at a rate of 6%, 15% of unreimbursed medical expenses, and health insurance premiums of the taxpayer or any member of the household. The tax credit cannot exceed EUR1,000.
- 15% of interest on certain loans and financial leasing rent for the acquisition or improvement of a residence in Portugal or a country in the EU or EEA (with which Portugal has entered into an exchange-of-information agreement concerning tax matters), limited to EUR296, and 15% of the rental payments made to the owner of a residence in Portugal or a country in the EU or EEA (with which Portugal has entered into an exchange-of-information agreement concerning tax matters), limited to EUR502. These limits may be increased for taxpayers with lower levels of income.
- 30% of education expenses of the taxpayer or any member of the household, limited to EUR800.
- 25% of expenses incurred on retirement homes and similar homes, limited to EUR403.75.
- 15% of the VAT borne in the following sectors, limited to EUR250:
  — Maintenance of motor vehicles
  — Maintenance and repair of motorcycles

— Accommodation and food services
— Hairdressers and beauty salons
— Services rendered by veterinarians

- 100% of the VAT borne by any member of the household with monthly passes for use of collective public transport (concurrent with the EUR250 ceiling applicable to the VAT borne in the sectors mentioned in the preceding bullet; this means that the EUR250 ceiling applies to the sum of 15% of the VAT borne in such sectors and 100% of the VAT borne with respect to the monthly passes).
- 20% of pension fund contributions that meet certain conditions, limited to EUR300, EUR350 or EUR400 per taxpayer, depending on the taxpayer's age.
- 25% of donations to the state or municipalities, increased by 20%, 30%, 40% or 50%, depending on the type of the beneficiary entities.
- 25% of donations to religious institutions, public utility collectives, schools, museums, libraries, cultural associations, and philanthropic and charitable institutions, increased by 30%, with the credit limited to 15% of the total tax liability.
- 20% of alimony payments, in certain conditions.
- 20% of investments made by business angels (individual venture capital investors), provided certain conditions are satisfied, limited to 15% of the total tax liability.
- Advance personal income tax payments and taxes previously withheld at source.

To benefit from the credits, these expenses must be reported (generally by the suppliers) to the Portuguese tax authorities.

The tax credits concerning medical expenses, education expenses, alimony payments, retirement homes and expenses related to residential property, as well as 15% of the VAT borne in some sectors (100% for monthly transportation passes) and tax benefits, are also capped as a whole in accordance with the taxpayer's level of income, as shown in the following table.

Taxable income	Limit
Up to EUR7,091	None
More than EUR7,091 and less than EUR80,640	EUR1,000 + (1,500 x [EUR80,640 – taxable income] ÷ [EUR80,640 – EUR7,091])
EUR80,640 or more	EUR1,000

Each of the above limits is increased in 5% for each dependent, in families with three or more dependents.

Relief for losses. Losses from business or professional activities may be carried forward and offset against profits from activities of the same type in the following 12 years. Losses may not be carried back.

B. Inheritance and gift taxes

Inheritance and gift taxes were eliminated, effective from 1 January 2004. However, stamp duty at a rate of 10% applies if the beneficiary is an individual (except for the spouse or life partner, ascendants and descendants who benefit from an

exemption). For a beneficiary that is a collective person, a corporate tax applies at a maximum rate of 21%, plus the following surcharges:

- Municipal surcharge of up to 1.5% for residents or permanent establishments
- A state surcharge of 3% on taxable income between EUR1,500,000 and EUR7,500,000, 5% on taxable income between EUR7,500,000 and EUR 35,000,000, and 9% on taxable income exceeding 35,000,000

Specific rules apply to determine whether an asset is deemed to be located in Portugal for inheritance and gift purposes.

C. Social security

Contributions. Social security contributions are payable on all salaries, wages, bonuses and other regular income, excluding lunch subsidies. No ceiling applies to the amount of wages subject to social security contributions for employers or employees, including members of the board. The employer's share is 23.75%, and the employee's share is 11%, of salaries. An employer must deduct an employee's contribution and pay the total amount by the 20th day of the following month.

A self-employed individual engaged in a business or professional activity is subject to monthly social security contributions. The basis for contributions corresponds to 70% of the total amount of services provided (20% for income from production and sale of goods) in the three preceding months, with a monthly cap of EUR5,229.12 (12 times EUR435.76). If the individual is taxed under the organized accounting, the relevant income is determined based on the profit of the previous year. Social security contributions are first due on the first day of the 12th month after the beginning of activity.

Self-employed individuals should file a return to the social security authorities in the months of April, July, October and January, for the income earned in the previous three months.

The following are the contribution rates for self-employed individuals:

- 21.4% in general
- 25.2% for specific situations

Entities contracting service providers may be subject to a 10% (when more than 80% of the services are rendered to the same entity) or 7% (when more than 50% but less than 80% of the services are rendered to the same entity) social security contribution rate levied on the amount paid for the services.

Members of a company's governing bodies (management, supervisory and general meeting) are usually subject to social security contributions based on actual compensation. For contribution purposes, the actual compensation base must equal at least one monthly notional salary. This limit does not apply if members of the board are not remunerated and simultaneously carry on another remunerated activity that is liable to mandatory social security contributions and if the tax base is equal to or higher than EUR435.76, or in the case of pensioners.

For management, the rates are 11% for individuals and 23.75% for companies. For other governing bodies, the rates are 9.3% for individuals and 20.3% for companies.

Totalization agreements. Foreigners who work temporarily (generally up to two years) in Portugal and who contribute to a compulsory social security scheme in their country of origin may not be subject to Portuguese social security contributions. To provide relief from double social security contributions and to assure benefit coverage, Portugal has entered into totalization agreements, which apply to different periods (up to 60 months), with the following jurisdictions.

Andorra
Angola*
Argentina
Australia
Austria
Belgium
Brazil
Bulgaria
Canada
Cape Verde
Channel Islands (Alderney, Guernsey, Herm, Isle of Man, Jersey and Jethou)
Chile
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Guinea*
Hungary
Iceland
India
Ireland
Italy
Latvia
Liechtenstein
Lithuania
Luxembourg
Malta
Moldova
Morocco
Mozambique
Netherlands
Norway
Philippines
Poland
Quebec
Romania
São Tomé and Príncipe*
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Tunisia
Turkey
Ukraine
United Kingdom
United States
Uruguay
Venezuela

* This agreement is not yet in force.

Portugal has also entered into a multilateral Ibero-American social security agreement covering the following jurisdictions.

Andorra*
Argentina*
Bolivia
Brazil
Chile
Colombia*
Costa Rica*
Cuba*
Dominican Republic*
Ecuador
El Salvador
Guatemala*
Honduras*
Mexico*
Nicaragua*
Panama*
Paraguay
Peru
Spain
Uruguay
Venezuela*

* The agreement with these jurisdictions is not yet in force.

D. Tax filing and payment procedures

Tax on income shown in the table below is withheld at source. The withholding taxes for residents are considered advance payments of tax, except for the withholding taxes on dividends and on interest derived from specified sources (see footnotes).

Type of taxable income	Withholding tax rates Residents %	Nonresidents %
Employment income	(a)	25 (b)

Type of taxable income	Withholding tax rates Residents %	Nonresidents %
Directors' fees and similar fees	(a)	25 (b)
Business and professional services income	11.5/25	25 (b)
Royalties and copyright income	16.5	25 (b)
Commissions	25	25 (b)
Employment income and professional income derived by non-habitual residents from high value-added activities	20	—
Bank deposit interest	28 (c)	28 (b)
Income from life insurance policies	28 (c)	28 (b)
Interest from state bonds	28 (c)	28 (b)
Dividends	28 (c)	28 (b)
Gains arising on "swaps," other credit operations and other financial instruments	28 (c)	28 (b)
Income from the use or concession of equipment	16.5	25 (b)
Rentals	25	25
Pension	(a)	25 (b)
Other investment income (including other interest)	16.5	28 (b)
Certain indemnities	16.5	25 (b)
Investment income if beneficial owner is not disclosed	35 (b)	35 (b)
Investment income obtained by residents in tax havens	—	35 (b)

(a) Withholding taxes deducted at progressive rates according to levels of income.
(b) This is a final withholding tax; income need not be declared.
(c) Income may be declared at the option of the taxpayer.

Married taxpayers who are not legally separated, as well as joint couples (in some cases), can opt for joint taxation. Under Portuguese law, joint couples are taxpayers who are not married but live together for at least two years.

The tax year in Portugal is the calendar year. However, it is possible to split the year for tax purposes. Residents, as well as nonresidents who have filing obligations, must file their personal income tax returns between 1 April and 30 June of the following year. Any balance of tax due or excess tax paid is payable or refundable when the Portuguese tax authorities issue the respective tax assessment.

An extension to the filing of personal income tax returns with foreign tax credit is granted until 31 December of the year following the tax year. For that purpose, individuals must report the nature of the income and the country of source by the standard deadline for the personal income tax return filing (through Form 49) and subsequently file the return when the foreign tax assessment is available.

The foreign tax credit may be carried forward for five years.

Nonresidents who receive rental income from Portugal or who realize a capital gain in Portugal that is not excluded from taxation must file tax returns between 1 April and 30 June of the year following the year of receipt.

E. Double tax relief and tax treaties

Residents who receive foreign-source income are generally entitled to a tax credit equal to the lower of the foreign tax paid or the Portuguese tax payable on such income. The credit applies to income derived from treaty and non-treaty countries; however, for treaty countries, the credit is limited to the amount of tax payable in the country of source in accordance with the treaty.

Brokers resident in countries with which Portugal has entered into double tax treaties are exempt from tax on commissions received from Portuguese entities. This exemption also applies to income from business and professional services. Specific forms are required to qualify for the exemption.

Compulsory social security contributions and other deductible expenses (see Sections A and C) incurred overseas may be deducted if properly documented.

Portugal has entered into double tax treaties with the following jurisdictions.

Algeria
Andorra
Angola (a)
Austria
Bahrain
Barbados
Belgium
Brazil
Bulgaria
Canada
Cape Verde
Chile
China Mainland
Colombia
Côte d'Ivoire
Croatia
Cuba
Cyprus
Czech Republic
Denmark
Estonia
Ethiopia
Finland (b)
France
Georgia
Germany
Greece
Guinea-Bissau
Hong Kong SAR
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Japan
Korea (South)
Kuwait
Latvia
Lithuania
Luxembourg
Macau SAR
Malta
Mexico
Moldova
Montenegro
Morocco
Mozambique
Netherlands
Norway
Oman
Pakistan
Panama
Peru
Poland
Qatar
Romania
Russian Federation
San Marino
São Tomé and Príncipe
Saudi Arabia
Senegal
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sweden
Switzerland
Timor-Leste (a)
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Venezuela
Vietnam

(a) This tax treaty is not yet in force.
(b) Finland unilaterally revoked this treaty on 20 December 2018.

F. Short-stay visas and temporary visas

Short-stay visas (*vistos de curta duração*) in Portugal may be issued for several reasons, mainly for tourist and business purposes. They entitle non-EU citizens to spend up to 90 days in Portugal. This visa does not allow its holder to work in Portugal.

Nationals of Visa Waiver Program countries do not require a visa to enter Portugal for short-term visits. However, their stay cannot exceed 90 days within any 180-day period.

Foreign nationals who expect to stay in Portugal up to one year should apply for temporary-stay visas. This type of visa can be applied for various purposes, such as medical purposes, intra-company transfers and the exercise of high qualified activity or research.

G. Residence visas

Non-EU nationals must enter Portugal with the proper visas if they intend to carry out professional activities. The type of work permit and visa required and the required procedures to obtain these items differ depending on how the work relationship is classified (for example, as a self-employment activity, an employment activity or an activity considered to be a high qualified activity or research).

The procedure for obtaining an employment visa for a foreign national is initiated by the prospective Portuguese employer (or the Portuguese entity for which the employees are assigned to work), which must first request a declaration to the Instituto de Emprego e Formação Profissional proving that the job offer is covered by the quota limits and has not been filled by a worker who enjoys preference. The approval and issuance of such declaration usually requires up to three months. This procedure is usually followed to fill available vacancies within the quota limits, which are established by a resolution taken by the Council of Ministers.

The initial residence visa is issued for four months. As soon as the holder of the visa arrives in Portugal, he or she should apply to the immigration authorities in Portugal for a residence card (*autorização de residência*). The initial residence card is issued for one year and can be renewed for successive periods of two years.

Portugal is one of the countries that has implemented the EU Blue Card Directive, which enables companies to locally hire executives and high-skilled workers. To obtain the EU Blue Card, an individual must prove the following:

- For regulated professions specified in the employment contract, the adequate professional certification document, if applicable
- For professions that are not regulated, proof of higher professional qualifications in the occupation or sector specified in the employment contract

The application for the EU Blue Card should be submitted by a national of a third state or by the employer with the regional offices of the immigration authorities.

The EU Blue Card is issued for an initial term of validity of one year, renewable for successive periods of two years. The renewal

of the EU Blue Card must be requested by the interested party within 30 days before the expiration of its validity.

H. EU, EEA and Swiss nationals

EU, EEA and Swiss nationals do not need any permits to enter and work in Portugal. An EU, EEA or Swiss national who intends to reside and work in Portugal must register with the local city hall if his or her stay exceeds 90 days.

I. Golden Visa

The rules governing the granting of a Residence Permit for Investment (known as an ARI/Golden Visa), which entered into force on 8 October 2012, enable third-country nationals to obtain a temporary residence permit to conduct business activities with visa waiver to enter Portugal.

The beneficiaries of an ARI/Golden Visa are entitled to the following:
- Residence visa waiver for entering Portugal
- The right to live and work in Portugal, on the condition that they stay in Portugal for a period of 7 or more days in the first year and 14 or more days in the subsequent years
- Visa exemption for traveling within the Schengen Area
- Family reunification
- The right to apply for permanent residence after five years
- The right to apply for Portuguese citizenship, by naturalization, provided all other requirements set out by the Nationality Act are fulfilled after five years

Eligible individuals are all third-country citizens who conduct an investment activity in Portugal, as individual businesspersons or through a company set up in Portugal or in another EU member state and who are stably settled in Portugal, provided that these citizens fulfill the quantitative requirements and the time requirements set out by the relevant legislation, by one of the following actions:
- Capital transfer with a value equal to or above EUR1 million
- The creation of at least 10 job positions
- The purchase of real estate property with a value equal to or above EUR500,000
- The purchase of real estate property that has construction dating back more than 30 years or that is located in urban regeneration areas, for refurbishing for a total value equal to or above EUR350,000
- Capital transfer with a value equal to or above EUR350,000 for investing in research activities conducted by public or private scientific research institutions involved in the national scientific or technological system
- Capital transfer with a value equal to or above EUR 350,000 for investing in artistic output or the support of the arts for the reconstruction or refurbishment of the national heritage, through local and central authorities, public institutions, the public corporate sector, public foundations, private foundations of public interest, networked local authorities, local corporate sector organizations, local associations and public cultural associations, if these entities are pursuing activities of artistic output and reconstruction or maintenance of the national heritage

- Capital transfer with a value equal to or above EUR350,000 for the acquisition of units of investment funds or venture capital funds of funds dedicated to the capitalization of companies, if the capital is injected under the Portuguese legislation, the maturity at the moment of the investment is at least five years and at least 60% of the investments is realized in commercial companies with a head office in Portugal
- Capital transfer with a value equal to or above EUR350,000 for the establishment of a commercial society with its head office in Portugal and the creation of five permanent working jobs, or for the reinforcement of the share capital of an existing commercial society with its head office in Portugal and the creation or maintenance of a minimum of five permanent jobs, for a minimum period of three years

J. Family and personal considerations

Family members. Family members who accompany a non-EU foreign national to Portugal or wish to join a foreign national in Portugal must request special visas from the Portuguese consulate in their last country of residence. These visas (*visto de residência para efeitos de reagrupamento familiar*) allow family members to work in Portugal after the relative residence permit for family purpose is obtained (see below).

After the competent consulate abroad issues the visa, within four months after their arrival in Portugal, family members accompanying a foreign national must request their residence authorizations (*autorização de residência para reagrupamento*).

If the primary applicant holds a temporary stay visa, his or her family is granted a short-stay visa. The rejoining procedure (*reagrupamento familiar*) can be favorable for family members who legally entered Portugal and hold valid residence permits.

Applications for family reasons residence permits can made for children up to 18 years old. If the children are more than 18 years old, they need to be studying in Portugal.

Driver's permits. Foreign nationals may drive legally in Portugal for a period of 185 days using their home-country driver's licenses if they also possess international driver's licenses. If the individual becomes resident in Portugal, he or she should carefully investigate if he or she may continue to drive legally without any action (specific rules apply depending on the country that issued the driver's license). Portugal has driver's license reciprocity with all EU member countries and certain non-EU countries, including, for example, with the United States.

To obtain a Portuguese driver's license, foreign nationals must fulfill certain conditions, namely proceeding with physical and medical examinations. In addition, after obtaining a residence permit, a foreign citizen has 90 days to exchange the driver's license without undertaking any written or practical tests. After the 90 days, the foreign citizen is asked to undertake a practical test. For both situations, all foreign citizens are asked to undertake physical and medical examinations.

Puerto Rico

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A. Income tax

Who is liable. Act 1 of 31 January 2011 contained a tax reform that introduced a new tax code known as the Internal Revenue Code for a New Puerto Rico (IRCPR). The IRCPR is effective for tax years beginning after 31 December 2010.

Under the IRCPR, residents of Puerto Rico are subject to Puerto Rico tax on their worldwide income. Nonresident aliens and nonresident US citizens are taxed only on their income from sources in Puerto Rico and on income treated as effectively connected with the conduct of a trade or business in Puerto Rico. Most residents of Puerto Rico are US citizens but are not subject to US federal income tax under Internal Revenue Code (IRC) Section 933, except on income derived from sources outside Puerto Rico.

For purposes of US taxation, an individual is considered a resident of Puerto Rico if he or she satisfies each of the following conditions:

- He or she is present for at least 183 days during the year in Puerto Rico. This determination is made under the substantial presence test.
- He or she does not have a tax home outside Puerto Rico during the tax year.
- He or she does not have a closer connection to the United States or a foreign country than to Puerto Rico.

Under the IRCPR, rules similar to the rules for determining whether income is from sources in the United States or is effectively connected with the conduct of a trade or business in the United States apply for purposes of determining whether income is from sources in Puerto Rico. However, any income treated as income from sources in the United States or as effectively connected with the conduct of a trade or business in the United

States may not be treated as income from sources in Puerto Rico or as effectively connected with the conduct of a trade or business in Puerto Rico.

For local purposes, whether an individual is considered resident or nonresident generally is a question of intent, which is determined based on facts and circumstances. As a general rule, individuals are presumed to be residents if they are present in Puerto Rico for not less than 183 days in a calendar year.

Under IRC Section 937 and Treasury Regulation Section 1.937-1(h), effective from 2001, an individual with worldwide gross income of more than USD75,000 must file Form 8898 for the tax year in which the taxpayer becomes or ceases to be a bona fide resident of Puerto Rico, among other US possessions. For married individuals, the USD75,000 filing threshold applies to each spouse separately.

Income subject to tax. Taxable income is computed by subtracting allowable deductions and exemptions from gross income. Gross income broadly includes virtually all realized economic gains. However, certain items are specifically excluded by statute from the definition of gross income, including, among others, life insurance proceeds, student grants, gifts and inheritances. Also, some items may be subject to the alternate basic tax.

Education allowances provided by employers to their local or expatriate employees' children are taxable for income tax and social security purposes.

Employment income. Salary deferred under a 401(k)-type plan may be excluded, subject to limitations, provided the plan is qualified by the Puerto Rico tax authorities.

In general, a nonresident individual who performs personal services as an employee in Puerto Rico at any time during the tax year is considered to have received income from sources in Puerto Rico. An exception to this general rule applies to a nonresident individual performing services in Puerto Rico if each of the following conditions apply:

- The services are performed for a foreign employer.
- The employee is present in Puerto Rico for no more than 90 days during the tax year.
- Compensation for the services performed in Puerto Rico does not exceed USD3,000.

If these conditions are not met, all income, including the first USD3,000, is subject to tax.

Self-employment and business income. Self-employed individuals conducting a business for profit in Puerto Rico are subject to income tax at the rates set forth in the first table in *Rates*.

For tax years beginning after 31 December 2018, self-employed individuals whose income originates substantially from rendering services may opt to use a fixed tax rate schedule to determine their income tax liability as stated in the second table in *Rates.*

To make this election, the self-employed individual must do the following:

- He or she must engage in a trade or business in which gross revenue is derived substantially from rendering services.

- He or she must receive income reported in an information return.

In addition, the entirety of the gross income must be subject to withholding at source or estimated tax payments. The Secretary of the Treasury may waive the annual tax return filing requirement for an individual who makes this election.

A nonresident individual engaged in a trade or business in Puerto Rico during the tax year is subject to tax on net income effectively connected with the conduct of the trade or business. The tax rates are the same as those for residents (see *Rates*). All income, gains and losses from sources within Puerto Rico, including Puerto Rico-source passive income, are treated as income, gains or losses effectively connected with the conduct of a trade or business in Puerto Rico.

Investment income. In general, dividend and interest income is taxed at the regular income tax rates (see *Rates (a)*). However, dividend income from corporations deriving 80% or more of their gross income from sources within Puerto Rico is taxed at a maximum rate of 15%, but the effective tax rate could be higher under certain conditions. The first USD100 of annual interest income paid on a deposit with a financial institution doing business in Puerto Rico is tax-free for individual taxpayers. In the case of married taxpayers filing jointly, the exclusion will not exceed USD200 (for married taxpayers filing separately, the exclusion is USD100 each). Interest in excess of the USD100 amount is taxed at a maximum rate of 17% if a taxpayer complies with certain conditions concerning withholding tax, but the effective tax rate could be higher as a result of the alternate basic tax system.

Rental operations and certain other activities that generate income are considered passive activities. Income from passive activities is included with other taxable income and taxed at the rates presented in *Rates*.

A nonresident alien individual not engaged in a trade or business in Puerto Rico is taxed, in general, at a rate of 29% on Puerto Rico-source fixed or determinable, annual or periodical gains, profits and income. Dividend income is taxed at a rate of 15%. Generally, the tax on fixed or determinable income must be withheld at source by the payer. A nonresident alien with income derived from real property located in Puerto Rico, or with gains derived from the sale of real property, may elect to treat rental income from that property as effectively connected with the conduct of a trade or business in Puerto Rico, thereby permitting the deduction of related expenses and depreciation.

Directors' fees. In general, directors' fees are considered earnings from self-employment.

Services payments. A withholding tax of 10% generally applies to payments made in excess of USD500 to persons for services rendered in Puerto Rico by another person carrying on a trade or business in Puerto Rico. The withholding applies to payments for services that are not covered by other withholding provisions, including payments of wages subject to income tax withholding.

Taxation of employer-provided stock options. In general, employer-provided stock options are taxed the same in Puerto Rico as they are in the United States, with the following exceptions:
- The exercise of a qualified stock option does not constitute a taxable event in Puerto Rico.
- No alternative minimum tax (AMT) adjustment applies in Puerto Rico.
- No holding period is required for qualified stock options.
- Stock option plans must obtain a ruling from the Puerto Rico Treasury Department to obtain qualified status and beneficial income tax treatment.

Capital gains. Net long-term capital gains (the excess of net gains derived from the sale of capital assets held for longer than one year over losses from the sale of most capital assets held for one year or less) are generally subject to tax at a maximum rate of 15%, but the effective tax rate could be higher as a result of the alternate basic tax system. Losses from the sale or exchange of capital assets are limited to 80% of the gains from the sale or exchange of capital assets, plus the net income of the taxpayer or USD1,000, whichever is less.

Young taxpayers. The first USD40,000 of gross income derived by "young taxpayers" from salaries or self-employment is exempt from taxation. For purposes of this exemption, the term "young taxpayer" means individuals resident in Puerto Rico whose age is between 16 and 26 years at the end of the tax year. The amount in excess of USD40,000 is taxed at ordinary tax rates.

Deductions. Nonresident US citizens are allowed the same deductions applicable to residents but, in general, are not allowed any deduction that is allocable or apportioned to income not subject to Puerto Rico income tax.

Deductible expenses. To calculate taxable income, individuals may reduce gross income by claiming deductions for specific expenses.

In general, deductions allowed in the computation of adjusted gross income are costs and expenses directly incurred in, or attributable to, generating or earning income. The following deductions are included in this category:
- Deductions attributable to rents and royalties (losses may not offset other types of income)
- Losses from the sale or exchange of property
- A portion (not exceeding USD1,000) of the excess of capital losses over capital gains

Allowable deductions reduce adjusted gross income. These include mortgage interest on both a principal residence and a second home located in Puerto Rico, charitable contributions (subject to limitations), certain disaster losses, and medical expenses over specified amounts. Nonresident aliens may deduct certain charitable contributions made to various Puerto Rico charitable organizations.

Deductions for part-year residents and nonresident individuals must be apportioned on the basis of income sources.

In addition, deductions are allowed for contributions to individual retirement accounts (IRAs) of financial institutions engaged in

trade or business in Puerto Rico (subject to limitations) and for contributions by government employees to certain retirement plans. A deduction of up to USD500 is available for cash contributions to an Educational Contributions Account for the exclusive benefit of a child or relative up to the third degree of blood relationship or second degree by affinity.

The following are the IRCPR categories of filing status:
- Married filing jointly
- Married filing separately
- Individual taxpayer (which includes single, head of household and married not living with spouse)

Personal exemptions. In addition to the deductible expenses discussed above, the following exemptions may be subtracted from adjusted gross income to arrive at taxable income.

Personal exemptions	USD
Married, living with spouse and filing a joint return	7,000
Married filing separate returns	3,500
Individual taxpayer	3,500
Additional personal exemption for veterans	1,500
Exemption for dependents (unless joint custody or married filling separate)	2,500

Personal exemptions and dependents' exemptions are not available for nonresident aliens.

Business deductions. Self-employed individuals are entitled to the same deductions as employees and may also deduct business expenses. Self-employed persons generally may deduct directly related ordinary and necessary business expenses. Deductible expenses for business meals and entertainment are limited to 25% of the amount incurred, and this amount may not exceed 25% of gross income. Depreciation on automobiles is deductible, up to the first USD30,000 of the cost of the automobile. The amount of allowable depreciation is subject to limitation for personal use of the automobile.

A nonresident alien is entitled to the business deductions allowed to a resident, only to the extent that the deductions are related to income effectively connected with the conduct of a trade or business in Puerto Rico.

Optional tax computation for married individuals who both work and file a joint return. If a married couple lives together and if both spouses work and file a joint return, an option exists to pay tax in an amount equal to the sum of the tax determined individually for each of the spouses. The rules applicable to this optional tax computation are summarized below.

Gross income. The gross income of each spouse consists of salaries, wages, professional fees, commissions, income from annuities and pensions, gains attributable to trade or business and distributive shares in the income of special partnerships and corporations of individuals, and other income derived from services rendered by each spouse in his or her individual capacity. All other income is equally divided between both spouses, regardless of who derived the income.

Exemptions and deductions. The personal exemption of a married couple filing jointly and the dependent exemption are divided equally between the spouses. Deductions for contributions to IRAs and Educational Contributions Account are allowed to the spouse to whom they individually correspond, subject to the limitations that apply to each particular deduction. All other deductions are divided equally between the spouses.

Tax calculation. The regular tax is determined separately for each spouse in accordance with the tax rate schedule applicable to individual taxpayers and then aggregated.

Rates. The 2019 income tax rates applicable to resident individuals, nonresident US citizens and nonresident aliens engaged in business in Puerto Rico are set forth in the table below. These rates apply to all taxpayers regardless of their filling status. The following are the income tax rates.

Net taxable income Exceeding USD	Not exceeding USD	Tax on lower amount USD	Rate on excess %
0	9,000	0	0
9,000	25,000	0	7
25,000	41,500	1,120	14
41,500	61,500	3,430	25
61,500	—	8,430	33

The tax due equals 95% of the normal rates and gradual adjustments, if applicable, for tax years beginning after 31 December 2018. Gradual adjustment is a factor of the income tax calculation that applies to individuals whose net taxable income is over USD500,000. The IRCPR provides for a gradual adjustment to the tax rates lower than 33% and the personal and dependents' exemptions.

The following are the gross revenue rates for self-employed individuals under the optional tax election.

From USD	To USD	Rate %
0	100,000	6
100,000	200,000	10
200,000	300,000	13
300,000	400,000	15
400,000	500,000	17
500,000	—	20

The Alternate Basic Tax (ABT) applies to an individual with an adjusted gross income of USD25,000 or more. Many types of revenue, such as certain dividends, interest and long-term capital gains, are preference items. The tax applies only if it is larger than the regular tax. The ABT is creditable against regular tax, subject to limitations. The tax is determined in accordance with the following table.

Adjusted gross income From USD	To USD	Rate %
25,000	50,000	1
50,000	75,000	3

Adjusted gross income From USD	To USD	Rate %
75,000	150,000	5
150,000	250,000	10
250,000	—	24

In calculating ABT net taxable income, the IRCPR establishes limits on deductions and expenses that may be claimed by individuals who engage in a trade or business. If an Agreed Upon Procedure (AUP) Report or Compliance Attestation (CA) Report, prepared by a certified public accountant who is licensed in Puerto Rico, is filed with the Secretary of the Treasury, the limits do not apply. Filing one of these reports enables individuals to deduct all ordinary and necessary expenses related to their trade or business.

Relief for losses. Net principal trade or business losses may be used to offset income from other activities. If each spouse has a principal trade or business, a married couple is considered a single trade or business. Unused operating losses may be carried forward for 7, 10 or 12 years, depending on the year in which they were incurred. The following are the applicable rules:

- For tax years commenced before 1 January 2005, losses could be carried forward for seven years.
- For tax years commenced after 31 December 2004 and before 1 January 2013, the carryforward period is 12 years.
- For tax years commenced after 31 December 2012, losses may be carried forward for 10 years.

Losses from other trade or business activities may offset income only from the same trade or business.

Capital losses incurred in a tax year are deductible against the capital gains of that same tax year. The excess of the loss, if any, may be used against the lesser of USD1,000 or the net income of the taxpayer. Unused capital losses may be carried forward for 5, 7 or 10 years, depending on the year in which they were incurred. The following are the applicable rules.

- For tax years commenced after 30 June 1995 and before 1 January 2005, the carryforward period was five years.
- For tax years commenced after 31 December 2004 and before 31 December 2012, the carryforward period is 10 years.
- For tax years commenced after 31 December 2013, capital losses may be carried forward for seven years, and these losses are considered short-term capital losses.

For tax years beginning after 31 December 2018, the net operating loss deduction is limited to 90% of the net income.

B. Estate and gift taxes

Puerto Rico estate and gift taxes are imposed at a fixed rate of 10% on the net taxable value of property transferred at death or by gift if the transfer occurs before 1 January 2018.

For estate and gift tax purposes, a resident of Puerto Rico generally may transfer property located in Puerto Rico tax-free before 1 January 2018 because a deduction is allowed for property

located in Puerto Rico in determining the value of the gross estate.

Property transferred by death or by gift after 31 December 2017 is not subject to the fixed rate of 10%.

Gift tax. For a resident, gift tax is imposed on the value of transfers of property located outside of Puerto Rico before 1 January 2018. For a nonresident, gift tax is imposed on the value of property located in Puerto Rico only if the gift occurs before 1 January 2018.

A tax is imposed on the value of all taxable gifts made during the tax year and in all prior years before 1 January 2018. The gift tax is computed by applying a fixed 10% rate to taxable gifts made during the calendar year. Donors are entitled to an annual exclusion of USD10,000 to each donee from taxable gifts.

Various deductions are also allowed. A credit against gift tax may be claimed for gift taxes paid to the United States or to foreign governments.

If the gift tax is not paid by the donor, it may be assessed against the donee to the extent of the value of the gift received by the donee.

Estate tax. Estate tax is computed by applying a fixed 10% rate to the taxable estate for deaths occurring before 1 January 2018. For a resident, the taxable estate is defined as the gross estate (generally the fair market value of the transferred property, wherever located, on the date of transfer or gift), less allowable deductions. Various specified deductions, including a deduction for property located in Puerto Rico, are allowed, and a fixed exemption of USD1 million is also granted. The USD1 million exemption is prorated among all assets included in the estate based on their fair market value.

Tax credits are permitted for certain amounts that were included in the estate of a previous decedent, as well as for estate taxes paid to the United States or foreign countries.

Nonresidents are subject to Puerto Rico estate tax on estate property located in Puerto Rico only. Certain deductions and exclusions are allowed. A nonresident US citizen decedent is allowed a minimum exemption of USD30,000, and a nonresident alien decedent is allowed a USD10,000 exemption.

The Puerto Rico estate tax for deaths occurring before 1 January 2018 is limited to the maximum credit allowed under the rules of the government of the decedent. This rule applies, for example, to Puerto Rico residents who are subject to US estate taxes. Residents of Puerto Rico who were born or naturalized in Puerto Rico are subject to US estate and gift taxes on assets located in the United States only.

For deaths occurring after 31 December 2017, no estate tax is applicable, regardless of the residency of the decedent.

C. Social security

The following three principal social security taxes are levied under US federal law:

- The Federal Insurance Contributions Act (FICA)
- The Self-Employment tax (SE tax)
- The Federal Unemployment Tax Act (FUTA)

In addition, Puerto Rico levies its own unemployment tax, as well as a disability tax and a workers' compensation insurance contribution.

FICA. For 2019, FICA tax is imposed on wages at a total rate of 15.3%, which includes a 2.9% Medicare tax. The combined tax rate for employee's wages is 7.65%, which is composed of a 6.2% component for Old-Age, Survivors and Disability Insurance (OASDI) tax and a 1.45% component for hospital insurance (Medicare). For 2019, OASDI tax is imposed on wages up to an OASDI wage base of USD132,900. An additional Medicare tax of 0.9% is imposed on wages exceeding USD200,000. No limit applies to the amount of wages subject to the Medicare portion of the tax.

SE tax. SE tax is imposed on a US citizen's or resident alien's self-employment income after deductions for business expenses. The 2019 rate is 15.3% on the first USD132,900 of self-employment income. No limit applies to the amount of income subject to the 2.9% Medicare portion of the tax. Self-employed individuals must pay the entire tax but may deduct 50% as an adjustment to gross income on their income tax returns. Individuals who are subject to both FICA and SE tax first deduct employment income from the 2019 net available base before determining SE tax. Therefore, a self-employed individual who also has FICA wages of USD132,900 is subject to the additional Medicare tax only.

FUTA. FUTA tax is imposed on an employer's wage payments to employees for services performed within the United States, which is defined to include Puerto Rico. This tax is levied without regard to the citizenship or residence of an employer or an employee. The tax rate is 6% on the first USD7,000 of wages for each employee. Self-employed individuals are not subject to FUTA. A credit for the amount of state unemployment insurance paid to the government of Puerto Rico is available.

Puerto Rico employment taxes. The maximum 2019 Puerto Rico unemployment tax rate is 5.4% on the first USD7,000 of an employee's wages. It remains to be determined whether the taxable wage will increase for future calendar years to as much as USD10,500, as allowed under the law. The rate may be lower, depending on the employer's rating, which is based on the employer's history of layoffs. This tax may be credited against the FUTA tax.

A disability tax is imposed on the first USD9,000 of an employee's wages. The rate is 0.6%, with 0.3% paid by the employer and 0.3% paid by the employee.

Premiums for workers' compensation insurance are borne solely by the employer and are based on total wages paid. The rate varies, depending on the occupation of the workers.

D. Tax filing and payment procedures

The Puerto Rico tax system is based on self-assessment. Puerto Rico taxpayers must file annual tax returns with the Bureau of Returns Processing of the Puerto Rico Treasury Department.

Nonresident individuals must file tax returns if their gross income net of exemptions exceeds USD0 (that is, any amount greater than zero), unless the total tax is withheld at source.

Taxes are generally collected by employer withholding on wages and salaries and by individual payment of estimated taxes on income not subject to withholding. Normally, tax due in excess of amounts withheld plus estimated tax payments made must be paid with the return when filed. The taxpayer claims a refund of an overpayment of tax by filing the annual return. Substantial penalties and interest are usually imposed on a taxpayer if a return is not filed on time or if tax payments, including estimated payments, are not made by the applicable due date.

Returns may be selected at a later date for audit by the Puerto Rico Treasury Department Fiscal Audit Bureau. Failure to adequately support amounts claimed as deductions on the return may result in the disallowance of deductions and in a greater tax liability on which interest or penalties, or both, must be paid from the original due date. In general, taxpayers must maintain supporting documentation for at least four years after a return is filed. Evidence of income tax payments should be maintained indefinitely.

The due date is 15 April for calendar-year taxpayers. An extension of time to file a tax return may be obtained, but it is not an extension of time to pay the tax. To prevent interest and penalties from being charged on unpaid tax, taxpayers must pay any tax due by the due date of the return.

E. Double tax relief and tax treaties

Residents of Puerto Rico are taxed by the Puerto Rico government on their worldwide income. Puerto Rico is a territory of the United States, and most US laws apply in Puerto Rico. However, Puerto Rico-source income derived by individuals residing in Puerto Rico is generally exempt from US individual income taxation because Puerto Rico is considered a foreign jurisdiction for US tax purposes. Income from sources outside Puerto Rico derived by individuals residing in Puerto Rico is subject to US taxation.

A foreign tax credit is available to prevent double taxation of Puerto Rico residents subject to US or foreign tax on non-Puerto Rico-source income. Generally, the foreign tax credit permits a taxpayer to reduce Puerto Rico tax by the amount of income tax paid to the United States or to foreign governments. The credit is limited to the lesser of the following:

- The actual US or foreign taxes paid or accrued
- The Puerto Rico tax applicable to the non-Puerto Rico-source taxable income

Separate limitations may apply for situations in which non-Puerto Rico-source income is derived from more than one foreign jurisdiction.

Double tax treaties entered into by the United States do not apply in Puerto Rico. A protocol to the treaty between the United States and Spain states that the US and Spanish governments should meet to extend the treaty's coverage to Puerto Rico, but this has not yet occurred. Puerto Rico may not enter into separate tax treaties with foreign governments.

The Internal Revenue Service (IRS) and the Puerto Rico Treasury Department have established a mutual agreement procedure to resolve inconsistent treatment of tax items. Requests for assistance under this procedure should be addressed to the Tax Treaty Division of the IRS.

F. Visas

The rules concerning eligibility for visas that allow foreign nationals to work in Puerto Rico are identical to those for the continental United States. Therefore, please refer to the US chapter in this guide for information on the requirements and procedures needed to obtain a visa in Puerto Rico.

G. Family and personal considerations

Marital property regime. The marital property (conjugal partnership) regime in Puerto Rico applies only to married couples. Under this regime, Puerto Rico recognizes that property acquired during marriage is subject to division and equitable distribution, and therefore constitutes marital property. Puerto Rico recognizes as separate property, distinguishable from marital property, any property acquired before marriage and all property derived by either of the spouses during the marriage through inheritance, gift or devise. The regime applies unless the spouses execute a marriage contract by public deed before the marriage.

Driver's permits. Any person with a valid driver's license is authorized to drive in Puerto Rico for up to 120 days from the date of arrival. After this period, the individual must apply for a Puerto Rico license. The following are the basic requirements:

- Completed application form
- Three photos of the applicant
- Medical exam
- Original and copy of the applicant's social security card, driver's license, certificate of birth, visa and US passport or residence card
- Written exam
- Payment of a fee

Puerto Rico offers driver's license reciprocity with the following states of the United States.

Florida	Maine	Tennessee
Illinois	South Dakota	Wisconsin

Individuals from the above states need fulfill only the first four of the requirements listed above.

Qatar

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A. Income tax

Qatar does not levy personal income taxes on employee earnings. Employer-provided allowances provided as part of employment income to local and expatriate employees are not taxable for income tax and social security purposes.

Partnerships consisting of individuals, as well as individuals carrying on business as professionals or sole traders, are taxed on net business income at the corporate income tax rate of 10%.

Capital gains on the disposal of real estate and securities derived by individuals are exempt if the assets are not part of the individual's taxable activity.

Dividends and capital gains derived from shares of companies listed on the Qatar Stock Exchange are also exempt from local tax.

Individuals are considered resident in Qatar in any of the following circumstances:
- They have a permanent home in Qatar.
- They are physically present in Qatar for 183 days or more during a calendar year.
- Their center of vital interests is in Qatar.

B. Estate and gift taxes

Qatar does not levy estate or gift taxes.

Income from succession and inheritances falls outside of the scope of the local tax law.

C. Social security

Qatar does not levy any social security taxes.

D. Tax treaties

Qatar has entered into double tax treaties with the following jurisdictions.

Albania
Algeria
Armenia
Austria
Azerbaijan
Barbados
Belarus
Brunei Darussalam
Bulgaria
China Mainland
Croatia
Cuba
Cyprus
Ecuador
France
Georgia
Greece
Guernsey
Hong Kong SAR
Hungary
India
Indonesia
Iran
Ireland
Isle of Man
Italy
Japan
Jersey
Jordan
Kenya
Korea (South)
Kyrgyzstan
Latvia
Lebanon
Luxembourg
Malaysia
Malta
Mauritius
Mexico
Monaco
Morocco
Nepal
Netherlands
North Macedonia
Norway
Pakistan
Panama
Philippines
Portugal
Poland
Romania
Russian Federation
San Marino
Senegal
Serbia
Seychelles
Singapore
Slovenia
South Africa
Spain
Sudan
Sri Lanka
Switzerland
Syria
Tunisia
Turkey
Ukraine*
United Kingdom
Venezuela
Vietnam
Yemen

* This treaty will be effective from 1 January 2020.

Qatar is negotiating treaties with the following jurisdictions.

Bangladesh
Belgium
Benin
Bermuda
Bosnia and Herzegovina
Egypt
Eritrea
Estonia
Ethiopia
Fiji
Finland
Gambia
Germany
Iceland
Kazakhstan
Libya
Lithuania
Mauritania
Montenegro
Nigeria
Peru
Thailand
Turkmenistan
Uruguay
Uzbekistan

E. Temporary visas

All visitors to Qatar, with the exception of nationals of Gulf Cooperation Council (GCC) states, must obtain valid entry visas. Completed visa application forms may be submitted to the immigration authority in Qatar or to Qatari embassies abroad. Visa applications (including applications for business visas) may also be submitted online to the government visa service at www.gov.qa.

Business visas, which are valid for one month, are granted to visitors for business purposes. Only companies that are approved by the Qatar immigration authorities may sponsor and apply for business visas. Entry into Qatar on a business visa requires a pre-application in Qatar. This rule applies to all nationalities. A copy of the business visa is required on arrival at the port of entry. Business visas may be renewed for an additional two months on a monthly basis.

Tourist visas, which are valid for 14 days, are granted to visitors on application if the visitor has a confirmed booking with one of the recognized hotels in the country. Visitors must stay at the hotel through which the visa is obtained. In general, most visitors

must apply for a tourist visa before travel to Qatar. However, residents of certain specified jurisdictions are permitted to travel to Qatar without obtaining an entry visa before traveling and may obtain a tourist visa at any port of entry in Qatar. The following are some of the approved jurisdictions.

Andorra
Australia
Austria
Belgium
Brazil
Brunei Darussalam
Canada
Chile
China Mainland
Croatia
Denmark
Ecuador
Finland
France
Germany
Greece
Hong Kong SAR
Iceland
Indonesia
Ireland
Italy
Japan
Korea (South)
Liechtenstein
Lithuania
Luxembourg
Malaysia
Mexico
Monaco
Netherlands
New Zealand
Norway
Paraguay
Peru
Poland
Portugal
San Marino
Romania
Russian Federation
Singapore
Slovak Republic
South Africa
Spain
Suriname
Sweden
Switzerland
Thailand
Turkey
United Kingdom
United States
Uruguay
Vatican City
Venezuela

Tourist visas for nationals of the jurisdictions listed above are initially granted for one month and are renewable for another month.

Visitors' visas for stays of up to three months may be obtained on application by a sponsor residing in Qatar. The sponsor may be a company registered in Qatar or an expatriate who resides and works in Qatar. This type of visa may be extended for an additional three months. Citizens and residents of GCC-member states do not require visitors' visas. On arrival in Qatar, they are granted visas valid for up to one month.

F. Work visas

Foreign nationals may work in Qatar only if they have valid employment contracts sponsored by companies resident in Qatar. An employment (work) visa is issued only if the applicant's employment contract is approved by the Ministry of Administrative Development, Labor and Social Affairs.

Foreign nationals may work only for the particular company that sponsors them. A transfer of employment from one sponsor to another requires the approval of the Department of Immigration at the Ministry of Interior (MOI).

Under the provisions of the New Immigration Law, which became effective as of December 2016, a foreign national does not have to leave the country after the expiration of a fixed-term contract and before taking up a new contract in the state. Foreign nationals can also change jobs before their contract ends if they obtain permission from their sponsor, the MOI, and the Ministry of Administrative Development, Labor and Social Affairs. Foreign nationals with open-ended contracts can seek this approval after five years in their initial job.

The Law on the Entry, Exit and Residency of Foreign Nationals Law No. 13 of 2018 was issued on 4 September 2018, amending certain provisions of Law No. 21 of 2015.

Under the amendment, Article 7 of Law No. 21 of 2015 has been replaced with a provision that stipulates that an expatriate worker covered under Qatar's Labor Law has the right to temporarily or permanently exit the country at any time throughout the duration of his or her employment contract without an exit permit.

However, an employer may submit a prior application to the Ministry of Administrative Development, Labor and Social Affairs with the names of the employees that it deems necessary to obtain pre-approval before the employees leave the country due to the nature of their work. The percentage of such workers cannot exceed 5% of the total number of employees.

Employment visas are valid from one to five years and are renewable.

Application for employment visas should be made in Qatar. The application process takes approximately two to four weeks after all documents are received from a foreign national. The following documents are required from an applicant:
• A passport
• Four passport-size photos
• Educational certificates
• For certain nationalities, a health declaration
• Proof that the applicant has no criminal record

G. Residence permits

Residence permits are generally granted to foreigners only if they have valid employment visas. Foreigners must leave the country when their employment terminates. However, foreign nationals and members of their immediate family who own land or property rights in leased properties are entitled without sponsorship to residence permits for five years with renewal options for the duration of their interests in their properties. In addition, foreign nationals with investments in businesses under the provisions of the Foreign Capital Investment Law No. 13 of 2000 are also entitled to entry visas and residence permits for five years with renewal options over the period of their investments.

Residence visas may also be issued to professionals, including doctors, accountants and lawyers, if they are sponsored by Qatari nationals or Qatari companies and if the necessary permits are obtained from the relevant government department.

H. Family and personal considerations

Family members. Qualifying individuals who have resident permits can sponsor their spouse and children for the obtaining of residence permits in Qatar. The non-working spouse of a holder of an employment visa does not automatically receive the same type of visa. An independent application must be filed.

Property ownership. Foreign nationals may not own property in Qatar, other than in designated real estate developments, including the Al Khor Resort, the Pearl of Qatar Island and West Bay Lagoon. With the exception of these developments, ownership is

restricted to Qatari and GCC nationals. Foreign nationals may purchase the right to enjoy the use of apartments in multistory buildings in residential areas for periods of up to 99 years.

Romania

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As of 1 July 2019, the exchange rate between the Romanian leu and the euro was RON4.7328 = EUR1.

A. Income tax

Who is liable. Individuals domiciled in Romania are considered to be tax residents and are taxed on their worldwide income (with certain exceptions). Under certain circumstances, individuals who are not domiciled in Romania may be subject to tax on their Romanian-source income, regardless of where the income is received. In the absence of a tax-residency certificate issued by another state based on a double tax treaty, a foreign individual or one who carries out independent activities through a permanent establishment in Romania becomes subject to tax on worldwide income beginning on the date on which the tax-residency criteria are met.

Individuals in Romania who are also residents of a country that has entered into a double tax treaty with Romania may benefit from a reduced tax rate or a tax exemption under the terms of the relevant treaty. If a foreign individual spends less than 183 days in Romania and if the salary costs for the individual are not recharged to Romania, he or she may be exempt from Romanian salary tax liabilities, provided that a tax residency certificate is available. Individuals in Romania who are tax residents in countries that have not entered into a double tax treaty with Romania are subject to tax in Romania from their first day of presence in the country.

A Romanian tax resident who is domiciled in Romania and who demonstrates a change of residency to a country that does not have a double tax treaty with Romania continues to be subject to tax on any worldwide income for the calendar year in which the change of residency occurs and for the next three calendar years.

Income subject to tax. A flat tax rate of 10% applies to salary income, income from freelance activities, income from intellectual property rights, rental income, pension income, investments, prizes, investment income, agricultural, forestry and fisheries income, and other types of income. Special tax rates apply to

income such as dividends and income from gambling and transfer of property ownership. The taxation of various types of income is summarized below.

Employment income. Taxable compensation includes the following:
- Salaries
- Benefits in cash or kind (for example, allowances and perquisites)
- Wage premiums
- Rewards
- Temporary disability payments
- Paid holidays
- Other income received by an individual based on an employment agreement, document for appointing civil servants, secondment agreement or a special statute in the law
- Fees and compensation paid to directors and managers of private enterprises and to members of the board of directors, general shareholders meeting, administration council and audit committee

The monthly tax on employment income is determined by deducting mandatory social security charges, personal deductions, trade union contributions, employee contributions to the voluntary occupational pension scheme and contributions to the voluntary health insurance scheme cumulated with medical subscription services (an alternative branch of services offered by certain private health care companies by means of subscription). Each of the deductions for voluntary pension and voluntary health insurance is capped to a maximum of the equivalent in Romanian currency of EUR400 per year per participant (the limit of EUR400 represents a cumulative cap in the case of voluntary health insurance premiums and medical subscription services).

Income from independent activities. Income from independent activities includes income from production activities, income from commerce, income from rendering of services and income from freelance activities, whether performed individually and/or in a form of association, as well as related activities.

The net taxable income from freelance activities is computed as gross income less specified deductible expenses. Individuals engaged in freelance activities must make tax payments by 15 March of the following year. In the case of independent activities performed under contracts for sports activity, the income payer (the legal entity or other entity that has the obligation to maintain accounting records) must assess, withhold and pay the related income tax on a monthly basis.

Income derived by individuals from rental for tourism purposes of rooms located in their own homes, with a capacity for accommodation of more than five rooms is assessed as income from independent activities and is subject to tax based on income quotas (fixed amounts set by the government) or real system (actual income recorded based on the single-entry system).

Income from intellectual property rights. Income from intellectual property rights includes income from the selling of any form of intellectual property rights, including the following:
- Copyrights and rights related to copyrights, including the creation of monumental art works
- Patents

- Designs
- Trademarks
- Geographical indications
- Topographies of semiconductor products
- Similar items

In the case of income from intellectual property rights derived from legal entities or other entities required to maintain accounting records, the income payer must assess, withhold and pay the related income tax on a monthly basis, by the 25th day of the month following the month it was withheld.

If the income from intellectual property rights is not derived from legal entities or other entities required to maintain accounting records, the taxpayer must pay the related income tax to the state budget.

Taxable income from intellectual property rights is computed by deducting from gross income expenses representing 40% of gross income and compulsory social security charges.

Rental income. Gross rental income consists of amounts in cash or kind that are stipulated in rental agreements, as well as certain expenses borne by the tenant that are the landlord's liability according to the law. The rental income is taxable in the tax year to which the rent relates, regardless of when the rent is effectively received.

Rental income also includes income derived by owners from the rental of rooms located in their own homes, with a capacity for tourist accommodation ranging from one room to five rooms.

If individuals are earning rental income from more than five rental contracts, such income is reassessed as income from independent activities beginning with the date on which the change occurs, and it is accordingly subject to the rules applicable to that category.

Taxable rental income is determined by subtracting from gross rental income a deduction equal to 40% of gross income. Tax on rental income is determined by applying a rate of 10% to the taxable amount. As an exception, taxpayers may opt for the determination of the net rental income based on single-entry accounting.

Investment income. Investment income includes the following:
- Dividend income
- Interest income
- Gains from transfers of securities (including stock option plans) and other operations involving financial instruments (including derivatives)
- Income from the transfer of financial gold
- Income from the liquidation of a legal entity

The first four of these categories of investment income are discussed below.

Dividends are any grant of benefits in cash or kind by a legal entity to shareholders or associates as a result of holding participation titles (with certain exceptions). The tax rate applicable to dividends distributed to resident individuals is 5%. The tax rate is calculated, withheld and paid by the payer of dividend. The tax

must be paid by the 25th day of the month following the dividend payment. For dividends declared but not paid until the end of the year, the tax is payable by 25 January of the following year. Amounts received from holding participation titles in closed investment funds are treated similarly to dividends. A 5% final withholding tax is imposed on dividends.

Taxable income from interest is considered to be any interest from current account or sight deposits, term deposits, savings instruments and civil contracts or interest paid by the company issuing debt securities during the loan period. A 10% final withholding tax is imposed on interest income. The tax must be remitted by the 25th day of the following month.

Capital gains derived from transfers of securities (including stock option plans) and other operations involving financial instruments (including derivatives) are subject to a 10% income tax. In general, the capital gain equals the positive difference between the sale price and fiscal value of the securities, which includes the related transaction costs. A capital gain on a sale of shares obtained as a result of a stock option plan equals the difference between the sale price and the fiscal value (preferential acquisition price), which includes the related transaction costs. For shares obtained for a nil price, the fiscal value is considered to be zero.

Gains or losses derived from the operations with financial gold equal the positive or negative difference between the sales price and the fiscal value, which includes the costs related to the transaction.

Under the "net capital gain" concept, the difference between gains and losses registered during one year (that is, the positive or negative differences between the sale and fiscal value, which includes the related transaction costs) is calculated.

Income from the transfer of securities, other operations involving financial instruments and from the transfer of financial gold (financial gold is gold purchased for the purpose of creating a reserve and also for use as an investment instrument) is subject to an annual regularization, which is performed by applying a 10% tax rate to the annual taxable income, less tax losses carried forward (if any). Losses may be carried forward for seven years.

Income from other sources. Any income from other sources, as defined by the law, is subject to a 10% income tax, calculated, withheld and paid by the payer of such income.

Income whose source is not identified. Any income whose source is not identified is subject to a 16% income tax applied to the tax base adjusted according to the procedures and indirect methods for the reconstitution of revenues or expenses. The tax authorities compute the income tax and late payment penalties.

Deductions. Individuals domiciled in Romania and individuals meeting the residence criteria for worldwide income taxation are entitled to personal deductions, which vary according to gross monthly income and number of dependents of the individuals. For gross monthly income up to RON1,950, the monthly deductions vary between RON510 for individuals without dependents and

RON1,310 for individuals with four or more dependents. For gross monthly income between RON1,951 and RON3,600, personal deductions are degressive in relation to the above. No deduction is allowed for gross monthly income greater than RON3,600.

Rates. As discussed in *Income subject to tax*, most types of income are subject to tax at a flat rate of 10%.

B. Other taxes

Inheritance and gift taxes. No taxes are levied on inheritances or gifts, except for revenue subsequently derived from these items.

Property taxes. For property tax purposes, the taxable value of a property is computed based on multiple factors, including but not limited to, the following:
- Property surface
- Type of building
- Location of the property
- Age of the building
- Potential construction works
- Purpose for which the property is used (i.e., residential or non-residential)

Each Local Council establishes the applicable rate.

C. Social security and health care charges

Income subject to social security and health care charges is discussed below.

Employment income. The following rates are applicable for employment income:
- Employee social charges: 35% (25% pension contribution and 10% health fund contribution)
- Employer social charges: 2.25% (representing the work insurance contribution, which includes unemployment, medical leave, work accidents and the salary guarantee fund)

Private income (other than employment income). The following types of private income, other than employment income, are subject to social security contributions:
- Income from independent activities
- Income from intellectual property rights

Under certain conditions, individuals who derive income from independent activities and/or intellectual property rights are liable to pay social security contributions if the cumulated net annual income exceeds 12 minimum salaries per economy (approximately EUR5,280 for 2019). The contribution rate of 25% is applied to an amount chosen by the taxpayer that cannot be lower than 12 minimum national salaries per economy.

The following types of private income, other than employment income, are subject to the health fund contribution:
- Income from independent activities
- Income from intellectual property rights
- Rental income
- Agricultural, forestry and fisheries income
- Investment income
- Income from other sources, as provided by the law

Under certain conditions, individuals who derive income from one or more of the abovementioned sources are liable to pay health fund contribution if the cumulated net annual income exceeds 12 minimum salaries per economy (approximately EUR5,280 for 2019). The contribution of 10% is applied to a capped computation base of 12 minimum national salaries per economy.

Citizens of European Union (EU) countries and Switzerland benefit from the coverage of medical expenses incurred in Romania and may be exempted from social security charges if relevant European certificates are obtained. However, if an individual is not subject to social security charges in his or her home country, he or she falls under the Romanian social security system and is liable to pay social security charges in accordance with Romanian regulations (the home-country employer or the employee must follow a certain procedure to register for social security purposes).

Totalization agreements. Romania has entered into totalization agreements with the following jurisdictions.

Albania (a)	Korea (South) (b)	Quebec (c)
Algeria (a)	Libya (a)	Serbia (c)
Canada (b)	North Macedonia (a)	Turkey (c)
Israel (b)	Peru (a)	USSR (d)

(a) No administrative procedures have been put in place. Consequently, the agreement is not applicable.
(b) The agreement covers pension contributions only. It provides exceptions from paying contributions in case of assignment.
(c) The agreement covers pensions, health indemnity, medical leave indemnities and work accidents. It provides exceptions from paying contributions in case of assignment.
(d) The 1961 agreement with the USSR applies to the former USSR republics of Armenia, Belarus, Moldova, the Russian Federation and Ukraine. It covers pension and medical leave indemnities. It does not contain any assignment provisions or exceptions from paying contributions.

D. Tax filing and payment

Foreign nationals assigned to work in Romania and who do not meet the tax exemption conditions must register for tax purposes within 30 days after beginning their assignment. Subsequently, they must file monthly tax returns, and pay income tax and social security charges (if applicable) by the 25th day of the following month.

If the individual is on a local payroll, the local employer must compute, withhold, declare and pay the income tax and social security charges (if applicable).

E. Double tax relief and tax treaties

Romania has entered into double tax treaties with the following jurisdictions.

Albania	India	Qatar
Algeria	Indonesia	Russian Federation
Armenia	Iran	San Marino
Australia	Ireland	Saudi Arabia
Austria	Israel	Serbia
Azerbaijan	Italy	

Bangladesh
Belarus
Belgium
Bosnia and Herzegovina
Bulgaria
Canada
China Mainland
Croatia
Cyprus
Czech Republic
Denmark
Ecuador
Egypt
Estonia
Ethiopia
Finland
France
Georgia
Germany
Greece
Hong Kong SAR
Hungary
Iceland
Japan
Jordan
Kazakhstan
Korea (North)
Korea (South)
Kuwait
Latvia
Lebanon
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Moldova
Montenegro
Morocco
Namibia
Netherlands
Nigeria
North Macedonia
Norway
Pakistan
Philippines
Poland
Portugal
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Syria
Tajikistan
Thailand
Tunisia
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Vietnam
Zambia

F. Entry visas

Citizens of EU and European Economic Area (EEA) member states may enter Romania without any visa requirements and stay for a period not exceeding 90 consecutive days in a single visit. Citizens of the following jurisdictions may also enter Romania without a visa and stay there for 90 days in any 180-day period.

Albania (c)
Andorra
Antigua and Barbuda
Argentina
Australia
Bahamas
Barbados
Bosnia and Herzegovina (c)
Brazil
Brunei Darussalam
Canada
Chile
Colombia
Costa Rica
Dominica
El Salvador
Georgia (c)
Grenada
Guatemala
Honduras
Hong Kong SAR (a)
Israel
Japan
Kiribati
Korea (South)
Macau SAR (b)
Malaysia
Marshall Islands
Mauritius
Mexico
Micronesia
Moldova (c)
Montenegro (c)
New Zealand
Nicaragua
North Macedonia (c)
Palau
Panama
Paraguay
Peru
Samoa
San Marino
Serbia (c)(d)
Seychelles
Singapore
Solomon Islands
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Taiwan (e)
Timor-Leste
Tonga
Trinidad and Tobago
Tuvalu
Ukraine (c)
United Arab Emirates
United States
Uruguay
Vanuatu
Vatican City
Venezuela

(a) The exemption from the visa obligation applies only to passport holders of the Hong Kong Special Administrative Region (SAR).
(b) The exemption from the visa obligation applies only to passport holders of the Macau SAR.
(c) The exemption from the visa requirement applies only to holders of biometric passports.
(d) The exemption does not apply to holders of Serbian passports issued by the Department of Serbian Coordination (Koordinaciona Uprava).
(e) The exception from the visa obligation applies only to holders of passports issued in Taiwan that contain the identification card number.

In addition, the exemption from the visa requirement applies to British nationals of a territory subordinated to the British government.

Citizens of other countries can obtain short-term or long-term visas, which may be single- or multiple-entry visas. Special conditions apply to foreign nationals planning to set up businesses in Romania. Foreign citizens can obtain special short-term, multiple-entry visas for frequent business trips.

G. Work authorizations

EU and EEA nationals can be seconded to Romania without obtaining a work authorization. The seconded individuals must apply directly for a registration certificate.

In addition, companies based in Switzerland or EU or EEA member states can second non-EU/EEA nationals to Romania without obtaining a work authorization. The seconded individuals must apply directly for a residence permit and are required to present to the Romanian authorities the valid residence permit obtained from Switzerland or an EU/EEA member state.

The secondment of non-EU nationals is limited to one year within a five-year period. An extension may be granted if a work authorization for local employment purposes is obtained. Foreigners assigned as heads of foreign company branches and foreign citizens named administrators of Romanian companies only need to apply for a residence permit.

As of September 2016, the EU directive with respect to intra-company transfer (ICT) workers has been implemented in the Romanian immigration legislation. Therefore, employees of companies outside the EU, EEA and Switzerland who are subject to an ICT in a leadership position or as a specialist can be seconded to Romania for a period of three years under certain conditions. A new type of work authorization for secondment purposes — the ICT work authorization — has been introduced. The secondment can be extended after the initial period of three years if the ICT worker leaves Romania and fulfills the conditions for initiating a new secondment process.

H. Residence permits

Both short-term and long-term visas allow foreign nationals to stay for 90 days within a 180-day period from the date of entry to their date of exit from Romania. Although the short-term visa cannot be extended, the long-term visa can be extended through an application for a residence permit. The following documents are required for a visa extension:

- Work authorization for the categories of individuals who are required to obtain a work authorization for performing activities in Romania
- Medical insurance for the visa period
- Proof of accommodation and means of support in Romania
- Other documents, depending on the purpose of the stay

Similar residence permits can be issued to immediate family members (that is, spouse, children, parents and parents-in-law, if these family members cannot support themselves and do not benefit from family support in the home country) accompanying an individual during his or her assignment in Romania.

I. Family and personal considerations

Family members. The spouse of a foreign national holding a local work authorization must apply for a separate work authorization if the spouse wishes to work in Romania. The spouse must also obtain the appropriate visa to stay in the country.

Customs regulations for individuals. Special duty treatment is provided for the personal belongings of individuals establishing domicile or residence in Romania, goods introduced into Romania on marriage, inherited goods and household goods used for furnishing a residence in Romania and personal effects shipped through parcel and postal services. For certain goods, such as tobacco products and alcoholic beverages, duty exemption is granted within prescribed quantities.

Driver's permits. Driver's licenses issued in another EU member state are recognized in Romania if the license remains valid in the issuing country. Romania also recognizes national or international driver's permits issued by the relevant authorities in countries that have signed the International Convention of Traffic (Vienna 1968).

Russian Federation

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Because of the rapidly changing economic and legislative environment in the Russian Federation, readers are advised to obtain updated information before making decisions. The tax law described in this chapter applies only to the Russian Federation. The foreign exchange rate established by the Russian Central Bank on 10 June 2019 is RUB65.0395 = USD1.

A. Income tax

Who is liable. Residents are taxed on worldwide income. Nonresidents are taxed on Russian-source income only. Russian-source income includes, but is not limited to, income derived from work or services performed in the Russian Federation, capital gains derived from the disposal of property in the Russian Federation, interest from deposits held in the Russian Federation, rent from property located in the Russian Federation, dividends paid on shares of companies in the Russian Federation, and income in the form of material benefit from certain low-interest loans and from the acquisition of securities or derivatives below fair market value (if Russian-source).

For tax purposes, individuals are considered resident if they are present in the country for 183 days or more in a period of 12 consecutive months. However, the Ministry of Finance and the Federal Tax Service take the position that an individual must spend at least 183 days in the Russian Federation in a calendar year to be considered tax resident for Russian tax purposes for the particular calendar year. This requirement is not stated in the Tax Code. For the purpose of determining residency, presence in the Russian Federation is not considered interrupted if an individual departs from the Russian Federation for periods of less than six months for medical treatment, education, or completion of employment or other duties related to work (that is, rendering

services) at offshore hydrocarbon fields, which must be duly documented.

Currently, the 12-month rule is applied by Russian tax agents for tax withholding purposes.

With respect to the counting of arrival and departure days for tax residency determination purposes, the current position of the tax authorities is that the days of both arrival and departure count as Russian for purposes of the tax residency test.

Accordingly, nonresidents are individuals who do not meet the above test.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Employment income consists of compensation received in cash or in kind, including, but not limited to, salary, bonuses, expatriate allowances and taxes paid for the employee by the employer. Tax residents are entitled to certain types of tax deductions from income (see *Deductions*).

Self-employment and business income. The income of individuals engaged in self-employment activities is subject to income tax.

Controlled foreign companies. Russian tax residents are subject to certain reporting requirements with respect to participation in a foreign company or an establishment of a foreign unincorporated structure as well as controlled foreign company (CFC) notifications. A CFC's undistributed profit above the threshold may be included in the taxable income of the controlling person. Certain types of CFCs may be exempt from tax in the Russian Federation.

Investment income. Dividends (both Russian and non-Russian source) received by residents are subject to tax at a rate of 13%. Russian-source dividends received by nonresidents are subject to tax at a rate of 15%.

Taxation of employer-provided stock options. The taxation of employer stock options and other equity-based compensation is not directly addressed in the Tax Code. Therefore, general tax principles and Organisation for Economic Co-operation and Development (OECD) guidelines are normally applied in such cases for sourcing purposes (although Russia is not a member of the OECD). Historically, based on general tax principles and most common prevailing positions, an employee was required to recognize income equal to the excess of the fair market value of the stock over the exercise price at the time of exercise of an employer-provided stock option. However, a literal reading of the Tax Code and securities market regulations suggests that, effective from 1 January 2011, an equity award that at the time of grant is structured as an option contract may potentially also trigger taxation of the individuals at the time of receipt of the option. At the moment, uncertainty continues to exist as to the taxability of option grants.

Capital gains. Capital gains are included in regular income. A separate capital gains tax does not apply. For additional details, see *Property-related tax deductions*.

Deductions. Deductions, which are available only to tax residents, are categorized as standard tax deductions, social tax deductions, property-related tax deductions, professional tax deductions and investment tax deductions.

Standard tax deductions. Each resident taxpayer is allowed a standard deduction for dependent children of RUB1,400 per month per child for the first and second child and RUB3,000 per month for the third and each additional child. This deduction phases out in the month in which the taxpayer's year-to-date income taxable at a rate of 13% exceeds RUB350,000. In addition, a deduction of RUB3,000 per month is granted to certain disabled individuals, veterans and victims of natural disasters.

Social tax deductions. Social tax deductions include the following:

- Annual deductions for certain charitable contributions, up to 25% of income
- Education expenses for the taxpayer's children, up to RUB50,000 per child
- Education expenses for the taxpayer himself or herself
- Medical expenses for the taxpayer (the amount of the allowable deduction depends on the type of medical expense)
- Expenses related to the taxpayer's contributions to licensed Russian non-state pension funds
- Expenses related to the taxpayer's supplemental state pension insurance contributions

The aggregate deduction for medical, non-state pension fund, state pension insurance and educational expenses (except for the taxpayer's children's educational expenses and certain medical expenses related to expensive medical treatments, as designated by the government) may not exceed RUB120,000 per tax year.

Property-related tax deductions. Income derived from the sale of property owned by the taxpayer for five years (three years in certain cases) or more is exempt from tax, starting 1 January 2018 for both tax residents and tax nonresidents.

Property purchase expenses on the construction or acquisition of living premises in the Russian Federation (up to RUB2 million), increased by amounts of mortgage interest or certain other bank interest paid on a loan to fund such an acquisition or construction, are deductible. A property deduction in the amount of RUB2 million can be applied to several property items until the whole amount of deduction is used. The amount of deductible mortgage interest is limited to RUB3 million. If a residential property is owned by several individuals (so-called shared ownership), each individual can claim the property tax deduction in the amount of RUB2 million, but not exceeding the actual expenses of each individual. In case of spouses' mutual property, both spouses may claim the tax deduction in an amount not exceeding RUB2 million per individual.

The first RUB1 million of income from the disposal of immovable property that has been owned by the taxpayer for less than five years (three years) is fully deductible against the sale proceeds (alternatively, the taxpayer can choose to pay tax on the actual taxable gain, which equals gross proceeds less documented expenses).

The first RUB250,000 of income from the disposal of movable property (except securities) that has been owned by the taxpayer for less than three years is fully deductible against the sale proceeds (alternatively, the taxpayer can choose to pay tax on the actual taxable gain, which equals gross proceeds less documented expenses).

Deduction for property-purchase expenses, expenses related to pension insurance contributions to Russian non-state pension funds and professional tax deductions can be obtained through the payroll (that is, tax withholding ceases for a period until a deduction is fully taken).

Income derived from the sale of securities is subject to special rules.

Professional tax deductions. Individual entrepreneurs and other individuals performing work or services on a contractual basis may deduct associated business expenses. Property tax paid by these taxpayers is deductible if the property is directly used in carrying out entrepreneurial activities. Taxpayers who cannot document expenses incurred in connection with their entrepreneurial activities are allowed a standard professional tax deduction at a rate of 20% of total income received from entrepreneurial activities.

Investment tax deductions. The following are the three types of investment tax deductions:

- The amount of the capital gain from the sale or redemption of securities circulating on a Russian stock exchange that were owned more than three years and acquired after 1 January 2014 (certain limits on the amount of deduction apply)
- The amount of funds deposited into an individual investment account (special type of account opened by a Russian broker or fiduciary), capped at RUB400,000 per year, subject to certain terms and conditions
- The amount of income from transactions involving the use of an individual investment account

A taxpayer must choose between the second and third investment tax deductions above; they cannot be applied simultaneously.

Rates. Four flat tax rates of 13%, 15%, 30% and 35% apply to different baskets of income.

A flat rate of 13% applies to all income for which another rate is not specified, including salary, dividends and other income earned by tax-resident individuals and earnings received by foreign individuals who qualify as Highly Qualified Specialists (HQSs) for immigration purposes (see Section J) for performance of work and services in this capacity. However, see the next paragraph.

In accordance with the current position of the Ministry of Finance, employment income of tax-nonresident HQSs is limited to base salary, vacation allowance and bonuses (that is, remuneration received under Russian employment or civil-legal agreements from the employer sponsoring the HQS work permit). Since currently the tax authorities tend to apply 13% tax only to income directly related to remuneration of an HQS, some benefits and allowances should be treated as taxable at 30%. Therefore, taxation of other income received not for work

performed as an HQS or income received by tax-nonresident HQSs from any other employer (for example, outside the Russian Federation for work or services performed by an HQS in the Russian Federation) at a 13% rate may be challenged by the authorities.

A flat rate of 15% applies to Russian-source dividend income received by individuals who are not tax residents.

A flat rate of 30% applies to all taxable income (other than dividend income) received by individuals who are not tax residents, except earnings of HQSs (however, see above).

A flat rate of 35% applies to interest income on Russian bank deposits and coupon (interest) income on certain ruble-denominated traded bonds of Russian companies exceeding the Central Bank's refinancing rate increased by 5 percentage points (or interest income on non-ruble deposits exceeding 9%), certain prizes and deemed income from certain low- or zero-interest loans.

Starting 1 January 2018, receipt of low- or zero-interest loans is considered to be income in the form of a material benefit that is taxable in the Russian Federation if a taxpayer receives such a loan from a company or an individual entrepreneur that is considered an affiliated person for the taxpayer or if the taxpayer has a labor relationship with this company or individual entrepreneur.

Relief for losses. Business losses of a self-employed person may not be carried forward to future years.

B. Other taxes

Net worth tax and estate and gift tax are not levied in the Russian Federation.

C. Social security

In 2019, the following rates of social contributions are established for all categories of payers (except those who are entitled to the beneficial social security regime).

Individual cumulative year-to-date income subject to social contributions RUB	Pension Fund %	Social Insurance Fund %	Medical Insurance Fund %	Total %
Up to 865,000	22	2.9*	5.1	30
Up to 1,150,000	22	0	5.1	27.1
Over 1,150,000	10	0	5.1	15.1

* The rate is 1.8% for expatriate employees holding standard work permits.

Payments made with respect to expatriate employees who hold the immigration status of HQS (see Section J), are not subject to accrual of social contributions (except for workplace accident insurance). Payments with respect to expatriate employees holding standard work permits are subject to accrual of contributions to the Social Insurance Fund at a 1.8% rate. After the first six months of accrual of these contributions, these expatriate employees are eligible for social insurance (for example, payment for the period of a sick leave).

Payments made with respect to other categories of expatriate employees (for example, those who hold temporary or permanent resident permits) are subject to accrual of social contributions in accordance with the special provisions envisaged for each category of employees. However, existing totalization agreements allow foreign employees working in the Russian Federation to be exempt from certain types of social contributions. This beneficial option is available to citizens of Belarus, Bulgaria, China, the Czech Republic, Latvia, Spain and Vietnam.

Under the social security system, additional pension contributions must be paid by organizations that have employees eligible for early retirement (that is, employees working in unsafe and hazardous conditions). Based on the results of a procedure for the special evaluation of working conditions, certain job positions may be classified as work performed in unsafe and/or hazardous conditions. In this case, the employer must accrue and pay additional pension contributions due on employment income of these special categories of employees. Depending on the class of professional risk assigned to employees, the employers are required to pay additional pension contributions at a rate ranging from 2% to 9%.

The legislation also stipulates certain categories of organizations entitled to apply lower rates of social contributions. These are organizations conducting specific types of economic activities including, but not limited to, the following:
- Certain types of information technology companies
- Certain types of mass media companies
- Participants in the Skolkovo project
- Companies rendering engineering services

In addition to the above social contributions, workplace accident contributions are due on all payments to all employees (Russian nationals and foreigners), including HQSs. The contributions are without a cap. The rate is generally 0.2% for most employers that predominantly or only employ office workers.

Organizations must submit the following reporting on social contributions:
- Information on accrued and paid pension, medical and social contributions must be submitted to the Tax Inspectorate.
- Information on accrued and paid social contributions against accidents at workplace and professional illnesses must be submitted to the Social Insurance Fund.
- Information on insured individuals and individual reporting on length of service and pension contributions must be submitted to the Pension Fund.

The above reports must be submitted on a quarterly basis (the reporting periods are the first quarter, six months, nine months and full calendar year). In addition, employers must submit a monthly report to the Pension Fund outlining the names and requisites of insured individuals.

According to the current requirements, the respective types of reporting should be submitted to the authorities electronically if the number of individuals with respect to whom social contributions were paid (that is, insured persons) exceeds 25.

D. Tax filing and payment procedures

The tax year in the Russian Federation is the calendar year.

Entrepreneurs, attorneys, notaries and private detectives must file both preliminary and final tax returns. These categories of taxpayers must submit a preliminary tax return within one month and five days after they first receive income from their activities, and no later than 30 April in each subsequent year in which they plan to conduct professional activities in the Russian Federation. Preliminary tax equals 100% of the tax payable on the estimated income. Payment for January through June is due by 15 July; for July through September, by 15 October; and for October through December, by 15 January of the following year.

For most taxpayers, tax is payable through withholding at source. Tax agents for the purpose of Russian personal income tax are Russian legal entities and permanent establishments of foreign legal entities, from which, or as a result of relations with which, individuals receive income. Tax agents are required to withhold income tax at source on payments in accordance with the individual's resident status (or some special status) and remit the tax withheld to the Russian tax authorities on a monthly basis.

Individuals who receive income subject to tax in the Russian Federation but not subject to full or partial tax withholding must file a tax return. If underwithholding of employment income from the Russian company is the only source that triggers Russian tax payment obligations, a tax return need not be submitted (if the employer submits the correctly completed annual income statement [that is, the 2-NDFL form] indicating the underwithheld amount), and the taxpayer should be able to pay the outstanding tax due by 1 December of the year following the reporting year based on the notification provided by the tax authorities.

An individual may also file a tax return on a voluntary basis even if a filing is not required. A tax filing may be required to claim certain tax deductions that cannot be granted through the payroll, to claim a refund of overwithheld tax as a result of a change of a tax-resident status or to obtain a Russian tax clearance certificate.

Annual tax returns are due on 30 April of the year following the reporting calendar year, and no extensions are available; the corresponding tax self-assessed in the declaration must be paid by 15 July of such year.

There are special provisions for the filing of departure tax returns by foreign citizens. A departure tax return must be filed at least one month prior to the actual departure of a foreign individual from the Russian Federation, and tax due must be paid within 15 days of the filing of the departure tax return. Previously, departure tax returns were often filed as soon as the final compensation information became available, and the late submission of a departure tax return did not result in late filing fines provided the tax was paid prior to the filing of the departure tax return. However, the tax authorities have started increasing their control over demobilizing expatriates. Therefore, submission of a departure tax return and payment of tax due within the set time frames is advisable.

All tax payments must be made in rubles from the individual taxpayer's personal bank account or in cash via Sberbank. Starting from the 2017 calendar year, the tax may be paid by third parties. If the tax due is to be settled from a foreign bank account, it is necessary to confirm with each particular bank in advance that the bank is able to process the payments in rubles and that it has a correspondent relationship with the Russian bank system; otherwise, registration of the payment to the tax office may be delayed.

A penalty of 5% of the tax due for each full or partial month of delay is imposed for the late submission of a tax declaration after the deadline. The penalty is capped at 30% of the tax due and cannot be less than RUB1,000. The late payment of tax is subject to interest at a rate of 1/300 of the annual refinancing rate of the Central Bank of the Russian Federation for each day of late payment.

Underpayment or incomplete payment of tax results in the imposition of a 20% fine (40% for a deliberate violation) on the respective amount of tax due. Criminal sanctions can also be applied in rare cases.

Under immigration rules, a foreign citizen is not allowed to enter the Russian Federation if he or she evaded a tax payment or an administrative fine during a previous stay in the Russian Federation. The entry ban lasts until the foreign citizen fully pays the respective tax or administrative fine.

Voluntary Disclosure Campaign. The third phase of the Voluntary Disclosure Campaign runs from 3 June 2019 through 29 February 2020. Individuals may submit a special declaration to report foreign bank accounts, assets and controlled foreign companies. Participation in the campaign allows the individuals to mitigate certain currency controls and personal income tax risks. The application of guarantees must be analyzed in each particular case.

E. Double tax relief and tax treaties

Taxpayers may be either exempt from the payment of Russian tax or foreign tax paid may be credited against Russian tax payable, but the foreign tax credit cannot exceed the Russian tax payable on the same income. Under new rules in force from 2016, to apply for an exemption, a taxpayer must present a certificate of residency from a country with which the Russian Federation has a double tax treaty (the Russian tax authorities may request additional supporting documents). The foreign tax credit may be claimed in a tax return within three years of the receipt of income. The taxpayer must enclose documents supporting the amount of income received and tax paid with the tax return.

Depending on the particular situation, a taxpayer must submit the following:

- A certificate issued by the tax authorities of the treaty state indicating the type and amount of income, calendar year of receipt, amount of tax paid and date of payment
- A copy of the tax return submitted in the foreign state and a copy of the tax payment confirmation
- A document issued by a tax withholding agent containing information on income per month and tax withheld

All supporting documents must be submitted to the Russian tax authorities together with a notarized Russian translation.

The Russian Federation has entered into tax treaties with the following jurisdictions.

Albania
Algeria
Argentina
Armenia
Australia
Austria
Azerbaijan
Belarus
Belgium
Botswana
Brazil (a)
Bulgaria
Canada
Chile
China Mainland
Croatia
Cuba
Cyprus
Czech Republic
Denmark
Egypt
Finland
France
Germany
Greece
Hong Kong SAR
Hungary
Iceland
India
Indonesia
Iran
Ireland
Israel
Italy
Japan (b)
Kazakhstan
Korea (North)
Korea (South)
Kuwait
Kyrgyzstan
Latvia
Lebanon
Lithuania
Luxembourg
Malaysia
Mali
Malta
Mexico
Moldova
Mongolia
Montenegro
Morocco
Namibia
Netherlands
New Zealand
North Macedonia
Norway
Philippines
Poland
Portugal
Qatar
Romania
Saudi Arabia
Serbia
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Syria
Tajikistan
Thailand
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan
Venezuela
Vietnam

(a) The double tax treaty between the Russian Federation and Brazil entered into force on 19 June 2017 and is applicable from 1 January 2018.
(b) On 7 September 2017, the Russian Federation and Japan signed a double tax treaty, which replaces the previous treaty and applies to tax periods beginning in 2019.

F. Visas

Visas are issued by diplomatic missions or consulates of the Russian Federation, the Ministry of Foreign Affairs or the Ministry of Internal Affairs (directly or by proxy) on the basis of any of the following:

- An invitation from an organization registered with bodies of the Ministry of Internal Affairs
- A decision adopted by the Ministry of Foreign Affairs or a consulate or diplomatic mission
- A decision of a territorial body of the Ministry of Internal Affairs to issue a temporary residence permit

Visas can be single-entry, double-entry or multiple-entry.

Foreign citizens from most Commonwealth of Independent States (CIS) countries and those who are permanent or temporary residents of the Russian Federation do not need entry visas; they

must present identification documents and/or their permanent or temporary residence permit on entry.

The following categories of visas are available in the Russian Federation:
• Diplomatic
• Service
• Ordinary
• Transit
• Temporary residence

Ordinary visas are divided into private, business, tourist, study, work, humanitarian, and entry visas for persons seeking asylum.

Ordinary business visas support business trips to the Russian Federation. In general, they may be single-entry or double-entry for up to three months, or multiple-entry for up to one year. A foreign citizen with a multiple-entry business visa may not be present in the Russian Federation for more than 90 days within each 180-day period. Ordinary work visas are issued to those who perform labor activities in the Russian Federation. Initially, ordinary work visas are issued for up to three months and are valid for a single entry. However, on the individual entering the Russian Federation, the visa may be extended by bodies of the Ministry of Internal Affairs or the foreign citizen's place of stay through the issuance of a multiple-entry visa for the term of the labor agreement, limited to one year for the initial visa and for each subsequent multi-entry visa.

For information on the special work permit and work visa regime for HQSs, see Section J.

G. Work permits

Work permits, patents and residence permits are discussed in Sections G, H and I, respectively.

Effective from 1 January 2015, foreign nationals who apply for a work permit, patent, temporary residence permit or permanent residence permit are required to present a certificate confirming their knowledge of Russian language, history and basics of Russian law. This requirement does not apply to the processing of work permits and permanent residence permits for HQSs.

In general, any foreign citizen who works in the Russian Federation must hold a work permit or patent, and the employer or purchaser of work (services) of such foreign citizen must hold a valid employer permit to engage such an individual (when applicable).

The Russian Federation has entered into treaties simplifying the Russian work permit application process with France and Korea (South).

It is never necessary to obtain a work permit or patent, and permit for the engagement and use of foreign workers with respect to certain workers, including the following:
• Citizens of Armenia, Belarus, Kazakhstan and Kyrgyzstan
• Temporary residents of the Russian Federation
• Permanent residents of the Russian Federation
• Refugees and individuals with temporary shelter in the Russian Federation

- Employees of diplomatic missions, consulates and international organizations (with respect to their work for such organizations)
- Employees of foreign legal entities engaged in the installation, installation supervision, servicing, warranty servicing and after-guarantee repairs of installed equipment manufactured or supplied by those foreign legal entities
- Journalists accredited in the Russian Federation

The procedure applicable for individuals who are not HQSs and who require a visa to enter the Russian Federation is discussed below.

If no exemption applies, the company must submit a forecast to the local Interdepartmental Committee setting out the company's expectations for the number and profile of foreign employees needed in the following year. If the company fails to complete this submission or properly include in it a foreign employee for whom it will apply for a work permit, a refusal to issue a work permit may result. The deadline for submitting a forecast application varies by region.

A list of positions that do not require a forecast (quota) approved upfront also exists.

The following are the steps for obtaining employer and employee permits with respect to citizens of countries requiring visas to enter the Russian Federation:

- Applying for a conclusion on the expediency of the engagement of foreign labor from the Federal Employment Service
- Applying for a permit for the engagement of foreign labor from the Ministry of Internal Affairs
- Applying for a work permit for a foreign employee from the Ministry of Internal Affairs

Completion of the above steps can take four or more months. As a result, it is critical to begin the application process as early as possible.

H. Patents

Effective from 1 January 2015, foreign nationals who do not require a visa to enter the Russian Federation (CIS countries) for work purposes must apply for a patent instead of a work permit to perform a labor activity for organizations or individuals. The quota system is abolished for these foreign nationals who come from non-visa countries.

Under the patent system, a foreign national must make fixed advance tax payments to maintain the validity of the patent. The monthly amount of such tax payments varies by region.

The amount of such payments is subject to an adjustment for the deflator coefficient set for the corresponding calendar year. Failure to make advance payments leads to an annulment of the patent.

A patent is issued to a foreign national for the duration of one month with the possibility of further renewal for a period of up to 12 months, provided that a signed employment or civil-legal contract exists.

The following essential documents are required for an application for a patent:

- A voluntary medical insurance policy
- Medical certificates on the absence of drug abuse and infectious diseases
- Certificate of Russian language proficiency, and knowledge of the history and basics of Russian law

I. Residence permits

Foreign citizens in Russia may have one of the following three statuses:
- Persons temporarily located in the Russian Federation
- Temporary residents (those who hold temporary residence permits)
- Permanent residents (those who hold permanent residence permits)

The first status, which is the default status if one does not apply for and obtain a residence permit, is by far the most common status of expatriates working in the Russian Federation.

Temporary residence permits are issued within quotas established by the government on an annual basis and are valid for three years.

A permanent residence permit may be issued to a foreign individual on the basis of a valid temporary residence permit no later than six months before the expiration of the temporary residence permit. A permanent residence permit may be issued to an HQS (see Section J) based on an HQS work permit only (it is not necessary to first apply for a temporary residence permit). A permanent residence permit is issued for five years and may be extended for the same period an unlimited number of times.

J. Special regime for Highly Qualified Specialists

A beneficial immigration regime is available for highly qualified foreign nationals working in the Russian Federation who are employed by Russian companies or Russian branches and representative offices of foreign companies. These individuals are referred to as HQSs. For this purpose, an HQS is a person who receives earnings not less than RUB167,000 per month for work performed in the Russian Federation (with a minor exemption applicable for limited categories of employers; that is, a decreased amount of the monthly salary for HQSs employed by companies operating in particular fields). A simplified quota-free, one-step application procedure for work permits and visas is established for HQSs intending to work in the Russian Federation. HQSs may apply for work permits and work visas that are valid for three years with the opportunity to extend their validity for subsequent three-year periods, as compared to one-year work permits and visas received by other foreigners. Employers engaging HQSs are required to notify the immigration authorities on a quarterly basis with respect to the fulfillment of the obligations regarding the payment of earnings (remuneration) to HQSs. The notification must be sent no later than the last working day of the month following the reporting quarter.

The following are some of the advantages of the simplified procedure for obtaining a work visa and work permit for an HQS:
- The employer does not need to receive a conclusion on the expediency of engaging foreign labor.

- A corporate permit is not required to employ an HQS.
- A work permit and work visa for an HQS are issued within 14 workdays after the submission of documents.
- A work permit for an HQS can be valid for multiple regions of the Russian Federation. Under ordinary procedures, a separate work permit must be obtained in each region in which the individual would work.

HQSs and their accompanying family members (if any) must have private medical insurance valid in the Russian Federation, which can be arranged either by HQSs or their employers. The immigration law also contains a requirement for employers engaging HQSs to submit quarterly reports to the immigration authorities on salaries and remuneration paid to HQSs.

Earnings of HQSs for their work in such capacity are subject to tax at a rate of 13% (for further details, see *Rates* in Section A).

K. Family and personal considerations

Family members. Non-working family members of foreign citizens may receive accompanying family member visas, but applications must be filed separately. The providing of *apostilled* or legalized birth certificates for children and *apostilled* or legalized marriage certificates is required for visa applications. Family members must have separate work permits if they plan to work in the Russian Federation.

Driver's permits. In general, foreign nationals can drive legally in the Russian Federation with their home country driver's licenses and international driver's licenses, accompanied by a notarized translation.

The Russian Federation does not have driver's license reciprocity with any other country.

Starting 1 June 2017, a foreign national who expects to work in the Russian Federation as a professional driver must obtain a local Russian driver's license.

To obtain a local Russian driver's license, an applicant must take a written exam, a medical exam and a practical driving test.

L. Other matters

Enrollment. The enrollment procedure involves the responsible hosting party notifying the respective territorial office of the Ministry of Internal Affairs within seven business days of a foreign citizen's arrival at the place of his or her stay in the Russian Federation, or arrival at a new location in the Russian Federation where this individual will stay for seven days or more.

The enrollment procedure for citizens of Armenia, Kazakhstan and Kyrgyzstan should be performed within 30 days after entering the Russian Federation. The enrollment procedure for citizens of Ukraine, except for those who work in the Russian Federation, and for citizens of Belarus should be performed within 90 days after entering the Russian Federation.

HQSs and their accompanying family members may enter and stay in the Russian Federation without having to enroll within 90 calendar days after entering the Russian Federation. In addition,

under the regulations, they are not required to enroll if they travel to other regions of the Russian Federation different from the one in which they are enrolled, provided that the period of stay in this other region does not exceed 30 calendar days. After the 30-day period expires, HQSs must enroll within 7 business days.

Beginning 8 July 2018, the responsible hosting party is generally the hotel if the foreign citizen is staying at a hotel, the landlord of an apartment in which the foreign citizen is staying or the employer if the foreign employee actually lives at the company's premises.

HQSs who own an accommodation in the Russian Federation may act as a hosting party for their accompanying family members.

The de-enrollment procedure is completed either at the Russian border when a foreign citizen leaves the Russian Federation or when a foreign citizen is enrolled at a new place of stay in the Russian Federation.

Submission of foreign labor needs forecasts (quota applications). Under the regulations, companies must report annually before a specified date (26 June for Moscow-located companies) the number of foreign employees (including both actual employees and civil-legal contractors, but excluding HQSs and CIS citizens) they anticipate needing to engage in the following calendar year, including the precise positions and citizenships of these anticipated foreign employees. This effectively constitutes an application for a quota. A quota must first be obtained before it is possible to submit a work permit application for any foreigner who is not one of the following:

- An HQS
- CIS citizen
- An individual who will occupy one of a limited number of specific quota-free job positions

The deadline for filing the quota application varies by region.

Notifications. Companies are required to notify the immigration authorities of the conclusion or termination of an employment or civil-legal agreement with a foreign national within three business days after the date of the event.

Sanctions for noncompliance with the immigration legislation Russian legislation contains severe sanctions for companies, their executives and foreign citizens for noncompliance with the immigration legislation. The upper end of financial sanctions applied to a company can reach RUB1 million (per foreign individual per violation). The worst-case scenario can include deportation of the individual from the country for up to 10 years and/or suspension of the employer's business activities for up to 90 days and/or a company being banned from engaging any foreigners under the HQS regime for up to two years. Financial sanctions and even deportations have been increasingly applied. In addition, a foreign citizen may not be allowed to enter the Russian Federation if he or she was held liable for an administrative offense in the Russian Federation two or more times within three years or has unsettled tax in the Russian Federation. The

entry ban lasts for three years from the date when the last decision on the imposition of administrative sanctions entered into force.

Punishment measures for violations incurred in the cities of federal significance (Moscow, St. Petersburg, Moscow Region and Leningrad Region) have become even tougher.

Rwanda

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A. Income tax

Who is liable. Residents are subject to tax on their worldwide income, while nonresidents are subject to tax on their Rwandan-source income only.

Income subject to tax

Employment income. Employment income includes the following:
- Wages and salaries
- Vacation pay
- Sick pay and medical allowance
- Payments instead of vacation
- Directors' fees and sitting allowance
- Commissions
- Bonuses
- Gratuities
- Entertainment or other allowances received for employment

Employment income also includes all benefits in kind, including employer-provided cars, housing, loans at interest rates lower than the central bank lending rates and benefits provided to employees' relatives by employers.

Self-employment and business income. Business income includes the following:
- Trading profits
- Gains derived from disposals of business assets, shares of profits or profits from partnership interests
- Gains on assets held in foreign currency
- Professional, technical, management and other fees
- Investment income in the form of capital gains, financial interest, dividends, royalties or rent and other income that has not been taxed as business income

Investment and other income. A final withholding tax at a rate of 15% is imposed on the following:
- Dividends, except income distributed to the holders of shares or units in collective-investment schemes.
- Financial interest except for the following:
  — Interest on deposits in financial institutions for at least a one-year period
  — Interest on loans granted by a foreign development financial

institution exempted from income tax under the applicable law in the country of origin
— Interest paid by banks operating in Rwanda to banks or other foreign financial institutions
- Royalties
- Technical, management and other service fees except for transport services' fees
- Payments made to craftspersons, artists and players in sports, culture and leisure activities
- Lottery and gambling proceeds
- Payments for goods sold in Rwanda

Individual property owners who earn rental income are subject to rental income tax. The tax is payable to local or urban decentralized authorities at the following rates.

Rental income earned by an individual		
Exceeding RWF	Not exceeding RWF	Rate %
0	180,000	0
180,000	1,000,000	20
1,000,000	—	30

Capital gains. Sales of business assets and proceeds from asset sharing are taxed at 30%. Capital gains on the sale or transfer of shares are taxed at a rate of 5%.

Deductions. Business expenses are deducted from taxable income if all of the following conditions are satisfied:
- They are incurred for the direct purpose of the business and they are directly chargeable to income.
- They correspond to a real expense and can be substantiated with proper purchase receipts.
- They lead to a decrease in the net assets of the business.
- They are used for activities related to the tax period in which they are incurred.

Fixed assets qualify for an annual capital allowance deduction. The deduction may be calculated using the straight-line or declining-balance methods at rates ranging from 5% to 50%, depending on the type of asset.

Rates. The following table sets forth the tax rates, which are applicable to employment income and taxable business income earned by individuals and unincorporated entities.

Annual taxable income		
Exceeding RWF	Not exceeding RWF	Rate %
0	360,000	0
360,000	1,200,000	20
1,200,000	—	30

Small enterprises pay a lump sum tax of 3% of annual turnover. However, they can opt for the normal tax regime.

Micro enterprises pay a flat amount of tax based on the annual turnover as shown in the following table.

Annual turnover From RWF	To RWF	Flat tax amount RWF
2,000,000	4,000,000	60,000
4,000,001	7,000,000	120,000
7,000,001	10,000,000	210,000
10,000,001	12,000,000	300,000

Relief for losses. Losses may be carried forward for five years to offset future profits of businesses. However, a request may be made to the tax authority to carry forward tax losses for more than five years.

B. Other taxes

Estate and gift taxes. Estate and gift taxes are not levied in Rwanda.

Net worth tax. Net worth tax is not levied in Rwanda.

C. Social security

The Rwanda Social Security Board, which is Rwanda's statutory social security fund, provides employees with retirement benefits. Employees contribute 3% of their total annual salaries excluding transport allowance, and employers contribute an amount equal to 8% of each employee's total salary excluding transport allowance. In addition, employers and employees each contribute 0.3% of the total salary, excluding the transport allowance for the maternity leave benefit.

D. Tax filing and payment procedures

Tax is withheld from employees under the Pay-As-You-Earn (PAYE) system. However, if the employer is unable to withhold tax from an employee, the obligation of declaring and paying the tax reverts to the employee.

The tax year runs from 1 January to 31 December. Taxpayers with accounting periods coinciding with the tax year must file three provisional returns and pay tax equal to 25% of the tax paid in the preceding year by 30 June, 30 September and 31 December. Taxpayers with other accounting periods must file provisional returns within three months after the beginning of the accounting period that ends within the tax year.

Taxpayers must file their final tax returns within three months after the end of their accounting year. An assessment is made based on the return, with a credit granted for taxes withheld at source and for provisional taxes paid.

Nonresidents who trade in Rwanda must register their operations or appoint an agent for tax purposes and are subject to the filing and payment requirements described above.

E. Double tax relief and tax treaties

In accordance with tax treaties, residents may credit foreign taxes paid on foreign-source income against Rwandan tax payable in accordance with tax treaties. Rwanda has entered into double tax treaties with Belgium, Jersey, Mauritius, Singapore and South Africa.

F. Temporary permits

All foreign visitors must obtain valid entry visas to enter Rwanda, with the exception of nationals of member countries of the East African Community (EAC) and nationals of a few other countries.

Visitors' passes are issued to citizens of EAC member countries at the border post. They are valid for 72 hours and renewable once.

Students may obtain long-term permits called students' passes, which are valid for the duration of their courses of study.

Transit passes are normally valid for 72 hours. They may be extended once if necessary.

When applying for passes, applicants must have valid passports or equivalent travel documents. No quota system exists for immigration purposes in Rwanda.

G. Work permits and self-employment

Foreign nationals must obtain a work permit before undertaking employment in Rwanda. The application for a work permit is made to the Director General of Immigration and Emigration and consists of:

- An application letter from the employer
- Notified diploma or degree
- Original police clearance from the country in which the applicant has lived for the last six months
- The applicant's *curriculum vitae* (CV) and a copy of his or her passport
- Completed application form
- One color passport-size photo with white background
- An employment contract signed by the applicant and employer
- Payment of RWF100,000 (approximately USD113) to the government treasury

H. Residence permits

A work permit has a dual purpose in Rwanda. It serves as a work permit and resident permit, allowing an expatriate to live in Rwanda during his or her assignment.

I. Family and personal considerations

Family members. Dependents of expatriates with work permits may obtain long-term permits called dependents' passes. The duration of these passes depends on the duration of the expatriate's work permit.

Working spouses of work permit holders do not automatically receive the same type of pass or permit as the principal permit holder. Applications must be filed independently.

Driver's permits. Foreign nationals may drive legally in Rwanda with their home country driver's licenses for three months.

To obtain a local driver's license in Rwanda, an applicant must obtain a provisional driver's license after paying a general fee. This enables the applicant to go to a driving school and to take a driving test, after which he or she is issued a driving permit. No written or physical examination is required.

St. Lucia

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In the 2019 Budgetary Proposals, the Minister of Finance proposed a number of changes to the St. Lucia personal tax regime, including the revision of personal tax rates, the personal allowance and available deductions. The proposals are expected to take effect on 1 January 2020. Because of these proposed changes, readers should obtain updated information before engaging in transactions.

A. Income tax

Who is liable. An individual resident in St. Lucia for tax purposes is subject to income tax on worldwide income, regardless of whether the income is remitted to St. Lucia. An individual who is resident but not ordinarily resident is subject to tax on income received in St. Lucia. Nonresidents are taxed on income derived from sources in St. Lucia only.

Individuals are considered resident if they are physically present in St. Lucia for at least 183 days in a calendar year or if they are ordinarily resident in St. Lucia in a calendar year. Individuals are deemed to be ordinarily resident if they have a permanent home in St. Lucia and if they are physically present in St. Lucia for some time period in the income year. This time period is determined at the discretion of the Minister of Home Affairs on application for ordinarily resident status. An individual may also be deemed to be resident in St. Lucia if he or she is physically present in St. Lucia for a period of at least 183 consecutive days across two calendar years.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable remuneration from employment includes salaries, wages, commissions, bonuses, directors' fees, gratuities, pensions and leave pay. In general, employees may be taxed on any benefit that is not conferred wholly, exclusively and necessarily for the performance of duties relating to their

employment. For example, the total value of a rent-free residence is included in the employee's taxable income. Amounts paid as a housing allowance are also fully taxable. A company car provided to an employee is subject to tax on 15% of the cost of the car when it is purchased locally or imported. If the vehicle is leased, the employee is subject to tax on 40% of the annual cost of leasing.

Educational allowances provided by employers to their employees' children are fully taxable for income tax and social security purposes.

Self-employment income. Taxable profits from self-employment generally consist of business profits, as disclosed in the business operation's financial statements, subject to various tax adjustments. Income tax is imposed on net business income.

Investment income. A resident's investment income, other than dividends, is aggregated with other income and taxed at the rates set forth in *Rates*.

Dividends are not subject to tax in St. Lucia. Interest received by resident individuals is aggregated with all other taxable income and taxed accordingly.

All royalties received are aggregated with other income and subject to tax at the rates set forth in *Rates*.

A final withholding tax at a rate of 25% is imposed on domestic royalties, commissions, premiums and management fees paid to nonresidents. Domestic interest paid to nonresidents is subject to a final withholding tax at a rate of 15%.

Taxation of employer-provided stock options. Employees are taxed on income arising on the purchase of shares acquired under a stock option plan. The benefit is taxed in the same manner and at the same rates as other employment income. No distinction is made between qualified and non-qualified stock option plans.

Capital gains. Capital gains are not subject to tax, and capital losses are not deductible.

Deductions

Personal deductions and allowances. For 2019, residents are entitled to the deductions and allowances listed in the following table.

Type	Maximum deductible amount
Basic allowance	XCD18,000 (XCD18,400 if the person does not have medical insurance)
Dependent spouse allowance	XCD1,500
Dependent relative	XCD350
Dependent allowance	XCD1,000 (a)
Housekeeper allowance	XCD200
Registered retirement contributions by an individual	Lower of 1/10 of assessable income and XCD8,000

Type	Maximum deductible amount
Premiums paid by an individual to a local life insurance company for a policy on the life of the individual and/or his or her spouse and children	Lower of 1/10 of assessable income and XCD8,000
Premiums paid by an individual to a life insurance company not doing business in St. Lucia	Lower of 1/20 of assessable income and XCD3,000 (b)
Shares in a cooperative	XCD5,000 (c)
Shares in a public company	XCD5,000 (c)
Student loan interest	XCD3,000
Mortgage interest	Up to XCD18,000 (d)
Home insurance	All evidenced premiums
Land tax	All evidenced tax paid
Gifts for certain approved purposes	25% of assessable income (e)
Medical expenses	XCD400

(a) This allowance can range from XCD1,000 to XCD5,000, depending on whether the child is over the age of 10 years and on whether the child is a university student during the income year.
(b) This deduction is allowed with respect to 50% of the premiums paid.
(c) A deduction is allowed based on the value of the shares, up to a maximum of XCD5,000.
(d) This deduction is allowed with respect to an owner-occupied dwelling house only.
(e) This deduction is allowed with respect to deeds of covenant to religious, charitable, medical, sporting or educational institutions or bodies.

Nonresidents may not claim the above deductions and allowances.

Business deductions. Any expenses incurred wholly and exclusively for the purpose of producing taxable business income are deductible.

Rates. The following tax rates apply to taxable income for 2019.

Taxable income XCD	Tax rate %	Tax due XCD	Cumulative tax due XCD
First 10,000	10	1,000	1,000
Next 10,000	15	1,500	2,500
Next 10,000	20	2,000	4,500
Above 30,000	30	—	—

Nonresidents are taxed at the same rates as residents except for interest, royalties and management fees, which are subject to withholding taxes (see *Investment income*).

Relief for losses. Business losses may be carried forward six years and offset against income arising in those years. The offset is restricted to 50% of chargeable income. Losses may not be carried back.

B. Other taxes

Stamp duty. Stamp duty is levied on all transfers of real estate, personal property and shares, except for shares traded on the St. Lucia securities exchange.

For real estate transfers by citizens of St. Lucia or a local company, the following are the stamp duty rates:
- 2% of the value of the property is payable by the purchaser.
- 2.5% of the value of the property is payable by the vendor if the value is from XCD50,000 to XCD75,000.
- 3.5% is payable by the vendor on property valued from XCD75,001 to XCD150,000.
- 5% is payable by the vendor on property valued over XCD150,000.

For real estate transfers by non-citizens or foreign companies, the following are the stamp duty rates:
- 10% of the value of the property is payable by the foreign vendor.
- 2% of the value of the property is payable by the purchaser.

The transfer of personal property is subject to stamp duty of 2% of the value of the property. The transfer of shares is subject to stamp duty at a rate of 0.5% of the total net assets of the company.

Estate and gift tax. St. Lucia does not levy estate and gift tax.

C. Social security

Contributions. Contributions to the national insurance scheme must be made at the following rates on maximum monthly insurable earnings of XCD5,000:
- Employees: 5%
- Employers: 5%
- Self-employed persons: 10% (contributions by self-employed persons are based on an amount of earnings agreed with the National Insurance Corporation, up to the maximum insurable earnings of XCD5,000)

Totalization agreements. St. Lucia has entered into social security totalization agreements with Canada and the Caribbean Community and Common Market (CARICOM) to provide relief from double social security taxes and to assure benefit coverage.

D. Tax filing and payment procedures

Resident and nonresident individual taxpayers must file income tax returns by 31 March following the income year, which ends on 31 December. Self-employed persons must file returns, regardless of the amount of their taxable income.

Tax on employees normally is collected through the Pay-As-You-Earn (PAYE) system.

Married persons are taxed separately, not jointly, on all types of income.

E. Double tax relief and tax treaties

Double tax relief is provided for foreign taxes paid to British Commonwealth countries.

St. Lucia has entered into a tax treaty with the other CARICOM countries.

F. Temporary visas

In general, visas are not required to enter St. Lucia, except for visitors from certain countries, including India and African countries. Visitor visas, which are also called temporary visas and extensions of stay, are issued to individuals who want to extend their stays in St. Lucia or to cover the waiting period while another type of visa is being processed. Visitor visas are also issued to spouses of work permit holders.

G. Work permits and self-employment

Foreign nationals employed by companies in St. Lucia must obtain work permits. Work permits allow individuals to reside and work in St. Lucia. No quota system exists for issuing work permits; each application is evaluated on its own merit. To approve a work permit application, the government must be satisfied that no suitable St. Lucian can fill the vacancy.

Work permits are non-transferable. If a work permit holder leaves the employer, the work permit is canceled. The employer should inform the Ministry of Labour Relations that the employee has left the company.

Applicants may not work while their work permit applications are being processed.

Work permit holders should renew their work permits at least two months before expiration. A person who has obtained a residence permit is still required to apply for a work permit.

H. Residence permits

Individuals can apply for permanent residence after a period of two years of continuous residence in St. Lucia. This period may be significantly reduced in certain circumstances, such as when retirees purchase property and take up residence.

The advantage of having this status is that the individual's passport is stamped with the permanent residence stamp, which obviates the application for residence permits every three months.

This status does not entitle the permanent resident to work in St. Lucia; a work permit is still required.

No quota system exists for issuing residence permits; each application is evaluated on its own merit.

I. Family and personal considerations

Family members. Spouses and dependents of working expatriates must obtain their own work permits to be employed in St. Lucia. Spouses or dependent children who do not intend to work are allowed to reside in St. Lucia after they are listed on the work permit of the expatriate.

Marital property regime. St. Lucia does not have a community property or similar marital property regime.

Forced heirship. The succession laws of St. Lucia provide that a surviving spouse is entitled to one-third of the estate of the

deceased spouse, unless the surviving spouse elects not to claim this right. Parents are not required to leave any part of their estate to their children unless the children are minors (under 18 years of age); in such case, sufficient provisions must be made for the maintenance of the children.

Driver's permits. Holders of work permits who possess valid driver's licenses in their home countries are excused from taking the written examination and driving test.

Temporary driver's permits are also available to visitors of St. Lucia. These permits are generally valid for a period of three months.

São Tomé and Príncipe

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Please direct all tax inquiries regarding São Tomé and Príncipe to Luís Marques (office telephone: +351 217-912-214; email: luis.marques@pt.ey.com) and Joana Ribeiro (office telephone: +244 227-280-461 or +351 217-912-000; email: joana.ribeiro@pt.ey.com) of the Angola/Portugal office.

The exchange rate between the São Tomé and Príncipe dobra and the US dollar used in this chapter is STD21,811.14 = USD1.

A. Income tax

Who is liable

Territoriality. In general, resident individuals are subject to Personal Income Tax (PIT) on their worldwide income. Nonresident individuals are subject to PIT on income received in São Tomé and Príncipe (STP).

Definition of resident. An individual qualifies as resident for PIT purposes if any of the following conditions is met:
- The individual stays in STP for more than 180 days during a calendar year, with or without interruptions.
- As of 31 December, the individual has a local residence available, and it may be presumed that it is his or her intention to keep and occupy such residence as a permanent residence.
- The core of the business or professional activities and/or economic interests of the individual is in STP.
- The individual is a member of a diplomatic or consular mission of STP abroad.
- As at 31 December, the individual is a crew member of a vessel or aircraft operated by an entity with its residence, legal seat or place of effective management in STP.

Income subject to tax. In accordance with the PIT Code, individuals' income is divided into the following four categories:
- Dependent income and pensions (Category A)
- Business or professional income (Category B)
- Investment income (Category C)
- Capital gains (Category D)

These income categories are discussed below.

Dependent income and pensions (Category A). PIT is imposed on the earned income of employed individuals, in cash or in kind, including, among others, the following:
- Wages
- Salaries
- Directors' fees
- Severance payments
- Fees
- Gratuities
- Allowances
- Travel

- Housing
- Insurance
- Taxes paid on behalf of the employee (employer cost)
- Bonuses
- Other premiums

In general, pensions are also subject to PIT.

The following items are expressly exempt from PIT:
- Contributions made by an employer to a social security scheme to guarantee retirement and disability benefits
- Pensions, up to an annual amount of STD24 million (approximately USD1,100.36)
- Benefits deriving from the use of social and leisure facilities provided by the employer
- Scholarships provided by the employer, under certain conditions
- Training courses in STP, under certain conditions
- Severance payments, up to the legal limits established in the Labor Law

The following items may be deducted in the computation of the taxable income in Section A:
- Social security contributions
- Union contributions
- Compensation paid by the employee to the employer for contract termination, under certain conditions
- Fifty percent of income derived from pensions, under certain conditions

Business or professional income (Category B). For PIT purposes, business or professional activities are activities that imply the use of human and material resources, with the purpose of producing or distributing goods and services.

All income or benefits paid or offered for disposal of the beneficiary, whatever its name or nature, that result from business or professional activities are included in the taxation of Category B, including the following:
- Income or benefits resulting from the exercise of commercial, industrial, agricultural, forestry or livestock activities
- Income or benefits earned from the rendering of services, including those with a scientific or technical nature, regardless of whether the services are related to an activity mentioned in the first bullet
- Income or benefits from intellectual and industrial property or from the provision of information concerning experience acquired in industrial, commercial or scientific activities, if earned by its original owner
- Income or benefits earned from artistic, sporting and or cultural activities

The following types of income, among others, are also included in Category B:
- Capital and real estate income attributable to business and professional activities
- Capital gains arising from business and professional activities, as defined under the Corporate Income Tax (CIT) Code, including those resulting from the transfer of assets from a company to a natural person

Income obtained exclusively from an agricultural activity benefits from a 50% exemption, after the deduction of any losses.

In general, the taxable income of Category B is computed in accordance with the rules set forth in the CIT Code for Group 1 and Group 2.

Group 1 includes all the taxpayers with a permanent residence in STP and with turnover in the preceding year of higher than STD500 million (approximately USD22,924). Regardless of total turnover, all public entities, joint-stock companies and all nonresident companies with a permanent establishment in STP are included in Group 1.

Group 2 includes all the taxpayers not included in Group 1 as well as taxpayers providing accidental or temporary activities (isolated business or professional acts with no evidence of a repeated and permanent business or professional activity).

The following expenses, among others, are not deductible (even if accounted for as costs):
- Travel and accommodation expenses, to the extent that they exceed 10% of gross income
- Housing expenses (rent, depreciation, water, energy and other expenses), if allocated to the provision of services, to the extent that they exceed 10% of the gross income

Investment income (Category C). Investment income in Category C includes the following:
- Dividends
- Interest
- Royalties not obtained by an individual other than the owner of the intellectual and industrial property

In general, investment income is income, regardless of its name or nature, arising directly or indirectly from assets or rights, owned by an individual but not allocated to business or professional activities performed by such individual.

No deductions are allowed for income included in Category C. Consequently, the gross amount of such income is subject to PIT. However, only 50% of all forms of capital income included in Category C, including dividends received, is subject to PIT.

Capital gains (Category D). Unless included in Categories B or C, capital gains are included in Category D. They equal the positive difference in the net worth value of the individual, attributable to variations in the composition or valuation of its portfolio of assets.

In accordance with the PIT Code, the gains are computed in accordance with the following rules:
- For the sale of assets, capital gains equal the difference between the sales proceeds and the historical acquisition value.
- In all cases not involving the sale of assets, capital gains equal the sales proceeds for the asset.

For this purpose, the acquisition cost is the transaction value, increased by interest paid in the transaction and reduced by depreciations in accordance with the CIT Code. The sales proceeds equal the transaction value, reduced by investments in the asset and the transaction costs.

No deductions are allowed to income included in Category D. Consequently, the gross amount of such income is subject to PIT.

Capital gains and losses. Capital gains are subject to PIT and are included Category D (see *Capital gains [Category D]*).

Deductions. The PIT Code allows the following tax deductions:
- Family deductions
- Double tax relief
- Health deductions
- Education and training deductions
- Property deductions (limited to STD15 million [approximately USD687.72])

Rates. Income included in Categories A and B is aggregated and subject to PIT at the progressive rates shown in the table below. The PIT Code establishes the following formula to determine annual taxable income for each tax bracket:

Taxable income for bracket = (Amount from first column x rate from second column) – Amount from third column

Income up to STD11,700,000 (approximately USD536.42) is exempt from tax. The following is the tax rate table.

Taxable income STD	Tax rate %	Amount to deduct STD
Up to 11,700,000	0	—
Between 11,700,001 and 50,000,000	10	1,170,000
Between 50,000,001 and 100,000,000	13	2,670,000
Between 100,000,001 and 150,000,000	15	4,670,000
Between 150,000,001 and 240,000,000	20	12,170,000
Over 240,000,000	25	24,170,000

Individuals may choose to also aggregate the income qualifying as Category D. Otherwise, the gross amount of Category C and Category D income is subject to a final withholding tax of 15%.

Minimum annual tax due. Decree-Law No. 6/2016, from 31 October 2016, establishes that taxpayers receiving income from Group A and Group B are subject to a minimum tax due in the annual amount of STD300,000 (approximately USD14). Group A minimum tax is withheld on a monthly basis by the employer. Group B minimum tax is paid in three installments in February, June and October. Group B minimum tax is added to stamp duty in the amount of STD18,000 (approximately USD1).

Relief for losses. Taxable losses computed for Category B may be carried forward for five years, but may only be offset against the same type of income.

Nonresidents. Nonresidents are subject to PIT on gross income derived in STP. This income is subject to a final withholding tax of 15%.

B. Inheritance and gift taxes

Beneficiaries of a property or gift are subject to tax in STP, at the moment of transaction, at the following rates, which vary in accordance with the relationship with the donor or deceased:
- 5% if the beneficiary is a lineal descendant or ascendant or spouse
- 10% if the beneficiary is a sister or brother
- 15% for other beneficiaries

The tax is levied on the net value of the assets to be transferred, with deductions for eligible expenses.

Under certain conditions, an amount equivalent to 1,000 national minimum monthly salaries is deducted from the taxable amount. Ministry of Finance Order No. 5/2010 from 13 April 2010 set the national minimum salary at STD715,000 (approximately USD33). Consequently, the current amount for the deduction is STD715 million.

C. Social security

Contributions. Social security contributions are payable on gross income at a rate of 14% (8% for the employer and 6% withheld from the employee).

Totalization agreements. No totalization agreements are currently in force.

D. Tax filing and payment procedures

Income included in Categories A, B (only Group 2) and D (if the individual chooses to aggregate this income) must be declared through the submission of a tax return by the end of February of the following year.

Income included in Group 1 of Category B must be declared by the end of April of the following year.

The following individuals are not required to file a tax return:
- Individuals who only received income included in Category A that is subject to withholding tax from a single entity
- Individuals subject to the final withholding tax rate

The tax payable, reduced by withholding tax, must be paid by the end of September of the year in which the return is submitted.

In accordance with the provisions of the CIT Code, individuals with income in Category B are required to make three advance payments (in June, September and December), in an amount corresponding to 75% of the tax payable for the preceding year. These advance payments may be waived in certain conditions. Any excessive advance payments result in a refund at the end of the year.

E. Double tax relief and tax treaties

STP has entered into a tax treaty with Portugal.

F. Temporary visas

Temporary visas may be granted to foreign citizens to engage in, among others, cultural, study, sports or business activities (to the extent that a work visa is not required for such activities).

A multiple-entry visa is valid for 180 days, while the single-entry visa is valid for 30 days.

G. Work visas (and/or permits)

No specific work visa is issued in STP. Foreign citizens must obtain a residence visa to be able to work in STP (either as dependent or independent workers).

H. Residence visa (and/or permits)

On request, yearly residence visas may be granted to foreign citizens.

After final approval, the residence visa is valid for one year, with the possibility of renewals for equal periods.

Saudi Arabia

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A. Income tax

Who is liable. Saudis and nationals of other Gulf Cooperation Council (GCC) states who are resident in Saudi Arabia are not subject to income tax. The GCC states are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Non-Saudi and nonresident GCC nationals and entities with a permanent establishment in Saudi Arabia are subject to income tax on their business income in Saudi Arabia. Payments to nonresidents are subject to withholding tax (for details, see *Rates*).

An individual is considered to be resident in Saudi Arabia for a tax year if the person meets any of the following conditions:

- The person has a permanent place of abode in Saudi Arabia and is physically present in Saudi Arabia for a total of at least 30 days during the tax year.
- The person is physically present in Saudi Arabia for at least 183 days in the tax year.

Income subject to tax

Employment income. Employment income and allowances received by expatriates are not subject to tax in Saudi Arabia.

Self-employment and business income. Non-Saudi and non-GCC individuals are generally not allowed to carry on trading activities in Saudi Arabia. However, non-Saudi and non-GCC professionals and consultants may carry on activities in Saudi Arabia if appropriate licenses are obtained from the Saudi Arabian General Investment Authority.

Income tax is levied on profits arising from a source in Saudi Arabia derived by self-employed non-Saudi and non-GCC professionals and consultants from their activities conducted in Saudi Arabia.

Investment income. In principle, foreign individuals are taxed on income derived from investments in Saudi projects at a rate of 20%. However, such investments do not include the opening of all types of bank accounts (current, term and savings) or trading in the shares of companies registered in the Saudi Stock Exchange by resident persons that are not subject to tax, if certain conditions are met.

It is suggested that foreign individuals seek professional advice on the taxation of their investment income.

Taxation of employer-provided stock options. In general, employer-provided stock options are not subject to tax in the hands of the recipient employee.

Capital gains. In general, capital gains are treated as ordinary income, together with other income earned for the same period, at a rate of 20% if the individual is a person subject to tax in Saudi Arabia and if the gain is realized in connection with the person's business activities. However, capital gains arising on the sale of shares in a Saudi joint stock company traded on the Saudi Arabia stock exchange (Tadawul) are exempt from tax if the shares (investments) were acquired after the effective date of the new tax regulations (30 July 2004) and if the sale transaction is carried out in accordance with the Saudi Capital Market Law. Under a recent amendment to the tax law, the exemption also applies to capital gains realized from the sale of securities traded on stock markets outside Saudi Arabia or through any other means if such securities are also traded on the Saudi Arabian stock exchange (Tadawul).

Gains on the disposal of property other than assets used in a business activity are also exempt from tax.

Deductions. A taxpayer may deduct all necessary, provable and certifiable expenses incurred for the purposes of the business to the extent allowed under the tax regulations.

Provisions as well as private and personal expenses are not deductible.

Rates. A flat income tax rate of 20% is applied to the tax-adjusted profit of resident non-Saudi and non-GCC individuals.

Nonresidents who do not have a legal registration or a permanent establishment in Saudi Arabia are subject to withholding tax on their income derived from a source in Saudi Arabia. A Saudi resident entity must withhold tax from payments made to such nonresidents with respect to income derived from Saudi Arabia. This rule applies regardless of whether the Saudi entity is a taxpayer. The following are the withholding tax rates.

Payments	Rate (%)
Management fees	20
Dividends, interest, rent, payments made for technical and consulting services to unrelated parties, payments for air tickets, freight or marine, shipping, international telephone services, and insurance or reinsurance premiums	5
Royalties, payments to the head office or any other related companies for services including technical or consultancy services, and services for international telephone calls	15

Relief for losses. Losses may be carried forward indefinitely. However, the maximum loss that can be offset against a year's profit is 25% of the tax-adjusted profits for that year. Saudi tax regulations do not provide for the carryback of losses.

B. Net worth tax (*Zakat*)

Net worth tax in Saudi Arabia, or *Zakat*, is a religious levy payable by a Saudi or a GCC national on the net worth or the Zakat base as adjusted for Zakat purposes. Zakat is imposed on a Saudi or a GCC national who is resident in Saudi Arabia and is engaged in business activities intended for profit or gain, such as investment; services; or commercial, industrial or financial activities.

Zakat is assessed at a rate of 2.5% (based on Hijri calendar) on the net assessable funds or the Zakat base of a Saudi Arabian company that is attributable to Saudi and GCC national shareholders. Broadly, net assessable funds comprise net assets less amounts invested in fixed assets, long-term investments and deferred costs, plus or minus the adjusted income for the year.

Complex rules apply to the calculation of Zakat liabilities.

C. Social security

Employers must pay Saudi social insurance tax (GOSI) on behalf of their employees on a monthly basis. The contributions are levied on basic salary, including housing allowances. Saudi nationals are subject to pension contributions and unemployment insurance (SANID) at 18% and 2%, respectively (shared equally between employer and employee). Other GCC nationals' contributions are based on their respective country laws. However, pension contributions are not required with respect to other foreign employees. Employers must pay contributions for occupational hazards insurance at a rate of 2% for both Saudi and non-Saudi employees.

The minimum and maximum monthly earning levels of contributory wage for Saudi employees are SAR1,500 and SAR45,000, respectively. For non-Saudi employees, the minimum and maximum monthly earnings levels on which to calculate contribution are SAR400 and SAR45,000, respectively.

Different rates apply to employees that are nationals of other GCC countries. Broadly, the rates that apply to Saudi employers with respect to nationals of other GCC countries are generally equal to the rates that would otherwise apply if the relevant individuals were employed in their country of origin, plus the mandatory 2% work place insurance levy.

D. Tax filing and payment procedures

Tax filing. A resident self-employed foreign professional or a resident foreign individual carrying on business activity in Saudi Arabia must file a tax return and must pay the tax due within 120 days after the end of the tax year.

Advance tax. An advance payment on account of tax for the year is payable in three installments by the end of the sixth, ninth and twelfth months of the tax year. Each installment of advance payment of tax is calculated in accordance with the following formula:

$$25\% \times (A - B)$$

For the purposes of the above calculation, A equals the taxpayer's liability as per the tax declaration for the preceding year and B equals tax withheld at source for the taxpayer in the preceding year.

A taxpayer is not required to make advance payments if the amount of each payment calculated above would be less than SAR500,000.

Delay fines. A delay fine of 1% for each 30 days of delay is computed after the elapse of the first 30 days from the due date of tax until the tax is paid.

Fines for non-submission of tax declarations by the deadline are payable at a rate of 1% of the total revenue, subject to a maximum delay fine of SAR20,000. However, fines based on unpaid tax are payable instead of the fine described in the preceding sentence if the fines based on the unpaid tax are higher. The following are the applicable fines:

- 5% of the unpaid tax if the delay is up to 30 days from the due date
- 10% of the unpaid tax if the delay is more than 30 and not more than 90 days from the due date
- 20% of the unpaid tax if the delay is more than 90 and not more than 365 days from the due date
- 25% of the unpaid tax if the delay is more than 365 days from the due date

Withholding tax. The withholder of tax is required to register with the General Authority of Zakat and Tax (GAZT) before the settlement of the first tax payment. The withholder of tax must settle the tax withheld with the GAZT by the 10th day of the month following the month in which the taxable payment is made and issue a certificate to the nonresident party. A delay fine of 1% for

each 30 days of delay is computed from the due date of tax until the tax is paid.

E. Tax treaties

Saudi Arabia has tax treaties in force with the following jurisdictions.

Algeria
Austria
Azerbaijan
Bangladesh
Belarus
China Mainland
Czech Republic
Egypt
Ethiopia
France
Greece
Hong Kong SAR
Hungary
India
Ireland
Italy
Japan
Jordan
Kazakhstan
Korea (South)
Kyrgyzstan
Luxembourg
Malaysia
Malta
Mexico
Netherlands
North Macedonia
Pakistan
Poland
Portugal
Romania
Russian Federation
Singapore
South Africa
Spain
Sweden
Syria
Tajikistan
Tunisia
Turkey
Turkmenistan
Ukraine
United Kingdom
Uzbekistan
Venezuela
Vietnam

Saudi Arabia has also entered into limited tax treaties with the United States and certain other countries for the reciprocal exemption from tax on income derived from the international operations of aircraft and ships.

F. Entry visas

All foreign nationals must obtain valid entry visas to enter Saudi Arabia, with the exception of GCC nationals.

Foreign nationals may enter the country under visit visas, tourist visas, pilgrim visas, work visas (see Section G) and family visas (see Section I). The Saudi Arabian government does not issue any type of permanent visa.

Visas are issued to nationals of countries that have diplomatic ties with Saudi Arabia. In general, those who are deported from Saudi Arabia as a result of violation of Saudi Arabian regulations are prohibited from re-entering the country.

In general, an applicant may not enter the country while his or her visa papers are being processed.

Visit visas. Visit visas are granted to short-term visitors who visit Saudi Arabia for business purposes. The visa allows its bearer to undertake any activity deemed to be usual and necessary for his or her visit, including attending meetings and establishing business contacts. An applicant must submit his or her passport and the approved visit visa document (provided by the Saudi inviter) to the Saudi embassy in the applicant's home country.

Pilgrim visas. Pilgrim visas are issued to Muslim pilgrims for the performance of Haj and Umrah. This type of visa is primarily restricted to the cities of Mecca and Medina. However, holders of pilgrim visas for Umrah may obtain permission from the appropriate government department to travel to other cities. A

foreign national visiting for pilgrimage purposes may not conduct business or engage in other activities in Saudi Arabia.

G. Work visas and self-employment

Saudi Arabia depends substantially on foreign workers for its labor requirements. However, the government is making concerted efforts to increase the number of Saudi nationals in the workforce and, consequently, considers the availability of Saudi national workers before granting a work visa to a foreign national.

Work visas are issued to foreign workers who come to Saudi Arabia to work under employment contracts with local employers for a maximum initial period of two years. A local employer may be an individual, a registered company, the Saudi Arabian government or a branch of a foreign company. A work visa is renewable by the Ministry of Labor on renewal of the employment contract.

To obtain a work visa, an application is submitted to the Saudi embassy or consulate in an applicant's home country together with a passport, a copy of the employment contract, a medical certificate and proof of professional qualifications. It takes approximately two to four weeks to obtain a visa after all of the documents are submitted. On entry into Saudi Arabia, an application is then made by the employer for a residence permit (*iqama*) for the employee (see Section H). An employee may work while a residence permit is being processed or renewed.

It is possible to change employers with the approval of the existing employer.

Foreign nationals may not carry out trading activities in Saudi Arabia. A foreign national who is a professional (for example, an accountant, engineer, lawyer or consultant) may conduct business in Saudi Arabia by setting up a professional partnership with a Saudi national, according to the professional partnership regulations.

A foreign company may set up a subsidiary or a branch headed by a foreign national after obtaining the necessary approval from the authorities.

H. Residence permits

Residence permits are issued after arrival in Saudi Arabia to those entering the country with work visas. Residence permits are called *iqamas* and must be carried at all times.

I. Family and personal considerations

Family members. Family visas are issued to spouses and dependents of foreign workers in designated professions. Family visas may also be issued to the parents of foreign workers. Family visas must be applied for independently of the work visa.

Marital property regime. No community property or similar marital property regime applies in Saudi Arabia.

Driver's permits. Resident foreign nationals may not drive legally in Saudi Arabia with their home country driver's licenses. Short-term visitors holding visit visas may drive with international driver's licenses issued in their home countries.

Saudi Arabia has driver's license reciprocity with certain countries in Europe and North America.

To obtain a local Saudi Arabian driver's license, an applicant must take an eye test, a blood test and a practical driving test.

Senegal

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A. Income tax

Who is liable. Residents of Senegal are taxed on worldwide income. Nonresidents are taxed on their Senegalese-source income only.

Senegalese and foreign individuals are considered to be residents for tax purposes if they meet any of the following criteria:
- They maintain a permanent home or have their main residence in Senegal.
- The center of their economic interests is in Senegal.
- They perform a professional activity in Senegal, unless the activity performed is accessory.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable compensation consists of salary, bonuses, cash allowances and fringe benefits valued according to the tax rules on a lump-sum basis. Taxable salary reported by the taxpayer may not be lower than the amount calculated by the tax administration based on the taxpayer's standard of living. The factors contributing to the taxpayer's standard of living are valued according to a rate table established by decree.

The following income is exempt from tax:
- Family or state allowances.
- Specific allowances to compensate for professional expenses if they are not excessive.
- Reimbursement for employment-related expenses, up to either XOF400,000 if annual turnover does not exceed XOF2 billion or XOF800,000 if annual turnover exceeds XOF2 billion (because the recently enacted tax law did not expressly abrogate the decree containing this rule, these thresholds probably still apply).
- Legal severance payments and legal retirement benefits. The amounts of these items are determined based on the Senegalese labor law.
- Death benefits.
- Amounts paid in addition to agreed severance with respect to the end of an employment relationship resulting from a restructuring plan of the relevant company.

- Capital gains realized on equity held by mutual funds approved by the Finance Minister.
- Insurance premiums paid by the employer for coverage of supplemental retirement and health or death insurance, provided that they do not exceed 10% of the gross remuneration of the employee. This limit applies only to retirement and death insurance premiums taken as a whole.

A nonresident individual is taxable on income derived from services performed in Senegal.

In the absence of an applicable tax treaty, 20% withholding tax is levied on remuneration paid by a resident to a nonresident for any services provided or used in Senegal. This tax must be remitted by the Senegalese payer within 15 days following the month of the payment of remuneration to the nonresident. The withholding tax is a final tax for nonresidents.

Self-employment and business income. Self-employment activities are divided into commercial activities, agricultural activities and professional activities. Taxable income is determined according to specific rules applicable to each category of revenue. The revenues realized in different categories of revenues are aggregated and are subject to general income tax (see *Rates*).

Individuals are taxed on commercial income if they derive profits from activities in industry, commerce or skilled trades. Taxable commercial income consists of the net profit derived from all business activities carried on by the taxpayer, computed on an accrual basis.

Individuals are taxed on professional income from professional services, from non-commercial activities and from other occupations and business activities not subject to special tax. Taxable professional income is the difference between income received for, and expenses incurred in, the performance of a qualifying activity. The cash basis of accounting is used.

Agricultural income includes profits realized by farmers, stockbreeders, fishermen and forestry operators. Taxable agricultural income and capital gains derived by agricultural businesses are determined based on the same methodology as taxable commercial income.

Investment income. Investment income, which includes dividends, interest pertaining to bonds and debentures and directors' fees, is subject to withholding taxes at rates that vary based on the specific type of income. Directors' fees are taxed only if the payer company is established in Senegal.

Gross investment income (except dividends) is added to other taxable income, and the proportional tax paid constitutes a tax credit deductible from general income tax liability.

The rate of withholding tax is 10% for dividends, 13% for interest derived from bonds of less than five years, and 16% for directors' fees. The withholding tax on dividends is a final tax for individuals.

Certain types of investment income are exempt from taxation, including income from negotiable securities issued by the state or certain Senegalese banks. Interest derived from long-term bonds

(five or more years) is subject to a final withholding tax at a rate of 6%.

Withholding tax at a rate of 20% applies to royalties paid to nonresidents. This tax must be remitted by the Senegalese payer within 15 days following the month of the payment of royalties to the nonresident. Withholding tax is imposed on dividends and interest paid to nonresidents at the same rates applicable to such payments made to residents. The withholding taxes are final taxes for nonresidents.

Taxation of employer-provided stock options. No specific rules apply to the taxation of employer-provided stock options. The Senegalese tax and social laws do not provide specific rules regarding the taxation of stock options. The granting of stock options is not a common practice in Senegal.

Capital gains. Capital gains realized in the performance of professional, commercial and agricultural activities are taxed as ordinary income, with certain relief available. Capital gains derived from transfers of business fixed assets during the company's life are tax-free if the proceeds are reinvested during the following three years in a business carried on in Senegal and owned by the taxpayer.

Capital gains derived from sales of real estate are subject to variable tax rates. A 5% rate applies to the portion of a capital gain that does not arise from an act of the property owner.

Capital gains derived from transfers of public land are taxed at a rate of 10%.

An individual shareholder who sells to a third party during the company's life all or part of his or her shares is subject to tax on one-third of the capital gains at a 25% rate if the individual or his or her spouse, descendants or ascendants held a position in the direction of the company during the preceding five years and they have held together at least 25% of the shares of the company during that period. Otherwise, one-half of the capital gains are taxable.

However, the abovementioned rules do not apply to capital gains realized on the disposal of shares of companies if more than 50% of the companies' assets is derived from real estate, real estate rights, rights from leasebacks of real estate or shares of other real estate companies.

Deductions

Deductible expenses. The following expenses are deductible:

- Employment-related expenses that are justified.
- Mileage allowance, up to the limit allowed by the Finance Ministry. The current limit is XOF50,000 per month.

Personal deductions. The following expenses are deductible:

- Arrears and pensions paid by the taxpayer, up to 5% of the taxable income for personal income tax purposes. The deductible amount cannot exceed XOF300,000. This limit does not apply to arrears paid under court order.
- Voluntary premiums for retirement pensions, up to 10% of salary, allowances and benefits in kind.

- Life insurance premiums, up to 5% of net revenue. The maximum deductible amount is XOF200,000, increased by XOF20,000 per dependent child.
- Interest paid on loans to acquire, maintain or repair the taxpayer's principal residence in Senegal, provided the taxpayer produces a loan amortization table certified by the lender.

Business deductions. For each of the three categories of income, the following expenses are deductible:
- General expenses incurred for business purposes. These include personnel and social security contribution expenses, rental and leasing expenses, finance charges and certain professional taxes, including business tax, license fees and tax on wages.
- Depreciation expenses computed using the rates established by the tax administration.

Rates. Employees in Senegal are subject only to progressive income tax rates up to 40%.

Under the tax law, the progressive rates are applied to taxable income after deduction of a lump-sum amount representing retirement contributions. This lump-sum deduction equals 30% of taxable income, with an annual cap of XOF900,000.

The following are the amounts of the family allowances.

Taxpayer's status	Number of allowances
Single, divorced or widowed without dependent children	1
Married without dependent children	1.5
Single or divorced, with one dependent child	1.5
Married or widowed, with one dependent child	2
Single or divorced, with two dependent children	2
Married or widowed, with two dependent children	2.5
Single or divorced, with three dependent children	2.5
Married or widowed, with three dependent children	3
Single or divorced, with four dependent children	3

Half of an allowance (0.5) is added for each additional dependent child for the benefit of each parent. If one spouse does not work, an additional half of an allowance (0.5) is granted to the other spouse. Each individual is limited to five family allowances.

The following are the progressive income tax rates.

Taxable income		
Exceeding XOF	Not exceeding XOF	Rate %
0	630,000	0
630,000	1,500,000	20
1,500,000	4,000,000	30
4,000,000	8,000,000	35
8,000,000	13,500,000	37
13,500,000	—	40

The tax is computed using the progressive tax rates based on the family status and number of tax allowances of each individual. After this computation, the tax law prescribes a tax-reduction mechanism for family charges. The tax law provides the following rates for the tax-reduction mechanism.

Number of allowances	Rate %	Minimum XOF	Maximum XOF
1	0	0	0
1.5	10	100,000	300,000
2	15	200,000	650,000
2.5	20	300,000	1,100,000
3	25	400,000	1,650,000
3.5	30	500,000	2,030,000
4	35	600,000	2,490,000
4.5	40	700,000	2,755,000
5	45	800,000	3,180,000

Relief for losses. Losses may not be deducted from income from other categories, but may be carried forward for three years to offset income in the same category.

B. Inheritance and gift taxes

The worldwide net assets of a Senegalese resident are subject to inheritance and gift tax. Nonresidents are subject to inheritance and gift tax only on assets located in Senegal.

Gifts and inheritances are subject to tax at progressive rates, depending on the value of the assets transferred and the relationship between the donor or deceased and the recipients. The tax rate is 2% for the spouse and direct lineal ascendants and descendants and 5% for others. Certain deductions are also granted.

Under Senegalese succession law, parents must leave two-thirds of their estates to their direct lineal descendants.

C. Social security

Contributions. Individuals' social security contributions are withheld monthly by employers and are computed on the basis of gross remuneration paid, including fringe benefits and bonuses. The following contributions are required.

Description	Rate (%)
On annual salary of up to XOF756,000; paid by the employer	
Family allowances	7
Industrial accidents	1/3/5
Pension contributions, based on annual salary of up to XOF4,320,000; paid by	
Employer	8.4
Employee	5.6
Special executive contributions, on annual salary of up to XOF12,960,000; paid by	
Employer	3.6
Employee	2.4

Totalization agreement. To prevent double social security contributions and to assure benefit coverage, Senegal has entered into a totalization agreement with France, which applies for a maximum period of three years.

D. Tax filing and payment procedures

Individual income tax on wages is withheld at source by employers. Employers must pay the withheld tax to the revenue authorities by

the 15th day of the month following the month of payment of the remuneration.

Senegalese residents are generally required to file income tax returns before 1 May of each year, at which time employees must satisfy any additional tax liability. Individuals engaged in commercial, professional or agricultural activities whose financial year ends 31 December must file returns by 30 April.

An individual performing commercial, agricultural or professional activities must make a first installment payment within the first 15 days of February and a second by 30 April, based on the income tax paid the preceding year. Each installment payment must equal one-third of the preceding year's income tax. The balance is payable by 15 June of each year.

E. Double tax relief and tax treaties

Foreign taxes paid may be deducted as an expense from taxable income.

Senegal has entered into double tax treaties with Belgium, Canada, France, Italy, Lebanon, Luxembourg, Mauritania, Mauritius, Morocco, Norway, Portugal, Qatar, Spain, Tunisia, the United Kingdom and the United Arab Emirates.

Senegal is a member of the West African Economic and Monetary Union (WAEMU) together with Benin, Burkina Faso, Bissau Guinea, Côte d'Ivoire, Mali, Niger and Togo. Regulation No. 08/CM/UEMOA institutes a tax treaty, which is effective from January 2009. The WAEMU tax treaty has abrogated (regarding relations between WAEMU countries) the West African Economic and Customs Community (CEAO) tax treaty. However, the Common African and Mauritian Organization (OCAM) treaty continues to apply in certain countries, subject to reciprocity.

The treaties generally provide the following relief:

- Commercial profits are taxable in the treaty country if a foreign firm performs its activities through a permanent establishment.
- Interest is taxable in the state of residence of the beneficiary, but the state of source may apply a withholding tax in accordance with its internal law.
- Employment income is taxed in the treaty country where the activity is performed, except in the case of a short assignment.

The tax treaties provide that royalties and remuneration paid to a nonresident for services rendered in Senegal are taxable in the state of residence of the beneficiary, but the state of source may apply a withholding tax in accordance with the applicable regulations, subject to a maximum rate provided by the applicable treaty.

Under the WAEMU treaty, dividends are taxable in the treaty country where the beneficiary is resident, but are subject to withholding tax in the treaty country where the payer is resident.

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A. Income tax

Who is liable. Residents are subject to tax in Serbia on their worldwide income. Nonresidents are subject to tax on Serbian-source income only.

Individuals are considered to be resident for tax purposes if they have a domicile, residence or center of business and life interests in Serbia or if they spend more than 183 days within a 12-month period, which begins or ends in the tax year (that is, the calendar year). In addition, the applicable legislation prescribes a split tax residence concept (that is, it would be possible to consider the assignee as Serbian tax resident for only part of the year).

Income subject to tax. Tax is levied on the types of income described below.

Employment income. Salary tax is payable at a rate of 10% on income from permanent or temporary employment, benefits received in money and in kind, paid leave and other employment remuneration that exceeds a prescribed level.

Self-employment income. Tax is levied on the net earnings of self-employed individuals at a rate of 10%. For this purpose, taxable income is accounting profit adjusted in accordance with the tax regulations. The tax authorities may grant certain self-employed individuals the right to not maintain books; lump-sum tax is levied on these individuals.

Investment income. Tax is imposed at a rate of 15% on the following types of investment income:
• Interest
• Dividends and participation in profits
• Income derived from investment units

Interest derived from government bonds and deposits and savings in local currency is exempt from tax under the personal income tax law.

Income from property leasing and subleasing is taxed at a rate of 20%. A standard deduction of 25% may be claimed with respect to this leasing income. Under an exception, for leases up to 30 days in the tourist industry, the tax base is 5% of the average monthly salary in Serbia multiplied by the number of rented beds

and the appropriate coefficient (the tax is determined by the tax authority's ruling).

Withholding tax is imposed at a rate of 20% on royalties from copyrights, rights related to copyrights and industrial property rights. Deductions from royalty income may vary between 34%, 43% and 50% of the total royalty income, depending on the source of income. Actual expenses incurred by an author or interpreter are deductible if they are properly documented.

Directors' fees. Fees received by members of a board of directors or supervisory board of a legal entity are taxed at a rate of 20%. A standard deduction of 20% may be claimed with respect to such income.

Other income. Income from insurance, reduced by paid premiums, is taxed at a rate of 15%.

Other types of income, including winnings from games of chance, are subject to tax at a rate of 20%. Certain standard deductions are allowed with respect to such income.

Capital gains and losses. Capital gains derived from the sale of real estate, industrial property rights and securities are subject to tax at a rate of 15%. Capital losses incurred in a calendar year may offset capital gains derived in that year or in the following five years.

Annual personal deductions. Taxpayers may claim a personal deduction in the amount of 40% of the average annual salary per employee paid in Serbia in the year for which the tax is assessed. In addition, individuals may claim a deduction in the amount of 15% of the average annual salary per employee paid in Serbia in the year for which the tax is assessed for each dependent family member. The total amount of deductions claimed may not exceed 50% of taxable income.

Annual tax rates. Annual tax in Serbia is not a reconciliation of taxes paid during a year, but rather an additional tax for individuals whose income exceeds a prescribed threshold. Progressive income tax rates of 10% and 15% apply to the income of individuals exceeding the threshold.

For Serbian tax resident and nonresident individuals (both Serbian and foreign nationals), the 10% rate applies to net income from sources specified in the tax law exceeding three times the amount of the average annual salary per employee paid in Serbia in the year for which tax is assessed, but not exceeding nine times such average annual salary in total. A 15% rate applies to income exceeding nine times the average annual salary.

The above thresholds are modified each year in accordance with the annual fluctuation of average salary in Serbia.

Relief for losses. Losses incurred in self-employment activities may be carried forward for up to five years.

B. Other taxes

Property tax. Residents and nonresidents are subject to property tax at rates that may not exceed the maximum rates set by the Property Law. Each municipality may determine the rates up to

these maximum rates. The maximum rates range from 0.4% to 2% on real estate owned in Serbia. The rates depend on the kind of property (land or building), kind of owner (company/entrepreneur or physical person) and, for physical persons, the value of the property. Shares and stakes in legal entities are not subject to property tax.

Inheritance and gift tax. Inheritance and gift tax is levied on the market value of property at rate of 1.5% for taxpayers who are second relations to the testator or donor and 2.5% for taxpayers who are third relations or are not related to the testator or donor. Shares and stakes inherited, or received free of charge, are not subject to inheritance and gift tax.

Transfer tax. The rate of the transfer tax is 2.5%. The tax base is the higher of the contract price or market price. Sales of shares and stakes in legal entities are exempt from transfer tax.

C. Social security and other contributions

Contributions. Social security tax is imposed on salaries received by individual employees. Employers and employees each pay contributions at the rates noted to the following.

Fund	Employer rate (%)	Employee rate (%)
Pension and Disability Fund	12.00	14.00
Health Care Fund	5.15	5.15
Unemployment Fund	—	0.75

Contributions to the Pension and Disability Fund at a rate of 26% and contributions to the Health Care Fund at a rate of 10.3% (for individuals without any other insurance) are payable by individuals on income received under contracts relating to royalties, services, additional work, agency and sports, as well as under similar contracts involving the payment of remuneration for services performed.

For expatriate employees, social security contributions may also be payable on salaries received outside Serbia. Under certain bilateral conventions, expatriates may pay social security contributions in their country of residence only.

Coverage. An employee who pays Serbian social security contributions is entitled to benefits, including health insurance for the employee and dependent family members, disability and professional illness insurance, unemployment allowances, retirement and other benefits.

Totalization agreements. To prevent double taxation and to assure benefit coverage, the Republic of Serbia currently applies social security totalization agreements with the following countries.

Austria
Belgium
Bosnia and Herzegovina
Bulgaria
Canada
Croatia
Cyprus
France
Germany
Hungary
Italy
Libya
Luxembourg
Macedonia
Montenegro
Panama
Poland
Romania
Russian Federation
Slovak Republic
Slovenia
Sweden
Switzerland

Czech Republic	Netherlands	Turkey
Denmark	Norway	United Kingdom

These agreements generally provide a 12-month exemption, which may be extended. Certain agreements provide an exemption for the full term of the individual's assignment.

D. Tax filing and payment procedures

The tax year is the calendar year. Annual tax returns must be filed by 15 May of the year following the tax year. Withholding tax is levied on most types of income, including salaries. Individuals who are liable for income tax must make advance payments of income tax in monthly or, in certain cases, quarterly installments (subject to a ruling of the tax authorities).

E. Double tax relief and tax treaties

Although Serbia professes to honor the tax treaties concluded by the former Yugoslavia, the applicability of these treaties is in doubt in several instances. In the event of the inapplicability of a treaty, Serbian tax legislation provides for the unilateral avoidance of double taxation through tax credits.

The Republic of Serbia, as the legal successor of the Union of Serbia and Montenegro, applies treaties with countries that were entered into by the former Yugoslavia and the former Union of Serbia and Montenegro. Tax treaties with the following countries are being applied.

Albania	Greece	Norway
Armenia	Hungary	Pakistan*
Austria	India	Poland
Azerbaijan	Iran	Qatar*
Belarus	Indonesia	Romania
Belgium	Ireland*	Russian Federation
Bosnia and Herzegovina	Italy	San Marino
	Kazakhstan	Slovak Republic
Bulgaria	Korea (North)	Slovenia
Canada	Korea (South)	Spain
China	Kuwait	Sri Lanka
Croatia	Latvia	Sweden
Cyprus	Libya*	Switzerland
Czech Republic	Lithuania	Tunisia
Denmark	Luxembourg	Turkey
Egypt*	Macedonia	Ukraine
Estonia*	Malaysia*	United Arab Emirates*
Finland	Malta*	
France*	Moldova	United Kingdom*
Georgia	Montenegro*	Vietnam*
Germany	Netherlands	

* These treaties cover the avoidance of double taxation on income only.

F. Temporary visas

Valid passports and visas are required for foreign nationals of many countries to enter Serbia. Foreign nationals from countries with which Serbia has a visa-free regime (for example, citizens of the European Union, Australia, Canada, the United Arab Emirates and the United States) who are on vacation or visiting

family may remain in the country just on the basis of a valid passport for 90 days in a six-month period, starting from the date of the first entry. Foreign nationals from countries with which Serbia does not have a visa-free regime need to obtain a visa prior to entering Serbia. Foreign nationals wishing to stay longer than 90 days or for business purposes for which a work permit is required (regardless of the period of stay) must request a residence permit from the local Republic Police Department.

The procedure for obtaining a temporary residence permit takes approximately 30 days.

The government of Serbia adopted the decision on visa-free entry to Serbia for holders of a foreign passport with a valid Schengen, UK or other EU member state visa, or a United States visa, and for holders of a foreign passport with a residence permit in the countries of the Schengen area or the EU, or the United States. By this decision, the abovementioned categories of foreign nationals may, without prior visa application, enter, travel through or stay in Serbia up to 90 days during a 6-month period, but not exceeding the expiration date of the visa or residence permit. Such individuals may enter Serbia for non-work purposes (business meetings are allowed); however, if they need to apply for a residence and work permit later, they need to first obtain a visa.

G. Work permits

Before applying for a work permit, a foreign national must have a temporary residence permit.

The procedure for obtaining a work permit takes up to 15 days.

H. Residence permits

Temporary and permanent residence permits are issued by the Republic Police Department.

To obtain a temporary residence permit, a foreign national applies to the local Republic Police Department by stating the reasons for the temporary stay and, if requested, providing documents justifying the reasons. The applicant must also prove that he or she has health insurance and sufficient financial means for his or her support during the stay in Serbia. A temporary residence permit is issued for of a period of up to one year (initially for six months) and may be extended for similar periods if sufficient reasons exist.

For a permanent residence permit, a foreign national applies to the Republic Police Department enclosing evidence of sufficient financial means for his or her support in Serbia. A permanent residence permit is issued to an applicant who meets one of the following conditions:

- The applicant has lived for at least five years continuously in Serbia, based on a temporary resident permit.
- The applicant has been married for at least three years to a Serbian citizen or to a foreign national with a permanent residence permit.
- The applicant is a minor with a temporary residence permit, one of his or her parents is a Serbian citizen or a foreign

national with a permanent residence permit, and he or she has the consent of the other parent.
- The applicant is of Serbian origin.

I. Family and personal considerations

Work permits for family members. Work permits are not automatically granted to the family members of a foreign national who receives a work permit.

Forced heirship. Serbia's forced heirship rules prevent the disinheritance of the closest relatives of the decedent. The decedent's descendants, whether biological or adopted, and spouse comprise forced heirs in the first line, who are entitled to one-half of their intestate share of the decedent's estate. Other forced heirs are entitled to one-third of their intestate share. Forced heirs have all the rights and duties of other heirs.

Driver's licenses. Foreign nationals may drive in Serbia with their home country driver's licenses for six months. After this period, they must apply for Serbian driver's licenses.

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A. Income tax

Who is liable. A person is subject to tax on employment income for services performed in Singapore, regardless of whether the remuneration is paid in or outside Singapore. Resident individuals who derive income from sources outside Singapore are not subject to tax on such income. This exemption does not apply if the foreign-source income is received through a partnership in Singapore. Foreign-source dividend income, foreign branch profits and foreign-source service income received by any individual resident in Singapore through partnerships may be exempted from Singapore tax if certain prescribed conditions are met. Individuals who carry on a trade, business, profession or vocation in Singapore are taxed on their profits. Whether an individual is carrying on a trade is determined based on the circumstances of each case. Foreign-source income received in Singapore by a nonresident is specifically exempt from tax.

Individuals are resident for tax purposes if, in the year preceding the assessment year, they reside in Singapore except for such temporary absences from Singapore as may be reasonable and not inconsistent with a claim by such persons to be resident in Singapore. This also includes persons who are physically present or who exercise employment (other than as a director of a company) in Singapore for at least 183 days during the year preceding the assessment year. A concession is available for foreign employees whose employment period straddles two calendar years. Under this concession (commonly known as the "two-year administrative concession"), the individual is considered resident for both years if he or she stays or works in Singapore for a continuous period of at least 183 days straddling the two years, even if fewer than 183 days were spent in Singapore in each year.

Nonresident individuals employed for not more than 60 days in a calendar year in Singapore are exempt from tax on their employment income derived from Singapore. This exemption does not apply to a director of a company, a public entertainer or a professional in Singapore.

Frequent business travelers (foreign employees based outside Singapore but who travel into Singapore for business purposes) may have a tax liability arising from their presence in Singapore, depending on their total number of employment days in Singapore. Work pass requirements should be reviewed before travel (see Sections F and G).

Under the Not Ordinarily Resident (NOR) scheme, a qualifying individual may enjoy tax concessions for five consecutive assessment years, including time apportionment of Singapore employment income, if certain conditions are satisfied.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable employment income includes cash remuneration, wages, salary, leave pay, directors' fees, commissions, bonuses, gratuities, perquisites, gains received from employee share plans and allowances received as compensation for services. Benefits-in-kind derived from employment, including home-leave passage, employer-provided housing, employer-provided automobiles and children's school fees, are also taxable. Certain types of these benefits receive special tax treatment. Effective from the 2020 assessment year, the prescribed formula to calculate the taxable car benefit in Singapore has been revised to better reflect the actual benefits enjoyed by the employees and to simplify tax compliance. However, the special treatment for employer-provided housing and home-leave passages has been removed, effective from the 2015 and 2018 assessment years, respectively.

Compulsory statutory contributions made by employers to the Central Provident Fund (CPF; see Section C) on behalf of individuals performing services in Singapore does not constitute taxable income. Contributions made by an employer to any provident or pension fund located outside Singapore are taxable as income when the contributions are paid, unless exempted by concession.

Not Ordinarily Resident scheme. Under the NOR scheme, a resident employee whose resident status is not accorded under the two-year administrative concession (see *Who is liable*) may benefit from the following concessions for five consecutive assessment years:

- Time apportionment of employment income
- Tax exemption (with certain exceptions) for the employer's contributions to non-mandatory overseas pension funds or social security schemes, subject to the Central Provident Fund (CPF) maximum contribution limits for "ordinary" and "additional" wages (see Section C)

Under a 2019 budget proposal, the last such NOR status will be from the 2020 assessment year to the 2024 assessment year. Individuals who have been accorded the NOR status will continue

to enjoy NOR tax concessions until their NOR status expires if they continue to meet the conditions of the concessions.

To qualify for the NOR scheme, an employee must meet the following conditions:

- He or she must be a resident for tax purposes in the assessment year in which he or she wishes to apply.
- He or she must not have been a resident for tax purposes in the three assessment years immediately preceding the assessment year in which he or she wishes to apply.

To benefit from the time apportionment of employment income, the employee must meet the following additional conditions:

- He or she must spend at least 90 business days in the calendar year outside Singapore with respect to his or her Singapore employment.
- The employment income of the individual must be at least SGD160,000.
- The tax on the apportioned income must be at least 10% of the total Singapore employment income.

The time apportionment concession applies to both cash compensation and benefits-in-kind, other than directors' fees and Singapore tax paid by employers.

Self-employment and business income. Self-employment income subject to tax is based on financial accounts prepared under generally accepted accounting principles. Adjustments are made to the profits or losses according to tax law. Business income is aggregated with other types of income to determine taxable income, which is taxed at the rates described in *Rates*.

Investment income. Under the one-tier system, dividends paid by Singapore tax-resident companies are exempt from income tax in the hands of shareholders, regardless of whether the dividends are paid out of taxed income or tax-free gains.

Dividends, other than tax-exempt and one-tier dividends, are taxed at the rates set forth in *Rates*.

Singapore-source investment income (that is, income that is not considered to be gains or profits from a trade, business or profession) derived directly by individuals from specified financial instruments, including standard savings, current and fixed deposits, is exempt from tax. Examples of such income include interest from debt securities, annuities and distributions from unit trusts.

Net rental income is aggregated with other types of income and taxed at the rates set forth in *Rates*.

Taxation of employer-provided stock options and share ownership plans. Employer-provided stock options are taxed at the time of exercise, not at the time of grant. Share awards are taxable at the time of award or at the time of vesting, if a vesting period is imposed. The taxable amount is the open market value of the shares at the time of exercise, award or vesting, less the amount paid by the employee, if any. For stock options and share awards granted on or after 1 January 2003 on which a moratorium is imposed on the acquired shares, the gains are taxed only on the date the moratorium is lifted. The taxable amount is the open market value of the shares on the date the moratorium is lifted, less the amount paid by the employee.

Stock options and share awards granted during overseas employment are not subject to tax even if the gains derived are remitted into Singapore while the employee is a tax resident, because all foreign-source income received in Singapore (other than through partnerships) by resident individuals is exempt from tax. Stock options and share awards granted on or after 1 January 2003 while the employee is engaged in employment in Singapore are subject to tax, regardless of where the options are exercised or shares are vested. These options and awards are deemed exercised or vested at the time of cessation of employment (including being seconded outside Singapore for an assignment or leaving Singapore for a period more than three months) for a foreign national employee, and tax is due immediately on the deemed gains.

For employee stock options or shares granted under any employee share ownership plan on or after 1 January 2003, the employer may apply for a Tracking Option if certain qualifying conditions and requirements are met. If the employer has been granted approval to track and elects to do so, the stock options or shares granted are reportable and taxable at the time of exercise or vesting.

An incentive scheme is available for an employee to defer payment of tax on share plan income (subject to an interest charge).

Any additional gain derived from the subsequent sale of the shares is normally capital in nature and is not taxable.

Capital gains. Capital gains are not taxed in Singapore. However, in certain circumstances, the tax authorities consider transactions involving the acquisition and disposal of real estate, stocks or shares to be the carrying on of a trade. As a result, gains arising from such transactions are taxable. The determination of whether such gains are taxable is based on a consideration of the facts and circumstances of each case.

The buyer of property must pay stamp duty on the value of the property purchased. Certain buyers of residential properties, including residential land, must pay additional buyer's stamp duty, in addition to the usual stamp duty. Sellers of residential and industrial properties may be liable for seller's stamp duty depending on when the property was purchased and the holding period. Specified sellers of industrial properties may be liable for stamp duty.

Deductions

Deductible expenses. In principle, expenses incurred wholly and exclusively in the production of income qualify for deduction, but in practice, the deductions available against employment income are limited. The general view taken by the Inland Revenue is that an employer normally pays all necessary expenses incurred by an employee in the course of discharging the duties of office. Employees must be able to prove to the Inland Revenue that expenses claimed were necessarily incurred in performing their duties.

Personal deductions and allowances. Personal deductions are granted to individuals resident in Singapore. Some of the deductions for the 2019 assessment year (income earned in the 2018 calendar year) are summarized in the following table.

Type of deduction	Amount of deduction
Spouse relief	SGD2,000*
Handicapped spouse	SGD5,500*
Earned income	
Under 55 years of age	SGD1,000
55 to 59 years of age	SGD6,000
60 years of age and older	SGD8,000
Handicapped earned income	
Under 55 years of age	SGD4,000
55 to 59 years of age	SGD10,000
60 years of age and older	SGD12,000
Child relief	SGD4,000 each
Handicapped child	SGD7,500 each
Dependent parents (maximum of two)	
Living with taxpayer	SGD9,000
Not living with taxpayer	SGD5,500
Handicapped dependent parents	
Living with taxpayer	Additional SGD5,000
Not living with taxpayer	Additional SGD4,500
Grandparent caregiver relief (for working mothers)	SGD3,000

* The spouse relief is an expansion of the traditional wife relief, the purpose of which is to provide recognition to both male and female taxpayers supporting their spouses. Spouse relief and handicapped spouse relief are no longer granted to individuals for maintaining their former spouses.

Working mother's child relief and foreign maid levy deductions are available for married women working in Singapore. Parenthood tax rebates are available for parents, but are subject to certain conditions. Special deductions are available for military reservists and the spouse or parents of military reservists.

The following deductions for life insurance premiums or contributions to approved pension funds are granted:

- For an employee, the total of life insurance premiums and amounts contributed to approved pension funds other than the CPF may be deducted up to a maximum amount of SGD5,000, provided that the total CPF contributions are less than SGD5,000.
- For an individual carrying on a trade, business, profession or vocation, CPF contributions may be deducted up to an amount of SGD37,740, effective from the 2017 assessment year.
- A deduction of up to SGD7,000 may be claimed for cash contributions made to the taxpayer's, the taxpayer's parents' or the taxpayer's grandparents' CPF retirement accounts, including contributions by taxpayers to non-working spouses or siblings who earned no more than SGD4,000 in the preceding year (see below).

Two separate tax reliefs of up to SGD7,000 are granted. The first relief is for top-ups by the taxpayer or his or her employer to the employee's own CPF retirement account. The second relief is for top-ups to the taxpayer's family members' CPF retirement account. In addition, tax relief is allowed for voluntary contributions made by the taxpayer specifically to his or her CPF Medisave Account, which is intended for the taxpayer's medical needs. Voluntary contributions made by an employer are taxable income to the employee.

Fees for approved courses may also be deducted, up to a maximum of SGD5,500.

To enhance the progressivity of the personal income tax regime, the total amount of personal income tax reliefs that an individual can claim is capped at SGD80,000 per assessment year, effective from the 2018 assessment year.

Business deductions. For expenses to be deductible, they must be incurred wholly and exclusively in the production of income, be revenue in nature and not be specifically prohibited under the Singapore tax law. Expenses specifically not deductible include personal expenses, income taxes paid in and outside Singapore, contributions to unapproved provident funds and private vehicle expenses. No deduction is allowed for the book depreciation of fixed assets, but tax depreciation (capital allowances) is granted according to statutory rates.

Rates. A person who is a tax resident in Singapore is taxed on assessable income, less personal deductions, at the following rates for the 2019 assessment year (income from the 2018 calendar year).

Assessable income SGD	Tax rate %	Tax due SGD	Cumulative tax due SGD
First 20,000	0	0	0
Next 10,000	2	200	200
Next 10,000	3.5	350	550
Next 40,000	7	2,800	3,350
Next 40,000	11.5	4,600	7,950
Next 40,000	15	6,000	13,950
Next 40,000	18	7,200	21,150
Next 40,000	19	7,600	28,750
Next 40,000	19.5	7,800	36,550
Next 40,000	20	8,000	44,550
Above 320,000	22	—	—

The rates of tax applied to the income of nonresident individuals are set forth in the following table.

Income category	Rate (a)
Income from employment (other than directors' fees)	Greater of 15% or tax payable as a resident (employment income of nonresident individual employed in Singapore for no more than 60 days in a calendar year is exempt from tax)
Income from directors' fees	22%
Income from a trade, business, profession or vocation	22%
Income from professional services	15% (b)
Interest (excluding tax-exempt interest from approved banks, finance companies, qualifying debt securities and qualifying project debt securities)	15% (c)
Dividends (other than tax-exempt and one-tier dividends)	0% (d)

Income category	Rate (a)
Royalties for the use of, or right to use, movable property and scientific, technical, industrial or commercial knowledge or information	10% (c)
Rent or other payments for the use of movable property	15%
Income of public entertainers	10%, net of specified expenses (e)
Income derived by qualifying international arbitrators and mediators	Exempt (f)
Other sources	22%

(a) The rate may be reduced under the terms of a double tax treaty.
(b) This is a final withholding tax on the gross amount, unless the nonresident professional elects to be assessed at a rate of 22% on net income.
(c) The rate applies only if the income is not derived by the nonresident individual from any trade, business, profession or vocation carried on or exercised by that individual in Singapore.
(d) Singapore currently does not have withholding tax on dividends, but withholding tax rates on dividends are provided under its tax treaties.
(e) This reduced rate applies only during the period of 22 February 2010 through 31 March 2020. The rate will return to 15% thereafter, subject to future announcements by the government.
(f) This exemption is subject to a review date of 31 March 2020.

Relief for losses. Losses and excess capital allowances from the carrying on of a trade, business, profession or vocation may be offset against all other chargeable income of the same year. Any unused trade losses and capital allowances can be carried forward indefinitely for offset against future income from all sources, subject to certain conditions.

Relief is also available for the carryback of current-year unused capital allowances and trade losses, subject to the satisfaction of certain conditions.

B. Estate and gift taxes

Estate duty has been eliminated from the Singapore tax regime for deaths occurring on or after 15 February 2008.

Singapore does not impose a gift tax.

C. Social security

The Central Provident Fund (CPF) is a statutory savings scheme to provide for employees' old-age retirement in Singapore. Only Singapore citizens and permanent residents working in Singapore are required to contribute to the CPF. All foreigners (including Malaysians) are exempt from CPF contributions. In addition, they may not make voluntary contributions to the CPF.

Both employees and employers must contribute to the fund. For individuals up to 55 years of age, the statutory rate of the employee's contribution is 20%, and the rate of the employer's contribution is 17%. Lower contribution rates apply to individuals over 55 years of age. Special transitional contribution rates apply to foreigners who become Singapore permanent residents.

Maximum contribution limits apply to both "ordinary" and "additional" wages. For "ordinary" wages, contributions for employees in the private sector are payable only on the part of the monthly wage that does not exceed SGD6,000.

Contributions on "additional" wages, such as bonuses and other non-regular wages, are subject to limits if the employee's total wages for the year exceed SGD102,000. In this event, the contributions on the "additional" wages are payable up to a limit of SGD102,000, less the total "ordinary" wages subject to CPF contributions in the year.

Self-employed individuals who carry on a trade, business, profession or vocation may also participate in the CPF scheme.

On reaching 55 years of age, an employee is entitled to withdraw, tax-free, the accumulated contributions up to a certain limit, plus accrued interest. If the employee permanently leaves Singapore (and Malaysia) before reaching 55 years of age, the funds may also be withdrawn. The employee's balance may also be withdrawn for certain specified purposes, including the acquisition of residential property, investment in shares and the payment of certain hospital expenses for anyone in the taxpayer's family.

A Supplementary Retirement Scheme (SRS) allows Singapore citizens and permanent residents to elect to contribute to private funds in addition to their CPF contributions. Foreigners working in Singapore may also participate in the scheme. Contributions are deductible but are subject to a cap. The rates of contribution are 15% for citizens and permanent residents and 35% for foreigners, subject to an absolute cap of 17 months of the prevailing CPF salary ceiling. The voluntary SRS contributions are paid only by employees; employers are not required to make SRS contributions. Employers may also directly contribute to the SRS on behalf of their employees, subject to the current contribution limits. Withdrawals made before the employee reaches the statutory retirement age are fully taxed and are generally subject to a 5% penalty. Withdrawals are only 50% taxable if they are made after the employee reaches the statutory retirement age in effect at the time of the first contribution, after the employee's death, for medical reasons, or by a foreigner who has maintained the SRS account for at least 10 years from the date of the first contribution. Employees who reach the statutory retirement age or who meet the rules on medical grounds, may further reduce the tax payable by extending the withdrawals over a period of up to 10 years from the time they reach the statutory retirement age in effect at the time of withdrawal.

D. Tax filing and payment procedures

The tax year in Singapore is the assessment year, and tax is levied on a preceding-year basis. For example, in the 2019 assessment year, tax is levied on income from the 2018 calendar year. Resident and nonresident individuals must file returns by 15 April of the assessment year. Sole proprietors and partners whose annual turnover exceeds SGD500,000 must attach their certified financial statements to their tax returns. NOR taxpayers who spend at least 90 days outside Singapore on business may file their tax returns on a "days-in, days-out" basis, subject to certain conditions.

An individual may pay the tax due for the assessment year in one lump sum within one month after the issuance of a tax assessment. Alternatively, the tax may be paid in installments, up to a maximum of 12 per year.

E. Double tax relief and tax treaties

Relief from double taxation is granted on income derived from professional, consultancy and other services rendered in countries that do not have double tax treaties with Singapore.

Double tax relief is also available for foreign taxes levied on income taxed in Singapore if Singapore has a tax treaty with the country concerned and if the individual is resident in Singapore for tax purposes.

Singapore has entered into tax treaties with the following jurisdictions.

Albania
Australia
Austria
Bahrain
Bangladesh
Barbados
Belarus
Belgium
Bermuda (a)
Brazil (b)
Brunei Darussalam
Bulgaria
Cambodia
Canada
Chile (b)
China Mainland
Cyprus
Czech Republic
Denmark
Ecuador
Egypt
Estonia
Ethiopia
Fiji
Finland
France
Georgia
Germany
Ghana
Guernsey
Hong Kong SAR (b)
Hungary
India
Indonesia
Ireland
Isle of Man
Israel
Italy
Japan
Jersey
Kazakhstan
Korea (South)
Kuwait
Laos
Latvia
Libya
Liechtenstein
Lithuania
Luxembourg
Malaysia
Malta
Mauritius
Mexico
Mongolia
Morocco
Myanmar
Netherlands
New Zealand
Nigeria
Norway
Oman
Pakistan
Panama
Papua New Guinea
Philippines
Poland
Portugal
Qatar
Romania
Russian Federation
Rwanda
San Marino
Saudi Arabia
Seychelles
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Taiwan
Thailand
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States (b)
Uruguay
Uzbekistan
Vietnam

(a) This is a tax information exchange agreement, which provides only for the exchange of information on tax matters.
(b) These are limited treaties that cover only income from shipping and/or air transport.

Individuals who receive employment income in Singapore and who are tax residents of countries that have concluded double tax treaties with Singapore may be exempt from Singapore income tax if their period of employment in Singapore does not exceed a certain number of days (usually 183) in a calendar year or within a 12-month period and if they satisfy certain additional criteria specified in the treaties.

F. Visit passes and visas

Short-term visit passes are issued at the port of entry and may be obtained without prior application. They are issued for visiting purposes only, not for employment. Short-term visit passes are valid from 14 days to 90 days, subject to the discretion of the immigration authorities.

Certain categories of foreign nationals must obtain entry visas prior to arrival in Singapore.

G. Work permits and employment passes

Foreign nationals who intend to take up employment or to engage in a business, profession or occupation in Singapore must first apply for a work pass. A Singapore entity, which is normally the employer, must sponsor the work pass application.

Work permit. A work permit (WP) may be granted to a skilled or unskilled foreign worker who holds qualifications and experience relevant to the position. WPs are granted for up to two years at a time and are renewable (maximum employment period in Singapore may apply). WPs are subject to sourcing and quota restrictions, and employers are subject to monthly levies for each WP holder employed.

S Pass. An S Pass is a work pass for individuals with a minimum fixed monthly salary of SGD2,300 and an acceptable tertiary qualification, which may be less than a university degree (for example, a college diploma). More experienced applicants are expected to draw higher salaries to qualify for an S Pass. The S Pass is subject to a quota and a monthly levy payable by the company. The minimum fixed monthly salary for an S Pass application will increase to SGD2,400 from 1 January 2020.

Employment pass. An employment pass (EP) may be granted to a foreigner who holds an acceptable degree, professional qualifications or specialist skills and has a fixed monthly salary exceeding SGD3,600. This minimum qualifying salary applies only to recent graduates from good institutions. More experienced applicants are expected to possess a higher salary commensurate with their work experience. The authorities reviewing the application may consider the applicant's professional and academic qualifications, special skills with respect to his or her employment and his or her anticipated economic contribution to Singapore.

Under the Fair Consideration Framework, before the submission of a new EP application, the employer must post the job vacancy to the designated jobs database for a period of at least 14 calendar days. Small firms with fewer than 10 employees or jobs that pay a fixed monthly salary of SGD15,000 and above are exempt from the advertising requirement. Other exemptions are available.

Fixed monthly salary includes basic salary and other fixed monthly payments, such as a cost-of-living adjustment and other cash allowances provided to an employee. Notably, it does not include the provision of benefits-in-kind, such as housing, or variable payments, such as commissions, bonuses or daily-based allowances.

A foreign national who receives an in-principle approval for an EP or S Pass may be required to undergo a medical examination or to complete a health declaration form.

A first-time applicant may be issued an EP/S Pass with a duration of up to two years. The EP/S Pass may be renewed for periods of up to three years per renewal.

Personalized employment pass. An EP holder who earns a fixed monthly salary of at least SGD12,000 may apply for a personalized employment pass (PEP). An overseas foreign professional whose last drawn fixed monthly salary (within six months from the date of application) was at least SGD18,000 may also apply. The PEP is issued for a non-renewable period of three years and may be issued only once. The holder must not be unemployed for a continuous period exceeding six months, and must earn a fixed annual salary of at least SGD144,000 in each calendar year in which he or she holds the PEP. Certain requirements for reporting to the Ministry of Manpower are imposed on the PEP holder and his or her employer.

The PEP provides added flexibility for the holder because the pass is not tied to a particular employer. The PEP provides the same dependent privileges as the EP. The PEP does not enable the holder to take up freelance work without a direct employer, or to be a business owner (sole proprietor, working partner or director with shareholding).

EntrePass. A foreigner who is an entrepreneur and ready to start a new business or company in Singapore may apply for an EntrePass (employment pass for entrepreneurs). New EntrePass applicants must have their company registered as a private limited company in Singapore for less than six months at the time of the EntrePass application or if the company is not registered, they may do so after the outcome of the application. In addition, the proposed business venture must be of an entrepreneurial nature. Applicants must show evidence of innovation and meet the criteria of an entrepreneur, innovator or investor, as defined by the Ministry of Manpower. Newly issued and first renewed EntrePasses have a validity period of one year. Subsequent renewed EntrePasses have a validity period of up to two years.

H. Residence permits

Qualified professionals, technical personnel and skilled workers may apply for permanent residence on obtaining an EP/S Pass to work in Singapore. An applicant in this category may also apply for permanent residence for his or her spouse and unmarried children under 21 years of age.

Under the Global Investor Program (GIP), foreign investors may seek permanent residence in Singapore for themselves and immediate family members by committing to invest at least SGD2,500,000 in certain approved categories of business and investment activities. If applicable, the investment must be made in a Singapore-incorporated entity or into a designated GIP fund that invests in Singapore-based companies.

A successful applicant must make the investment in accordance with the approved business plan within six months of receipt of the approval in principle. Applicants are required to produce

evidence of their investment for final approval of the conferring of permanent residence status. The applicant must maintain the investment for a period of five years. This five-year period begins on the date of final approval of permanent residence.

I. Family and personal considerations

Family members. An EP/S Pass holder may apply for Dependant's Passes, which allow his or her legal spouse and legal children under 21 years of age to live in Singapore. An EP/S Pass holder earning a fixed monthly salary of less than SGD6,000 per month may not apply for Dependant's Passes. A Dependant's Pass holder who wishes to work in Singapore must apply for a WP, S Pass, EP or letter of consent separately.

If dependents are not eligible to apply for Dependant's Passes, the EP/S Pass holder with fixed monthly salary of at least SGD6,000 may apply for a Long Term Visit Pass for eligible dependents, who are the following:

- Common-law spouse who is recognized as such by the laws of his or her country
- Unmarried stepchildren who are not legally adopted under age 21
- Unmarried handicapped children above age 21
- Parents of the EP/S Pass holder (only applicable for pass holder with fixed monthly salary of at least SGD12,000)

Matrimonial property regime. The Family Justice Courts of Singapore have jurisdiction to determine the division of matrimonial property of spouses. The court does not automatically divide the property equally but determines a fair and equitable split according to the circumstances of the case.

Broadly, matrimonial property includes the following:

- Property acquired after the date of marriage
- Property acquired before the date of marriage but used by the other spouse or children during the marriage for accommodation, transport or household, recreational, educational, social, or aesthetic purposes
- Property acquired before the date of marriage but substantially improved during the marriage
- Gifts of a matrimonial home or gifts that have been substantially improved during the marriage

Forced heirship. Singapore does not have forced heirship rules but the laws of other countries with forced heirship rules could apply here if the relevant asset is located in a foreign country with forced heirship rules.

Driver's permits. Expatriates may drive legally in Singapore with their home country driver's licenses for the first 12 months after their arrival. Expatriates with valid employment passes must produce their home country driver's licenses (in English or with an official translation) and pass the basic driving theory test to convert their overseas licenses to Singapore licenses.

Singapore has driver's license reciprocity with almost all other countries.

Sint Maarten

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Please direct all inquiries regarding Sint Maarten to the persons listed in the Curaçao office directory in this guide.

On 10 October 2010, the country Netherlands Antilles, which consisted of five island territories in the Caribbean Sea (Bonaire, Curaçao, Saba, Sint Eustatius and Sint Maarten), was dissolved. On dissolution of the Netherlands Antilles, the islands of Bonaire, Sint Eustatius and Saba (BES-Islands) became part of the Netherlands as extraordinary overseas municipalities. Curaçao and Sint Maarten have both become autonomous countries within the Kingdom of the Netherlands. The former Netherlands Antilles tax laws remain applicable to Sint Maarten, with the understanding that references in the laws to "the Netherlands Antilles" should now be read "Sint Maarten." The following chapter provides information on taxation in Sint Maarten only. Chapters on the BES-Islands and Curaçao appear in this guide.

A. Income tax

Who is liable. Residents are taxable on their worldwide income. Nonresidents are taxable only on income derived from certain Sint Maarten sources. A resident individual who receives income, wherever earned, from former or current employment is subject to income tax in Sint Maarten.

Residence is determined based on an individual's domicile (the availability of a permanent home) and physical presence, and on the location of an individual's vital personal and economic interests.

Income subject to tax. The following types of income are taxed in Sint Maarten:
- Employment income
- Self-employment and business income
- Income from immovable property (rental income)
- Income from movable assets (dividend and interest income)
- Income from periodical allowances

Employment income. Taxable employment income consists of employment income, including directors' fees, less itemized and standard deductions and allowances (see *Deductions*), pension premiums and social security contributions, whether paid or withheld.

Directors' fees are treated in the same manner as ordinary employment income and are taxed with other income at the rates set forth in *Rates*. Directors' fees paid by Sint Maarten companies are subject to withholding for wage tax and for social security insurance contributions.

A nonresident individual receiving income from current or former employment carried on in Sint Maarten is subject to income tax and social security contributions in Sint Maarten. Wage tax and social security contributions are withheld from an individual's earnings. However, if the individual's stay does not exceed three months, the individual may request an exemption from the withholding requirement.

A nonresident who is employed by a Sint Maarten public entity is subject to tax on income, even if the employment is carried on outside Sint Maarten.

A nonresident individual receiving income as a managing or supervisory director of a company established in Sint Maarten is subject to income tax and social security contributions in Sint Maarten.

Self-employment and business income. Residents are subject to income tax on their worldwide self-employment and business income, as well as on income derived from a profession. Nonresidents are taxed on income derived from a profession practiced in Sint Maarten. However, if the profession practiced in Sint Maarten does not exceed three months, a full or partial exemption of income tax may be requested. Annual profits derived from a business must be calculated in accordance with sound business practices that are applied consistently. Taxable income is determined by subtracting the deductions and personal allowances specified in *Deductions* from annual profits.

A nonresident individual earning income from activities carried on in Sint Maarten through a permanent establishment or a permanent representative is subject to income tax in Sint Maarten. Profits of a permanent establishment are calculated in the same manner as profits of resident taxpayers.

Income from periodic allowances. Resident individuals are subject to tax on their worldwide periodic allowances, including old-age pensions (not related to previous employment), alimony payments and disability allowances. In general, periodic allowances are taxable if the allowances exceed their purchase price and if the purchase price has not (nor could have) been deducted from Sint Maarten income or was considered a component of Sint Maarten income.

Income from immovable property. Sixty-five percent of the income from real estate (rental income), grounds, mines and waters is taxed at the income tax rates set forth in *Rates*. Income derived from a person's residence is not taxed as income from immovable property. Interest paid on mortgage loans for the acquisition or the restoration of immovable property can be deducted from taxable income.

Nonresident individuals are taxed on rental income derived from real estate located in Sint Maarten or from the rights to such property.

Income from movable assets (dividend and interest income). Dividends and interest income derived from domestic and foreign sources, less deductions, are generally subject to income tax at the rates set forth in *Rates*. For investments in foreign portfolio investment companies and investments in Sint Maarten exempt companies, a fictitious yield at a rate of 4% must be reported annually based on the fair market value of the investments at the beginning of the calendar year. Interest income received from local bank accounts is taxed at a rate of 5% (not including surcharges).

Nonresident individuals are taxed on interest income derived from debt obligations if the principal amount of the obligation is secured by mortgaged real estate located in Sint Maarten.

No withholding taxes are levied on dividends, interest and royalties earned by nonresidents. In general, a withholding tax applies to interest payments made by paying agents established in Sint Maarten to individuals resident in one of the member states of the European Union (EU). This withholding tax applies for the duration of a transitional period. The withholding tax rate was 15% for the first three years beginning in 2005. Effective from 1 July 2008, the tax rate was increased to 20%. Effective from 1 July 2011, the tax rate was increased to 35%. However, exchange of information is now prescribed instead of the withholding on interest payments.

Income from substantial share interests. On request, resident individuals are taxed on dividend income and capital gains derived from substantial share interests at a fixed rate of 15% (not including 25% surcharges, or 18.75% including surcharges). Otherwise, such income is subject to the progressive income tax rates (see *Rates*).

An interest of at least 5% in the issued share capital of a company, a right to acquire such interest and a corresponding profit-sharing right qualifies as a substantial share interest.

Nonresident individuals are taxed on dividend income and capital gains derived from substantial share interests in companies that are resident in Sint Maarten if the nonresident individuals were residents of Sint Maarten at some time during the 10-year period preceding the receipt of the dividends or the realization of the capital gains. In the event of emigration to Sint Maarten, a "step-up" facility is available to determine the cost of a substantial share interest. In the event of emigration from Sint Maarten, the tax authorities may issue an income tax assessment on the difference between the fair market value of the shares on emigration and the fair market value on establishing residency. However, this tax assessment need not be paid if certain conditions are met. If the taxpayer emigrates within eight years after establishing residency, this income tax on emigration may not be imposed.

Capital gains. Capital gains are generally exempt from tax. In the following circumstances, however, capital gains may be subject to income tax at normal or special rates.

Type of income	Rate (%)
Capital gains realized on the disposal of business assets and on the disposal of other assets if qualified as income from independently performed activities	Up to 47.5 (including surcharges)
Capital gains on the liquidation of a company or on the repurchase of shares by the company in excess of the average paid-up capital (non-substantial share interest)	Up to 47.5 (including surcharges)

Type of income	Rate (%)
Capital gains derived from the sale of a substantial share interest in a company	18.75 (including surcharges)

Nonresidents may be subject to income tax on capital gains derived from the disposal of business assets or of shares in Sint Maarten resident corporations if the shares constitute a substantial share interest and if certain other conditions are met.

Deductions

Deductible expenses. A resident taxpayer is entitled to more deductible items than a nonresident taxpayer. A fixed deduction of ANG500 may be deducted from employment income. Instead, actual employment-related expenses incurred may also be fully deducted to the extent that the expenses exceed ANG1,000 annually.

Deductions that may be claimed by residents include those discussed below.

Personal deductions. Residents may claim the following personal deductions:
- Alimony payments to a former spouse
- Mortgage interest paid that is related to the taxpayer's dwelling (limited to ANG27,500 annually)
- Maintenance expenses related to the taxpayer's dwelling (limited to ANG3,000 annually)
- Interest paid on consumer loans (limited to ANG2,500, or ANG5,000 if married, annually)
- Life insurance premiums that entitle taxpayers to annuity payments (up to a maximum of 5% of the income or ANG1,000, annually)
- Pension premiums paid by an employee
- Social security premiums paid by an employee
- Qualifying donations in excess of certain threshold amounts

Extraordinary expenses. Residents may deduct the following extraordinary expenses:
- Financial support to children exceeding 27 years of age and other relatives not capable of providing for themselves
- Medical expenses, educational expenses and support for up to second-degree relatives, if certain threshold amounts are met

Nonresidents. Deductions for nonresidents include the following:
- Employment expenses
- Qualifying donations in excess of certain threshold amounts

Business deductions. In general, business expenses are fully deductible. However, the deduction of certain expenses is limited. The following deductions are available for self-employed persons:
- Accelerated depreciation of fixed assets up to a maximum of 33⅓%.
- An investment allowance of 8% for acquisitions of or improvements to fixed assets in the year of investment and in the immediately following year. The investment allowance is increased to 12% for acquisitions of new buildings or improvements to existing buildings. This allowance applies only if the investment amounts to more than ANG5,000 in the year of investment.

Personal tax credits. The following personal tax credits may be subtracted by a resident taxpayer from the income tax due for the 2018 fiscal year (at the time of writing, the 2019 tax rates and credits had not yet been published):
- Standard tax credit: ANG2,072
- Sole earner tax credit: ANG1,383
- Senior tax credit: ANG1,044
- Child tax credit per child: varies from ANG75 to ANG737, depending on the children's age, residence and education

Nonresidents may claim only the standard tax credit.

Pensioners and retirees. Pensioners who request and obtain the *penshonado* status can opt to be taxed at an income tax rate of 10% (including surcharges) on all foreign-source income or they can declare a fixed income of ANG500,000 per year as foreign income. This fixed income is taxed at the progressive income tax rates (see *Rates*). The *penshonado* status can be obtained if certain conditions are met, including the following:
- The applicant must not have been a resident of Sint Maarten for the past 5 years.
- The applicant must at least be 50 years of age.
- The applicant must apply for the *penshonado* status within 2 months of his or her registration in Sint Maarten.
- The applicant must acquire a house for personal use within 18 months of his or her registration with a value of at least ANG450,000.

Expatriate facility. Individuals that meet certain criteria can request the application of the expatriate facility. To acquire the expatriate status, an individual must meet the following conditions:
- The applicant must not have been a resident of Sint Maarten for the past five years.
- The applicant must have special skills at the college or university level and at least three years of relevant working experience at the required level.
- If the applicant does not have special skills at the college or university level, the applicant must have at least five years of relevant working experience at the required level and the applicant must receive remuneration from his or her employer of at least ANG100,000.
- The applicant must possess skills that are scarcely available in Sint Maarten or be employed by the government of Sint Maarten with the salary scale of 11.

The employer must file the application. In principle, the expatriate status applies with retroactive effect to the beginning of the employment if the application is filed within three months after the beginning of the employment.

An employee with the expatriate status can receive limited amounts of fringe benefits tax-free, such as wages in kind, travel expenses, hotel expenses and expenses with respect to means of transportation and relocation. The remainder of the compensation paid to the expatriate by the employer is taxed at the progressive income tax rates (see *Rates*). In addition, a net employment contract can be entered into with the expatriate, and the wage tax should then not be grossed up as an additional benefit received from employment.

Rates. Resident and nonresident individuals are subject to income tax at the same progressive rates. The following are the individual income tax rates and tax brackets for the 2018 fiscal year (at the time of writing, the 2019 tax rates and credits had not yet been published).

Taxable income Exceeding ANG	Not exceeding ANG	Tax on lower amount ANG	Tax rate on excess %
0	31, 837	0	12.5
31, 837	47,756	3,979.64	20.00
47,756	66,328	7,163.33	26.25
66,328	99,490	12,038.20	33.75
99,490	140,612	23,230.57	40.00
140,612	—	39,679.47	47.5

Local interest is taxed at a rate of 6.25% (including surcharges).

If the taxable income is equal or less than the minimum wage, tax is not imposed on the taxable income.

Relief for losses. Individual taxpayers may carry losses forward for five years.

B. Inheritance and gift taxes

Inheritance and gift tax is levied on all property bequeathed or donated by an individual who is a resident or deemed to be a resident of Sint Maarten at the time of death or donation. For individuals who are nonresidents at the time of death or donation, inheritance and gift tax is levied on real estate located in Sint Maarten only. The tax is payable by the heir or the recipient of the gift, regardless of his or her place of residence.

Inheritance and gift tax rates range from 2% to 24% of the value of the taxable estate or the donation, less deductions. The rates vary, depending on the applicable exemptions and the relationship of the recipient to the deceased or the donor. In general, the following rates apply.

Relationship of recipient	Rate (%)
Spouse or child	2 to 6
Brother or sister	4 to 12
Parent or grandparent	3 to 9
Niece, nephew or grandchild	6 to 18
Other	8 to 24

Notwithstanding the above, the tax rate is 25% for a donation from a resident to a private foundation.

C. Social security contributions

All resident individuals must pay social security contributions. The contributions provide benefits under the General Old Age Pension Ordinance (AOV), the General Widows and Orphans Ordinance (AWW) and the General Insurance Extraordinary Sickness Ordinance (AVBZ). Contributions to the health insurance (ZV) and disability insurance (OV) are also due on salaries up to a certain threshold (ANG5,651.36 per month for 2019). In addition, employers must pay a severance contribution (*cessantia*) fee of ANG40 (2019) per employee per year.

The total AOV/AWW contributions due annually are 14% of earnings, up to a maximum amount of earnings of ANG102,510 for 2019. Premiums are paid partly by the employer if an individual is employed. For AOV and AWW, employers contribute 7.5% of salary and employees contribute 6.5%. For AOV and AWW, self-employed persons pay a total of 14%, up to a certain maximum amount of contributions per year, but different percentages are applied, depending on the amount of income.

For AVBZ, the following are the contributions:
- Employers: 0.5% of salary
- Employees: 1.5% of salary
- Self-employed persons: 2% of earnings
- Pensioners: 1.5% of pension income if the amount of the annual income exceeds ANG10,000 or 1% of pension income if the amount of the annual income does not exceed ANG10,000

The rates of contributions for AVBZ are applied to taxable income, up to a certain maximum amount (for 2019, ANG417,357).

The total rate of required ZV contributions for employees and self-employed individuals amounts to 12.5%. The contributions are partly paid by the employer (8.3%) and partly by the employee (4.2%). The rate of required disability insurance (OV) contributions for employees and self-employed individuals varies between 0.5% and 5%, depending on the applicable risk category; the contribution is fully payable by the employer. The OV and ZV contributions are due on salaries up to a certain maximum amount (ANG5,651.36 per month for 2019).

In general, nonresidents earning income from employment in Sint Maarten are subject to social insurance contributions.

D. Tax filing and payment procedures

Filing and payment. Because the wage tax is a pre-levy to the income tax, employers must file wage withholding tax returns on a monthly basis. The wage tax return must be filed before the 16th day of the month following the month in which the salaries are paid to employees. For most employees, wage withholding tax is the final tax. Personal income tax returns for the calendar year must be filed within two months after the issuance of the tax return forms, unless an extension for filing is obtained. Any additional income tax to be paid is normally due within two months after the date of the final assessment.

Filing income tax return together with spouse. If both spouses earn income, married persons are taxed separately on the following types of income:
- Employment income
- Self-employment and business income
- Certain periodic allowances, including old-age pensions, alimony and disability allowances

Investment income, including rental income, dividends and interest on bonds, is included in the taxable income of the spouse who has the higher individual income or, if both spouses earn the same amount of individual income, in the taxable income of the older spouse. Personal deductions must be claimed by the spouse

with the higher individual income, or if both spouses earn the same amount of individual income, by the older spouse.

Social security payments. Social security contributions are withheld by the employer and are declared in the wage tax returns. Individuals receiving other types of income must pay social security contributions within two months after the date of an assessment.

Filing inheritance tax return. An inheritance tax return must be filed within six months after the date of death. A gift tax return must be filed within three months after a gift is made. Both inheritance and gift tax must be paid within two months after the date of assessment.

E. Double tax relief and tax treaties

Sint Maarten has entered into double tax treaties with the Netherlands (including the BES-Islands) and Norway. The double tax treaty with the Netherlands entered into force on 1 March 2016 and is applicable as of 1 January 2017. The Tax Regulation for the Kingdom of the Netherlands remains in force between Sint Maarten and Aruba and Sint Maarten and Curaçao. Sint Maarten's double tax treaties apply to taxes on income, capital, inheritances and gifts. If no double tax treaty applies, in general, the Tax Office allows foreign taxes paid to be deducted as expenses from taxable income.

Sint Maarten entered into bilateral agreements with the EU member states with respect to the application of the EU Council Directive on the taxation of savings income. The Sint Maarten law to implement the directive took effect in July 2006.

Sint Maarten has entered into tax information exchange agreements with the following jurisdictions.

Antigua and Barbuda	Costa Rica*	New Zealand
Argentina*	Denmark	St. Kitts and Nevis
Australia	Faroe Islands	St. Lucia
Bermuda	Finland	St. Vincent and the Grenadines
British Virgin Islands*	France	Spain
Canada	Greenland	Sweden
Cayman Islands	Iceland	United Kingdom
	India*	United States
	Mexico	

* This agreement has not yet entered into force.

Sint Maarten has committed itself to automatic exchange of information under the Common Reporting Standard as of 2018 with respect to the year 2017.

F. Residency and working permits

In general, foreign individuals who wish to reside and work in Sint Maarten need residency and working permits. The conditions for obtaining such permits depend on the nationality of the individual. Special provisions apply to individuals holding a Dutch passport.

Wealthy individuals (Investors) who meet certain conditions are granted through a simplified procedure a residency permit

known as an Investors Permit. The permit allows an Investor a legal stay in Sint Maarten of, in principle, up to 120 days a year. A stay of the Investor exceeding 120 days a year is not prohibited, but may result in the Investor being considered a resident taxpayer with respect to Sint Maarten.

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A. Income tax

Who is liable. Slovak residents are subject to tax on their worldwide income. Nonresidents are subject to tax on their Slovak-source income only.

An individual is considered a Slovak tax resident if any of the following conditions is met:

- The individual has accommodation available in the Slovak Republic that is not used for occasional purposes and at the same time has economic and personal ties with the Slovak Republic.
- The individual has a permanent residency in the Slovak Republic
- The individual is physically present (that is, usually staying) in the Slovak Republic for at least 183 days in a calendar year. For purposes of the 183-day test, each whole or partial day spent in the Slovak Republic during the calendar year counts toward the number of days. The 183-day test does not apply to the following individuals:
  - — Individuals staying in the country to study
  - — Individuals present in the country for medical treatment
  - — Individuals who earn Slovak-source income from dependent activities and enter the Slovak Republic daily or at agreed-upon time periods only for the purpose of performing such activities

Individuals assigned by a foreign employer to the Slovak Republic who continue to be employed and paid by the foreign employer and who perform work for and under the instruction of a Slovak resident individual or legal entity are deemed to be employed by the Slovak resident individual or legal entity and subject to

monthly withholding of personal income tax from their employment income.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Employment income includes salaries, wages, bonuses, other regular, irregular or one-off compensation of a similar nature and most benefits-in-kind. Employment income also includes fees paid to directors and partners of limited liability companies and to limited partners of limited partnerships. Income received by a professional sportsperson on the basis of a player contract is also considered to be employment income.

Effective from 1 May 2018, Slovak employers can provide bonus 13th and 14th salaries for the summer and Christmas holidays (that is, in June and December of a respective calendar year). Under certain circumstances, the bonus salaries are subject to beneficial tax and social security treatment. To qualify for the beneficial treatment, the payment must be made for employees who remained in an uninterrupted employment relationship with their employer for at least two years (for the exemption for the 13th salary) or four years (for the exemption for the 14th salary). In addition, the 13th salary is tax-exempt if it is provided in the amount of at least EUR500 while the 14th salary is tax-exempt up to EUR500 if it is provided in the amount of average monthly wage for the particular employee. In addition, the beneficial treatment for the Christmas bonus (the 14th salary) applies only if the summer bonus (the 13th salary) was paid in the given calendar year.

Self-employment and business income. Taxable self-employment and business income consists of income from business activities and professional services. This income may be decreased by deductible expenses. A notional expenses deduction of 60% of taxable income and up to a maximum of EUR20,000 per tax period is available for non-VAT payers. Nonresidents are subject to tax on their Slovak-source business income only.

Rental income, including income from the rental of real estate and movable assets representing appurtenances of the real estate is taxed as self-employment and business income. As a result, expenses can be deducted from such income. A notional expenses deduction and loss carryforward are not possible for rental income.

Investment income. Investment income from Slovak sources, including interest and other income derived from securities, and payments made from supplementary pension insurance schemes is generally subject to a 19% withholding tax. This withholding tax is considered a final tax, and the income is not included in the tax base.

Investment income is not included in the tax base subject to the progressive tax rates (see *Rates*). It constitutes a separate tax base (few exemptions applicable), which is subject to a flat tax rate of 19% (that is, without application of tax progression).

Dividends. Dividends distributed from profits for accounting periods starting before 31 December 2003 or starting after

31 December 2016 are subject to tax (dividends distributed from profits in other periods might be subject to Slovak health insurance contributions). Slovak tax residents who participate in the registered capital of the company (regardless of where the legal seat is registered) are generally taxed at 7% on their dividend income. However, a tax rate of 35% applies on dividend income from jurisdictions that have not entered into a double tax treaty or tax administrative treaty with the Slovak Republic (that is, jurisdictions that are not included in the white list published by the Slovak Ministry of Finance). Dividend income should be taxed via withholding tax if its source is in the Slovak Republic, or via a tax return if its source is abroad.

Taxation of employer-provided stock options. For employer-provided stock options granted after 31 December 2009, the taxable amount equals the higher market price of the stock at the exercise date (that is, on the day on which the option is actually exercised) minus the sum of the following:

- The guaranteed exercise price of the employee's stock
- The price paid by the employee for the option (if any)

The above amount is taxable on the exercise date. Employer-provided stock options are treated as employment income and taxed through payroll withholdings at the regular income tax rate in the month of exercise.

The income from stock options granted by employers before 31 December 2009 is taxed on the vesting date (that is the date on which the option can be exercised) under the rules applicable until 31 December 2009.

Capital gains derived from the sale of shares acquired under an option plan are calculated as the difference between the sales price and the market price on the exercise date (vesting date for options granted before 31 December 2009). These gains are subject to tax at the regular rate (see *Capital gains*).

Capital gains. Capital gains derived from the sale or exchange of property are taxed as ordinary income at the regular income tax rate (see *Rates*). In general, capital gains derived from the sale of real estate or personal property are exempt from income tax if relevant conditions stipulated in the law are met (for example, the minimum required holding period). Business assets generally do not qualify for exemption.

Income derived from the sale of securities that are traded on a regulated market or similar foreign market is exempt from tax if the period between acquisition and sale of the securities exceeds one year and if such securities had not been included in the business assets. The exemption also applies to income derived from the sale of options and income from derivative transactions from "long-term investment savings," which is income that is paid 15 years from the beginning of a long-term investment, if such items had not been included in the business assets of the taxpayer.

Capital gains of up to EUR500 per year generated by the sale of shares not traded on the regulated markets can be tax-exempt if the respective tax-free allowance available to the taxpayer is claimed with respect to this type of income.

Income from the sale or exchange of virtual currencies is subject to the personal income tax at a rate of 19% to 25%. Taxable income is realized by sale of virtual currency, exchange of virtual currency for goods or services, or by exchange of virtual currency for another virtual currency. The income may be reduced by expenses provably incurred to generate the income (for example, acquisition costs of a virtual currency). It is not possible to offset a tax loss against the sale or exchange of a virtual currency with other income; however, losses from the sale or exchange of one virtual currency may be offset against profits from the sale or exchange of another virtual currency in one tax period (a loss carryforward is not possible). Specific rules apply to virtual currencies included in business assets.

Deductions

Deductible expenses. Mandatory sickness insurance, health insurance, old-age insurance, disability insurance and unemployment insurance contributions paid by employees (see Section C) are deductible from employment income.

Personal allowances and deductions. All taxpayers, including nonresidents, are entitled to a personal allowance. Taxpayers whose tax base for the calendar year does not exceed 100 times the subsistence minimum (EUR20,507 for 2019), can deduct a non-taxable amount equal to 19.2 times the subsistence minimum per taxpayer EUR3,937.35 for 2019). For taxpayers whose tax base for the calendar year exceeds 100 times the subsistence minimum, the non-taxable portion of the tax base gradually decreases depending on the taxpayer's income. Taxpayers who have a tax base for the calendar year higher than EUR36,256.38 are not entitled to any general allowance. Slovak tax residents and Slovak tax nonresidents whose Slovak-source income represents more than 90% of their worldwide income may also claim a spousal allowance for a spouse who has no or limited income of his or her own, who lives with them in the same household and who takes care of infant children living with the taxpayer or the following persons:

- A person receiving compensation for care
- A person who is registered with the Labour Office as unemployed
- A person considered to have a severe disability

The spousal allowance also gradually decreases depending on the taxpayer's and the spouse's income.

The above personal allowances are deductible from the tax base reported for employment income and self-employment and business income only.

In addition, tax residents and Slovak tax nonresidents whose Slovak-source income represents more than 90% of their worldwide income are entitled to a tax bonus (credit) in the amount of EUR22.17 per month per dependent child for 2019. Effective from 1 April 2019, this tax bonus claim is doubled for dependent child who are younger than six years old. The double amount of the tax bonus can be claimed for the last time in the month in which the child reaches six years of age.

Deduction on paid interest. As of 1 January 2018, a tax bonus on interest paid is introduced. In general, it represents a new form of

tax advantage for interest paid on housing loans, which replaces the prior governmental mortgage credit support scheme for young people.

An individual is entitled to the tax bonus on the fulfillment of both of the following conditions:
- As of the loan application date, the individual is at least 18 years old and not more than 35 years old.
- The total average monthly income of the individual does not exceed 1.3 times the average monthly wage of an employee in the Slovak economy determined in the year preceding the year in which the loan agreement is concluded.

The taxpayer must claim entitlement to the tax bonus after the end of the tax period through either of the following:
- A simplified tax reconciliation performed by the employer
- A Slovak personal income tax return filed by the individual

The tax bonus is set at 50% of the interest paid in the relevant tax period. However, it may not be more than EUR400 annually and may not exceed the tax liability of the individual.

Business deductions. In general, costs and expenses incurred to generate, assure and maintain taxable income are deductible, including mandatory contributions for social and health insurance. Expenses of a capital nature, penalties other than payments of contractual penalties, income tax and expenses incurred to generate tax-exempt income are not deductible.

As of 1 January 2017, the lump-sum expenses that self-employed individuals can deduct were increased to 60% of total taxable income. At the same time, the maximum limit of tax-deductible lump-sum expenses was increased to EUR20,000 per year. The Amendment to the Income Tax Act has also abolished the obligation to proportionally decrease the amount of tax-deductible expenses if a taxpayer does not conduct business activity during the entire tax period.

Rates. The basic tax rate is 19%. The annual tax base exceeding EUR36,256.38 is taxed at a rate of 25%. Interest income represents a separate tax base, with a tax rate of 19% without application of tax progression.

Relief for losses. An individual may carry forward losses incurred in the tax years immediately preceding the year in which he or she first declares a positive tax base. Effective from 2014, historical tax losses incurred in the 2010 through 2013 tax years may be carried forward for a maximum period of four years, proportionally each year. The same rules apply to losses generated in 2014 and future years. In general, losses may not be offset against employment income. Losses incurred after 31 December 2011 can be offset only against self-employment and business income of the taxpayer. Losses incurred from renting a property cannot be used to offset other profits or carried forward.

B. Inheritance and gift taxes

The inheritance and gift taxes were eliminated in 2004.

C. Social and health insurance

Contributions. If an employee is subject to the Slovak social security system, both the employer and the employee must pay social security contributions. Slovak social security contributions consist of sickness, old-age, disability, unemployment, guarantee and accident insurance, and contributions to the reserve fund. In general, every person performing an income-generating activity for which he or she is entitled to a regular monthly compensation (and also irregular for the purposes of pension insurance) subject to income tax is deemed to be an employee for Slovak social security purposes. Rental, capital or other income is not subject to social insurance.

Slovak health insurance contributions are for health care. Individuals having income subject to income tax (including dividends paid to employees not participating in the registered capital of a company that are generated from profits for accounting periods beginning after 1 January 2011, and capital or other income on which the Slovak withholding tax does not apply) is subject to health insurance. Persons acting as members of statutory or supervisory bodies for employers, with a registered seat in the Slovak Republic, are not subject to Slovak health insurance if they do not have permanent residency in the Slovak Republic and are subject to a health insurance system in a non-European Union (EU) state.

The combined rate for the employee's social and health insurance contribution is 13.4% of his or her assessment base, which is, in general, his or her monthly taxable employment income. The employer's contribution rate is 35.2% of the employee's assessment base. The maximum monthly assessment base for all types of insurance (excluding accident insurance and health insurance) equals seven times the average wage in the Slovak economy. The assessment base for accident insurance and health insurance is not limited. This means that the actual health insurance contribution (employers' as well as employees' part) and accident insurance (employers' part only) is calculated based on the total amount of income that is subject to the respective insurance under the Slovak legislation.

The following social security and health insurance rates apply for 2019.

Benefit	Employer %	Employee %	Self-employed individuals %
Sickness insurance	1.4	1.4	4.4
Health insurance (a)	10.0	4.0	14.0
Old-age insurance (b)	14.0	4.0	18.0
Disability insurance	3.0	3.0	6.0
Accident insurance	0.8 (c)	0.0	0.0
Guarantee fund	0.25	0.0	0.0
Reserve fund	4.75	0.0	4.75
Unemployment insurance	1.0	1.0	0.0 (d)
Total	35.2	13.4	47.15

(a) The health insurance contribution cap was eliminated from January 2017, and the amount of health insurance contribution is now computed from the actual amount of income regardless of the total amount of paid income subject to health insurance in the Slovak Republic.

(b) The Slovak old-age contribution consists of two pillars. The contributions are paid to two different social security institutions, which are the state Social Security Agency and one of the commercial pension fund management agencies. The rates shown are the total rates of contributions.
(c) Employers remit accident insurance contributions of 0.8% of the employee's assessment base (no limit applicable).
(d) Self-employed individuals are not required to make contributions for unemployment insurance. If they elect to be insured, they make contributions at a rate of 2% of a self-determined assessment base (within statutory bounds).

Dividends from profits generated in accounting periods beginning after 1 January 2011 are subject to health insurance. For dividends from profits generated in accounting periods beginning between 1 January 2011 and 31 December 2012, a 10% rate and the common maximum assessment basis applies. For dividends from profits generated in accounting periods beginning on or after 1 January 2013, the rate is 14%.

As of 1 January 2017, the obligation to pay health insurance from distributed dividends is abolished. However, the dividend income distributed from profits achieved for tax periods before 1 January 2017 is still subject to the health insurance, with a maximum contribution base amounting to 60 times the average monthly wage (that is, EUR57,240 for 2019).

Dividends paid by joint stock companies (or similar entities established abroad) whose shares are traded on a regulated market (including foreign markets) are exempt from health insurance contributions.

The EU regulations on social and health insurance are binding in the Slovak Republic. Consequently, the respective regulations for European Economic Area (EEA) and Swiss citizens, and the applicable totalization agreements for other foreigners (see *Totalization agreements*) must be taken into account when determining the social and health insurance obligations of foreign individuals working in the Slovak Republic.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, the Slovak Republic has entered into totalization agreements with the following non-EU jurisdictions.

Australia	Korea (South)	Serbia
Canada	Montenegro	Turkey
Iran (a)	North Macedonia	Ukraine
Israel	Quebec	United States
Japan (b)	Russian Federation	Yugoslavia (c)

(a) This agreement was signed 19 January 2016 and is subject to the ratification process.
(b) This agreement entered into effect on 1 July 2019.
(c) This agreement was entered into between the former Czechoslovakia and the former Yugoslavia in 1957. The Yugoslavia agreement applies to Bosnia and Herzegovina.

Totalization agreements with EU member states continue to be valid. However, effective from 1 May 2004, the EU regulations superseded these agreements.

Under a strict interpretation of the Slovak law, employers from non-EU and non-EEA countries (without a registered seat or a branch in the Slovak Republic) that have employees in the Slovak Republic are required to register for social security purposes in

the Slovak Republic, to remit employer and employee contributions to the Slovak social system and to handle the related administration (unless their employees' income is exempt from tax in the Slovak Republic or unless the Slovak Republic has entered into a bilateral agreement with the respective country).

D. Tax filing and payment procedures

In general, individuals who receive income exceeding 50% of the personal allowance (that is, EUR1,968.67 for 2019; see Section A) are required to file a tax return. An exception applies if individuals receive only employment income and/or other income and if all of such income is subject to withholding tax.

Tax returns must be filed by individuals who receive any of the following types of income:

- Income from an employer that is neither a Slovak taxpayer nor a foreign taxpayer under the Slovak tax law
- Foreign-source income (with certain statutory exemptions)
- In-kind compensation, if tax prepayments could not be withheld
- Income other than employment income

In addition, individuals having only employment income who did not request that their employer perform the annual tax reconciliation of their employment income and tax withholdings must file a tax return.

The tax year for individuals is the calendar year. Tax returns for each tax year must be filed within three months after the end of the respective tax year (that is, by 31 March of the year following the tax year). This deadline can be extended by three months on the filing of an announcement with the respective tax authority. If an individual who is a resident for tax purposes in the Slovak Republic receives foreign-source income, the deadline can be extended up to six months (that is, until 30 September) on the filing of an announcement.

Employment income received by 31 January of the following year that relates to the preceding year is regarded as income of the preceding year.

Advance tax payments are withheld monthly by Slovak employers or foreign persons that qualify as foreign payers of tax from all employment compensation paid by or through them. Individuals must make quarterly or monthly advance tax payments for rental and business income, if their last known tax liability exceeded EUR2,500. However, no advance tax payments from such income are paid if an individual also receives employment income that represents more than 50% of his or her personal income (if employment income represents a smaller share, half of the regular amount of advance tax payments is paid).

Individuals performing dependent activities in the Slovak Republic for neither Slovak nor foreign payers of tax must make monthly Slovak tax prepayments based on the actual income received.

In general, married persons are taxed separately on all types of income. The income from joint property, such as interest income or income from the sale or renting of the property, is generally

divided between married persons equally, unless agreed otherwise. Related expenses are divided in the same percentage as income.

E. Tax treaties

The Slovak Republic has entered into double tax treaties with the following jurisdictions (this list includes the double tax treaties entered into by the former Czechoslovakia, which the Slovak Republic honors).

Armenia
Australia
Austria
Belarus
Belgium
Bulgaria
Bosnia and Herzegovina
Brazil
Canada
China Mainland
Croatia
Cyprus
Czech Republic
Denmark
Egypt (a)
Estonia
Ethiopia (b)
Finland
France
Georgia
Germany
Greece
Hungary
Iceland
India
Indonesia
Iran (b)
Ireland
Israel
Italy
Japan
Kazakhstan
Korea (South)
Kuwait
Latvia
Libya
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Moldova
Mongolia
Montenegro
Netherlands
Nigeria
North Macedonia
Norway
Poland
Portugal
Romania
Russian Federation
Serbia
Singapore
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Syria
Taiwan
Tunisia
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan
Vietnam

(a) This treaty has been ratified by the Slovak Republic but not by Egypt, so it is not yet in effect.
(b) This agreement will enter into effect on 1 January 2019.

The method of elimination of double taxation is applied based on the tax treaty entered into between the Slovak Republic and the source country. However, for employment income from foreign sources, regardless of the method for the elimination of double taxation provided in the respective tax treaty, Slovak tax residents may apply the exemption method if both of the following conditions are satisfied:

- The income was provably taxed abroad.
- Such treatment is more favorable for the individual.

If the Slovak Republic has not entered into a double tax treaty with the source country, the exemption method can be used for employment income if it is proven that the income was taxed in the source country.

F. Entry visas

Foreigners coming from EU and non-EU jurisdictions must comply with the immigration requirements.

Citizens of the EU/EEA and Switzerland. Citizens of the EU/EEA and Switzerland holding a valid identification card or passport or any other document proving their identity are entitled without any conditions or formalities to stay in the Slovak Republic for three months from the date of entry into the Slovak Republic. They are only required to notify the Foreigner Police about the stay in the Slovak Republic within 10 workdays after their entry into the Slovak Republic. For a stay exceeding 90 days, citizens of EU/EEA or Switzerland must register with the Foreigner Police. This registration needs to be submitted to the Foreigner Police within 30 days after the end of the three-month period beginning on the date of entry into the Slovak Republic. No visa or work permits are required for citizens of EU/EEA or Switzerland.

Non-EU nationals. Foreign nationals residing in jurisdictions for which a visa is not required can enter the Slovak Republic without a visa and stay in the Slovak Republic for up to 90 days during a 180-day period. After their arrival in the Slovak Republic, they must register with the Foreigner Police within three days (unless they stay in a hotel; in such case, the hotel automatically processes the registration).

This possibility of staying in the Slovak Republic without a visa does not apply to non-EU nationals who work or perform other economic activities in the Slovak Republic. These individuals need a proper type of work or entrepreneur visa unless they meet certain conditions to avoid this obligation.

For all non-EU nationals, a stay longer than 90 days in a 180-day period is possible only with a long-term visa or relevant residence permit.

Foreign nationals residing in jurisdictions for which a visa is required must have a valid visa to enter the Slovak Republic. These non-EU nationals must submit an application for a visa three months before arrival in the Slovak Republic at the earliest.

Schengen visa. A Schengen visa is a short-term visa issued by the appropriate authorities to an individual for visiting or traveling within the Schengen area. Depending on the type of visa issued by the embassy or consulate of a Schengen country, different restrictions may apply to the particular visa based on the nature of the travel and other relevant circumstances. The most common type of visa issued to travelers can have a duration of a maximum of 90 days in every 180-day period beginning from the date of entry. The Schengen visa can be issued for single, double or multiple entries. It cannot be used for employment activity.

Long-term visa. A long-term visa or national visa is granted for the purpose of granting temporary residence in the Slovak Republic. This visa allows the individual to travel to Schengen countries under the condition that the presence of the individual does not exceed 90 days within a six-month period.

G. Working in the Slovak Republic

Work permits. The Act on Employment Services regulates the employment of foreigners in the Slovak Republic. Non-EU nationals must request permission to work in the Slovak Republic at the locally competent Office of Labour, Social Affairs and

Family of the Slovak Republic. The office may require from the employer a written request for permission to employ a foreigner. An employer must report a job vacancy to the Central Labour Office at least 20 working days before applying for the job permission. The process of reporting job vacancies can be omitted; however, this applies only for selected professions in regions with low unemployment rates as indicated by labor inspectorates.

EU Blue Card. The Blue Card is a type of temporary residence, which is issued to non-EU nationals for the purpose of highly qualified employment in the Slovak Republic. The basic requirement for acquiring the Blue Card is higher professional qualification in the form of university education. In addition, the agreed-upon salary must not be lower than 1.5 times the wage in the Slovak national economy in the relevant field, and an employment contract must be concluded for the duration of at least one year. A Blue Card entitles an individual to enter, reside and work in the Slovak Republic and to travel abroad and back. The application for the Blue Card generally must be submitted at the diplomatic mission of the Slovak Republic for a non-EU national's country of citizenship or his or her country of residence. If a non-EU national resides legally in the Slovak Republic, the application may be submitted at the competent Foreigner Police for the place of residence. An employer must report a job vacancy to the Central Labour Office at least 15 working days before applying for the Blue Card. The employer must notify the Central Labour Office of the commencement and termination of the employment of a non-EU national within seven days. The Blue Card is issued for a maximum period of four years. If the duration of the employment relationship is shorter than four years, the Foreigner Police issues a Blue Card for the duration of the employment relationship extended by 90 days.

Self-employment. To engage in activities that have the characteristics of a trade, an individual must apply for a trade license. This is an authorization to conduct activities that fall into the scope of a trade or business and is valid for the entire territory of the Slovak Republic. A sole trader is personally liable without limit for all debts incurred by his or her business. This applies to all of his or her assets (including private property). The acquisition of a trade license does not always enable an individual to legally start running a business in the Slovak Republic. Depending on the individual's citizenship and type of residence in the Slovak Republic, in certain cases, an individual may not start conducting a business until he or she obtains temporary residence for the purpose of business and/or registers with the Commercial Register.

Intra-company transfer. The recent amendment (to the Act on Residence of Foreigners, effective from 1 May 2017) involved national transposition of Directive 2014/66/EU on the conditions of entry and residence of third-country nationals in the framework of an intra-corporate transfer (also known as the ICT Directive). The purpose of this amendment is to facilitate mobility and accelerate the procedure for granting temporary residence permits for selected categories of employees who are nationals of third countries. These are the cases with an employer established outside of the EU that transfers an employee for more than 90 days, up to three years for managers and specialists and up to

one year for trainees, to a branch within an EU member state (including those covered by the EEA Agreement and the Swiss Confederation). However, once the EU member state implements the terms of the ICT Directive, the third-country nationals with an ICT permit issued in any EU member state (the location of first temporary residence) can enter, stay and work in one or more additional member states that have also implemented the ICT into local law, with little or no interruption to their secondment and vice versa. The main benefit of these new rules is to reduce the administrative burden associated with intra-corporate transfers of workers from non-EU third countries to EU member states. As of 1 May 2018, the secondment of third-country nationals directly by their employer established outside the EU to the Slovak Republic is possible only through the ICT procedure.

H. Temporary and permanent residence permits

Temporary residence. Various types of temporary residence are available for foreigners, depending on the type of their activity in the Slovak Republic (e.g., long-term study, research and development activities, employment). Family members joining a non-EU national for a period longer than 90 days must request temporary residence for the purpose of reunion of the family. This request must be submitted at an embassy of the Slovak Republic or at the Foreigner Police in the Slovak Republic. On the granting of a temporary residence permit, the foreigner must arrange for health insurance to cover any medical costs and expenses.

Permanent residence. A permanent residence permit grants a foreign national right to reside in the Slovak Republic and to travel abroad and back to the Slovak Republic. Foreign nationals with a permanent residence permit enjoy the same rights and duties as all Slovak citizens in most areas of life (for example, employment, health care and social affairs). The following are the three types of permanent residence:

- Permanent residence for five years
- Permanent residence for an unlimited time period
- Long-term residence for an unlimited time period

One of these types of permanent residence may also be obtained for the purpose of family reunion.

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A. Income tax

Who is liable. Residents are subject to income tax on their worldwide income. Nonresidents are subject to income tax on income from sources in Slovenia. Employment income and income from the performance of services and business income are considered to be derived from sources in Slovenia if the employment, services and business are carried out in Slovenia. In addition, income is deemed to be derived from a source in Slovenia if it is paid or borne by a Slovenian tax resident.

An individual is considered to be resident for tax purposes in Slovenia if, during the fiscal year, he or she fulfills any of the following conditions:

- He or she has an officially registered permanent residence in Slovenia.
- His or her habitual abode or center of personal and economic interests is located in Slovenia.
- He or she is present in Slovenia for a total of more than 183 days.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Employment income includes all income that a person receives from the employer or other person with respect to either past or present employment. Employment income includes salary, holiday bonus, fringe benefits and directors' fees. Benefits provided to family members of employees are considered to be employees' benefits.

Business income. Business income includes income derived from performance of business activities and income from individual business transactions. Taxable business income is the difference between gross business income and the expenses necessary to generate business income.

Income from agricultural activities and forestry. Income from primary agricultural and primary forestry activity is attributed to a person who has the right to use the land that is recorded in the

land register as agricultural land or a forest (cadastral income). The tax base for cadastral income is the deemed income from the land determined under the relevant regulations.

Income from property leases. Income from property leases includes income from leases of immovable and movable property. In the determination of the tax base, standard costs of 10% are deducted from the income received. Instead of deducting standard costs, individuals may opt to deduct the actual costs for the maintenance of property to preserve its usable value. Income from property leases is taxed at a flat rate of 25% and is treated as final tax.

Income from transfers of property rights. Income from transfers of property rights includes income derived from the conveyance of the right to use the following:
- Material copyrights
- Material rights of the operator
- Inventions
- Appearance of a product
- Distinguishing signs
- Technical improvements
- Plans
- Formulas
- Methods
- Personal names
- Pseudonyms
- Images

To determine the tax base, income is reduced by 10% of standard costs unless the holder of the right is not its author, operator, or inventor. Standard costs are not recognized in the conveyance of the right to use a personal name, pseudonym or image. An advance payment of income tax equaling 25% of the tax base is payable.

Income from capital. Income from capital includes dividends, interest and capital gains.

Income from dividends includes dividends and other income derived from ownership of shares. Tax on dividends is also payable on the following:
- Hidden profit distributions
- Gains that are distributed with respect to debt securities
- Income received on the basis of profit sharing of mutual funds

Income similar to dividends, which is taxed in the same manner as dividends, includes income derived from sales of products and services at lower than market prices to shareholders and their family members and debt cancellations. A flat tax of 25% is imposed on dividends and is treated as final tax.

Interest income includes the following:
- Interest on loans, debt securities, bank deposits, deposits with savings banks and other similar financial claims
- Income from life insurance policies
- Income from financial leases
- Interest income received by unit holders from mutual funds that make payments on the basis of income sharing

Interest on deposits at banks and saving banks established in Slovenia or other European Union (EU) member states of up to EUR1,000 is not included in the tax base. Interest income is taxed at a flat rate of 25%.

An individual who is resident in a EU member state other than Slovenia is not subject to personal income tax on savings with a source in Slovenia to which the automated information exchange system between the EU member states applies.

Capital gains. Capital gains include the following:
- Gains from the disposal of immovable property regardless of whether the condition of the property is changed or unchanged at the time of disposal
- Gains from the disposal of securities and shares issued by companies and other entities
- Gains from investment coupons

The tax base for capital gains is the difference between the value of the capital at the time of disposal and the value of the capital at the time of acquisition. Standard costs are recognized for acquisition and disposal costs and reduce the tax base.

Capital gains are taxed at a flat rate of 25% with a reduction of the tax rate for every completed five-year period of ownership of the capital. As a result, the following are the tax rates:
- 15% after 5 years
- 10% after 10 years
- 5% after 15 years
- 0% after 20 years

Other income. Other income includes awards, gifts, prizes from prize drawings, student grants and similar items. An advance payment of income tax equaling 25% of the tax base is payable. The 25% advance payment is withheld at source unless the payer of the income is a nonresident or an individual. In such cases, the recipient of the income must file a prepayment tax return.

Deductions. For 2018, residents may claim as deductions the following annual tax reliefs:
- General relief of EUR3,302.70 if no other residents claim dependent family member relief with respect to the taxpayer. If the annual tax base is lower than EUR13,316.83, the tax relief is increased and calculated using the following formula: Total allowance = 23,224.85 – (1.49601 x total income). If the annual tax base is lower than EUR11,166.37, the tax relief is increased to EUR6,519.82.
- Dependent family member relief of EUR2,436.92.
- Relief of EUR2,436.92 for the first, EUR2,649.24 for the second, EUR4,418.54 for the third, EUR6,187.85 for the fourth and EUR7,957.14 for the fifth dependent child.
- Relief of EUR8,830 for dependent children in need of special care.
- If certain conditions are met, relief of EUR17,658.84 for disabled persons with a severe physical disability.
- Relief of EUR3,302.70 for a student if no other residents claim dependent family member relief with respect to the taxpayer and if other conditions are met.

- Special tax relief for assignees in the maximum annual amount of EUR12,000 if the following conditions are met:
  - The assignment is longer than 30 days.
  - The prior working location was more than 200 kilometers from the assignment location.
  - The monthly salary received during the assignment is at least 1.5 times higher than the average annual salary in the previous year divided by 12 months.
  - The individual was not a tax resident of the host country five years prior to the assignment.
- For self-employed cultural workers or journalists earning annual income up to EUR25,000, a deduction equal to 15% of their annual income.

Nonresidents of Slovenia who are tax residents of other EU or European Economic Area (EEA) member states may apply the general relief and relief for dependent family members in their annual income tax return if they can demonstrate that at least 90% of their entire taxable income in a tax year is derived in Slovenia and if they can prove that the income was exempt from tax or not taxed in their country of residence.

Rates. Employees are subject to monthly employer withholding tax on salaries at rates ranging from 16% to 50%. Temporary workers are subject to a 25% withholding tax on income earned from the performance of work and services, reduced by 10% of standardized material costs. Payments on the basis of work contracts are subject to an additional tax at a rate of 25%, paid by the employer.

Individuals aggregate their active income (that is, employment income, business income, income from agricultural activities and forestry, rental income and income from transfer of property rights), apply the progressive tax rates below, subtract tax withheld and paid during the year and then pay any balance due or request a refund of any overpayment.

Individuals are subject to tax at the following rates for income earned in 2018.

Taxable income		
Exceeding EUR	Not exceeding EUR	Rate %
0	8,021.34	16
8,021.34	20,400.00	27
20,400.00	48,000.00	34
48,000.00	70,907.20	39
70,907.20	—	50

Married persons are taxed separately, not jointly, on all types of income.

Relief for losses. Losses incurred by a private business may be carried forward for an unlimited number of years.

B. Other taxes

Inheritance and gift taxes. Resident individuals who inherit, or who receive as a gift, immovable or movable properties in Slovenia

are subject to tax. Movable property received is not subject to the tax if it does not exceed the value of EUR5,000.

The taxable value for inheritance or gift tax is the current market value of the property, less transaction costs and any liabilities attached to the property. The inheritance and gift tax rates depend on the taxable value of the property and on the beneficiary's relationship to the deceased or donor. Beneficiaries are divided into the following categories.

Class	Beneficiaries
I	Spouses, children and their spouses, and stepchildren
II	Parents and siblings and their descendants
III	Grandparents
IV	All others

Class I beneficiaries are not subject to inheritance or gift tax. In addition, beneficiaries in any other class who inherit or receive a residence, and who have no other residence and were living in the household of the deceased or donor at the time of the death or gift, are not subject to inheritance or gift tax.

The rates for Class II beneficiaries range from 5% to 14%, for Class III beneficiaries from 8% to 17%, and for Class IV beneficiaries from 12% to 39%.

Property tax. Municipalities determine compensation for the use of building land based on points allocated to each building land. Each municipality has its own scoring system and point value. As a result, the compensation varies based on the location of the building land.

Municipalities tax real estate property of higher value at the following rates:
- Tax base from EUR500,000 to EUR2 million: 0.25% to 0.5%
- Tax base over EUR2 million: 0.5% to 1%

The property tax is assessed on the value of immovable property. For residential property, 160 square meters are exempt from property tax. Property tax is paid in installments for the year in advance.

Taxes on vessels. Taxes are imposed on vessels that are longer than five meters and satisfy one of the following additional conditions:
- It is entered in the boat/ship register for shipping on the sea and continental waters
- The owner of the vessel is a resident of Slovenia and the vessel fulfills the conditions to be registered as mentioned in the first item above, but it is not registered
- The owner is a resident of Slovenia and the vessel fulfills the conditions to be registered, but is not registered because the ship is already registered abroad

The vehicle taxes do not apply to vehicles performing only registered activities.

The following tables show the rates of the vehicle tax and the additional tax on vehicles.

Length class of the vessels Exceeding Meters	Not exceeding Meters	General tax EUR	Tax per meter of vessel EUR	Tax per kilowatt of power of vessel EUR
5	8	10	2.5	0.5
8	12	15	3.0	1
12	—	20	3.5	2
5	8	2.00	0.50	0.10
8	12	10.00	2.00	1.00
12	—	20.00	3.50	2.00

C. Social security

Slovenia imposes social security taxes to cover health insurance, pension and disability insurance, and unemployment insurance. Each month, employers and employees contribute amounts equal to the percentages of salary shown in the table below. No ceiling applies to the amount of salary subject to the contributions.

Type of contribution	Employer %	Employee %	Total %
Pension and disability insurance	8.85	15.50	24.35
Health insurance	6.56	6.36	12.92
Unemployment insurance	0.06	0.14	0.20
Maternity allowance	0.10	0.10	0.20
Worker's compensation insurance	0.53	0.00	0.53
Total	16.10	22.10	38.20

Self-employed persons must pay all of the above contributions, unless they are also employees. The tax base for the contributions is 70% of the profit generated by the business.

Contributions for health insurance and pension and disability insurance are also levied on contract workers. For contract workers, the rates of health insurance contributions are 6.36% of earned income for employees and 0.53% of earned income for employers. The contributions for pension and disability are 15.5% of earned income for employees who are not covered by pension and health insurance and 8.85% of earned income for employers. Employees who are already covered by pension and health insurance does not need to make contributions for pension and disability.

Contributions paid during the year are considered final payments. As a result, no adjustment or final settlement is made at the end of the year.

D. Tax filing and payment procedures

The tax year in Slovenia is the calendar year.

The tax authorities prepare an informative calculation of each individual's personal income tax liability based on the information received from payers of income. Beginning from the date of dispatch of the calculation, the individual has 30 days to object and submit a tax return. If the individual does not object within 30 days, the calculation is deemed to be a tax assessment and the individual is considered to have waived his or her right to appeal.

If a tax resident individual does not receive the calculation by 31 May of the year following the tax year, he or she must complete and submit the tax return by 31 July of the year following the tax year.

Advance payments are due on the receipt of income (see Section A).

The tax is usually payable within 30 days after receipt of the tax assessment. The tax authorities have until 31 October of the year following the tax year to issue the annual tax assessment.

A rental income tax return must be filed by 28 February of the year following the tax year.

Interest received from abroad must be declared to the tax authorities by 28 February of the year following the calendar year.

Capital gains must be reported by 28 February of the year following the calendar year.

A dividend tax return must be filed by 28 February of the year following the calendar year.

E. Tax treaties

Slovenia has entered into double tax treaties with the following jurisdictions.

Albania
Armenia
Austria
Azerbaijan
Belarus
Belgium
Bosnia and Herzegovina
Bulgaria
Canada
China
Croatia
Cyprus
Czech Republic
Denmark
Egypt*
Estonia
Finland
France
Georgia
Germany
Greece
Hungary
Iceland
India
Iran
Ireland
Isle of Man
Israel
Italy
Japan
Kazakhstan
Korea (South)
Kosovo
Kuwait
Latvia
Lithuania
Luxembourg
Malta
Moldova
Morocco*
Netherlands
North Macedonia
Norway
Poland
Portugal
Qatar
Romania
Russian Federation
Serbia and Montenegro
Singapore
Slovak Republic
Spain
Sweden
Switzerland
Thailand
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan

* This treaty has been ratified in Slovenia, but it is not yet effective.

F. Entry visas

EU nationals and nationals of the following jurisdictions may enter Slovenia for up to 90 days (unless otherwise specified) without obtaining entry visas.

Albania (c)
Andorra
Antigua and Barbuda
Costa Rica
El Salvador
Guatemala
Honduras
Nicaragua
North Macedonia
Norway
Panama

Argentina
Aruba
Australia
Bahamas
Barbados
Bosnia and Herzegovina (c)
Brazil
Brunei Darussalam
Bulgaria
Canada
Chile
Iceland
Ireland
Israel
Japan
Korea (South)
Malaysia
Mauritius
Mexico (a)
Monaco
Montenegro
Netherlands Antilles (d)
New Zealand
Paraguay
Romania
Russian Federation (b)
St. Kitts and Nevis
San Marino
Serbia
Seychelles
Singapore
United States
Uruguay
Venezuela

(a) Ordinary passport holders may enter for up to three months for tourism, and up to one month for business purposes.
(b) Russian nationals may enter Slovenia without a visa only if they hold a permanent visa for Austria, Belgium, Denmark, France, Finland, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Germany, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland or the United Kingdom and if such visa has been valid for at least three months as of the date of crossing the Slovenian border.
(c) The rule applies only to holders of biometrical passports.
(d) The rule applies to the successors of the former Netherlands Antilles.

Holders of diplomatic and business passports from the following jurisdictions may also enter Slovenia without visas for specified durations (up to 3 months or 90 days).

Albania
Azerbaijan
Bolivia
Bosnia and Herzegovina
China
Cuba
Ecuador
Egypt
Indonesia
Jamaica
Kazakhstan
Maldives
Peru
Philippines
Russian Federation
South Africa
Thailand
Tunisia
Turkey
Ukraine
United States
Vietnam

G. Work registration, single residence and work permit, and self-employment

Foreigners need a single permit for residing and working in Slovenia if any of the following applies:

- They wish to reside and be employed or perform work, including as self-employed persons.
- They are either posted or transferred to work in Slovenia or perform seasonal work in Slovenia for longer than 90 days.

A single application is filed for obtaining such permit, which means that it is not necessary to first obtain a work permit. However, work permits must be obtained for Bosnia and Herzegovina citizens and for seasonal farm workers who are working up to 90 days.

The initial single permit, which needs to be obtained before entering Slovenia, is issued for the duration of the employment or work contract, but not for longer than one year and can be extended for a maximum of two years if the foreigner and their employer apply for an extension of the single permit by the appropriate time. It can be extended under the same conditions that apply to its issuance.

The single residence and work permit is issued by the administrative office with the consent of the Employment Service of Slovenia. After submitting the application for the single permit, the administrative office automatically begins the process of obtaining consent from the Employment Service of Slovenia. The permit is issued in residence permit card form, on which it is specifically noted that it is the single permit.

A foreigner, his or her employer, or its authorized person may file for an application for the single permit. If the first single permit application is filed by the foreigner, it must be filed at the diplomatic representation or consulate of Slovenia abroad, while an employer or its authorized person may file an application with the administrative office where a foreigner will reside or with the administrative office of where the employer's registered office is located or where the business activity will take place. The single permit application needs to be accompanied by supporting documents proving that the requirements for both residence and employment are met (that is, a foreigner must have a passport with a validity that exceeds the intended residence in Slovenia by at least three months, sufficient funds and adequate health insurance, as well as supporting documents required for a particular type of employment or work (for example, an employment contract or a certificate).

Under the procedure for issuing the single permit, the administrative office obtains data on compulsory health insurance if the foreigner's compulsory health insurance is in Slovenia and data on criminal and minor offenses' records kept in Slovenia. If the criminal and minor offences' records are not available in Slovenia, they should be provided by the foreigner.

A foreign national who establishes a company in Slovenia and intends to run the business as a founder must obtain a personal single permit for self-employment before registering the company.

Employers from EU member states must register job positions at the employment office for persons who are seconded to a subsidiary or branch office in Slovenia. No single permits are required for such persons, but such work needs to be registered at the Employment Service of Slovenia. If a foreigner is not from an EU member state, he or she must obtain a single permit.

The EU Blue Card is introduced for highly qualified employee migrants and entitles its holder to reside and work in the territory of an EU member state.

Workers that are seconded to work in Slovenia must be employed by the seconding company for at least one year before the secondment. This applies to all types of secondments, such as cross-border services, movement within a group of companies and seasonal work.

Citizens of the EU do not need single permits to work in Slovenia. However, the foreign entity must register them at the National Employment Office, specifying where and over what time period the individual will be working.

Because the application process for work permits is time-consuming, applications should be submitted to the appropriate

authorities at least two months before the intended start date of employment. Each employment of a foreign national must be registered at the employment office. For EU citizens whose work need only be registered and no single permit is required, the procedure is shorter and simplified, yet it should be completed prior to the start of work.

H. Residence permits

Temporary residence permits. Temporary residence permits are issued with work permits (that is, single residence and work permits) or independently by the Regional Department of Internal Affairs for a period of the intended stay in Slovenia, up to five years (or less if the passport expires before then) in the case of an EU citizen. To apply for a temporary residence permit, the applicant must prove the following:

- The length of his or her intended stay in Slovenia
- Adequate means of support
- Arrangement for health insurance

A foreign person must indicate one of the prescribed reasons for his or her residence in Slovenia, such as employment, work, family reunion or study.

The application for a first residence permit must be filed with the Slovenian embassy in the country of permanent residence. An application for a residence permit for seasonal work can be filed by a foreigner with the Slovenian embassy in a foreign country or by his or her employer in Slovenia or with the embassy abroad. The same application process applies with respect to cross-border services.

The residence permit must be obtained before arrival in Slovenia. After obtaining the residence permit, a foreigner must register his or her address in Slovenia.

Temporary residence permits may be renewed. Applications for renewals must be filed with the authorities before the expiration of the existing permit.

Permanent residence permits. Permanent residence permits are issued to foreign nationals who have lived in Slovenia for five consecutive years under temporary residence permits if other conditions are met.

Permanent residence permits can be issued before five years have elapsed if certain conditions are met (a foreign person of Slovenian origin and family members of a foreign person who has already obtained a permanent residence permit).

A foreign national must file an application for a permanent residence permit with the Regional Department of Internal Affairs in the area where he or she has a permanent place of residence.

EU nationals. An EU citizen may enter Slovenia with a valid identity card or passport and reside in Slovenia for three months without having to register his or her residence. In the event of a prolonged stay in Slovenia (in excess of three months), he or she is required to apply for registration of residence before the expiration of the first three months of his or her residence in Slovenia.

Alternatively, he or she may apply for a registration of residence immediately after his or her entry into Slovenia.

A certificate of residence registration may be issued to an EU citizen who intends to or already resides in Slovenia for the purpose of employment or work, self-employment, provisions of services, studying or family reunion, as well as to an EU citizen who wishes to reside in Slovenia for another reason.

An EU citizen, who continuously resides in Slovenia for five years on the basis of a certificate of residence registration, may be granted a permit for permanent residence. This permit is valid for an indefinite time period.

A beneficial regime concerning the entry into and residence in Slovenia applies to family members of EU citizens.

I. Family and personal considerations

Family members. Working spouses of expatriates do not automatically receive the same types of permits as the expatriates. Applications must be filed independently.

Spouses and children of EU nationals who legally reside and work in Slovenia do not need work permits to be legally employed, but must have the approval of the National Employment Office.

Marital property regime. Under the Law on Marriage and Family Relations, a couple's property is presumed to be owned in equal shares. However, the spouses may prove that they did not contribute to the joint property in equal proportions. The law applies to married couples and long-term heterosexual partnerships (common-law spouses). For spouses who are both foreign nationals, Slovenian law does not apply.

Forced heirship. Under Slovenian inheritance law, a specified percentage of a deceased's estate passes to a surviving spouse and children, regardless of the provisions of any will.

Driver's permits. Foreign individuals who possess valid driver's licenses in their home countries may drive vehicles in Slovenia for a period up to 12 months after taking up residence in Slovenia. However, citizens of EU countries may use their home-country driver's licenses during the entire length of their stays in Slovenia without applying for Slovenian licenses. Foreign individuals may apply for a Slovenian driving license within two years after the date of entry into Slovenia. However, even if an individual applies for a Slovenian driver's license within two years, he or she may not drive in Slovenia with his or her home country driver's license after the 12-month grace period.

A Slovenian driver's license may be issued if the applicant submits the application, results of a medical examination, valid foreign driver's license and a fee. The foreign driver's license is sent to the applicant's home country and may be returned to the foreign individual when he or she returns to his or her home country.

South Africa

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This chapter reflects the revised tax rates and thresholds announced in the 2019/2020 budget speech for the period of 1 March 2019 through 29 February 2020.

A. Income tax

Who is liable. Individuals resident in South Africa are subject to tax on their worldwide income. Nonresidents are subject to tax on income from a South African source.

The source of remuneration is linked to services rendered and where those services are rendered. In practice, short-term visits of fewer than three weeks do not generally result in South African tax liability if the individual's presence in South Africa is incidental to continuing employment elsewhere and if the income earned falls below the annual tax threshold. Under domestic law, income tax becomes payable if an individual earns more than ZAR79,000 per year (2020 tax year).

An individual is regarded as a resident for tax purposes under either the ordinarily resident rule or the physical presence rule. Under the ordinarily resident rule, an individual is regarded as resident in South Africa if South Africa is the place, considering all personal and financial circumstances, to which the individual would naturally return from his or her travels, and that is the individual's real home.

The physical presence rule applies if the individual is not ordinarily resident at any time during a particular year, but is physically present for more than 91 days in the relevant year and is physically present for an aggregate of more than 915 days in the preceding 5 tax years (that is, effectively an average of 183 days per year) and for a *de minimis* period of more than 91 days in each of those preceding years). For purposes of determining the 91-day and 915-day periods, a partial day counts as a full day.

If an individual is physically outside South Africa for a continuous period of at least 330 full days after the day of last physical

presence, under the physical presence rule that person is not resident for the entire period of continuous absence.

A person cannot be treated as a South African resident for tax purposes if he or she is considered to be a resident of another country under the "tiebreaker" rules of a double tax treaty applicable to the relevant income item.

Income subject to tax. The taxation of various types of income is described below.

Employment income. The basis of employee taxation is remuneration, which consists of salary, leave pay, allowances, wages, overtime pay, bonuses, gratuities, pensions, superannuation allowances, retirement allowances and stipends, whether in cash or otherwise. These payments, together with the cash value of any fringe benefits received, form part of the gross income of an employee. Fringe benefits are taxed in accordance with a schedule of valuations.

Remuneration from employment on extended absences outside South Africa is exempt from tax if the employee is outside South Africa for an aggregate of more than 183 full days in any 12-month period and for at least one continuous period exceeding 60 full days during the same 12-month period.

Effective from 1 March 2020, only the first ZAR1 million of remuneration with respect to foreign services rendered will be exempt from tax under the foreign employment income exemption. A foreign tax credit can be claimed for foreign taxes paid on foreign employment income in excess of ZAR1 million.

Effective 1 March 2017, residents do not qualify for an exemption where a lump sum, pension or annuity is received or accrues from a South African retirement fund, regardless of whether services are rendered outside South Africa. In order for such income to qualify for the exemption, the resident must have rendered services outside South Africa and the lump sum, pension or annuity must be received or accrued from a foreign retirement fund.

Self-employment and business income. Professional fees paid to nonresidents are subject to employees' tax withholding (if from a South African source), even if the nonresident is an independent contractor.

Investment income. Foreign dividends on holdings of less than 10% that are paid to residents are taxable, subject to the provisions of an applicable double tax treaty. Credit for foreign tax paid may be available. Foreign dividends paid on greater holdings are exempt. A portion of the foreign dividend is exempt. The exempt portion of the dividend is determined by multiplying the dividend by a factor that results in a maximum tax rate of 20%, thereby providing a result similar to that produced by the local dividends tax.

Domestic dividends are subject to a final withholding tax of 20%. Royalties paid to nonresidents are subject to a final 15% withholding tax.

For residents, South African-source interest only up to a cumulative ZAR23,800 (ZAR34,500 for individuals older than 65 years of age) is exempt from normal income tax (general interest

exemption). Interest derived from investments in qualifying Tax-Free Savings Accounts is exempt from normal income tax. Capital gains realized with respect to Tax-Free Savings Accounts are not subject to capital gains tax (CGT). Foreign-source interest is subject to income tax.

Nonresidents qualify for a specific exemption from normal income tax on their South African-source interest if they are physically absent from South Africa for a period exceeding 183 days and if they do not carry on business in South Africa (employment is not a business for these purposes) at any time during the 12-month period preceding the date on which on which the interest is received by or accrued to that person.

A final withholding tax of 15% is imposed on South Africa-source interest paid to nonresidents, subject to a reduction in the rate in accordance with double tax treaties. Anti-avoidance legislation restricts spouses from splitting their investment income to reduce their tax burden.

Taxation of employer-provided stock options and other incentive plans. The difference between the market value of shares and similar rights as of the date of vesting for tax purposes and the consideration given by the employee is taxed in South Africa if, in the case of nonresidents, the incentive is related to services rendered in South Africa. Vesting for tax purposes differs from vesting for plan purposes. Vesting for tax purposes occurs when all restrictions on the equity instrument have been lifted or cease to have effect.

Residents are taxable on the entire gain, regardless of source, unless they are exempt under the foreign employment income exemption. Any subsequent gain on actual disposal is generally subject to CGT. However, if the resident is classified as a share dealer, the gain is subject to income tax instead of CGT.

Nonresidents are subject to income tax on that part of the gain that relates to the period of South African service. Nonresidents are generally not subject to CGT on any subsequent gain on actual disposal. However, if a nonresident employee is classified as a share dealer, the gain is subject to income tax.

Deductions

Deductible expenses. Expenses not of a capital nature that are incurred in the production of income are generally deductible. However, restrictions apply in the case of employment income. Donations to public benefit organizations are deductible by individuals up to 10% of taxable income, before medical expenses and donations. Donations in excess of 10% may be carried forward to the following year to be deducted as part of the 10% limit for such year.

Effective from 1 March 2016, employer contributions to pension, provident and retirement annuity funds are included in the individual's taxable income as a taxable fringe benefit and deemed to be a contribution made by the individual.

For defined contribution funds, the value of the fringe benefit equals the actual employer contribution. For funds other than defined contribution funds, the value of the fringe benefit is calculated in accordance with a formula.

Individuals are allowed to claim a deduction for contributions to pension, provident and retirement annuity funds. The deduction is limited to the lesser of ZAR350,000 or 27.5% of the higher of "remuneration" (as defined in the legislation) or "taxable income" (as defined in the legislation).

The tax treatment of employer contributions and individual deductions apply only to approved retirement funds in South Africa. Currently, employer contributions to foreign funds are not treated as a taxable benefit in the hands of the employee, and the employee may not claim a deduction with respect to any such contributions, unless it is specifically provided in a double tax treaty and approval is obtained from the authorities.

Mortgage interest paid is not deductible for tax purposes unless the individual leases the mortgaged property for trade purposes.

Individuals may claim medical scheme tax credits (that is, for set off against tax calculated on taxable income) for contributions (personal and those of their employers) toward private or state medical benefit funds (medical aid), subject to the following maximum amounts for the 2020 tax year:

- ZAR310 each per month for the fund member and his or her spouse
- A further ZAR209 per month for each additional dependent

Additional relief for the excess medical contributions and qualifying medical expenses incurred is available, subject to stringent limitations based on the taxpayer's age and disabilities.

With the exception of taxpayers who retired from employment as a result of old age, ill health or infirmity, employer contributions toward medical aid are considered to be taxable fringe benefits, but the medical tax rebate referred to above applies.

Personal tax rebates and thresholds. For the 2019-20 tax year, a primary rebate of ZAR14,220 is deducted from tax payable on taxable income. An additional rebate for individuals who are at least 65 years old and under 75 years old is ZAR7,794. A further tertiary rebate of ZAR2,601 is for individuals who are age 75 or older.

Individuals younger than 65 years old who have taxable income of less than ZAR79,000 are not subject to tax. For individuals who are at least 65 years old and under 75 years old, the threshold is ZAR122,300. For individuals who are age 75 or older, the threshold is ZAR136,750.

Rates. All individuals are taxed at the same rates. The rates for the 2019-20 tax year are presented in the following table.

Taxable income		Tax on lower amount	Rate on excess
Exceeding ZAR	Not exceeding ZAR	ZAR	%
0	195,850	0	18
195,850	305,850	35,253	26
305,850	423,300	63,853	31
423,300	555,600	100,263	36
555,600	708,310	147,891	39
708,310	1,500,000	207,448	41
1,500,000	—	532,041	45

Relief for losses. Business losses of a self-employed person may be carried forward indefinitely if the trade is continued. No loss carrybacks are permitted.

B. Other taxes

Capital gains tax. Capital gains are taxable in South Africa. Capital gains tax (CGT) is imposed through the income tax system by including a proportion of the calculated gain in taxable income. For residents, CGT applies to capital gains derived from the disposal of worldwide tangible and intangible assets. Nonresidents are subject to CGT on capital gains derived from the disposal of real estate held directly by the nonresident or indirectly through a company or trust (if 80% of the value is attributable to real estate), or the assets of a permanent establishment in South Africa. A deemed capital gain arises on the loss of tax resident status.

For individuals, a ZAR40,000 annual exemption of capital gains or reduction in capital losses is allowed. Only 40% of capital gains (after the exemption) is taken into account for CGT purposes. Consequently, the effective CGT rate for an individual taxed at the highest marginal income tax rate of 45% is 18% (40% x 45%).

CGT applies only to increases in value occurring on or after 1 October 2001 and a formula calculation or a formal valuation is used to determine the base value at that date. Inflation indexing of base cost is not allowed. Rollover relief is available in certain circumstances, including the destruction or scrapping of assets. A gain derived from the sale of an individual's primary residence is not subject to CGT unless the amount of the gain exceeds ZAR2 million.

Capital losses, other than those incurred on the disposal of personal-use assets (assets used primarily for purposes other than the carrying on of a trade), may offset capital gains. However, net capital losses may not be offset against regular taxable income. Excess losses may be carried forward indefinitely to offset future gains (subject to the ZAR40,000 annual reduction, which is discussed above).

Estate duty and donations tax. Estate duty and donations tax are levied at a flat rate of 20% on net assets at death and all capital transfers concluded for no consideration or for inadequate consideration.

Effective from 1 March 2018, a rate of 25% applies to donations exceeding ZAR30 million and on estates for which the dutiable amount is more than ZAR30 million.

Exemptions from donations tax are granted for donations of up to ZAR100,000 made each year during a person's lifetime. A deceased's estate is subject to duty only to the extent that the net value exceeds ZAR3,500,000 (ZAR7 million for a married couple).

Residents are subject to estate duty and donations tax on worldwide assets, except offshore assets acquired by inheritance or donation from a nonresident or owned prior to becoming resident.

Nonresidents are subject to estate duty on assets located in South Africa only and are exempt from donations tax.

To prevent double taxation, South Africa has entered into estate tax treaties with the following jurisdictions.

Botswana	Lesotho	United States
Eswatini	United Kingdom	Zimbabwe

Transfer duty. Transfer duty is levied on the acquisition of fixed property with a value exceeding ZAR900,000. The rate of the duty on property with a value exceeding ZAR900,000 depends on the purchase price of the property; the maximum rate is 13% which applies to property with a value exceeding ZAR10 million. If the purchase price is less than the property's fair value, the tax authorities may calculate the amount of transfer duty payable based on the fair value.

C. Social security

South Africa does not have a social security system per se. However, South Africa does have contributions that are similar to social security contributions, such as Unemployment Insurance Fund contributions and Compensation Commission contributions.

Limited unemployment insurance and accident or illness benefits are provided.

The Unemployment Insurance Fund provides benefits to unemployed people and to dependents of deceased contributors. Employers and employees each contribute to the fund at a rate of 1% of the employee's remuneration up to a remuneration limit of ZAR14,872 per month. Both local and foreign national employees are required to contribute to this fund.

Employers are required to make contributions to the Compensation Fund, which was created under the Compensation for Injuries and Diseases Act to insure employees against industrial accidents or illnesses that result in death or disability. The Compensation Commissioner determines the amount of the contributions after the employer reports the annual total remuneration of employees.

Contributions to the Compensation Fund are payable on annual remuneration of up to ZAR458,520 for the period of 1 March 2019 through 29 February 2020.

D. Tax filing and payment procedures

The year of assessment in South Africa is from 1 March to 28 (or 29) February. Nonresidents are subject to the same requirements for filing tax returns as residents. If an individual (resident or nonresident) earns less than ZAR500,000 during a tax year, he or she is not required to file a tax return (subject to certain conditions).

Employees. Under the Pay-As-You-Earn (PAYE) system, resident employers or agents for nonresident employers must deduct tax monthly from the remuneration of their employees and must pay these amounts to the South African Revenue Service (SARS). If a nonresident employer does not have a place of business in South Africa or an agent who is authorized to pay remuneration, no PAYE liability is likely to arise. However, the foreign

employer effectively has an obligation to pay the statutory contributions described above. Annual tax returns must be submitted to the Commissioner for SARS within the period specified in the annual "Notice to Furnish Returns" (this deadline is confirmed annually by the SARS).

Provisional taxpayers. Persons deriving income, excluding exempt income, of ZAR30,000 or more a year from sources other than remuneration or having taxable income in excess of the tax threshold are considered provisional taxpayers and are required to make provisional tax payments each year on 31 August (first payment) and in the following year on 28 February (second payment) and 30 September (third payment). The second provisional tax estimate must be at least 80% of the taxpayer's actual income (90% if less than ZAR1 million) for the year to avoid penalties. The third payment must bring the total amount paid to 100% of actual liability, to avoid an interest penalty.

E. Double tax relief and tax treaties

In the absence of treaty provisions, unilateral relief (in certain circumstances) is available on foreign-source income in the form of a credit for foreign taxes paid, limited to the lesser of the actual foreign tax liability and the South African tax payable on the foreign income.

South Africa has entered into double tax treaties with the following jurisdictions.

Algeria
Australia
Austria
Belarus
Belgium
Botswana
Brazil
Bulgaria
Cameroon
Canada
Chile
China Mainland
Congo (Democratic Republic of)
Croatia
Cyprus
Czech Republic
Denmark
Egypt
Ethiopia
Finland
France
Germany
Ghana
Greece
Grenada
Hong Kong SAR
Hungary
India
Indonesia
Iran
Ireland
Israel
Italy
Japan
Kenya
Korea (South)
Kuwait
Lesotho
Luxembourg
Malawi
Malaysia
Malta
Mauritius
Mexico
Mozambique
Namibia
Netherlands
New Zealand
Nigeria
Norway
Oman
Pakistan
Poland
Portugal
Qatar
Romania
Russian Federation
Rwanda
Saudi Arabia
Seychelles
Sierra Leone
Singapore
Slovak Republic
Spain
Sweden
Switzerland
Taiwan
Tanzania
Thailand
Tunisia
Turkey
Uganda
Ukraine
United Arab Emirates
United Kingdom
United States
Zambia
Zimbabwe

South Africa is also negotiating tax treaties with the following jurisdictions.

Cuba (a)	Senegal (a)	Syria (a)
Gabon (b)	Sri Lanka (a)	Vietnam (a)
Morocco (a)	Sudan (b)	

(a) This treaty is under negotiation, but it is not yet finalized.
(b) This treaty has been ratified or signed by South Africa, but it is not yet effective.

In addition, many treaties are being renegotiated by way of protocol to deal with South Africa's new dividend and interest withholding tax regimes.

F. Visitors' visas

Under Section 11(1) of the Immigration Act No. 13 of 2002, as amended (the Immigration Act), visitors' visas are for international travelers (citizens of other countries) who have permanent residence outside South Africa and who wish to visit the country on a temporary basis for tourism for a period of 90 days or less. The Department of Home Affairs does allow an international traveler who travels to South Africa on a Section 11(1) visitor's visa (tourist visa) to attend limited business meetings or attend a conference or seminar on this visa type.

A visa indicates that an individual's application has been reviewed at a South African embassy, mission or consulate and that the consular officer has determined the individual is eligible to enter the country for a specific purpose.

The visa allows an individual to travel to a South African port of entry where an immigration official then determines if the individual is allowed to enter South Africa and how long the individual can stay for that particular visit. Visitors are restricted to the activity or reason for which their visas were issued.

To obtain a visitor's visa for recreational purposes only, proof of sufficient financial means and a return air, boat or bus ticket must be submitted. Individuals who have traveled or who intend to travel through a yellow fever area must produce a yellow fever vaccination certificate. This requirement excludes direct transit through yellow fever areas. Proof of guardianship and custody is required with respect to minor dependent children together with consent from the other parent when traveling with only one parent. A visitor's visa may be renewed only once for a maximum period equal to the original visa. Thereafter, the visitor must depart from the country.

The holder of a passport of the following jurisdictions may be issued a visitor's visa at the port of entry if the intended stay is 90 days or less or if the individual is in transit and a return air or other travel ticket is shown.

African Union Laissez Passer	France	Portugal
Andorra	Germany (d)	Russian Federation
Angola (a)	Greece	San Marino
Argentina	Iceland	Singapore
Australia	Ireland	Spain
	Israel	St. Vincent and

Austria
Belgium
Botswana
Brazil
British Islands (b)
British Overseas Territories (c)
Canada
Chile
Czech Republic
Denmark
Ecuador
Finland
Italy
Jamaica
Japan
Jersey
Liechtenstein
Luxemburg
Malta
Monaco
Namibia (e)
Netherlands
Norway
Panama
Paraguay
the Grenadines
Sweden
Switzerland
Tanzania (f)
Trinidad and Tobago (g)
United Kingdom (g)
United States (h)
Uruguay
Venezuela
Zambia (f)
Zimbabwe

(a) Only ordinary passport holders for visits that do not exceed 30 days with a maximum of 90 days per year.
(b) The British Islands include the Bailiwick of Guernsey and Jersey, and the Isle of Man.
(c) The British Oversees Territories include Anguilla, Bermuda, British Antarctic Territory, British Indian Ocean Territory, British Virgin Islands, Cayman Islands, Falkland Islands, Gibraltar, Montserrat, Pitcairn, Henderson, Ducie and Oeno Islands, St. Helena and Dependencies (Ascension Island, Gough Island and Tristan da Cunha), South Georgia and South Sandwich Islands, the Sovereign Base Areas of Cyprus and the Turks and Caicos Islands.
(d) Except for diplomatic staff who are due to assume duty at the Embassy and Consulates of Germany in South Africa.
(e) Only ordinary passport holders with a maximum of 90 days per year.
(f) Maximum of 90 days per year.
(g) Only ordinary passport holders.
(h) Only diplomatic and ordinary passport holders. However, diplomatic passport holders who are due to assume duty at the Embassy and Consulates of the United States in South Africa require visas for accreditation purposes.

The holder of a passport of the following jurisdictions is not required to hold a visa for the purposes for which a visitor's visa may be issued if the intended stay is 30 days or less or if the individual is in transit.

Antigua and Barbuda
Bahamas (a)
Barbados
Belize
Benin
Bolivia
Cape Verde
Costa Rica
Cyprus (a)
Eswatini
Gabon
Guyana
Hong Kong SAR (b)
Hungary (a)
Jordan
Korea (South)
Lesotho
Macau SAR (c)
Malawi
Malaysia
Maldives
Mauritius
Mozambique (a)
Peru
Poland (a)
Seychelles
Thailand (a)
Turkey

(a) Only ordinary passport holders.
(b) Only with regard to holders of Hong Kong British National Overseas passports and Hong Kong Special Administrative Region (SAR) passports.
(c) Only with regard to holders of Macau SAR passports.

Nationals from jurisdictions not listed above must obtain a visa before traveling to South Africa by contacting the nearest South African Mission abroad.

On arrival, a visitor must present his or her passport. The passport must be valid for at least 30 days after the intended departure date. The visitor may need to satisfy the immigration authorities that the visitor has no criminal record, no communicable diseases and sufficient funds to support himself or herself for a reasonable

period after arrival. The visitor must also produce a valid return air ticket.

A visitor's visa under Section 11(2) of the Immigration Act, with endorsement to conduct short-term work-related activities (up to 90 days) may be issued to international travelers who are required in South Africa for short-term project work for up to a period of 90 days.

Certain activities need to be approved in advance by applying for the appropriate permission before departure for South Africa for all international travelers applying for a visitor's visa under Section 11(1) or Section 11(2) of the Immigration Act. This applies equally to citizens of visa and non-visa exempt countries. Holders of these visitors' visas may not change the status or condition of their visas while in South Africa and will be required to return to their country of usual residence or origin and apply for a different type of visa abroad. The activities referred to above for these two visa types in this category include the following:
- Visiting South Africa for short-term project work
- Attending short courses at educational institutions
- Performing voluntary or charitable activities
- Conducting research

G. Work visas

Types of work visas. Work visas fall into the following four categories:
- Critical skills work visas
- General work visas
- Intracompany transfer work visas
- Corporate work visas

Critical skills work visas. Subject to any prescribed requirements, a critical skills work visas may be issued to individuals possessing such skills or qualifications determined to be critical for South Africa as per a notice in the *Government Gazette*. A critical skills work visa is issued for a period not exceeding five years.

General work visas. General work visas are issued to individuals who do not fall in a critical skills category. The South African employer needs to prove through advertisements and interviews that a suitably skilled or experienced South African citizen or permanent resident could not be found to fill the position offered. The applicant's qualifications need to be certified by the South African Qualifications Authority. It is also required that the Department of Labour issue a certificate confirming the following:
- Despite a diligent search, the prospective employer has been unable to find a suitable citizen or permanent resident with qualifications or skills and experience equivalent to those of the applicant.
- The applicant has qualifications or proven skills and experience in line with the job offer.
- The salary and benefits of the applicant are not inferior to the average salary and benefits of citizens or permanent residents occupying similar positions in South Africa.
- The employment contract stipulating the conditions of employment that is signed by both the employer and the applicant is in

line with the labor standards in South Africa and is conditioned on the general work visa being approved.

Registration with the relevant professional body is required. A general work visa is issued for a period not exceeding five years.

Intracompany transfer work visas. Intracompany transfer work visas are issued if an employee is seconded from his or her place of employment abroad to an affiliated company or branch in South Africa for a period of up to four years only and if the foreigner's employment contract with the company abroad is valid for a period of not less than six months before transfer. These types of visas are nonrenewable and may be issued for a period of four years. The intent of this visa category is that the expatriate transfer his or her skills to South African employees and leave South Africa at the end of the four-year secondment. A plan must be developed for the transfer of skills to a South African citizen or permanent resident. The employer's skills transfer plan must accompany the application.

Corporate work visas. Corporate work visas may be issued to a corporate applicant to employ foreigners to conduct work for the applicant in South Africa. No corporate visa may be issued or renewed with respect to any business undertaking that is listed as "undesirable" by the Minister of Home Affairs. The corporate work visa application requires a certificate from the Department of Labour confirming the following:

- Despite a diligent search, the prospective employer has been unable to find a suitable citizen or permanent resident with qualifications or skills and experience equivalent to those of the applicant.
- The job description and proposed remuneration for each foreigner.
- The salary and benefits of any foreigner employed by the corporate applicant is not inferior to the average salary and benefits of citizens or permanent residents occupying similar positions in South Africa.

An applicant for a corporate visa must provide proof that at least 60% of the total staff employed in the operations of the business is citizens or permanent residents employed permanently in various positions. This proof is also required during the duration of the visa.

To qualify, the corporate applicant must conduct business in certain sectors, as published in the *Government Gazette*.

The immigration authorities determine, in consultation with prescribed departments, the maximum number of foreigners to be employed under a corporate visa.

The corporate applicant must undertake that it will take prescribed measures to ensure that foreign employees comply with the provisions of immigration legislation and the conditions of the corporate visa. In certain circumstances, the corporate applicant may be required to post financial guarantees to defray deportation or other costs in the event that the corporate visa is withdrawn.

A foreigner employed under the terms of a corporate visa must work only for the holder of that corporate visa.

Other requirements. Expatriates may not change employers or terms of employment without prior approval from the immigration authorities. If an expatriate does not comply with the conditions of his or her visa or if he or she contravenes the immigration legislation, the expatriate is classified as an undesirable person.

Employers must make a good faith effort to ascertain that no illegal foreigner is employed by them and to ascertain the status of the visa or citizenship of individuals employed by them.

Employers must keep prescribed records relating to employment up to two years after the termination of a foreigner's employment. The employer must report to the immigration authorities termination of a foreigner's employment and a breach by a foreigner of his or her status.

If an illegal foreigner is found on any premises where a business is conducted, the legislation presumes that the foreigner was employed by the person who has control over the premises, unless evidence to the contrary is provided. Stiff penalties in the form of fines and imprisonment can be imposed on both the employer and employee.

H. Self-employment

A business visa may be issued to a foreigner who intends to establish a business or invest in a business that is not yet established in South Africa.

Appropriate visas are issued to family members accompanying the business owner.

A business visa requires a minimum capital investment of ZAR5 million derived from abroad that is invested and retained in the book value of the business.

The business must comply with any relevant registration requirements of the SARS, Unemployment Insurance Fund, Compensation Fund for Occupational Injuries and Diseases, Companies and Intellectual Properties Commission and any relevant professional body, board or council recognized by South African Qualifications Authority.

The applicant must make an undertaking that at least 60% of the total staff to be employed in the operations of the business will be South African citizens or permanent residents employed permanently in various positions and submit proof of compliance with this undertaking within 12 months of issuance of the visa.

Confirmation of continued compliance with immigration legislation is required on a biannual basis.

A business visa may be issued for a period not exceeding three years at a time.

I. Other temporary residence visas

The following temporary residence visas may be issued:
• Study visa for individuals wishing to study in South Africa

- Dependent visa (visitor's visa) for a spouse and minor children of an assignee who holds a valid work visa to accompany the assignee
- Treaty visa for individuals participating in a program established under a treaty
- Medical visa for individuals wishing to obtain medical treatment in South Africa
- Crew visa for officers or members of the crew of a public conveyance in transit in South Africa
- Relatives' visa for individuals intending to visit relatives within the first step of kinship for up to 24 months (work not permitted)
- Retired persons' visa for individuals intending to spend part or all of their retirement in South Africa (work not permitted)
- Exchange visa for individuals who are taking part in an exchange program of a public higher educational institution and for persons under the age of 25 who have completed their studies and intend to spend one year in South Africa to gain work experience in their field of study
- Asylum transit visa for individuals seeking asylum
- Cross-border visa for individuals regularly crossing the border at a port of entry

J. Permanent residence

Permanent residence may be granted to the following individuals:

- Individuals possessing such skills or qualifications determined to be critical for South Africa as per a notice in the *Government Gazette*
- Individuals who have been married to, or living with, a South African citizen or resident for a minimum of five years
- Children under the age of 21 of a South African resident
- Children of a South African citizen
- Individuals who have held a South African work visa for five continuous years and have received an offer of permanent employment
- Individuals who intend to establish or have established a business
- Individuals who wish to spend their retirement in South Africa
- Individuals who have a net worth of at least ZAR12 million and pay a fee to the Department of Home Affairs of ZAR120,000 on approval of the application
- Individuals who derive an income of at least ZAR37,000 per month from a pension, irrevocable annuity or retirement account
- Individuals who are refugees referred to in Section 27(c) of the Refugees Act
- Individuals who hold a combination of assets realizing an income of ZAR37,000 per month
- Individuals who are relatives of a South African citizen or resident within the first step of kinship

A permanent residence permit may be withdrawn if the holder is convicted of specified offenses or fails to comply with the requirements of the permanent residence permit. Absence from South Africa of more than three uninterrupted years causes the permanent residence permit to be withdrawn.

K. Undesirable persons

An individual is declared undesirable when he or she overstays the validity of a current permit and leaves South Africa.

An individual who overstays for the first time for a period not exceeding 30 days is declared undesirable for a period of 12 months. An individual who overstays for the second time within a period of 24 months is declared undesirable for a period of two years. An individual who overstays for more than 30 days is declared undesirable for a period of 5 years.

L. Family and personal considerations

Marital property regime. Couples who solemnize their marriages in South Africa are subject to a community property regime that applies to all property. A prenuptial agreement may be concluded if a couple wishes to elect out of the community property regime.

The regime does not apply to couples who do not solemnize their marriages in South Africa or to couples with a non-South African husband, unless they establish a marital domicile in South Africa by seeking a Supreme Court confirmation subjecting the couple to South African marriage legislation.

Forced heirship. South Africa does not have forced heirship rules.

South Sudan

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A. Income tax

Who is liable. Individuals who are resident for tax purposes are subject to personal income tax (PIT) on their worldwide income while nonresident individuals are taxed on income that is sourced in South Sudan.

A resident individual is an individual who is domiciled in South Sudan or is physically present in South Sudan for 183 days or more in a tax year.

Income subject to tax. Individuals are subject to tax on various types of income, including, but not limited to, the following:
- Wages
- Income from entrepreneurial activities
- Income from the use of movable or immovable property
- Income from the use of intangible property

Tax is withheld from dividends, interest, royalties, rent, technical fees and government contract payments (see *Tax rates*).

The following types of income are exempt from income tax:
- Wages received by foreign diplomatic and consular representatives and foreign personnel of liaison offices in South Sudan
- Wages received by foreign representatives, foreign officials and foreign employees of international governmental organizations
- If agreed on with the government of South Sudan, wages received by foreign representatives, foreign officials and foreign employees of donor agencies or their contractors or grantees carrying out humanitarian aid, reconstruction work, civil administration or technical assistance
- Compensation for damages and proceeds of life insurance policies
- Dividends, rent, technical fees, government contract payments and interest income, if tax was withheld at source

Capital gains. Capital gains are recognized as business income. For individuals, capital gains are considered to be gross income subject to personal income tax.

Deductions

Pension deduction. An 8% pension contribution to a government-recognized funded retirement scheme is deductible in determining taxable income.

Business deductions. In general, expenses are deductible only if they are incurred wholly and exclusively to produce taxable income.

Accounting depreciation is not deductible, but capital allowances are available for deduction. A capital allowance is granted on either a straight-line or reducing-balance basis over the useful life of the asset. The assets are classified into the following four classes.

Class	Annual depreciation rate (%)
Buildings and other structures	10
Vehicles, office equipment and computers	33
Other property	25
Intangible assets	10

Tax rates. The following tax rates apply to employment and self-employment income.

Monthly taxable income SSP	Tax rate %	Tax due SSP	Cumulative tax due SSP
First 600	0	0	0
Next 4,400	10	440	440
Above 5,000	15	—	—

Tax is withheld from dividends, interest, royalties, rent, technical fees and government contract payments as shown in the following table.

Income category	Tax rate (%)	Persons subject to tax
Dividends, interest and royalties	10	Residents and nonresidents
Technical fees	15	Nonresidents
Rent and government contract payments	20	Residents and nonresidents

Relief for business losses. Losses may be carried forward to offset future profits from the same specified source. The loss may be carried forward to the following five tax periods or years. Losses may not be carried back.

B. Other taxes

South Sudan does not levy property tax, net worth tax, inheritance tax or gift tax.

C. Social security

The only social security tax levied in South Sudan is a pension contribution based on employment income. The rates of the contribution are 17% for employers and 8% for employees.

D. Tax filing and payment procedures

Employee tax withholding. For employees, tax is withheld at source under the PIT system.

Returns. Resident individuals are not required to file an annual PIT return.

Assessment. A taxpayer may be assessed by the National Revenue Authority even after a self-assessment return is filed.

E. Double tax relief and tax treaties

Double tax relief. Resident individuals may offset tax paid overseas against tax payable in South Sudan on foreign income, up to the amount of tax payable in South Sudan.

Double tax treaties. South Sudan has not entered into any double tax treaties.

F. Temporary visas and passes

All visitors must have visas to enter South Sudan. Citizens of Kenya, Uganda and a few other countries can obtain temporary visas at any entry point.

G. Work permits and self-employment

Work permits are issued for a period of one year. They are renewable on an annual basis.

H. Residence permits

A residence permit allows an alien to reside in South Sudan. A resident permit can either be special, ordinary or temporary.

Special residence permits. Special residence permits may be granted to the following:

- Aliens who have been continuously residing in South Sudan for a period of not less than three years
- Aliens who have lawfully stayed in South Sudan for more than five years and are carrying out scientific, technical and commercial activities deemed by the Minister of Interior to be of value to South Sudan

A special residence permit is valid for five years and is renewable.

Ordinary residence permits. Ordinary residence permits may be granted to the following:

- Aliens who have been continuously residing in South Sudan for not less than five years
- Aliens who have lawfully resided in South Sudan for more than two years and are carrying out scientific, technical or commercial activities deemed by the Minister to be of value to South Sudan

An ordinary residence permit is valid for two years and is renewable.

Temporary residence permits. Aliens not eligible for special or ordinary residence permits may be granted temporary residence permits.

A temporary residence permit is valid for 12 months and is renewable for periods of up to 12 months.

Other information. A residence permit is required for all foreign residents in South Sudan even for individuals who have a work

permit. Work permit holders and their dependents must obtain resident permits when they enter South Sudan.

Visitors to South Sudan can be accompanied by their family members. Residence permits extend to the dependents of aliens.

The average processing period for visas is one to three weeks.

I. Family and personal considerations

Vaccinations. Individuals entering South Sudan must have the immunization certificate for yellow fever.

Driver's permits. A driver's license can be obtained from the police traffic headquarters under the Ministry of Interior. Copies of the driver's license from the home country and passport are required for the application.

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A. Income tax

Who is liable. Individuals performing activities in Spain are subject to tax based on residence and source of income. Residents are taxed on worldwide income. Nonresidents are taxed on Spanish-source income and on capital gains realized in Spain only. Several tax exemptions may apply to expatriates.

Individuals are considered residents for tax purposes if they spend more than 183 days in a calendar year in Spain or if the center of their vital interests is located in Spain. A presumption of residence arises if an individual's family lives in Spain. Residence is determined on a full-year basis; Spain recognizes no change of residence during a fiscal year. A Spanish national who gives up Spanish tax residence is nonetheless considered a Spanish tax resident for the year of departure and the next four tax years if the new tax residence is in a tax haven.

Special expatriate tax regime. Under the Spanish regulation, an employee assigned to Spain who meets the criteria for being considered a Spanish tax resident may elect to be subject to tax under the nonresident taxpayer rules.

This election is subject to certain conditions, the most important of which are the following:

- The individual must not have been a Spanish tax resident in the 10 years preceding the tax year of his or her arrival in Spain.
- The assignment in Spain must be based on one of the following circumstances:
  - —The assignment is under a labor contract (local contract or assignment letter) with the exception of a contract for a professional athlete.
  - —The individual is a representative person of a company (without a participation in such company or with a participation in an unrelated entity).
- The individual cannot receive compensation that is deemed obtained by a permanent establishment in Spain.

Under this special tax regime, employment income up to EUR600,000 is taxed at a rate of 24%, and employment income exceeding this amount is taxed at a rate of 45%.

If the above election is made, the individual is subject to tax on employment income at a flat rate of 24%, instead of at the progressive resident tax rates of up to 45%, which depend on the autonomous community in which the taxpayer resides (other rates may apply to different types of income). The election is effective for the first year of residence and the following five consecutive years. For the purpose of calculating the tax base, the Spanish tax law states that any income derived from the date of arrival in Spain until the communication of the departure is considered employment income obtained in Spain (unless it can be proved that the income is for work performed before the arrival date in Spain).

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable employment income includes all compensation received for personal services, including salaries and wages, payments for certain business-related expenses, pensions, housing allowances and other allowances paid in cash or in kind.

Spanish residents with overseas duties may apply a foreign earned income exemption of up to EUR60,100 if certain conditions are met.

Irregular employment income (earned over a period that is longer than two years) may be eligible for a limited 30% reduction if certain conditions are met.

Self-employment and business income. Taxable self-employment and business income includes income from all industrial, commercial, professional and artistic activities carried on by a taxpayer.

Residents are subject to tax on self-employment and business income at the rates described in *Rates*. Nonresidents are subject to a flat 24% (19% for residents of other European Union [EU] member states and European Economic Area [EEA] member states) tax on gross self-employment and business income after deducting certain expenses related to the business and the activity performed, such as salaries paid, materials purchased and miscellaneous expenses.

Directors' fees. Directors' fees are considered ordinary income and are taxable to residents at the rates described in *Rates* and to nonresidents at a flat rate of 24% (19% for residents of other EU member states).

Investment income. Resident individuals are subject to tax on rental income and other consideration derived from the lease of rural or urban real estate at the rates described in *Rates*. Nonresident individuals are subject to tax on such income at a flat rate of 24% (19% for residents of other EU member states and EEA member states). For tax residents of Spain, net income from the rental of property may be reduced by 60% if the net income result is positive and if the property is destined for living (regardless of the age or amount of income of the tenant).

For urban real estate used by the owner as a permanent residence, deemed income does not apply. However, for urban real estate used as a residence or not leased, the law presumes an income of 2% of the cadastral value (1.1% if the cadastral value of the real estate was increased in the last 10 years). If the cadastral value is not determined, then presumed income is calculated by applying 1.1% to half of the value assessed in accordance with the principles of valuation for purposes of the net worth tax (see Section B).

Income from movable property includes dividends, interest, profits from copyrights and industrial property, and the return in cash or in kind on capitalization transactions and life insurance policies.

In determining net income from personal property, limited administration expenses are deductible.

Spanish tax residents and nonresidents are subject to tax on dividends, interest and capital gains (regardless of the holding period) at the following rates:
- The first EUR5,999.99 at a rate of 19%
- Amount from EUR6,000 up to EUR49,999.99, at a rate of 21%
- Amount from EUR50,000 at a rate of 23%

Income from public debt or nonresident bank accounts and income derived from the sale of shares or reimbursement of participations in investment funds in official Spanish markets are not taxable if Spain and the country of the taxpayer's residence have entered into a double tax treaty that includes an exchange-of-information clause.

Interest income and capital gains derived from bonds and securities issued by resident entities or individuals are not taxable if the taxpayer is a resident of an EU member state.

If members of a family unit elect to file separate tax returns, the income derived from property must be attributed to the members who own the property. For spouses under the community property regime, 50% of the income must be attributed to each spouse (see Section H).

Taxation of employer-provided stock options. Employer-provided stock options are taxed at the time of exercise on the difference between the exercise price and the fair market value of the stock

at the time of exercise. This income is also subject to social security contributions (see Section C).

Income derived from employer-provided share options up to an annual limit of EUR12,000 may be exempt from tax if all of the following requirements are met:

- The offer or delivery is made to all of the active employees of the company, group or subgroup under the same conditions. This requirement is met if the offer or delivery is made depending on the number of years that an employee has been working in the company or if the offer is made to all the employees who are taxed as residents of Spain.
- The employee (individually or jointly with the spouse and other family members) cannot own more than 5% of the company.
- The employee holds the shares for at least three years.

If the entire share award benefit is made under the same conditions for all workers of the company, group or subgroup, and if the employee fulfills the three conditions above but exceeds the limit of EUR12,000, only the excess is considered to be taxable income. If the employee disposes of the shares within three years after receiving the share award, he or she must file an amended tax return.

If the stock option income is generated over a period exceeding two years and if it is attributable to only one fiscal year, it may be possible to apply the 30% reduction for irregular employment income (see *Employment income*). However, the 30% reduction can only be applied every five years, except in some cases.

Any capital gains derived from the subsequent sale of the stock are subject to the capital gains tax rules described in *Capital gains and losses*.

Capital gains and losses. Capital gains are calculated as the difference between the transfer price of an asset and its acquisition price.

Capital gains are taxed at a rate of 19% on the first EUR5,999.99, at a rate of 21% on the amount from EUR6,000 to EUR49,999.99, and at a rate of 23% on the amount from EUR50,000 onward.

For Spanish tax residents only, capital losses incurred on sales of assets may be offset against capital gains. Any excess losses may be carried forward for four years.

For filers of individual returns, capital gains and losses must be imputed to the individual owner of the property. If the spouses are under the community property regime (see Section H), capital gains and losses are imputed 50% to each spouse.

Deductions and allowances

Deductible expenses. Social security contributions may be deducted in computing taxable employment income for tax residents. In addition, the following reductions are allowed:

- A standard reduction of EUR5,565 if a taxpayer's annual net employment income does not exceed EUR13,115
- A reduction of EUR5,565 less the result of multiplying 1.5 by the difference between the net employment income exceeding EUR13,115 for net income between EUR13,115 and EUR16,825

- A standard deduction of EUR2,000 if net employment income exceeds EUR16,825

These amounts may be increased for disabled taxpayers.

Contributions to a regulated pension plan reduce the tax base. The annual deduction is limited to the lesser of EUR8,000 or 30% of net employment income or business income. In addition to the deduction described in the preceding sentence, individuals whose spouses receive net earned income and income from business activities of less than EUR8,000 may deduct contributions of up to EUR2,500 from their tax base. Excess deductions may be carried forward for five years.

Interest expenses that do not exceed gross income, expenses necessary to produce income and charges for depreciation are deductible from rental income.

Nonresidents are generally not entitled to deduct any expenses, except for taxpayers who qualify as tax resident in other EU member states and EEA member states.

Personal allowances. The allowances listed below reduce an individual's tax liability by an amount resulting from the application of the progressive tax rates to the total allowances. They do not reduce the tax base. The following are the allowances.

Allowance	Amount (EUR)
Personal allowance	5,550
Allowance for taxpayers over 65 years of age	6,700
Allowance for taxpayers over 75 years of age	6,950
Allowance for handicapped taxpayer for whom the grade of disability equals or exceeds 65%	9,000
Allowance for handicapped taxpayer for whom the grade of disability is less than 65%	3,000
Allowance for handicapped taxpayer needing help with mobility	3,000 (additional)
Each ascendant living with taxpayer whose annual income is less than EUR8,000	
Over 65 years of age	1,150
Over 75 years of age	1,400
Each disabled dependent child or ascendant living with the taxpayer whose annual income is less than EUR8,000	
Individuals for whom the grade of disability exceeds 65%	9,000 (additional)
Other disabled individuals	3,000 (additional)
Each disabled individual needing mobility help	3,000 (additional)
Each dependent child under 25 years of age living with taxpayer whose annual income is less than EUR8,000	
First child	2,400
Second child	2,700

Allowance	Amount (EUR)
Third child	4,000
Fourth child and subsequent children	4,500
Allowance for children under three years old	2,800 (additional)

Local governments may allow additional personal allowances and deductions.

Business deductions. Deductions are permitted for all expenses necessary to obtain business income and for the depreciation of assets related to business activities.

Rates. Total tax liability consists of the tax liability computed under the general rates plus the tax liability computed under the autonomous community rates. Consequently, the final maximum marginal rate depends on the marginal tax rate of the autonomous community where the taxpayer resides. For example, the maximum marginal tax rate is 43.5% for an individual resident in Madrid and 48% for a resident in Cataluña.

Income derived by nonresidents is generally subject to a final tax of 24% (or 19% for residents of other EU member states and EEA countries). However, other rates may apply depending on the type of income. Dividends and other income derived from holding a participation in a company, interest and other income obtained from assigning capital to third parties are subject to tax rates of 19%, 21% and 23% (see *Investment income*).

See *Special expatriate tax regime* for details regarding the special tax regime for expatriates.

Credits. Tax credits are allowed in only a few specified circumstances, such as for gifts to specified entities and for certain double tax relief.

In addition, an investment tax credit is available for amounts paid for the acquisition, maintenance, repair, restoration or exhibition of assets deemed to be of cultural interest. The credit is granted at a rate of 15% on a maximum expenditure of 10% of the taxpayer's tax base.

The Spanish government removed the investment tax credit on the purchase of a taxpayer's place of residence for residences acquired or to be acquired on or after January 2013. However, a transitional provision has been introduced for the granting of the tax credit for acquisitions or investments realized before 1 January 2013.

Under this transitional measure, the amount of investment eligible for the tax credit on the purchase of the habitual abode is the amount effectively paid during the relevant fiscal year, including the mortgage payments. It may not exceed EUR9,040 per year. The principal residence must be retained by the taxpayer for at least three years after acquisition to qualify for the investment tax credit. The rate of the credit is 15%.

If spouses file separate returns, investment tax credits are applied to each spouse in proportion to that spouse's ownership of the property to which the investment is directed. For spouses under the community property regime (see Section H), investment tax credits are imputed 50% to each spouse.

A tax credit is available for working mothers with a child up to three years old (up to a maximum of EUR1,200 per year per child), as well as for large families (three children or more). An additional amount up to EUR1,000 can be applied for childcare expenses.

For large families (three or more children), a tax credit of EUR1,200 per family applies. Families with four or more children can increase the amount of this tax credit by EUR600 per each child who exceeds the minimum number of children required.

Relief for losses. Relief for losses may be available, subject to the limits and conditions established by law.

B. Estate and gift tax

An individual resident in Spain for fiscal purposes is taxed on assets and rights acquired by inheritance or gift, regardless of where the assets or rights are located. If the recipient is not resident in Spain, estate and gift tax applies only to assets located in Spain or to rights that may be executed in Spain.

Estate tax must be paid by the legal heir, and gift tax must be paid by the donee. The taxable amount for estate tax purposes is determined by deducting certain amounts based on the beneficiary's age and on the relationship between the deceased and beneficiary. Tax payable is calculated by applying factors based on the taxpayer's net worth, age, relationship with the deceased or beneficiary and type of asset.

Estate and gift tax rates vary depending on the autonomous region.

C. Social security

Contributions. Under Spanish domestic law, an individual must join the Spanish social insurance system if work and residence permits are received. Under Spanish domestic law, an individual must join the Spanish social insurance system if work and residence permits are received. The rate of social insurance contributions is 6.35% of salary for employees, and the rate for employer contributions is generally 29.9% of salary. For 2019, the maximum base for employee contributions is EUR48,841.20. For 2019, the maximum annual contribution is EUR3,101.42 for employees and EUR14,603.52 per employee for employers.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Spain has entered into totalization agreements, which usually apply for a period of five or six years, with the following jurisdictions.

Andorra
Argentina
Australia
Brazil
Canada
Cape Verde
Chile
China
Colombia
Dominican Republic
Ecuador
Japan
Korea (South)
Mexico
Morocco
Paraguay
Peru
Philippines
Russian Federation
Tunisia
Ukraine
United States
Uruguay
Venezuela

D. Tax filing and payment procedures

The Spanish tax system operates through self-assessment. The tax year is the calendar year. Regardless of marital status, a taxpayer may file an individual return. Alternatively, family members may file one tax return that includes the income of the entire family. On a family tax return, the family members are jointly and severally liable for the payment of tax. If one spouse has a tax liability and the other spouse has a refund, the spouses may offset each other's amounts. Nonresidents with taxable income must file tax returns, unless they are subject to withholding tax for the entire amount due. However, individuals who have elected taxation under the special expatriate regime (see Section A) must file their returns during the period of 4 April through 30 June following the end of the calendar year.

Returns are usually filed from 4 April to 30 June following the end of the calendar year. Nonresidents must file tax returns within a month of the date when taxable income from Spanish sources is payable. In certain cases, nonresidents may file quarterly tax returns.

For tax returns filed by residents, any tax due is payable with the return, and interest accrues on any unpaid balance. However, 60% of the tax may be paid in June, and the remaining 40% paid by 5 November, without interest accruing. The tax due is the balance remaining after subtracting amounts withheld during the year. If excess tax is withheld, the excess is refunded to the taxpayer.

Compulsory declaration of assets and rights located abroad. Royal Decree 1558/2012, published on 24 November 2012, establishes new requirements for tax residents of Spain to report details of their assets and rights located outside Spain.

Resident taxpayers who have assets or rights located abroad meeting certain conditions must file this information declaration by 31 March following the end of the tax year referred to in the tax return. Severe penalties may be imposed on noncompliant taxpayers.

E. Double tax relief and tax treaties

An individual resident in Spain may use foreign tax credits to avoid double taxation (imputation method).

Spain's double tax treaties apply both the imputation and the exemption-with-progression methods. Spain has entered into double tax treaties with the following jurisdictions.

Albania
Algeria
Andorra
Argentina
Armenia
Australia
Austria
Barbados
Belgium
Bolivia
Bosnia and Herzegovina
Georgia
Germany
Greece
Hong Kong SAR
Hungary
Iceland
India
Indonesia
Iran
Ireland
Israel
Pakistan
Panama
Philippines
Poland
Portugal
Qatar
Romania
Russian Federation
Saudi Arabia
Senegal
Serbia

Brazil
Bulgaria
Canada
Chile
China
Colombia
Costa Rica
Croatia
Cuba
Cyprus
Czech Republic
Dominican Republic
Ecuador
Egypt
El Salvador
Estonia
Finland
France
Italy
Jamaica
Japan
Kazakhstan
Korea (South)
Kuwait
Latvia
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Moldova
Morocco
Netherlands
New Zealand
Nigeria
North Macedonia
Norway
Oman
Singapore
Slovak Republic
Slovenia
South Africa
Sweden
Switzerland
Thailand
Trinidad and Tobago
Tunisia
Turkey
USSR*
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Venezuela
Vietnam

* Spain honors the USSR treaty with respect to the former Soviet republics.

F. Residence permits

A foreign national who wishes to reside in Spain must obtain a valid residence permit.

For a person who also wishes to work in Spain, the work and residence permits are issued on approval of the same application by both the Spanish labor and police authorities (see Section G). Consequently, the approval of one permit usually means the approval of the other and vice versa.

For a person who does not wish to work in Spain, temporary and permanent residence permits are available.

Temporary residence permits are issued to persons who wish to reside in Spain more than 90 days and less than 5 years. They are issued initially for one year and may be renewed for two periods of two years each.

If the temporary residence permit is issued as a result of a spouse holding work and residence permits, the validity of the residence permit is for the same duration as the spouse's work and residence permits.

Foreigners who have resided lawfully in Spain for a period of five years can apply for a long-term residence permit. However, the residence card must be renewed every five years. A residence card is automatically issued to persons living and working in Spain.

A regulation applicable to EU nationals, nationals of the EEA, which comprises Iceland, Liechtenstein and Norway, and nationals of Switzerland provides for the right of freedom of movement, residence and work in Spain for these nationals. Partners appearing in an official register have the same rights as spouses.

EU nationals, EEA nationals and Swiss nationals, who wish to reside in Spain for more than three months, must go to the police station within the first three months after their entry into Spain

and register in the Central Registry for Foreigners (Registro Central de Extranjeros). The police station issues a certificate that includes the name, nationality and domicile of the foreigner, his or her identification number and the date of the registration. This certificate replaces the identification card. To complete the registration, individuals must submit, among other documents, proof that they are working in Spain and that they have medical coverage similar to the public Spanish medical coverage.

Relatives of EU nationals, EEA nationals and Swiss nationals with a third-country nationality must apply for a special residence card indicating that they are a relative of these nationals. They will have the same rights as other EU nationals, EEA nationals and Swiss nationals. However, for an individual to obtain a residence card, the marriage must be registered in an EU country's registry. An exemption is granted to nationals of Austria, Denmark, Germany, the Netherlands, the Slovak Republic and the United Kingdom. Nationals of these countries are not required to register a marriage that took place abroad. These rights also apply to partners of EU nationals, EEA nationals and Swiss nationals with a third-country nationality who are registered as partners in an official registration. A change in the Spanish regulations that entered into force on 16 December 2015 expands the beneficiaries of this special residence card to include partners with no legal bonds (among others). Applicants need to provide the authorities with all documentation available to demonstrate at least two years of proven partnership. The immigration authorities use their discretion in analyzing this documentation.

G. Work permits

Nationals of non-EU countries who wish to work and reside in Spain must apply for work permits.

Non-EU nationals may not work while their work permits are being processed. EU nationals are not required to apply for a work permit to undertake employment in Spain. Rules applicable to EEA nationals and to EU nationals also apply to nationals of Switzerland.

Spanish authorities have adopted a restrictive policy regarding the issuance of work and residence permits to foreign nationals. This results from several factors, including the high unemployment rate and the recent dramatic increase in the number of immigrants entering Spain, both legally and illegally, in the hope of obtaining Spanish, and ultimately European, citizenship. In accordance with this policy, Spanish authorities strictly enforce work permit requirements to encourage the hiring of Spaniards rather than foreign nationals. Specifically, the authorities strive to issue work permits only to foreign nationals who have special characteristics or who fall into one of the preference categories fixed by law.

A non-EU national who performs any economic activity in Spain, either as an employee of a Spanish company or as a self-employed individual, must obtain work and residence permits. Spanish law imposes steep fines of up to EUR100,000 for companies that hire foreign workers without valid work permits.

The same rules apply to self-employed foreign nationals and to those applying to work for a specific Spanish company. However, special permits exist for foreign nationals intending to start a business or for foreign companies wishing to establish subsidiaries headed by foreign nationals in Spain.

Types of work permits. Royal Decree 557/2011 provides rules for work permits under the Spanish immigration law. The most common types of work permits are described below.

Work permits for local employees. Work permits for local employees are issued for first-time applicants. They are issued for specific activities, employers and geographical areas (normally a Spanish province and its capital). The initial permit is valid for one year (unless the underlying labor contract is for a shorter period), but is renewable for an additional two-year period if no material change occurs in the conditions that led to granting the initial permit, including the applicant's employment with a Spanish company and the absence of a criminal record. The renewal is granted for specific activities and allows employment anywhere in the Spanish territory, regardless of the employer (provided that the employee has worked and contributed to the Spanish social security system for at least six months, as a general rule).

The application for renewal, which must be submitted during the 60-day period preceding the expiration date, follows an abbreviated version of the original procedure (without interaction with the Spanish consulate in the country of origin). In most cases, renewals are granted routinely unless a material change in the permit holder's status occurs.

After holding a work permit for local employees for three years, an individual can renew the permit for an additional two years. The renewed permit is valid in any activity or geographical area.

Temporary work permits. The various types of temporary work permits are described below.

Work permits may be granted for temporary, seasonal or cyclical activities having a maximum duration of 9 months within 12 consecutive months. These permits may not be renewed. They are granted for a specific employer and are not transferable.

Work permits are granted for other temporary activities, such as assembly of industrial plants and construction projects for infrastructure, electricity networks, gas supply and railways. In addition, work permits are issued for temporary activities performed by top executives and professional sportspersons and for professional training. Temporary work permits for the activities described in this paragraph have a maximum duration of one year, require a written commitment from the applicant to return to the origin country and may not be renewed.

Self-employment work permits. Self-employment work permits are issued to first-time applicants for specific activities, employers and geographical areas. These permits are granted for one year. They can be renewed for two additional years and afterwards for another two years.

Cross-border work permits. Cross-border work permits allow foreigners to work in Spain within the framework of cross-border services. This means that the employee of a non-EU company may apply for this permit to work in Spain for a client of his or her employer (a Spanish company) or for a subsidiary of the foreign company that is located within the Spanish territory. This permit is valid for one year and renewable for an additional year. If the foreign country and Spain have entered into a social security agreement, the work permit may have a duration equal to the period established in the social security agreement.

To qualify for a cross-border work permit, an individual must have been working for the company that posts him or her at least for nine months. The holder of a cross-border work permit must continue to belong to his or her home country's social security system and must be paid by the foreign company.

The Spanish labor authorities may request a copy of the contract between the Spanish customer and the foreign employer or the assignment letter in the case of a subsidiary.

Special work permits for scientists. Special work permits may be issued to foreigners who are assigned to special research projects in Spain and fulfill certain conditions, such as entering into an agreement (*convenio de acogida*) with respect to the research project.

Students. Students may work in Spain if certain requirements are met.

Blue Card work permit. For some qualified employees (university degree of at least three years or five years of experience in the position), a Blue Card can be issued. The Blue Card allows the foreigner to do the following:

- He or she may work and reside in Spain.
- He or she may move freely for business purposes up to 90 days in EU territory.
- After holding the Blue Card for 18 months, he or she may apply for a new Blue Card in another country of the EU if he or she fulfills the internal immigration requirements for the country.

The members of an employee's family can obtain residence permits at the same time as the employee.

To work in Spain, the following conditions must be satisfied:

- The employee is "highly qualified" (see *Special immigration procedure for "highly qualified" employees, top executives, scientists and international artists*).
- The salary is at least 1.5 times the gross annual salary corresponding to the standard industrial classification in which the company is classified.
- Persons in the Spanish labor market cannot fill the position.

This Blue Card has an initial period of one year, and it can be renewed for two periods of two years each. Subsequently, the foreigner can apply for an EU permanent residence permit.

Long-term work and residence permits. After holding a work permit for five years, an individual may request a permanent

work permit, which is valid for an indefinite period. However, the residence card must be renewed every five years.

Other. With respect to the issuance of work permits, the Spanish unemployment rate is taken into account except in the following cases:
- The employee is posted to a branch of the company.
- The Spanish company has the required attributes for applying for the work permit at the Big Companies Unit (Unidad de Grandes Empresas, or UGE). UGE is the Spanish immigration office for large companies.

Special immigration procedure for "highly qualified" employees, top executives, scientists and international artists. Royal Decree 557/2011 now contains the expedited procedure for applying for work permits for the following types of applicants:
- An individual holding a senior executive- or managing director-type position with the Spanish company
- An individual holding a position that is "highly qualified"
- Scientists and international artists

The following are the advantages of the special procedure:
- The deadlines for the government bodies are much shorter than the normal procedure. The Immigration Office has only one month to grant or deny the work permit application and the Spanish consulate only has 10 days to issue the visa.
- The relatives of the applicant can obtain the corresponding residence permits under the same procedure and within the same deadlines.
- It is not necessary to file a certificate issued by the Spanish labor authorities providing the results of the search for a Spaniard to fill this position.

To apply for this procedure, the company or employer must submit information specifying the estimated investment in its project and/or the number of job positions to be created and must provide documentary proof showing that the company fulfills one of the requirements listed below:
- A payroll of more than 500 workers in Spain who are registered with Spanish social security
- Annual report approved at the company's general shareholders' meeting, together with certification by an outside auditor, indicating that the company meets the threshold of net turnover of EUR200 million or stockholders' equity in Spain of EUR100 million
- Certification from the Investment Register of the General Subdirectorate for Foreign Investments proving that at least EUR1 million of the company's capital is fully funded through foreign sources

Steps to obtain a work permit. Applying for a work permit in Spain is a lengthy process. In total, the procedure may take from 3 up to 12 months (except for the new immigration procedure applicable to highly qualified employees, top executives, scientists and international artists), depending on several factors. Each step of the application process is outlined below.

Employment Section – Government Delegation. An application for work and residence permits must be made before the applicant

begins work in Spain. The applicant's Spanish employer must file an Application for Work and Residence Permits (Solicitud de Autorización de Trabajo y Residencia) with the Employment and Social Issues Section of the applicable Government Delegation (Delegación de Gobierno – Área de Trabajo y Asuntos Sociales). This is a one-page application to which documents from the applicant and the Spanish company must be attached.

The following documents from the applicant must be attached to the application:

- Copy of the applicant's valid passport.
- Applicant's *curriculum vitae*.
- Documents demonstrating that the applicant falls into one or more of the preference immigrant categories. Because the majority of the preferences are based on family relationships in Spain (that is, the applicant is descended from grandparents who were Spanish nationals by birth), these documents normally consist of certificates issued by the Civil Registry (Registro Civil). If a foreign official body issues the documents, the documents must be legalized with the Apostil of Hague Convention (under the Treaty of the Hague Convention, this is a stamp that all documents in one country must bear in order to be accepted as legitimate in another country) or the approval of the Spanish consulate in the country of origin. If necessary, the documents must be translated into Spanish (sworn translation).
- University degree or proof of professional experience, if needed.

The following documents from the Spanish company must be attached to the application:

- Two copies of the official work contract, signed by the company's representative and the employee, with a special clause stating that the contract will enter into force when the work permit is granted.
- Photocopy of the tax identification number of the company.
- Power of attorney granted by the Spanish company to the individual dealing with the application on behalf of the company. This individual must also be an employee of the Spanish company. This power must be inscribed in the Mercantile Registry.
- A memorandum describing the Spanish company, including its characteristics, activities, offices and employees, if applicable. It is useful to emphasize the number of Spaniards employed by the company or plans to expand its Spanish workforce in the future. The memorandum must include a job description on company stationery and any relevant attachments emphasizing the special characteristics of the position, such as international or head-office experience, familiarity with head-office procedures and strategies, and language or technical capabilities. The purpose of this document is to demonstrate that a Spaniard with arguably similar qualifications cannot fill the applicant's job.
- Documents showing that the Spanish company is registered with the Spanish social security system, including Form A-6 (Inscripción en la Seguridad Social) and Forms TC-1/TC-2 (Boletines de Cotización) for the last three months paid. The Spanish immigration authorities can check these documents under new rules.
- Certificates from the tax and social security authorities proving that the company has no tax or social security liabilities.

- A certificate issued by the Spanish labor authorities providing the results of the search for a Spaniard to fill this position (unless the applicant is in one of the preference immigrant categories established under Spanish law).
- Any other documents or materials specifically requested by the labor authorities.

If it is intended that the applicant hold a senior executive- or managing director-type position with the Spanish company, the following documents should also be included:
- A notarized declaration of the executive's position and authority
- A certificate describing the relationship between the executive and the company (for example, member of the board of directors)
- Evidence of the company's inscription in the Mercantile Registry

In the event of a cross-border services situation, it is also necessary to file the services contract between the two companies (the foreign employer and either the customer or the subsidiary) and the proof of existence of the labor relationship between the applicant and the foreign company, specifying the exact length of the services, the professional category of the applicant as well as the labor conditions of the position. In addition, the Spanish authorities may also require a copy of the individual's social security certificate of coverage, if applicable.

The application, together with all of the documents mentioned above, must be filed with the Spanish office dealing with foreign issues that is located where the Spanish company has its registered office. If a foreign official body issues the above documents, they must be legalized. A Spanish translator must prepare certified translations of the documents if they are not in Spanish. If any of the documents are missing or incomplete, the applicant normally has 10 days to provide the missing materials.

Spanish consulate. After the labor authorities analyze the application and assuming that they issue a decision approving the granting of the work permit, the Spanish company (employer) receives a written notification. Beginning on the date of receipt of notification, the applicant has one month to file an application for the corresponding visa at the Spanish consulate in the country where the applicant lives if he or she does not have legal residence in Spain. If the applicant is already in Spain as a nonworking legal resident, the initial application may be made directly to the Spanish labor authorities; however, the applicant may not stay in the country beyond the maximum period corresponding to the terms of his or her residence visa.

At the Spanish consulate, applications must be made in person through the presentation of the following documents:
- The notification from the labor authorities granting the work permit.
- A completed Visa Application form (Solicitud de Visado), which is available from the Spanish consulate. In filling out this form, it is important to state that the purpose of the visit is "To work for the company (full name) in Spain," and to provide a local address and phone number in the country where the applicant can be contacted in the next few months if the visa is granted.

- One copy of the employment contract, previously stamped by the labor authorities in Spain.
- The applicant's valid passport.
- A certificate stating that the applicant does not have a criminal record, issued by the authorities of the home country or countries where the individual has resided with a legal permit during the last five years. Such certificate cannot be issued in certain countries. However, in the United States, for example, a certificate may be obtained from the city or town where the applicant resides.
- Four passport-size photographs.
- A medical certificate from the country of origin or from Spain if the applicant is already residing in Spain. No prescribed form exists for this certificate, but the certificate should meet the following conditions:
  - — It shows the title of "Medical Certificate."
  - — It clearly and fully identifies both the doctor and the applicant.
  - — It certifies that the doctor has examined the applicant and that the examination included a laboratory test.
  - — It certifies that, based on this examination, the applicant shows no physical or mental defect, no disease or disability, no abnormalities in the chest X-ray, no evidence of abnormal mental conditions, no addiction to, or use of, toxic substances and no contagious diseases.
  - — It is signed and dated by the doctor.

If the above documents are not in Spanish, they must be accompanied by certified translations prepared by an official Spanish translator.

In general, an applicant must bring two photocopies of each of the above documents and request legalized copies. However, the consular officials have considerable autonomy in determining the particular documents and the number of copies that an applicant must submit.

The work and/or residence visa must be obtained from the Spanish consulate where the original Request for Visa form was filed. Depending on the practice of the consulate, the applicant is notified either by telephone or in writing when the visa is available. This occurs within a period of 10 days to 3 months. Consequently, the applicant should check periodically with the consulate to see if his or her visa is available.

The Spanish consulate can require the applicant's presence and a personal interview.

If the Spanish consulate grants a visa, the applicant must go to the consulate to pick up the visa within 30 days. After obtaining the visa, the individual should enter Spain within the following three months (this period should be always checked with the consulate).

Provincial Directorate of the Police. If labor authorities grant a work permit, they transmit the applicant's materials to the Provincial Directorate of the Police, for the processing of the residence permit. The applicant's employer is also notified of certain administrative costs that must be paid to the Economy and Finance Ministry.

If the work permit is denied, an appeal may be filed with the Ministry of Labor and Social Issues and, if necessary, with the courts. In practice, it is difficult to have a denial of a work permit overruled on appeal.

On receiving the applicant's materials from the labor authorities, the Provincial Directorate of the Police analyzes the application and can request additional materials before agreeing to issue a residence permit.

After an applicant enters Spain with the relevant visa, the company has three months to register the employee at the Social Security office. Within a month after registration at the Social Security office, or the entry of the foreigner in the case of a cross-border work permit, the applicant must go to the Provincial Directorate of the Police to pick up the work and residence permits through the corresponding residence card with a Foreign Number already assigned. The applicant is normally required to bring the following items:

- The original letter from the labor authorities notifying the applicant of the approval of the work permit
- The applicant's passport with the visa stamp
- Three passport-size photographs of the applicant
- The original Application for Work and Residence Permit form presented to the labor authorities
- An invoice establishing that the required fees have been paid to the Economy and Finance Ministry

In addition to the above, town hall registration might be compulsory to proceed with the fingerprinting and residence card issuance.

Practical considerations. The following should be considered when sending a foreign national to work in Spain:

- If the foreign national falls into any of the preference categories (see *Factors evaluated in granting permits*), this could enhance to a considerable degree the likelihood of the granting of the required permits.
- It should be determined whether family members who will also need residence permits will accompany the foreign national to Spain.
- The foreign national must make the initial application for a residence visa in person at a Spanish consulate in the country of origin. The foreign national may file the visa application and enter Spain on a tourist visa while the work and residence permits are being processed, as long as he or she does not formally begin to work in Spain until the permits are obtained. After the visa is available at the consulate, the foreign national must appear there in person to have the visa stamped in his or her passport, which allows the foreign national to enter Spain and request the corresponding residence card from the police authorities within the following 30 days.

Factors evaluated in granting permits. In evaluating whether to issue work and residence permits to a foreign national, the Spanish authorities tend to consider several *de facto* circumstances as well as other factors established under law.

The *de facto* circumstances considered by the authorities vary from case to case, but generally include an analysis of the following:

- The reciprocity accorded to Spanish nationals with respect to granting work and residence permits in the applicant's country of origin
- The number of Spaniards employed by the Spanish company intending to hire the applicant
- The Spanish company's plans for the future expansion of its business and its workforce

The Spanish authorities must take into account whether an applicant falls into one of the following preference categories established under law. Specifically, the authorities are required to grant favorable treatment to an applicant who meets any of the following conditions:

- He or she was born and is legally residing in Spain.
- He or she has dependent Spanish ancestors or descendants.
- He or she previously had Spanish nationality and now intends to reside in Spain.
- He or she is descended from parents or grandparents who were Spanish nationals by birth.
- He or she is a national of a Latin American country, Andorra, Guinea or the Philippines, or is Sephardic.
- He or she is the spouse or child of a foreign national who holds work and residence permits, especially if the permits are valid for longer than two years.
- He or she is directly related to an officer or director of the Spanish company for which he or she is working (except for domestic help).
- He or she holds a senior executive or managing director position with the Spanish company or is considered an important employee of the company.
- He or she has a permanent residence permit or has resided legally in Spain for the past five years.
- He or she has been granted political asylum less than one year before the permit is applied for.
- He or she is qualified to assemble or repair imported machinery or equipment.
- He or she is a director of the company with a power of attorney to sign on behalf of the company.
- He or she is a "highly qualified" employee (see *Special immigration procedure for "highly qualified" employees, top executives, scientists and international artists*).
- He or she is a famous artist.

H. Types of permits under Law 14/2013, in support of entrepreneurs and certain others

Law 14/2013 entered into force on 30 September 2013. Several changes to the rules for visas and residence permits came into force on 29 July 2015. They significantly reduce the administrative and financial requirements for obtaining a Spanish visa under Law 14/2013.

Key changes include allowing individuals who did not qualify previously to qualify through new permits.

Among other changes, the law establishes a residence visa for highly qualified employees to be assigned to a Spanish company belonging to the same group of companies (Intracompany Residence Permit [Autorización de Residencia por Traslado

Intramepresarial]) and for senior executives or managing director-type individuals (highly qualified professionals) involved in general interest projects for Spain (Autorizaciones de Residencia para Personal Altamente Cualificado).

The Spanish company needs to fulfill some requirements that are less demanding than the requirements included in Royal Decree 557/2011 (see Section G).

Among other measures, the law provides that the Spanish government may grant residence visas to the following types of foreigners:
- Entrepreneurs
- Highly qualified professionals (the immigration authorities are currently very restrictive on what is considered a highly qualified position)
- Researchers
- Employees with intercompany transfers

Foreigners who prove that they belong in one of the categories listed above and who wish to reside in Spain may request a residence visa if they fulfill all of the following conditions established in the law:
- They are not illegally residing in Spain.
- They are more than 18 years old (Spanish full age).
- They do not have a criminal record.
- They are not rejectable by jurisdictions with which Spain has entered into an agreement.
- They have medical insurance with an entity authorized in Spain.
- They have enough economic resources to support themselves and their family members (if applicable).
- They pay the government fees.

Highly qualified professionals

Spanish National Classification of Occupations classification. The Spanish National Classification of Occupations (CNO) classification refers to work positions and functions that can be assimilated to Groups 1 and 2 of the 2011 CNO (CNO-11). This is related to the profile of the position, the employment contract, the professional classification and the applicable collective agreement (the negotiated agreement between an employer and the employee's representatives, covering rates of pay and terms and conditions of employment).

Remuneration. Minimum salary is based on the by social security classification group, taking data from the National Statistical Institute. The following are the applicable amount of minimum salary.

Groups 1 and 2 of CNO-11	Average annual salary (EUR)
Directors and managers	54,142
Other technicians and scientific and intellectual professionals	40,077

There is a reduction by a coefficient of 0.75 in the following cases:
- Small and medium-size enterprises belonging to a sector considered strategic.

- Applications from highly qualified professionals up to 30 years old.

Bonuses and allowances are considered as a part of the annual base salary.

Benefits in kind may not be considered for more than 30% of the worker's wages for purposes of calculating the annual average salary referred to above.

Training. Article 72 of Law 14/2013 regulates training, research, development and innovation.

Renewal. Compliance with the requirements resulting in the initial authorization must be established and verified to have been registered in order to proceed with the renewal application.

Change or employer. A change of employer must be communicated by the interested party to the Unit of Large Companies and Strategic Collectives within 30 days, requesting a new authorization.

The issuance of the new authorization is also required in cases of changes of companies when both entities belong to the same group.

In cases of acquisitions or mergers of companies, the residence permit is renewed for the period of validity remaining in the initial permit.

Worker's dismissal. If the highly qualified professional is dismissed, the dismissal must be communicated to the Unit of Large Companies and Strategic Collectives. If the applicant will be entitled to the unemployment benefit, the renewal shall be carried out in accordance with Article 71.

Investors. The new law considers the following investments:
- Investment of EUR2 million or more in public debt
- Investment of EUR1 million or more in Spanish company shares or Spanish bank deposits
- Real estate with a value of EUR500,000 or more without any mortgage on this amount
- A business project to be developed in Spain that can be considered of general or public interest, taking into account the creation of jobs, the technology and scientific innovation of the project and its socioeconomic impact in Spain

The law establishes the manner for proving the investment.

The corresponding Spanish consulate grants the visa for a year. If the foreigner wishes to reside in Spain for a longer period, a residence permit can be requested from the Spanish immigration authorities in Spain.

For these residence visas, the Spanish immigration authorities take into account the business plan, the professional profile of the foreigner and possible benefit to Spain from the economic opportunity.

Researchers. A new residence permit is available for some research, development and innovation projects for Spanish public or private institutions, subject to certain requirements.

Intracompany transfers

EU Intracompany Transfer. The EU Intracompany Transfer (ICT) applies to transfers between companies in the same group to work as a manager, specialist or training worker.

If there is a social security bilateral agreement in place, it must be applied. If the Certificate of Coverage does not include health care coverage, the applicant will need health insurance.

The assignment letter must contain the following information:
- Duration of the assignment and location
- Accreditation that the position will be as a manager, specialist or training worker
- Activities
- Remuneration
- Accreditation of return to company of the same group

ICT Nacional. The ICT Nacional applies to the following workers:
- Workers posted between subsidiary companies or companies within the same group, when they have passed the period limited by the directive (one year for training and three years for the other activities).
- Workers posted between subsidiary companies or the same group who are neither a manager, nor a specialist nor a training worker, but who can be considered key personnel for the performing of a job that is particularly complex.
- Workers transferred as a result of a contract to provide services between the company that transfers the worker and the one that receives the worker, if the two companies are not part of the same company group and if the worker is part of the workforce of the company that transfers the worker.

Remuneration. The following are the rules applicable to remuneration:
- The minimum salary is the salary established by the applicable Spanish collective bargaining agreement.
- The salary received in the country of origin must be indicated in both local and foreign currency.
- Bonuses and allowances may not be taken into account.
- Benefits in kind may not be more than 30% of the salary.

Other. In general, this new law establishes easier processes and shorter deadlines to obtain these types of residence visas and permits than under the normal immigration rules. As a result, the immigration process will be expedited for foreign companies and individual investors making investments and engaging in professional activities in Spain. The following are some of the advantages of the new types of permits in comparison with the permits established in the immigration law:
- The law provides for shorter processing times for obtaining the work or residence permit. The current processing times are 20 business days, while the regular procedure takes 30 business days.
- The law provides for shorter processing times when applying for the residence visa at a Spanish consulate overseas, never exceeding 10 business days.
- In some cases, bypassing the visa application process is possible if the work permit applicant is in Spain legally at the

moment of the work permit application. This is determined on a case-by-case basis.
- Family applications can be made simultaneously with the principal application or at a later stage.
- The residence visa or permit allows work in Spain, according to EU Directive 2011/98 of 13 December 2011.

Recent changes include the following:
- The applicant can directly apply for a residence permit without prior visa approval, provided that he or she is legally present in Spain.
- The granting of a visa also allows the individual to work in Spain without any further approval required.
- The applicant can now file the application through a legal representative. Previously, the applicant was required to file the application in person.
- The eligible investments for an investor visa are extended to include closed-end funds or venture capital funds established in Spain.
- It must be certified that the investment has been carried out at least 1 year before the application, rather than the 60 days that was previously specified.
- When purchasing real estate, the applicant can apply for the visa or residence permit even if he or she has not formally completed the purchase, provided that a contract of deposit exists. However, in this case, the visa will have a maximum duration of six months.
- In other cases, the initial validity period is for two years. If the initial conditions continue to be met, the period for subsequent renewals is five years instead of two years.
- For applications for residence for highly skilled professionals, employers must now demonstrate compliance with the thresholds for access to the Spanish immigration authorities only once. This is then recorded for subsequent applications for three years.
- At the time of renewal, the individual must not have stayed outside Spain for more than six months per year (all periods are counted since the requirement is not continued; that is, the 20 working days that the administration has to issue the resolution granting the permit is stopped until the requirement is satisfied).
- For intracompany residence permit applications, the changes conform to EU legislation, allowing transfers of non-EU nationals with valid intercompany transfer permits from other EU countries.
- For the regulated professions, all academic qualifications and diplomas must be duly validated by the Spanish Ministry of Education.
- In some cases, the applicant or the dependents will need to demonstrate that they have their own financial means of at least the following:
  - Entrepreneur: monthly 100% of the Public Income Indicator of Multiple Effects (Indicador Publico de Renta de Efectos Múltiples, or IPREM). IPREM is a Spanish economic index. For the current amounts of IPREM, see below.
  - Investors: monthly 400% of IPREM.

— Family reunification of highly qualified entrepreneurs, researchers and intracompany transferees for family units of two people, counting the main applicant: monthly 150% of IPREM.
— Family units of more than two people, counting the main applicant: monthly 50% of IPREM for each additional member of the main applicant's family.
— Family reunification of investors: 100% of IPREM for each additional member of the main applicant's family.

The following are the amounts of IPREM:
• Monthly IPREM: EUR537.84
• Annual IPREM (12 payments): EUR6,454.03
• Annual IPREM (14 payments): EUR7,519.59

I. Family and personal considerations

Family members. Family members must obtain residence permits if they intend to accompany a foreign national to Spain. The spouse's children, child guardians and ancestors of the spouse are considered family members.

The working spouse of a foreign national does not automatically receive a work permit, unless the person is a Blue Card holder or the application is filed in accordance with the Law 14/2013 regulations. He or she may file jointly with the foreign national or independently if he or she wishes to obtain a Spanish work permit.

It is possible to apply for a regrouping visa if the applicant's spouse has a one-year residence permit that has been renewed for four additional years.

It is also possible to apply for a Non-Lucrative Residence Permit if the applicant can prove that he or she has a monthly financial support of at least 400% of IPREM (see *Other* in Section H).

Marital property regime. The community property regime applies to couples who solemnize their marriages in Spain or in other countries. Couples may elect out of the regime by following specified legal procedures. The community property regime applies to all interests arising during the marriage. Property owned before the marriage remains separate.

In several autonomous communities within Spain, the mandatory marital property regime is the regime of separate property.

Forced heirship. Forced heirship rules in Spain require that direct lineal descendants inherit at least two-thirds of a deceased's estate, regardless of the provisions of the will.

Driver's permits. A foreign national may drive legally in Spain with his or her home country driver's license for six months. Requirements for driver's license reciprocity in Spain vary, depending on the country of origin of the foreign national.

Sri Lanka

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This chapter is based on the new Inland Revenue Act No. 24 of 2017 and the subsequent amendments to the act based on budget proposals announced on 5 March 2019. At the time of writing, these amendments were awaiting legislative enactment. When enacted, the amendments will be effective from 1 April 2019, unless mentioned otherwise.

As of 1 June 2019, the exchange rate was LKR178.33 = USD1.

A. Income tax

Who is liable. An individual is subject to income tax on taxable income from employment, business, investment and other sources. The income subject to tax consists of the gains and profits from each such source of income.

Resident individuals are taxed on the sources of income referred to above wherever the source arises.

Nonresident individuals are taxed on the sources of income to the extent that the income arises in or is derived from a source in Sri Lanka.

An individual is considered a tax resident individual for a year of assessment if he or she meets any of the following criteria:
- He or she resides (lives) in Sri Lanka.
- He or she is present in Sri Lanka for a period or periods aggregating 183 days or more in a 12-month period that commences or ends during the year.
- He or she is an employee or an official of the Government of Sri Lanka, and his or her spouse is posted abroad during the year (both the individual and the spouse are considered resident).
- He or she is an individual employed on a Sri Lanka ship according to the meaning in the Merchant Shipping Act, for the period during which the individual is so employed.

Income subject to tax. The taxation of various types of income is described below.

Employment income. For the purposes of employment income, employment includes past, present or prospective employment.

Taxable compensation includes any wages, salary, allowance, directors' fees, leave pay, pension, shares of a company received through a share option scheme (see below) or similar compensation, as well as the value of any benefits given to an employee (or to his or her spouse, child or parent), directly or indirectly, in money or in kind. Taxable benefits and payments include travel and entertainment allowances, taxes borne by the employer on behalf of the employee, the personal use of a company-provided automobile and the value of housing provided by the employer.

The value of the benefit to the employee from the allotment or the grant of the shares (that is, the exercise of the option and transfer of ownership of the shares to the employee) is taxable as employment income. The taxable amount equals the fair market value of the shares on the date of exercise of the option less the amount paid by the employee for the shares, if any.

Certain benefits are not taxable, such as the following:
- The reimbursement or payment of dental, medical or health insurance expenses by the employer if the benefit is available to all full-time employees on equal terms
- The payment or reimbursement of expenses incurred by the individual on behalf of the employer
- The value of a right or an option to acquire shares at the time of granting such shares under an employee share option scheme

Subject to any conditions specified by the Commissioner General of Inland Revenue, contributions made by an employer to an employee's account with a pension, provident or savings fund approved by the Commissioner General of Inland Revenue is exempt from income tax.

Amounts received from a provident fund approved by the Commissioner General of Inland Revenue as terminal benefits from employment are exempt from income tax.

Amounts received from a pension fund or the Employees Trust Fund that represents income from investments made by such funds after 1 April 1987 are exempt from income tax.

The employment income of government-sector employees is taxable, except for the following:
- Pensions or retirement benefits
- Benefits received or derived from a road vehicle permit issued to that employee

Compensation derived by diplomatic representatives and officials employed by international agencies, such as the United Nations and specialized agencies of the United Nations, are exempt from tax.

Business income. For the purposes of business income, business includes a past, present or prospective business.

A person's income from business consists of the gains and profits from conducting business in a year of assessment. Gains and

profits include service fees, amounts received in consideration for accepting a restriction on the capacity to conduct business, gifts received, amounts derived that are effectively connected with the business and that would otherwise be included in that persons income from investment.

In calculating a person's income from business, expenses to the extent they are incurred during the year in the production of income from the business can be deducted, except for specifically disallowed expenses.

Partners are taxable on their distributable profits. The precedent (senior) partner, or in the absence of such partner, an agent of the partnership in Sri Lanka should withhold tax at a rate of 8% on each partner's share of the partnership income, excluding any gain from the realization of an investment asset. Tax on the realization of an investment asset must be paid by the partnership.

Investment income. A person's income from investment consists of the person's gains and profits from investments during the year of assessment.

Gains and profits from investments include the following:
- Dividends, interest, discounts, charges, annuities, natural resource payments, rents, premiums and royalties
- Gains from the realization of investment assets (see next paragraph)
- Amounts derived as consideration for accepting a restriction on the capacity to conduct the investment
- Gifts received with respect to investments
- Winnings from lotteries, betting and gambling
- Other amounts required to be included

A gain from the realization of investments equals the amount by which the sum of the consideration received for the asset or liability exceeds the cost of the asset or liability at the time of realization. The realization of an asset occurs when asset is sold, exchanged, transferred, distributed or cancelled, or a similar event occurs. A loss incurred on the realization of an asset cannot be set off against a gain from realization of an asset.

Other income. Other income is income from any other sources, not including profits of a casual or nonrecurring nature.

Exemptions and reliefs

General. For all resident individuals and for nonresident individuals who are Sri Lanka citizens, a personal relief of LKR500,000 is granted each year of assessment with respect to taxable income other than from gains from the realization of investment assets.

A deduction for a donation made in money to an approved charitable institution may claimed, subject to a maximum of 1/3 of the individual's taxable income or LKR75,000, whichever is less.

A donation made in money or otherwise to the Government of Sri Lanka, a local authority, funds established by the Government of Sri Lanka or by a local authority and other specified institutions may be fully deducted.

Capital sums paid as compensation or a gratuity with respect to personal injuries suffered by the person or from the death of another person are exempt from tax.

Employment income. For resident individuals with income from employment, a relief of LKR700,000 is granted for each year of assessment, but the relief cannot exceed the total amount of employment income.

Business income. Relief in the amount of LKR15 million for each year of assessment is granted for resident individuals or partners for income earned in foreign currency from services rendered in or outside Sri Lanka to any person for use outside Sri Lanka.

Interest income. For individuals who are senior citizens with interest income derived from financial institutions, relief in the amount of LKR1,500,000 is granted for each year of assessment.

Interest or a discount received by a nonresident person from investment in sovereign bonds denominated in foreign currency issued on or on behalf of the Government of Sri Lanka is exempt from tax.

The above exemption is extended to cover earnings (gains and interest) from sovereign bonds denominated in foreign and local currency.

Interest income of a resident person from sovereign bonds denominated in foreign currency, including Sri Lanka Development Bonds, is exempt from income tax.

Interest income earned by any person from Non Resident Foreign Currency (NRFC) and Resident Foreign Currency (RFC) accounts, now renamed Personal Foreign Currency Accounts (PFCAs), is exempt from income tax for five years.

Interest income of children under 18 years of age of up to LKR5,000 per month is exempt from income tax.

Interest paid to persons outside Sri Lanka on loans granted by such persons to persons in Sri Lanka is exempt from income tax.

Rent income. An amount of 25% of total rental income is granted as relief for repairs, maintenance and depreciation relating to the investment asset, if no deduction is claimed for actual expenses incurred with respect to repairs, maintenance or depreciation.

Gains from the realization of investment assets. Gains from the realization of an investment asset that do not exceed LKR50,000 are exempt from tax if the total realization for the year of assessment does not exceed LKR600,000 and if certain other specified conditions are satisfied.

A gain from the realization of an individual's principal place of residence is exempt from tax if it had been owned by the individual continuously for the three years before the gain was realized and if it had been lived in by the individual for at least two of those three years.

Gains on the realization of shares quoted in any official list published by the Securities and Exchange Commission of Sri Lanka are exempt from tax.

Other income. The following items of other income are exempt from tax:
- A prize received as an award made by the President of Sri Lanka or by the government in recognition of the creation of an invention or any research undertaken by that person
- Amount received from the President's Fund or the National Defence Fund
- Winnings from a lottery if the gross amount does not exceed LKR500,000
- Amount derived from the sale of gems on which withholding tax has been deducted

Withholding tax. Pay-As-You Earn (PAYE) tax is withheld at the rates specified in the PAYE tables and is considered the final tax on employment income.

All employees should furnish a Primary Employment Declaration to the employer, indicating the employment that is his or her primary employment.

Employees who have not furnished the declaration are considered to be in secondary employment. For secondary employment, the rates of withholding tax and PAYE are the following:
- Up to LKR50,000: 10%
- Balance exceeding LKR50,000: 20%

Other withholding taxes include the following:
- Interest or discount (other than for a senior citizen with respect to bank deposits and on treasury bonds and bills): 5% (final tax).
- Interest income with respect to bank deposits for senior citizens: 5% (final tax on income over LKR1,500,000).
- Dividend income: 14% (final tax).
- Rent paid to a resident person: 10%. Rent payments to a resident individual not exceeding LKR50,000 per month, up to a maximum of LKR500,000 for any year of assessment, is exempt from withholding tax.
- Rent paid to a nonresident person: 14%.
- Royalties, natural resource payments, winnings from lotteries, rewards, betting or gambling: 14%. Royalty payments to a resident individual not exceeding LKR50,000 per month, up to a maximum of LKR500,000 for any year of assessment, is exempt from withholding tax.
- Each partner's share of partnership income: 8%.
- Sale of gems at an auction held by the National Gem and Jewellery Authority: 2.5%.
- Service fees with a source in Sri Lanka paid to a resident individual who is not an employee of the payer (on specified services including commission or brokerage to a resident insurance, sales or canvassing agent, endorsement fees and payments for the supply of articles on contract basis): 5%.
- Service fees or insurance premiums with a source in Sri Lanka paid to nonresident persons: 14%.

Rates. The rates of income tax that apply to resident individuals for the income year of 1 April 2019 through 31 March 2020 are set forth in the following table.

Taxable income LKR	Tax rate %	Tax due LKR	Cumulative tax due LKR
First 600,000	4	24,000	24,000
Next 600,000	8	48,000	72,000
Next 600,000	12	72,000	144,000
Next 600,000	16	96,000	240,000
Next 600,000	20	120,000	360,000
Above 3,000,000	24	—	—

Gains from the realization of investment assets included in an individual's taxable income are taxed a rate of 10%.

Special tax rates listed below apply to terminal benefits, such as amount received as commutation of pension, retiring gratuity and compensation for loss of office under a scheme uniformly applicable to all employees.

The following are the tax rates if the employment period is 20 years or less:
• Up to LKR2 million: 0%
• Next LKR1 million: 5%
• Balance: 10%

If the employment period is more than 20 years, the following are the tax rates:
• Up to LKR5 million: 0%
• Next LKR1 million: 5%
• Balance: 10%

Relief for losses. In calculating the income from business, the unrelieved losses for the year from any other business can be deducted. Unrelieved losses can be carried forward for six years to be set off against income from business.

B. Other taxes

Economic Service Charge. The Economic Service Charge (ESC), which is computed based on relevant turnover, is payable by every person who carries out a trade, business, profession or vocation in Sri Lanka. The ESC is imposed at a rate of 0.5% of turnover. The rate applicable on turnover from the export of goods is 0.25%.

ESC at 0.5% is charged on the importation of articles and goods other than capital goods as prescribed by the Minister of Finance. The ESC base is the aggregate of Cost, Insurance Freight (CIF), customs duty, Cess, Port and Airport Development Levy (PAL), and Special Commodity Levy (SCL) for the goods.

Turnover for a quarter exceeding LKR12,500,000 is subject to the ESC.

Nation Building Tax. Nation Building Tax (NBT) is payable by persons who carry on the business of manufacturing or importing, who provide services or who engage in the wholesale or retail sale of any article. Certain specific exemptions are provided. The tax rate is 2%, which is applied to total turnover if the turnover exceeds LKR3 million per quarter. For turnover from certain specified goods and services, NBT liability results from turnover exceeding LKR25 million per quarter.

NBT at a rate of 3.5% is levied on foreign payments using Electronic Fund Transfer Cards (both debit and credit cards) for the purchase of goods or services, including offshore digital services.

Value-added tax. The standard rate for value-added tax (VAT) is 15%. A 0% rate applies to exports of goods and services. Certain goods and services are exempt from VAT. The turnover threshold applicable to registration for VAT is LKR15 million per year or LKR3 million per quarter.

The supply of services by a hotel, guest house or similar business providing similar services and the supply of services with respect to inbound tours by a travel agent registered with the Sri Lanka Tourism Development Authority is liable to VAT at a rate of 5% for the period 14 May to 31 May 2019 and 7% for the period 1 June 2019 to 31 March 2020.

Stamp duty. Stamp duty is imposed on the following:
- Specified instruments executed, drawn or presented in Sri Lanka
- Specified instruments executed outside Sri Lanka with respect to property in Sri Lanka and presented in Sri Lanka

It does not apply to the following:
- Instruments and documents already subject to debits tax
- Letters of credit that are subject to Ports and Airport Development Levy
- Specified instruments exempted by gazette notifications
- Share certificates
- Credit card usage (locally; for foreign purchases, the rate is 2.5%)

The stamp duty on the transfer of immovable property continues to apply.

C. Social security

Sri Lanka's social security contribution rates rarely change. Most employees are covered by the Employees' Provident Fund (EPF) Act of 1958. The act requires employees to contribute 8% of total earnings and employers to contribute 12% of employees' earnings.

In addition, employers must contribute an amount equal to 3% of each employee's total earnings to the Employees' Trust Fund (ETF). This contribution is not deducted from the employee's earnings.

When employment ends, a gratuity is payable to employees under the Payment of Gratuity Act of 1983, which equals half of one month's salary for each year of service. To qualify, an employee must have worked for the employer for more than five years.

ETF benefits, and gratuity benefits paid under a uniform scheme, that exceed the exemption limit of LKR5 million (if the period of contributions exceeds 20 years) or LKR2 million (in other cases) are taxed at a maximum rate of 10%. However, gratuity payments for retirement in excess of a certain amount are taxed at normal tax rates. This amount is equal to the greater of LKR1,800,000 or the average salary for the last three years of employment, multiplied by the number of years of service.

D. Tax filing and payment procedures

The income tax year in Sri Lanka is from 1 April to 31 March. Individuals must obtain special permission to use an alternative period.

Income tax returns must be filed on or before 30 November following the end of the year of assessment.

Tax is withheld from employees under the Pay-As-You-Earn (PAYE) system.

Employees who have no other income, other than dividend and interest income from which withholding tax has been deducted, are not required to file an income tax return.

Tax deducted under the PAYE scheme is considered the final tax on employment income.

Income taxes of self-employed persons are payable in advance based on self-assessment of the current year's income. They are payable in four quarterly installments, which are due one and a half months after the end of each quarter. A tax return normally must be filed by self-employed persons by 30 November following the tax year. Penalties are levied on late or insufficient payments.

If an employer makes an excess deduction of PAYE tax from the remuneration of an employee, an adjustment to rectify the deduction is allowed to be made in the next pay period. If such adjustment is made, it must be notified to the Inland Revenue Department within two weeks.

E. Double tax relief and tax treaties

Sri Lanka has entered into double tax treaties with the following jurisdictions.

Australia
Bahrain
Bangladesh
Belarus
Belgium
Canada
China Mainland
Czech Republic
Denmark
Finland
France
Germany
Hong Kong SAR*
India
Indonesia
Iran
Italy
Japan
Jordan*
Korea (South)
Kuwait
Luxembourg
Malaysia
Mauritius
Nepal
Netherlands
Norway
Oman*
Pakistan
Palestinian Authority
Poland
Qatar
Romania
Russian Federation
Saudi Arabia*
Seychelles
Singapore
Sweden
Switzerland
Thailand
United Arab Emirates
United Kingdom
United States
Vietnam

* These treaties cover international air transport only.

Sri Lanka has also entered into the South Asian Association for Regional Cooperation multilateral treaty.

In general, these treaties provide for the elimination of double taxation if both Sri Lankan tax and foreign tax are due on the same income.

If remuneration is received by a resident of a foreign state for employment exercised in Sri Lanka, the remuneration is taxable only in the foreign state if, in general, all of the following conditions apply:

- The recipient is in Sri Lanka for a period not exceeding 183 days in the relevant fiscal year.
- The remuneration is paid by a nonresident employer.
- The remuneration is not borne by a permanent establishment or a fixed base maintained by the employer in Sri Lanka.

F. Entry visas

All foreign nationals must obtain visas (on-arrival visas or visas obtained prior to arrival) to enter Sri Lanka. Foreign nationals intending to work in Sri Lanka should obtain residence visas and work permits.

Single-entry visit visas. Visitors to Sri Lanka on visits of up to 30 days must obtain an Electronic Travel Authorization (ETA), which can be obtained online. ETA holders are issued a 30-day visit visa at a port of entry into Sri Lanka.

Nationals of specified jurisdictions are exempt from the requirement of obtaining an ETA for a period of stay up to 30 days.

On application, an extension of stay up to 90 days from the date of arrival in Sri Lanka in the first instance and a further 90 days in the second instance may be obtained.

The fees for an ETA range from USD15 to USD30, depending on the characteristics of the visa (for example, single or multiple entry).

Multiple-entry visas. Investors and businesspersons may obtain multiple-entry visas, which are valid for 3 or 12 months. To receive a multiple-entry visa, a foreign national must supply proof of his or her activities in Sri Lanka. These visas may be obtained from the Controller of Immigration and Emigration or from a Sri Lanka diplomatic mission abroad. For a three-month, multiple-entry visa, the fee is three times the fee for the single-entry, three-month visit visa. For the 12-month, multiple-entry visa, the fee is the same as for a three-month, multiple-entry visa plus a tax of LKR10,000.

G. Residence visas

Residence visas must be obtained by all foreign nationals intending to work in Sri Lanka. This type of visa is normally issued for one year and is renewable annually on the payment of LKR20,000.

Applicants for residence visas should obtain entry permits from Sri Lankan missions in their home countries. They must submit applications for residence visas within one month after their arrival in Sri Lanka under entry visas.

The approval of the relevant ministry that governs a particular activity or the BOI, as applicable, is critical in obtaining a residence visa. For example, if a foreign national wishes to pursue activities in Sri Lanka connected with the power and energy sector, the Sri Lanka Ministry of Power and Energy must approve the visa. The Department of Immigration and

Emigration normally abides by the recommendations of the relevant ministry in deciding whether to grant a residence visa.

With respect to employment in companies approved by the BOI, the BOI must recommend a residence visa for it to be issued. The BOI refers the application with comments to the Ministry of Defence and then to the Department of Immigration and Emigration, which issues a visa. Employers are responsible for applying for residence visas for expatriate staff.

The Resident Guest Scheme is open to any foreign investor or foreign professional who wishes to contribute to the economic and sociocultural enrichment of Sri Lanka. Five-year visas are issued to individuals qualifying under the scheme.

Application forms are available from the BOI and from any of the Sri Lankan missions abroad.

Individuals applying for visas under the Resident Guest Scheme must undergo a medical examination prior to the visas' confirmation.

Foreign residents in Sri Lanka are subject to a resident visa tax of LKR20,000, except for diplomatic staff.

All visa fees for all categories change regularly.

H. Family and personal considerations

Family members. Spouses and dependents of visa holders are not permitted to undertake paid or unpaid work in Sri Lanka. A spouse or child seeking to work in Sri Lanka must file an application for a work permit and residence visa independently of the principal visa holder.

Driver's permits. Foreign nationals may not drive legally in Sri Lanka with their home country driver's licenses, but they may drive with valid international driver's licenses issued in their home countries.

A temporary driver's license may be obtained by presenting a foreign license and paying LKR300 to the Department of Motor Traffic. To obtain a permanent driver's license, the applicant must submit a medical certificate from a registered medical practitioner in Sri Lanka, the foreign driver's license and LKR765 to the Department of Motor Traffic. A temporary license may be obtained immediately after the receipt of the requisite documents; a permanent license takes approximately 10 days.

Sri Lanka does not have driver's license reciprocity with any other country.

Suriname

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Please direct all requests regarding Suriname to the following persons in the Paramaribo, Suriname, or the Willemstad, Curaçao, office.

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A. Income tax

Who is liable. Residents are taxable on their worldwide income. Nonresidents are taxable only on income derived from certain Suriname sources. Nonresidents are generally subject to personal income tax from their first day in Suriname. A resident individual who receives income, wherever earned, from former or current employment is, in principle, subject to income tax in Suriname.

Residence is determined based on the applicable facts and circumstances, such as an individual's domicile (the availability of a permanent home), physical presence and location of an individual's vital personal and economic interests.

Income subject to tax. The following are the principal types of income taxed in Suriname:
- Employment income
- Self-employment and business income
- Income from immovable property (rental income)
- Income from movable assets (interest and dividend income)
- Income from periodic allowances, provided that the allowances are dependent on life

Employment income. Taxable employment income consists of employment income, including directors' fees and supervisory directors' fees, less itemized and standard deductions and allowances (see *Deductions*), pension premiums and social security contributions (old-age insurance contributions), whether paid or withheld.

Directors' fees and supervisory directors' fees are treated in the same manner as ordinary employment income and are taxed with the income listed above at the rates set forth in *Rates*. Directors' fees and supervisory directors' fees and paid by Suriname resident companies are, in principle, subject to withholding for wage

tax and for social security insurance contributions with respect to Suriname resident individuals.

Nonresident individuals receiving income from current or former employment carried on in Suriname are subject to income tax in Suriname.

Nonresident individuals employed by Suriname public entities or funds established by such entities are subject to tax on income in Suriname even if the employment is carried on outside Suriname. In principle, wage tax is withheld from individuals' earnings.

Nonresident individuals receiving income as managing directors or supervisory directors of companies established in Suriname are subject to income tax in Suriname.

Self-employment and business income. Residents are subject to tax on their worldwide self-employment and business income.

Nonresidents are taxed on income derived from a business, provided that the income can be allocated to a permanent establishment in Suriname. A permanent representative is regarded as a permanent establishment for Suriname income tax purposes.

Annual profits derived from a business must be calculated in accordance with sound business practices that are applied consistently. Taxable income is determined by subtracting the deductions and personal allowances specified in *Deductions* from annual profits.

Profits attributable to a permanent establishment in Suriname are calculated in the same manner as profits of resident taxpayers.

Income from periodic allowances. In principle, resident individuals are subject to tax on their worldwide periodic allowances received, including old-age pensions, alimony payments and disability allowances, provided that the allowances are payable for the individual's lifetime. Under certain conditions an exemption may apply.

In principle, nonresident individuals are subject to income tax on income derived from periodic allowances received from Suriname public entities or funds established by such entities.

Income from immovable property. Income derived from immovable property is subject to Suriname income tax. Income derived from a person's residence is not taxed as income from immovable property. Various costs related to immovable property can be deducted from taxable income, such as interest paid on mortgage loans for the acquisition or the restoration of immovable property.

Nonresident individuals are taxed on rental income derived from immovable property located in Suriname or from the rights to such property.

Income from movable assets. Dividend and interest income derived from domestic and foreign sources, less deductions, are generally subject to income tax.

Nonresident individuals are taxed on interest income derived from debt obligations if the principal amount of the obligation is secured by mortgaged immovable property located in Suriname. Nonresident individuals are also taxed on income derived from

participations in general or limited partnerships with their place of management in Suriname.

In principle, a 25% dividend withholding tax is imposed on dividends distributed by resident companies.

Capital gains and losses. Capital gains are generally exempt from tax, and capital losses are nondeductible. However, in the following circumstances, residents may be subject to income tax on capital gains.

Type of income	Rate (%)
Capital gains realized on the disposal of business assets and on the disposal of other assets if qualified as income from independently performed activities	Up to 38
Capital gains on the repurchase of shares by the company in excess of the average paid-up capital	Up to 38
Capital gains on the liquidation of a business	Up to 38*

* In principle, the tax rate is up to 38%, but on request, a tax rate of 25% is applied.

Deductions

Deductible expenses. Residents may claim the following personal deductions:

- Mortgage interest paid that is related to the taxpayer's dwelling (limited to interest payments on a maximum debt of SRD125,000).
- Exterior paintwork expenses related to the taxpayer's dwelling (limited to once in three years).
- Under certain conditions, pension, annuity and other periodic allowance payments.
- Life-insurance premiums that entitle taxpayers to annuity, pension or other periodic allowance payments (up to a maximum of 10% of income).
- Alimony payments if they meet the threshold amount.
- Medical expenses, educational expenses and support for up to second-degree relatives if they meet certain threshold amounts.
- Under certain conditions, an amount up to SRD8,000 for a disabled child.
- Acquisition costs (also available to nonresidents) for taxpayers deriving employment income. The deduction is limited to 4% of the wage, with a maximum of SRD1,200, if specified expenses are paid under certain conditions.

Business deductions. In general, business expenses are fully deductible if the expenses are incurred in accordance with sound business practices. However, the deduction of certain expenses is limited.

Personal tax credits. A personal tax credit of SRD1,500 may be subtracted by a taxpayer from income tax due.

Rates. Resident and nonresident individuals are subject to income tax at the same progressive rates. The following are the individual income tax rates and tax brackets.

Taxable amount Exceeding SRD	Not exceeding SRD	Tax rate %
0	2,646.00	0
2,646.00	14,002.80	8
14,002.80	21,919.80	18
21,919.80	32,839.80	28
32,839.80	—	38

Relief for losses. Losses in a financial year may be carried forward for seven years. No carryback is available. Losses incurred by businesses during their first three years of business may be carried forward indefinitely.

B. Wealth tax

In principle, resident individuals in Suriname are subject to a wealth tax on the net value of their assets. Nonresident individuals are subject to wealth tax only on the following:

- Immovable property owned in Suriname or the rights to such property
- Debt obligations owned if the principal amount of the obligation is secured by mortgaged immovable property located in Suriname
- Entitlement, other than as a shareholder, to the assets of a Suriname permanent establishment, provided that the individual is subject to Suriname income tax

Specific exemptions apply for certain assets. In addition, special rules may apply to married resident individuals.

The wealth tax rate is 3% on the net value in excess of SRD100,000, or SRD120,000 for married resident individuals.

Residence is determined based on the applicable facts and circumstances, such as an individual's domicile (the availability of a permanent home), physical presence and the location of an individual's vital personal and economic interests.

C. Social security, basic illness insurance law and pension law

Social security. In principle, resident individuals must pay social security contributions, which are contributions for the old-age insurance. Some residents are exempt from paying social security contributions.

The annual old-age insurance contribution is 4% of employment income.

Basic illness insurance law and pension law. The basic illness insurance law and the pension law apply to resident individuals. The basic illness insurance law, which took effect on 9 October 2014, aims to sufficiently insure every Suriname resident against costs of illness. The pension law, which took effect on 9 December 2014, aims to provide every Suriname resident with a pension.

The principal obligations of employers under these laws consist of providing sufficient insurance coverage against the costs of illness, arranging for participation in a pension scheme and

paying at least 50% of the insurance premiums and the pension premiums.

D. Tax filing and payment procedures

The standard tax year is the calendar year. However, on request and under certain conditions, a business may use a different financial accounting year as its tax year.

Because the wage tax is a pre-levy to the income tax, employers must file wage withholding tax returns on a monthly basis. In principle, Suriname wage tax returns must be submitted for monthly periods. Because the Suriname wage tax is a pre-levy on the Suriname income tax, residents and nonresidents remain liable for Suriname income tax if the wage tax is not withheld correctly. The wage tax returns must be filed and the wage tax due must be paid by the seventh business day of the month following the end of the reporting period. For most nonresident employees, wage withholding tax is a final tax.

If the fiscal year is the calendar year, resident taxpayers must file a provisional tax return by 15 April of the current fiscal year. Otherwise, they must file this return within two and one-half months after the beginning of the current fiscal year. The return must show taxable income that is at least equal to the taxable income shown on the most recently filed final tax return. In principle, the tax due on this provisional income tax return must be paid in four equal installments, which are due on 15 April, 15 July, 15 October and 31 December. An extension of time to file the return and pay the tax is not granted. On request of the taxpayer, the Tax Inspector may consent to the reporting of a lower taxable income than the taxable income shown on the most recently filed final tax return.

Nonresident taxpayers must only file a final income tax return.

The final income tax return must be filed within four months after the end of the fiscal year or after the individual is no longer subject to tax. Any difference between the tax due based on the provisional return and the tax due based on the final return must be settled at the time of the filing of the final return.

Social security payments. Social security contributions (old-age insurance contributions) are withheld by the employer and are declared in the wage tax returns. Otherwise, they are due when the final individual income tax return is filed.

Basic illness insurance law and pension law. Employers must withhold the employees' shares of the premiums required under the basic illness insurance and pension laws from wages and remit these withholdings.

Wealth tax returns. For married individuals, in principle, one wealth tax return is required to be filed. Under certain circumstances, two returns may be filed. The Suriname Tax Inspector provides the form for a wealth tax return. The form must be filed within 20 days after receipt of the form. If, based on the applicable law, a taxpayer is required to file a wealth tax return, but does not receive a form, the taxpayer must file a wealth tax return by 15 February or within two months after establishment in Suriname.

E. Double tax relief and tax treaties

Suriname has entered into tax treaties with Indonesia and the Netherlands. These treaties contain provisions to avoid double taxation between Suriname and the other countries regarding taxes on income.

If no treaty applies, the Suriname Tax Inspector may be contacted for possible application of an exemption to avoid double taxation.

F. Residency and working permits

In general, foreign individuals who wish to reside and work in Suriname need residency and working permits. The conditions for obtaining such permits depend on the nationality of the individual.

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A. Income tax

Who is liable

Territoriality. Residents are subject to Swedish taxes on their worldwide income. Nonresident individuals are taxed on salary earned from work performed in Sweden, on certain pensions and on other income sourced in Sweden.

Definition of resident. Individuals who are present in Sweden for six months or more and regularly stay overnight are generally considered resident for tax purposes.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Income from employment includes wage and salary income, directors' fees, pensions, fringe benefits and most allowances. Special valuation rules apply to housing and car benefits. Education allowances provided by employers to their employees' children are taxable for income tax and social security purposes unless they are exempt under the foreign key personnel rules (see below).

The granting of cost allowances is a taxable benefit but, under certain circumstances, a standard amount may be deducted for increased cost of living if the employee is temporarily working in Sweden.

Other benefits received by residents from employment abroad (except for employment on Swedish ships or on Swedish, Danish

or Norwegian airplanes) may be exempt if either of the following conditions applies:

- The employment abroad lasts for at least six months, and the income is taxed in the country of employment.
- The employment abroad lasts for 12 months or longer in one country and no tax has been paid under the legislation or administrative practice of that country.

An additional condition for both of the above alternatives is that visits to Sweden are restricted to an average of 6 days per month of the assignment period (for example, 42 days for 7 months), up to a maximum of 72 days during an employment year.

Employment income is taxed on a cash basis when the income is available to the employee. As a result, taxation occurs when the income becomes available and not when it is actually received or earned.

Salary income and other comparable benefits received by a non-resident for employment or received as commission for activities performed in Sweden from an entity other than the Swedish state or a Swedish municipality is exempt from tax if all of the following conditions apply:

- The recipient has been in Sweden for less than 183 days during a 12-month period.
- The remuneration is paid by, or on behalf of, an employer not having a residence in Sweden.
- The remuneration is not borne by a permanent establishment of the employer in Sweden.

Foreign key personnel, who are experts and scientists with knowledge and skills that are scarce in Sweden, may benefit from an expatriate tax regime. Expatriates may take advantage of the tax regime only if their applications are approved. The regime applies to individuals whose periods of assignment will not exceed five years, and tax relief may be granted for only the first three years. An individual who has resided in Sweden at any time during the five years preceding the calendar year when the assignment starts is not entitled to tax relief under this regime. Furthermore, tax relief may be granted only if the individual's remuneration is paid by a Swedish company, branch or permanent establishment. The tax regime exempts the following remuneration from Swedish income tax and social security contributions:

- Twenty-five percent of gross salary and benefits
- Moving expenses to and from Sweden
- Travel expenses (two return tickets to the home country for the individual and family members annually)
- Children's school fees

To qualify for the expatriate tax regime, an individual must either receive monthly remuneration of a minimum of SEK93,001 (including monthly benefits) per month for the 2019 calendar year or qualify as an expert. In addition, an application must be filed with the Expert Tax Board (Forskarskattenämnden) in Stockholm within three months after the beginning date of the assignment.

Investment income. Dividend income from Swedish and foreign shares, net interest income and income from rental activities are taxed as income from capital at a flat 30% rate. However, if such

income is earned in connection with the operation of a business, it is taxed at the rates applicable to business income. Royalties are taxed as business income.

Nonresidents are not subject to tax on interest received from Swedish bank accounts or on capital gains derived on sales of property, other than real estate and certain shares and securities described below. Unless a relevant tax treaty stipulates otherwise, dividends paid by a Swedish company to a nonresident are subject to withholding tax at a rate of 30%.

Nonresidents are subject to tax on income and capital gains derived from real estate located in Sweden. The effective tax rate on such gains is approximately 22% of the capital gain.

Self-employment and business income. Self-employment income of residents is considered business income and is taxed at the same rates applicable to employment income (see *Rates*). Taxable business income is computed under the rules of sound accounting practices. Accounting profit and taxable income are the same, in principle, but the tax law prescribes several adjustments to arrive at taxable income.

Directors' fees. Directors' fees are considered employment income. Regardless of where the services are performed, directors' fees and similar remuneration paid to nonresident members or deputy members of Swedish boards or similar bodies are treated as salary income and are subject to a 25% final withholding tax, with no deductions allowed.

Taxation of employer-provided stock options. Taxable income derived from a stock option incentive plan is generally taxed at the time the option is exercised. If double taxation occurs, the individual may be entitled to a foreign tax credit or tax exemption, depending on the applicable tax treaty. The value of the benefit is the spread credited to the employee on the date of exercise. The taxable benefit is treated as ordinary employment income. The benefit is also subject to social security contributions.

Income tax must be withheld by the employer by the time the benefit is received by the employee. The tax must be deducted from the employee's normal salary and forwarded to the tax authorities as normal withholding on salary.

According to Swedish Supreme Administrative Court decisions in 2015, option income can be tax-exempt if an individual earns the income outside Sweden while being a tax nonresident of Sweden but exercises the option while being a tax resident of Sweden. These decisions primarily apply to EU citizens.

Capital gains and losses. Capital gains are treated as investment income. Gains on listed shares are taxed at a rate of 30%. The rate is 25% for gains on unlisted shares. In addition, certain specific rules apply to companies if 50% of the voting capital is controlled by four or fewer shareholders. Residents are subject to tax on capital gains on both Swedish and foreign shares. Nonresidents are taxed on capital gains on Swedish shares and foreign shares if they were tax resident in Sweden at any time during the 10 calendar years immediately preceding the year in which the transaction occurred. However, taxation of capital gains derived

from the sale of non-Swedish shares is limited to shares purchased during the period in which the individual was tax resident in Sweden. Tax treaties often shorten the 10-year period.

Residents are subject to tax on 22/30 of the capital gains on disposals of private homes located in Sweden or abroad. Consequently, gains derived from the sale of a primary residence are taxed at a rate of approximately 22%. A substantial portion of capital losses, which varies depending on the asset generating the loss, may primarily be deducted against capital gains and investment income and then also may generate a tax credit with respect to tax payable on employment income.

Deductions

Deductible expenses. The principal deductions allowed are interest expense, expenses for travel between home and work and for business, and alimony payments.

Interest expenses may be deducted from investment income. If the expenses exceed investment income, 30% of the expenses up to SEK100,000 may be credited against taxes payable. For expenses exceeding SEK100,000, the percentage of the tax credit is reduced to 21%.

Under certain conditions, travel costs between home and work that exceed SEK11,000 are deductible. The amount deductible if using a private automobile is SEK1.85 for each kilometer traveled. An employee is also entitled to a deduction of SEK1.85 for each kilometer traveled in a private automobile to carry out the employer's business.

Alimony paid to a former spouse is deductible, subject to certain limitations.

Mandatory individual social security charges in other EU member states can be deductible in Sweden.

Personal deductions. A basic deduction is allowed for both local and state tax purposes. For 2019, the amount of the basic local and state deduction ranges from SEK14,500 to SEK35,900. However, this does not imply that all income in excess of SEK14,500 is taxed because no tax is payable if total income does not exceed SEK19,700 (for 2019). Accordingly, up to this level of income, the personal deduction does not apply. Beyond an income level of SEK19,700, the personal deduction supersedes the exemption rule. The personal deduction is subject to proration if individuals are part-year residents.

Business deductions. For expenses to be deductible, they must be included in the financial accounts. In principle, all expenses incurred to obtain, secure and maintain business income are deductible. Exceptions are made for certain items, including penalties, fines, objects of art, expensive entertainment, and wine and liquor.

Social security taxes for self-employed individuals, as described in Section C, are deductible in the same year they accrue at the rates of 25% for active business income and 20% for passive business income. Lower rates can apply for young employees.

Rates. For 2019, employment income is subject to both national income tax and local income tax, at the rates set forth below.

Employment income over SEK504,000, up to SEK703,000 (before the personal deduction), is subject to national tax at a flat rate of 20% (in addition to the local tax). Income over SEK703,000 is subject to national tax at a rate of 25% (in addition to the local tax).

Local taxes are levied on employment income at rates ranging from 29% to 36%.

Nonresidents who perform work in Sweden are taxed at a flat rate of 25%, and no deductions are allowed. This tax is imposed as a final withholding tax. A special application form needs to be filed with the Swedish tax agency in order to get a decision for the nonresident taxation. Nonresident entertainers and artists are subject to reduced tax at a flat rate of 15%.

Credits. A tax credit applies to income from employment or self-employment. This tax credit is calculated on the basis of the eligible income. The amount of the tax credit depends on the amount of income, the amount of tax and the number of months the individual has been resident in Sweden in the tax year.

Employee social security contributions described in Section C are paid by the employer and are not included in taxable income for the employee.

A tax credit is granted for expenses with respect to so-called household or housekeeping services. Such services include cleaning, childcare in the home, cooking, laundry and garden maintenance as well as personal care and assistance to handicapped or elderly members of the household. The tax credit is granted against tax payable and calculated as 50% of actual costs up to an annual maximum limit of SEK50,000. As a result, the maximum annual tax credit is SEK25,000 per individual.

The above tax credit is also available for certain maintenance and repair costs on the taxpayer's home or summer house if the taxpayer owns his or her home or summer house. The credit is granted only for labor costs and the costs must be substantiated by invoices. The home or summer house must be located within the European Union (EU)/European Economic Area (EEA). The tax credit is granted against tax payable and calculated as 30% of actual labor costs. The maximum annual tax credit is SEK50,000.

The aforementioned credits combined cannot exceed SEK50,000 per year.

Relief for losses. Losses resulting from business activities or earned income may be carried forward indefinitely and offset against the same categories of income in future years.

B. Other taxes

Net wealth tax. The net wealth tax was abolished, effective from 1 January 2007.

Inheritance and gift taxes. The inheritance and gift taxes were abolished, effective from December 2004.

Real estate fee. The real estate fee for privately owned properties equals 1% of the assessed value. The highest amount of the real estate fee is SEK8,049 for each house. The owner of the real estate should pay the real estate fee. The owner or the owner as of 1 January 2019 should pay the fee for the whole 2019 calendar year.

This fee also applies to nonresidents owning real estate in Sweden.

For business properties, other rates may apply.

C. Social security

Employers. Social security taxes are levied on salaries, wages and the assessed value of benefits in kind and are paid primarily by the employer (however, see *Employees*). Payments are made to several programs, including general sickness insurance, basic old-age pension insurance and supplementary pension insurance. Contributions to these various programs are assessed and administered by a single authority. For 2019, the total average rate for most employers is 31.42%. In addition, the rate is 10.21% for individuals born between 1938 and 1953 (both years inclusive). The rate is 0% for individuals born in 1937 or earlier.

Employees. Social security is not payable by the employee. Although the employee pays a minor portion of social security (pension insurance contribution) through the tax return, this amount is normally fully creditable against the tax paid.

Certain expatriates may apply to qualify for an exemption of certain remuneration from Swedish social security contributions (see Section A).

The employee social security contributions described above are credited against income taxes in the year paid. For details, see Section A.

Self-employed individuals. Self-employed individuals are subject to social security taxes on their net taxable profit. For 2019, the nominal social security rate is 28.97% for income from a business actively conducted by an individual. In addition, the rate is 10.21% for individuals born between 1938 and 1953 (both years inclusive). The rate is 0% for individuals born in 1937 or earlier who carry on business activity. For passive business income, the rate is 24.26%, regardless of the age of the individual.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Sweden has entered into totalization agreements with various jurisdictions, including EU/EEA countries. Some of the totalization agreements apply only to certain parts of the social security taxes. The following is a list of the totalization agreement jurisdictions.

Austria
Belgium
Bosnia and Herzegovina
Canada
Cape Verde
Chile
Greece
Hungary
Iceland
India
Ireland
Israel
Italy
Netherlands
Norway
Poland
Portugal
Quebec
Serbia and Montenegro

Croatia	Korea (South)	Slovak Republic
Cyprus	Latvia	Slovenia
Czech Republic	Liechtenstein	Spain
Denmark	Lithuania	Switzerland
Estonia	Luxembourg	Turkey
Finland	Malta	United Kingdom
France	Morocco	United States
Germany		

Totalization agreements with Japan and the Philippines are signed but not yet in force. Totalization agreement negotiations are currently underway with Brazil and China.

D. Tax filing and payment procedures

Tax is assessed on taxable income for each fiscal year, which is generally the calendar year. Married persons are taxed separately, not jointly, on all types of income.

Annual tax returns must generally be filed by 2 May of the year following the year in which the income is earned. Extensions to file returns may be obtained.

Tax on salaries, wages and other remuneration, including benefits in kind, is withheld by employers. Individuals who are self-employed or who have business income as well as other non-employment income may register as self-employed taxpayers. Preliminary tax is then computed according to a preliminary tax return. The preliminary tax is payable monthly, beginning in February of the fiscal year and ending in January of the following year.

An expatriate generally receives a final tax assessment by mid-December at the latest of the year in which the tax return is filed. Any difference between the final tax due and the preliminary tax paid is either refunded immediately or must be paid by 90 days after the date of the final tax assessment.

E. Double tax relief and tax treaties

Double tax relief is provided by allowing taxpayers to credit foreign taxes paid or to deduct foreign taxes paid as an expense. If a credit is elected, a five-year carryforward is available. The credit is limited to the lesser of foreign taxes actually paid or the Swedish tax payable on all foreign-source income.

Sweden has entered into double tax treaties with many countries. Most of the treaties follow the Organisation for Economic Co-operation and Development (OECD) model. In general, the treaties provide that a credit may be taken for foreign taxes paid in the other treaty country to the extent of Swedish taxes imposed on the same income. However, under Sweden's unilateral tax credit system, a credit may also be taken against Swedish tax imposed on other foreign-source income.

Sweden has entered into double tax treaties with the following jurisdictions.

Albania
Argentina
Australia
Austria
Bangladesh
Barbados
Belarus
Belgium
Bermuda (d)
Bolivia
Botswana
Brazil
British Virgin Islands (d)
Bulgaria
Canada
Cayman Islands (d)
Chile
China Mainland (a)
Cyprus
Czechoslovakia (c)
Denmark (b)
Egypt
Estonia
Faroe Islands (b)
Finland (b)
France
Gambia
Georgia
Germany
Greece
Guernsey (d)
Hungary
Iceland (b)
India
Indonesia
Ireland
Isle of Man (d)
Israel
Italy
Jamaica
Japan
Jersey (d)
Kazakhstan
Kenya
Korea (South)
Latvia
Lithuania
Luxembourg
Malaysia
Malta
Mauritius
Mexico
Namibia
Netherlands
New Zealand
Nigeria
North Macedonia
Norway (b)
Pakistan
Philippines
Poland
Portugal
Romania
Russian Federation
Singapore
South Africa
Spain
Sri Lanka
Switzerland
Taiwan
Tanzania
Thailand
Trinidad and Tobago
Tunisia
Turkey
Ukraine
USSR (c)
United Kingdom
United States
Venezuela
Vietnam
Yugoslavia (c)
Zambia
Zimbabwe

(a) The treaty does not apply to the Hong Kong Special Administrative Region (SAR).
(b) Sweden has signed the Nordic Mutual Assistance Treaty, together with Denmark, the Faroe Islands, Finland, Iceland and Norway.
(c) Sweden will apply the treaties with Czechoslovakia, the USSR and Yugoslavia to the new republics that have not entered into a separate treaty with Sweden, unless a law is enacted providing otherwise.
(d) Tax treaty limited to certain tax issues.

F. Entry visas

Permission to enter Sweden is granted to foreign nationals who wish to visit or stay in the country for up to three months if they have valid passports and if they prove they have sufficient means to support themselves while in Sweden and to pay for their journeys home. Citizens of certain Eastern European countries and most African, Asian and Latin American countries must apply for visas before they may enter Sweden. Applications for entry visas are made through the Swedish embassy in the country of residence. Citizens from certain countries can obtain permission to enter Sweden on arrival.

G. Work permits and self-employment

In December 2008, the Swedish parliament enacted legislation revising the rules regarding work permits. The intention was to facilitate the hiring by Swedish employers of non-EU/EEA citizens with special skills. The legislation transferred the responsibility for determining the availability of the needed skills from the Labour Boards and the Migration Agency to the individual employers.

Citizens of EU/EEA member countries and Switzerland are treated in accordance with EU rules and do not need work permits to work in Sweden. Sweden also has an agreement with the other Nordic countries (Denmark, Finland, Iceland and Norway) that allows citizens of these countries to live and work in Sweden without residence or work permits.

Foreign nationals from other countries who wish to work in Sweden must obtain work permits before entering Sweden. An application for a work permit must be accompanied by an offer of employment form issued by the Swedish employer or "end user" (the company for which the individual performs work in Sweden if not the legal employer) in Sweden. In situations in which the foreign (non-EU/EEA or Swiss) national is a new local hire (by the formal employer), the position must be posted on the EU job exchange (EURES) network before a job offer is issued to the foreign national.

The terms of the offer of employment must comply with current collective bargaining agreements concerning wages, mandatory insurance and other benefits or, if no collective agreements exist, with market practice for the specific industry. An opinion must be obtained from the relevant union body as part of the application process.

Certain exemptions exist with respect to the requirement to apply for a work permit, such as for employees who enter Sweden for the purpose of undertaking internal training for up to three months with the Swedish entity of an international group of companies.

EY Sweden has a certification agreement that enables streamlined processing of work permit applications. For a company certified with the Swedish Migration Agency through EY Sweden, the processing time to receive a work and residency permit is 10 days (or up to 20 days for extension applications) instead of standard processing times, which are often up to 12 months.

Work permits are granted for a maximum period of two years and can be extended for another two years. After 48 months' work in Sweden, a permanent residence permit can be applied for.

H. Residence permits

Non-EU/EEA/Nordic foreign nationals who wish to stay in Sweden for longer than three months must have residence permits. These must be obtained before entering Sweden. Individuals normally apply for residence permits in an application for a work permit, and the permits are granted simultaneously. Residence permits are granted for a maximum period of two years when applied for in an application for a work permit. A renewal application must be submitted before the expiration of the initial residence permit. An individual who has held a work permit in Sweden for a total of four years may submit a permanent residency application.

I. Family and personal considerations

Family members. Accompanying spouses or other accompanying family members of expatriates can be included in the primary applicant's residency application.

Children of expatriates do not need student visas to attend schools in Sweden.

Marital property regime. The default marital property regime in Sweden is community property. All property owned by the spouses is regarded as community property, regardless of whether it is acquired prior to marriage or after marriage by gift or inheritance. If a gift or inheritance is received on the condition that it is deemed to be private property, however, the gift or inheritance is not regarded as community property.

Couples may elect out of the regime before or during the marriage by signing a marriage settlement, which should be registered with the civil court.

The community property regime applies to couples resident in Sweden at the time of the wedding. If a couple with foreign citizenship becomes resident in Sweden after the wedding, the regime applies after two years of residency in Sweden. The couple may elect out of the regime by signing a settlement.

Driver's permits. EU citizens and citizens of Iceland, Liechtenstein and Norway may use home country driver's licenses for unlimited periods of time in Sweden.

Citizens of other countries may use their driver's licenses for up to 12 months if these are issued in English, French or German, or if they are accompanied by a translation into one of these languages or into Danish, Norwegian or Swedish. A driver's license without a photograph is valid only if accompanied by an identity document with a photograph. Residents of Sweden for longer than one year must obtain Swedish driver's licenses. A driver's license issued in Switzerland or Japan may be exchanged for a Swedish driver's license if the holder is resident in Sweden or if he or she passes a standard medical test. Otherwise, to obtain a Swedish driver's license, an individual must complete a physical exam and written and driving tests. In addition, drivers must take lessons in driving on slippery roads.

J. Obligation to report postings

Foreign employers must report postings and specify a contact person to be registered in Sweden. The Swedish Work Environment Authority maintains the register.

A posted employee is a person who has been sent by his or her employer to another country to work for a limited time period. If a person has been sent to Sweden, he or she is covered by certain provisions in Swedish laws and collective agreements during the period of employment.

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A. Income tax

Tax system in summary. Switzerland's complex tax structure has been shaped by the country's three levels of government, which are federal, cantonal and municipal. The following two distinct taxes are levied:
• Federal taxes
• Cantonal and municipal taxes

Swiss federal tax law is uniform throughout Switzerland, but each of the 26 cantons has a separate law for cantonal taxes. Municipal taxes are levied as a multiple of cantonal taxes. Because tax laws and tax rates vary widely among cantons and among municipalities, the choice of residence is an important element of tax planning.

No average tax rates can be calculated because of the multilayered tax system. Taxes are calculated based on specific figures for specific cantons and municipalities. The maximum overall rate of federal income tax is 11.5%. The various cantonal and municipal taxes are also levied at progressive rates, with a maximum combined cantonal and municipal rate of approximately 36%. In addition, cantonal and municipal net wealth taxes are levied.

The federal Supreme Court and tax administration have developed rules for allocating tax liability among the cantons to avoid double taxation.

Federal taxable income. Individuals establishing tax residence in Switzerland are assessed for federal income tax purposes on a current-year basis.

Special rules apply for the first year a taxpayer is subject to Swiss tax. In addition, the basis of assessment may be altered if certain extraordinary events substantially change an individual's financial

situation (for example, change of business or profession, or divorce or legal separation).

In general, taxable income for federal tax purposes consists of all types of income earned by a resident individual, including the following:

- Remuneration from an employer (base salary, bonus, stock options, home leave, and payment of rent, taxes, school fees and utilities)
- Self-employment or business income
- Pension payments and compensation for loss of work or health
- Income from private investments (including interest and dividends)
- Income from real estate

Although income derived from either a fixed place of business or a permanent establishment located abroad, as well as income derived from real estate located abroad, are exempt from taxation, this income must be properly recorded on a Swiss tax return for the determination of the tax rate (exemption with progression).

Cantonal and community taxable income. At the cantonal level, tax is also assessed on a current-year basis. Taxable income for cantonal and community tax purposes is calculated in basically the same way as taxable income for federal taxes.

Who is liable. An individual who is resident or domiciled in Switzerland is subject to federal, cantonal and municipal taxes on worldwide income, except income derived from real estate located abroad and income from either a fixed place of business or a permanent establishment located abroad. Individuals are subject to Swiss income tax and net wealth tax (see Section B) from their first day of residency until they officially leave the country.

Nonresidents are subject to tax on income from the following Swiss sources:

- Interest in Swiss real estate
- Interest in a Swiss partnership or sole proprietorship
- Trade or business attributable to a Swiss permanent establishment or fixed place of business
- Professional practice in Switzerland
- Trade and agency of real estate located in Switzerland
- Services performed in Switzerland (with exceptions)
- Interest income derived from a mortgage secured by Swiss real estate
- Services rendered as a director or officer of a Swiss corporation (with exceptions)
- Payments by Swiss pension funds

Individuals are considered resident in Switzerland if they take up legal residence in Switzerland or if they intend to stay there for a certain period (usually longer than one month), as well as if they work in Switzerland for a period exceeding 30 days.

Income subject to tax. The taxation of various types of income is described below.

Employment income. In general, all compensation provided by an employer is considered employment income and is included in the employee's overall taxable income. However, if properly

documented, certain reimbursements for necessary business-related expenses are not subject to tax.

Both residents and nonresidents who remain in Switzerland for employment purposes are subject to tax on employment income. In general, residents are not subject to withholding tax on employment income. Residents with certain types of work permits, however, and most nonresidents are subject to withholding tax on employment income.

Self-employment and business income. Self-employment and business income is included in overall taxable income. A partnership is not taxed as a separate entity; rather, the respective shares of partnership profit are included in the taxable income of each partner. All necessary expenses incurred in operating a business or profession are tax-deductible. Self-employed individuals may carry forward business losses if these losses cannot be offset against other taxable income. No carrybacks are allowed for self-employed individuals.

Directors' fees. For residents, directors' fees received from a Swiss company are included in the taxpayer's overall taxable income. Directors' fees remitted from a foreign country are generally included in a resident's overall taxable income, unless an applicable double tax treaty provides otherwise. For nonresidents, directors' fees received from a Swiss company are subject to withholding tax (at a rate of 25% in the Cantons of Geneva and Zurich) and social security contributions (unless the terms of an applicable totalization agreement specify otherwise).

Investment income. A withholding tax of 35% is levied on dividends; on interest from publicly offered bonds, from debentures and from other instruments of indebtedness issued by Swiss residents; and on bank interest (in excess of CHF200 per year), but not on normal loans. For Swiss residents, withholding tax is fully recoverable. For nonresidents, withholding tax is a final tax, unless the terms of an applicable double tax treaty specify otherwise.

Dividends received are taxed as ordinary income. However, if the recipient of a dividend owns at least 10% of the share capital of the payer company, only 60% of the dividend is taxable for the purpose of the federal income tax. Some cantons have adopted similar rules.

Rental income and royalties, as well as licensing, management and technical assistance fees, are not subject to withholding tax. With certain exceptions, they are included in taxable income and are taxed by the federal government, cantons and municipalities.

Taxation of employer-provided stock options. Under federal law, equity-based compensation schemes are taxed at vesting (restricted stock units), at exercise (stock options that are not tradable or restricted) or at grant (tradable and unrestricted stock options, and free shares). The cantons also apply these rules.

In addition, the equity gain is allocated to Switzerland on the basis of the number of workdays performed in Switzerland during the vesting period.

Income derived from equity is taxed together with other income at ordinary tax rates. In addition, social taxes are levied on equity income.

The subsequent sale of the shares triggers no further tax consequences because private capital gains are exempt from tax in Switzerland.

Capital gains and losses. Private capital gains derived from sales of movable assets are not taxed at the federal level or at the cantonal level. Capital gains derived from sales of immovable assets are subject to a separate tax in all cantons.

For federal tax purposes, a gain or loss from a sale or exchange of business assets is treated as ordinary income or an expense item. For cantonal tax purposes, the treatment is the same, except that some cantons levy a separate tax on gains from sales or exchanges of immovable assets.

Deductions

Deductible expenses. Necessary expenses incurred in connection with employment income, maintenance and operating costs of real estate, any kind of debt interest, contributions to qualified pension plans, Swiss or foreign compulsory social security premiums, and other specific items are deductible from taxable income. For some expenses, tax-deductible amounts are standardized (insurance premiums, education costs and lunch expenses). These rules apply for federal as well as cantonal and municipal taxes. However, other items may be treated differently among the cantons.

For expatriates (as defined), an annual deduction of CHF18,000 is allowed, which is intended to cover an expatriate's housing fees and other expenses related to being an expatriate. Expenses in excess of CHF18,000 may be deductible if they can be proven. Other typical expenses of an expatriate, including moving expenses and tuition, are also deductible.

Personal deductions and allowances. No specific personal deductions and allowances are granted to individual taxpayers, except some minor standardized deductions granted in most cantons (for example, deductions for children).

Business deductions. Nonresidents may deduct necessary expenses incurred in operating a business or profession and in the maintenance and operation of rental property.

Lump-sum taxation. Resident aliens who were resident or domiciled abroad for the past 10 years may qualify for a special tax concession called lump-sum taxation if they do not engage in any employment or carry on a business in Switzerland. Activities outside Switzerland are not taken into consideration. The lump-sum tax is imposed on income imputed from the living expenses of taxpayers and their families (for example, by a multiple of rental value). The amount of lump-sum tax may not be less than the tax that would be payable on the sum of the following items:

- Income from Swiss real property
- Income from Swiss investments
- Income from any other property located in Switzerland
- Income from Swiss-source patents, copyrights and similar property rights

- Pensions or annuities paid from Swiss sources
- Foreign income, if treaty exemption is claimed

Several cantons allow a nonworking resident to elect lump-sum taxation instead of regular income tax.

In certain cantons, lump-sum taxation is granted for only a limited number of years. In many cantons, eligibility for lump-sum taxation and the method of calculating the tax payable are negotiated individually with the tax authorities rather than statutorily determined.

Rates. The maximum overall federal tax rate is 11.5%.

Cantonal tax rates vary considerably from one canton to another, although all rates are progressive. The tax rate consists of a base rate multiplied by a coefficient, which may change from year to year. The municipal tax rate is usually a percentage of the cantonal rate. Therefore, the overall rate varies within a canton, depending on the municipality where a taxpayer resides. In most cantons, a church tax is also levied as a percentage of the cantonal rate for taxpayers who are members of an official Swiss church community. Maximum cantonal and municipal tax rates range from approximately 12% to 36%.

B. Other taxes

Net wealth tax. No net wealth tax is imposed at the federal level. All cantons and municipalities levy net wealth tax on worldwide assets, with the exception of real estate, a fixed place of business, or a permanent establishment located abroad. Tax rates are reasonably low and vary widely, depending on the canton and municipality where the taxpayer resides.

Inheritance and gift taxes

Cantonal taxes. No inheritance or gift taxes are imposed at the federal level. However, all cantons levy separate inheritance and gift taxes. Rates vary widely depending on the canton where the deceased or donor is domiciled.

In most cantons, resident foreigners are subject to inheritance tax and gift tax on worldwide assets, except for real estate located abroad. Nonresidents are subject to inheritance tax and to gift tax on real estate located in Switzerland only.

Treaties. To prevent double taxation, Switzerland has entered into inheritance tax treaties with the following jurisdictions.

Austria	Germany	United Kingdom
Denmark	Netherlands	United States
Finland	Sweden	

C. Social security

Swiss retirement benefits are derived from the following sources:

- The mandatory social security system (old-age and survivors' insurance). Pensions are based on premiums paid and on the number of years worked. Benefits generally satisfy minimum living requirements.
- Company pension plans. Pension plans must be segregated from the company. These benefit plans complement the benefits of the

Swiss social security program and are compulsory for employees subject to the old-age and survivors' insurance.
- Individual savings.

Employees. The Swiss social security contribution rate is 10.25% of total salary, with no ceiling; the employer and employee each pay 5.125%. The employee's share is withheld monthly by the employer. In addition, contributions at a rate of 2.2% on annual salary up to CHF148,200, and 1% on annual salary exceeding CHF148,200, must be made to the unemployment insurance fund. This cost is also divided equally between the employer and employee.

In general, employees who pay into the Swiss social security system must contribute to a pension plan. The employer must make contributions of at least 50% of the total contribution.

Contributions to both schemes are fully tax-deductible. Furthermore, contributions to special types of individual savings schemes are tax-deductible, up to a certain amount.

Self-employed individuals. Self-employed individuals must make social security contributions at a maximum rate of 9.65% of their income from their business or profession. The 9.65% rate also applies to partnership profits. Self-employed persons are not required to be members of a pension plan.

Nonresidents. Nonresidents who carry on a business activity within Switzerland (including serving on the board of a Swiss company) are subject to Swiss social security contributions on income derived from that activity, unless a social security treaty provides otherwise.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Switzerland has entered into totalization agreements, which usually apply for a period of two years but may extend to five years, with the following jurisdictions.

Australia	Hungary	Philippines
Austria	Iceland	Portugal
Belgium	India	Quebec
Bulgaria	Ireland	Romania
Canada	Israel	San Marino
Chile	Italy	Serbia
China Mainland (including the Macau SAR)	Japan	Slovak Republic
	Korea (South)	Slovenia
Croatia	Latvia	Spain
Cyprus	Liechtenstein	Sweden
Czech Republic	Lithuania	Taiwan
Denmark	Luxembourg	Turkey
Estonia	Malta	United Kingdom
Finland	Montenegro	United States
France	Netherlands	Uruguay
Germany	North Macedonia	Yugoslavia (former)*
Greece	Norway	

* This treaty applies to Bosnia and Herzegovina.

A totalization agreement with Brazil has been signed but is still under the parliament ratification process. Switzerland has also

signed a totalization agreement with Tunisia. Negotiations are in progress with Albania, Argentina, Kosovo and Peru.

Under the totalization agreements, if certain conditions are met, exemption from the Swiss social security system is available for a certain period if employees continue to contribute to their home country social security systems.

Under an agreement between Switzerland and the European Union (EU), Switzerland has applied European Regulation 883/2004 since 1 April 2012 (European Regulation 1408/71 before that date), which overrules the bilateral totalization agreements listed above with respect to Swiss and EU nationals.

Effective from 1 January 2016, EU Regulation 883/2004 applies to moves between Switzerland and European Free Trade Association (EFTA) countries (EU Regulation 1408/71 previously applied). A transition period of 10 years applies to ongoing situations.

D. Tax filing and payment procedures

Federal taxes are due 31 March of each year. Tax filing and payment procedures vary widely from canton to canton and also depend on individual circumstances.

Married persons are taxed jointly, not separately, on all types of income.

In general, nonresidents must file tax returns if they have income from certain sources, including employment, which is taxed at the regular rates. In most cantons, directors' fees and payments by Swiss pension funds are subject to special withholding provisions (covering cantonal and municipal, as well as federal, income taxes).

E. Double tax relief and tax treaties

Income is allocated in accordance with rules developed by the Federal Supreme Court on inter-cantonal tax allocation, unless an applicable double tax treaty provides otherwise. In addition, certain cantonal rules may influence international income allocation. However, treaty law always overrules Swiss domestic law.

According to Swiss domestic law and treaty regulations, foreign-source income is excluded from taxable income if it is derived from a permanent establishment located in a foreign country (as defined by treaty law or, in the absence of an applicable double tax treaty, by Swiss domestic law). Also excluded is income derived from real estate located abroad. In addition, certain types of income, including directors' fees, special pensions and partnership profits, may be exempt in Switzerland under an applicable treaty.

In general, all other foreign-source income is taxable in Switzerland. In the absence of a treaty, foreign-source income is taxed net of any foreign income taxes or withholding taxes imposed on such income by the source country.

Most of Switzerland's income tax treaties follow the draft model of the Organisation for Economic Co-operation and Development (OECD). Switzerland generally applies the exemption-with-progression method rather than the tax-credit method for qualified foreign-source income. However, a limited tax credit is

granted, for remaining net foreign withholding taxes imposed on dividends, interest and royalties from the treaty jurisdictions listed below. The credit may not exceed Swiss tax due on the relevant income.

Switzerland has entered into double tax treaties with the following jurisdictions.

Albania
Algeria
Argentina
Armenia
Australia
Austria
Azerbaijan
Bangladesh
Barbados
Belarus
Belgium
Bulgaria
Canada
Chile
China Mainland
Colombia
Côte d'Ivoire
Croatia
Cyprus
Czech Republic
Denmark
Ecuador
Egypt
Estonia
Faroe Islands
Finland
France
Georgia
Germany
Ghana
Greece
Hong Kong SAR
Hungary
Iceland
India
Indonesia
Iran
Ireland
Israel
Italy
Jamaica
Japan
Kazakhstan
Korea (South)
Kuwait
Kyrgyzstan
Latvia
Liechtenstein
Lithuania
Luxembourg
Malawi
Malaysia
Malta
Mexico
Moldova
Mongolia
Montenegro
Morocco
Netherlands
New Zealand
North Macedonia
Norway
Oman
Pakistan
Peru
Philippines
Poland
Portugal
Qatar
Romania
Russian Federation
Serbia
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Tajikistan
Thailand
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Venezuela
Vietnam
Zambia
Zimbabwe

On 5 March 2018, Switzerland signed a double tax treaty with Brazil, which is not yet in force.

F. General visa requirements for entry into Switzerland

Since 12 December 2008, Switzerland is an associated member state of the Schengen agreement and accordingly part of the Schengen area. The Schengen regulations apply to the entry and a stay of up to three months that is not subject to authorization. For individuals who are required to hold a visa, Switzerland issues Schengen visas for a stay up to 90 days that are valid for the whole Schengen area.

Foreign nationals require a valid and accepted travel document to enter Switzerland. In addition, a visa is required in certain cases.

Foreign visitors who have entered Switzerland in compliance with the relevant regulations and are not taking up any form of

employment (or if the gainful activity performed in Switzerland does not exceed eight days per calendar year) are not required to have a residence permit if the duration of their stay does not exceed three months. Their stay must not exceed a total of 90 days per 180-day period. For the purpose of the computation of this 90-day period, it is in principle necessary to consider all stays in each Schengen state. Individuals requiring a visa must observe the duration of stay specified in their visa.

G. Work permits and work authorizations

General principles. Any foreigner who wants to perform a gainful (productive) activity in Switzerland must, in principle, be in possession of an authorization. Any activity (self-employed or employed status) that normally procures a gain is a gainful activity, even if the activity is performed for free or if the remuneration consists only of coverage of basic expenses.

Switzerland has the following dual system for the admission of foreign workers:

- The provisions of the Agreement on the Free Movement of Persons (AFMP) and its directives for European Economic Area (EEA) citizens locally employed in Switzerland
- The provisions of the Foreign Nationals and Integration Act (FNIA) and its provisions for non-EEA citizens and EEA citizens seconded to Switzerland

EEA citizens. EEA citizens under local (Swiss) employment contracts benefit from the AFMP and, accordingly, are entitled to obtain a work permit. They may perform a gainful activity in Switzerland as soon as they have registered in Switzerland. In the case of EEA citizens seconded to Switzerland, their employer needs to file a formal work permit application with the authorities because they fall under the Swiss FNIA. Further requirements (quotas and minimum salary requirements) also apply to them (see below). They may only start working after having received the respective approvals from the Swiss immigration authorities.

As of 1 June 2019, the Swiss Federal Council has granted the full unrestricted free movement rights to Bulgarian and Romanian nationals and therefore abolished the quotas that were in force until May 2019. On 1 January 2017, the AFMP was extended to Croatia. Since then, special transitory measures with quotas and restrictions regarding the access to the labor market (priority clause for local workers as well as control of salary and work conditions) apply to Croatian nationals.

Non-EEA citizens. Switzerland's immigration policy for foreign nationals is selective and restrictive in the sense that only a limited number of executives, specialists and other qualified employees are admitted to work in Switzerland. The following significant criteria apply:

- Non-EEA citizens may be permitted to work only if it is proven, by way of a labor market search, that no suitable domestic employees or EEA citizens can be found for the job. Certain exceptions apply with respect to seconded foreign employees and international transfers of specialists and executives within a group of companies.

- Quotas limiting the number of work permits also apply (except for L-4-month/120-day work permits).
- Non-EEA citizens may be admitted to work only if the salary and employment conditions customary for the location, profession and sector are met.

Exceptions

Eight-day rule. In principle, citizens from non-EEA countries, as well as EEA nationals seconded to Switzerland, may work up to eight days in a calendar year in Switzerland without a work permit if the project in Switzerland is planned for a maximum duration of eight days (depending on the nationality, visa requirements may apply). However, depending on the location of the assigning company (EEA- or non-EEA-based company), the approach of the authorities related to the computation of the eight days varies. For employees of non-EEA-based companies, the eight days are counted per person. The eight days for EEA-based companies are cumulatively counted per entity and all employees.

For certain sectors, an online announcement or work permit application must be filed by the first day of activity. This rule applies to the following sectors:
- Construction, civil engineering and sub-trade or construction supply work
- Hotel and restaurant business
- Industrial or domestic cleaning
- Surveillance and security
- Travel and security
- Sex industry

Every gainful activity exceeding the eight days referred to above requires a work permit, an authorization or the filing of the appropriate announcement.

Business meetings. Business meetings may be attended without a work permit in Switzerland. However, only a very limited number of activities are considered to be a business meeting. According to the authorities' practice, the following are considered the attending of a business meeting:
- Attending conferences as a listener
- Attending initial/introduction meetings with clients (no productive contribution to an existing project)
- Attending coordination/synchronization meetings
- Attending project coordination meetings
- Receiving training (not as a presenter; no training on the job)
- Attending contract negotiating meetings (without proposal or acquisition work)
- Signing of contracts

However, to be on the safe side, individuals should apply for a work permit. Because there is no legal definition of a business meeting, the authorities decide at their own discretion whether an activity is considered a business meeting or a gainful activity for which a work authorization is required.

Citizens of most non-EU countries also need a visa to enter Switzerland even if they "only" attend a business meeting.

Online announcement. An online announcement applies to employees of EEA-based companies as well as EEA citizens working in Switzerland for less than 90 days.

Employers that are located within the EEA and that second EEA nationals (or foreign nationals included in the EEA labor market for at least 12 months) for less than 90 working days per calendar year must perform an online announcement to comply with Swiss immigration requirements. The 90-day quota is allocated per each foreign legal entity, employee and year. The online announcement must be processed eight days before the first working day in Switzerland. The online announcement confirmation represents the work authorization.

The same principle applies if Swiss companies want to employ EEA citizens for less than 90 days per calendar year in Switzerland.

Once the 90 days are exceeded, a work permit must be applied for.

Quotas. Swiss law imposes a quota system that limits the number of available permits for third-country nationals, Croatian nationals and EEA nationals who are seconded to Switzerland for more than four months.

Change of employer, change of activity or change of canton. No authorization is required for locally employed EEA citizens to change employers. The same principle applies to foreign nationals holding a long-term B permit except in some particular circumstances. However, authorization is required for the following non-EEA nationals to change employers:

- Individuals who receive work permits for specific time-limited activities
- Individuals holding a short-term L permit (see Section H)

Locally employed EEA nationals holding long-term B permits can freely change from a dependent activity to an independent activity.

EEA citizens can move their residence to another canton. Non-EEA citizens are required to obtain authorization to do so.

H. Type of permits

Online announcement. Strictly speaking, the online announcement is not a permit, but still required if EEA citizens/non-EEA citizens employed by an EEA-based entity work in Switzerland for less than 90 days. This also applies for EEA-citizens employed by a Swiss entity for less than 90 days per calendar year. For more information, please see *Online announcement* under *Exceptions* in Section G.

Short-term work permits (L permits). Short-term work permits (L permits) are 4-month/120-day permits, which do not fall under the Swiss quota system described above. Foreign nationals may take up short-term employment for a maximum of 4 consecutive months, or 120 days, spread throughout a 12-month period.

Typically, 4-month/120-day permits are granted to executives or specialists who are needed either once or periodically in Switzerland to perform time-limited tasks. However, Swiss law

does not allow a system of rotating employees every 4 months or 120 days (for example, one employee comes for 120 days and is replaced by another, who is then replaced by another).

The second category of L permits is granted for a period between four months and one year and permits are generally issued for project-related stays or short-term assignments. Such permits are subject to quotas. After one year, the L permit may be extended for another year (24 months maximum in total).

The permit lapses if the permit holder gives notice of departure from Switzerland to the municipality's local registration office, forfeits his or her residence, or lives abroad for more than three months.

Long-term work permits (B permits). Long-term work permits (B permits) are granted if an employment/assignment contract for an undetermined duration or for a duration greater than 24 months exists. B permits typically have a validity of five years for all EEA nationals and of one year for non-EEA nationals. The B permits are renewable until obtaining the C permit (see below). In the case of seconded EEA or non-EEA nationals, the B permits are subject to quotas and are usually granted for one year and can be renewed annually.

The permit lapses if the permit holder gives notice of departure from Switzerland to the municipality's local registration office, forfeits his or her residence, or lives abroad for more than six months.

Permanent residence permits (C permits). Permanent residence permits (C permits) are available in Switzerland to all foreign nationals who have lived in the country for a time period that varies depending on citizenship and bilateral treaties (five years of residence are required for citizens of most European countries and 10 years for most non-EU citizens). In general, foreign nationals need to be able to prove a certain degree of proficiency in the official language spoken at their place of residence (French, German or Italian) to be eligible for a C permit. Only certain EU nationals do not need to meet any language requirement; they are eligible for the residence permit C after five years of living in Switzerland.

C permit holders may engage in any legal activity in Switzerland. They may change their employment or profession without approval.

C permits are granted for an unlimited duration, but the permit card must be renewed every five years. The permit lapses if the permit holder gives notice of departure from Switzerland to the municipality's local registration office, forfeits his or her residence, or lives abroad for more than six months. For stays abroad for up to four years, the permit may be maintained if an application is filed in due time.

I. Family reunion

Family reunion under the AFMP. Family members of EU/EFTA nationals holding a B or L permit (valid for 364 days) are granted an EU/EFTA permit allowing them to join the principal applicant and reside in Switzerland, regardless of their nationality (even if

they are third-country nationals). The following are family members according to the AFMP:

- Spouses
- Children or grandchildren who are under 21 years of age or who financially depend on the applicant
- Parent(s) and grandparent(s), if they financially depend on the applicant

The spouse and children of an EEA citizen admitted in Switzerland for the purpose of family reunion are entitled to perform gainful activities in Switzerland regardless of their nationality.

Family reunion under the FNIA. The spouse of the principal beneficiary of an L or a B permit and unmarried children who are under 18 years may be admitted to Switzerland for family reunion. Family members of L permit holders may not undertake employment unless they have been granted permission to do so. The family reunion must be made within five years. For children over 12 years, the family grouping must be made within 12 months. Since 1 January 2019, family members of third-country nationals holding a B or C permit need to prove sufficient language skills (at least A1 oral level of the language spoken at the place of residence).

Taiwan

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A. Income tax

Who is liable. Resident and nonresident individuals are subject to consolidated (personal) income tax on income earned from Taiwan sources. Taiwan-source income includes all employment income derived from services performed in Taiwan, regardless of where the compensation is paid.

Individuals are considered residents of Taiwan if they are domiciled and reside in Taiwan or, if not domiciled, if they have resided in Taiwan for at least 183 days in a tax year. If an expatriate enters and departs Taiwan several times within a calendar year, the resident days are accumulated.

Income subject to tax. Individuals in Taiwan are subject to Taiwan consolidated income tax. However, the amount of income subject to tax and the applicable rates depend on the length of stay as well as on the individual's residence status.

An individual's consolidated gross income is the total of the following categories of Taiwan-source income:

- Business profits, including dividends, profits distributed by cooperatives and partnerships, profits from a sole proprietorship and profits from sporadic business transactions
- Income from a professional practice
- Salaries, wages, allowances, stipends, annuities, cash awards, bonuses, pensions, subsidies and premiums paid by an employer for group life insurance policies that offer payment on maturity, but not including the voluntary pension contribution and the voluntary annuity insurance premiums based on the Labor

Pension Act, which are up to 6% of the individual's monthly wage or salary
- Interest income
- Rental income and royalties
- Self-employment income from farming, fishing, animal husbandry, forestry and mining
- Gains from sales of rights and properties other than land
- Cash or payments in kind received as winnings in competitions or lotteries
- Retirement pay, severance pay, non-insurance old-age pension payments and insurance payments made under annuity insurance based on the Labor Pension Act received by the individual
- Other income

Taxable income of residents is computed by deducting from consolidated income certain allowable exemptions and deductions (see *Exemptions and deductions*). The income of a taxpayer's dependents is also included in the taxpayer's taxable income.

Employment income. In general, a nonresident staying in Taiwan for no longer than 90 days during a calendar year is not subject to Taiwan income tax on salary received from an offshore employer, provided the payment is not charged back to any Taiwan entity; otherwise, the income is subject to an 18% withholding tax on salary received from a resident employer.

Nonresidents are subject to Taiwan income tax on Taiwan-source employment income, regardless of where the income is paid, at a fixed rate of 18% on salary income.

For foreigners with foreign employers who stay in Taiwan less than 300 days in a calendar year, salary not borne by a Taiwan entity may be allocated based on the number of days present in Taiwan to determine the amount taxable in Taiwan.

The following benefits are exempt from consolidated income tax for all expatriates:
- Traveling expenses paid for expatriates on home leaves
- Rental payments for a house leased by the employer for expatriates
- Durable furniture purchased by a Taiwan-registered entity

Individuals who qualify as "Foreign Professionals" (see *Foreign Professionals*) are also exempt from consolidated income tax on the following assignment-related benefits:
- Moving expenses paid for expatriates and their families when they report for duty and at the time of repatriation
- Water, electricity, gas, telephone and cleaning services for expatriates' houses leased by Taiwan entities
- Automobiles leased by employers for expatriates

Investment income. Dividend and interest income are subject to consolidated income tax and are taxed together with other income at the rates set forth in *Rates*. However, interest income from postal savings accounts is excluded from gross income. In addition, the following types of interest income are subject to withholding tax and are not included in gross income:
- Interest income from short-term commercial paper is subject to a 10% withholding tax for residents and 15% for nonresidents.

- Interest income from beneficiary securities or asset-based securities issued according to the Financial Asset Securitization Act and the Real Estate Securitization Act is subject to a 10% withholding tax for residents and 15% for nonresidents.
- Interest income from public debts, corporate bonds or financial bonds is subject to a 10% withholding tax for residents and 15% for nonresidents.

The rate of withholding tax on other interest for nonresidents is 20%. For dividends, the rate of withholding tax is 0% for residents and 21% for nonresidents.

Rental income and royalties are included in taxable income. For rental income, the rate of withholding tax is 10% for residents and 20% for nonresidents. For royalties, the rate of withholding tax is 10% for residents and 20% for nonresidents.

Other income. The taxable amount of a lump-sum severance payment received in 2019 is calculated in accordance with the following rules:

- If the total amount received in one lump sum is less than TWD180,000 multiplied by the number of service years at the time of separation, the entire amount is tax-exempt.
- If the total amount received in one lump sum is more than TWD180,000 multiplied by the number of service years at the time of separation, half of the excess over TWD180,000 but less than TWD362,000 multiplied by the number of service years at the time of separation is taxable income.
- The excess over TWD362,000 multiplied by the number of service years at the time of separation is taxable income.
- If the individual spent only certain years rendering service in Taiwan among the total service years with an employer, the severance payment may be allocated based on the ratio of the number of years in Taiwan to the total service years in order to arrive at the amount subject to tax in Taiwan.

For severance payments received in installments, the taxable income amount is the total of all payments received in 2019 in excess of the TWD781,000 annual deduction.

The exemption amount for the severance payment may be adjusted if the accumulated consumer price index has increased by at least 3% over the last adjustment.

Income tax paid by an employer on behalf of its expatriates should be treated as the expatriates' salary income if the employment contract or other related document states that such tax payments constitute part of the expatriate's compensation package. If the income tax paid by an employer does not constitute part of the expatriate's compensation package, it is considered a gift to the expatriate and is treated as the expatriate's other income.

Foreign Professionals. The decree "Preferential Tax Treatment for Foreign Professionals" provides for the preferential taxability of certain assignment benefits paid in accordance with an assignment agreement for a foreign national who qualifies as a "Foreign Professional."

To qualify as a "Foreign Professional" and accordingly enjoy certain preferential tax treatment for assignment-related benefits, an individual must satisfy the following conditions:

- He or she must be physically present in Taiwan for 183 days or more during a calendar year.
- He or she must not hold dual nationality of Taiwan and another jurisdiction.
- His or her annual taxable salary income must exceed TWD1,200,000.
- The individual must have obtained a working permit from the authority in Taiwan in accordance with Article 46 of the Employment Service Act.

Foreign special professionals. Effective from 9 February 2018, the Act for Recruitment and Employment of Foreign Professionals provides a tax incentive for individuals who have obtained the foreign special professional work permit or Employment Gold Card and are approved for residing in Taiwan as a result of employment for the first time (see Section H).

If a foreign special professional meets both of the following requirements, 50% of the annual salary income in excess of TWD3 million is exempt from Taiwan income tax and non-Taiwan source income is excluded from the calculation of the individual basic tax:

- The individual physically resides in Taiwan for at least 183 days during the tax year.
- The individual receives Taiwan taxable salary income in excess of TWD3 million during the tax year.

The above tax incentive applies for three tax years. If a foreign special professional does not meet both requirements for three consecutive tax years, the tax benefit can be sequentially deferred to a tax year in which both requirements are met. However, the tax benefit must be claimed within a five-year period from the first tax year in which the requirements are first met.

Taxation of share-based compensation. Based on tax decrees issued by the Ministry of Finance, on the exercise of a stock option, the difference between the fair market value of the shares at exercise and the exercise price (that is, the option spread) is taxed as other income.

Taiwan employers have a reporting requirement, but not a withholding requirement, with respect to the option spread. Taiwan employers must issue non-withholding statements to employees who exercise stock options.

For foreign employees who are sent to Taiwan for assignment, the option spread can be prorated based on the ratio of the number of days the employee is physically present in Taiwan during the period from the date of grant through the date of vesting to the total days in such period. However, based on the tax authority's current practice, for Taiwan employees on assignment to foreign countries, if the individuals remain as employees of the Taiwan entity (that is, the Taiwan entity continues the enrollment of National Health Insurance and Labor Insurance for the relevant employees), the proration of stock option income may not be allowed.

The Ministry of Finance also issued decrees indicating that the income (discount) derived from employee stock purchase plans, income derived from stock appreciation rights granted by foreign companies, and restricted stock issued by Taiwanese companies should be treated as other income.

For other types of equity income, no specific Taiwan income tax laws or regulations addressing Taiwan taxation currently exist.

Under Article 19-1 of the Statute for Industrial Innovation, effective from 1 January 2016 to 31 December 2029, employees who receive share-based compensation issued by Taiwanese companies may choose to defer taxation on the compensation until the date on which the shares are transferred. The amount deferred is based on the fair market value of the shares received and is limited to TWD5 million per year. If the employee continues to hold the shares and work for the same employer for two years, the taxable income is based on the fair market value on the date the shares were received or on the date the shares were transferred, whichever is lower.

Capital gains and losses

Gains from securities transactions. Effective from 1 January 2016, income tax on capital gains derived from securities transactions is suspended and losses on such transactions are not deductible.

A securities transaction tax is imposed on proceeds from sales of shares at a rate of 0.3%.

Income tax on income derived from transactions in futures is suspended, and losses on such transactions are not deductible.

Gain from sales of real properties. Effective from 1 January 2016, capital gains from sales of real properties are subject to different tax schemes, depending on the property acquisition date and the length of the holding period.

For real properties acquired before 2014 or acquired on or after 2 January 2014 and held for more than two years, gains from the sale of houses and apartments are taxed together with other income at the rates described in *Rates*.

For real properties acquired on or after 2 January 2014 but held for two years or less or real properties acquired on or after 1 January 2016, the new capital gain tax scheme applies. For resident taxpayers, the final tax rate on the capital gains ranges from 15% to 45%, depending on the length of holding period. For a resident taxpayer who sold his or her home used for the purpose of self-dwelling for more than six years, the capital gains up to TWD4 million are exempt from tax, and the portion exceeding TWD4 million is subject to a 10% tax rate. For nonresident taxpayers, the tax rate is 35% for property held for more than one year and 45% for property held for not more than one year.

Gain from sales of other properties. Capital gains from sales of other properties are taxed together with other income at the rates described in *Rates*.

Losses. Losses from disposals of properties are deductible only to the extent of gains from the disposals of properties in the same tax year. Net losses may be carried forward for three years.

Exemptions and deductions. A nonresident taxpayer is not entitled to personal exemptions or deductions. Income tax is computed on gross income. The exemptions and deductions described below apply to residents only.

A resident may deduct the personal exemption, and either the standard deduction or itemized deductions, whichever is higher, as well as special deductions, from consolidated gross income to arrive at taxable income.

Personal exemptions. For 2019, a taxpayer is entitled to personal exemptions of TWD88,000 each for the taxpayer, his or her spouse, and each dependent. If the taxpayer, or if married, either the taxpayer or taxpayer's spouse, is more than 70 years of age, the exemption amount is increased to TWD132,000 per person. The exemption amount is also increased to TWD132,000 for a lineal ascendant dependent who is older than 70 years of age.

The personal exemption amount may be adjusted if the accumulated consumer price index has risen at least 3% over the last adjustment.

Itemized deductions. The following itemized deductions are available:

- The following contributions and donations:
  - — Up to 20% of gross consolidated income for a taxpayer, his or her spouse, and qualified dependents if given to officially registered educational, cultural, public welfare or charitable organizations
  - — Up to 100% of gross consolidated income for a taxpayer, his or her spouse, and qualified dependents if given for national defense or troop support or if contributed directly to government agencies
  - — Up to 20% of gross consolidated income for a taxpayer, his or her spouse, and qualified dependents, if given to political parties, political associations and persons planning to participate in a campaign and subject to limitation provided by the Political Donations Act
- Insurance premiums, up to TWD24,000 per person per year (except for the National Health Insurance, which is 100% deductible), for life insurance, medical insurance, labor insurance, national pension, and government employee insurance for a taxpayer, his or her spouse, and lineal dependents.
- Unreimbursed medical and maternity expenses incurred by a taxpayer, his or her spouse, and dependents living with the taxpayer, provided the expenses are incurred in the following recognized institutions:
  - — Government hospitals.
  - — Hospitals that have entered into contracts with the government under the national health insurance program.
  - — Hospitals maintaining complete and accurate accounting records recognized by the Ministry of Finance. Expenses incurred outside of Taiwan may be allowed as deductions only if such expenses are incurred in a foreign public hospital, university hospital, or private foundation hospital. Claims

for deductions of expenses incurred in foreign hospitals must be supported by evidence of the officially registered status of the hospitals.

- Uncompensated casualty losses (uninsured portion of losses caused by a natural disaster of *force majeure*). To claim this deduction, the loss must be appraised by an investigator appointed by the tax authorities within 30 days after the disaster occurred.
- Rental expenses paid by the taxpayer, taxpayer's spouse and/or lineal dependents for housing located in Taiwan, up to TWD120,000 per household. To qualify for the deduction, the property must be used for residential purposes and not for business purposes. However, the deduction will be disallowed for taxpayers who claim interest payments on loans to purchase owner-occupied dwellings. Taxpayers must provide supporting documents.
- Mortgage interest paid on loans from financial institutions for the purchase of an owner-occupied dwelling (limited to one), up to TWD300,000, after subtracting the special deduction for savings and investments claimed for the same tax year. The dwelling must be a principal residence located in Taiwan.

Standard deduction. For 2019, a taxpayer may claim a standard deduction instead of the itemized deductions listed above. The standard deduction is TWD120,000 for a single taxpayer and TWD240,000 for a married taxpayer filing jointly.

The standard deduction amount may be adjusted if the accumulated consumer price index has increased by at least 3% over the last adjustment.

Special deductions. The following special deductions are available:

- Special deduction for salary or wages: The lesser of either total salaries and wages earned or TWD200,000 is deductible by each salary and wage earner included in the same return. Effective from 1 January 2019, each salary and wage earner may choose to deduct the following expenses from salary income if the sum of the deductible expenses exceeds the TWD200,000 special deduction for salary or wages:
  - Expenses incurred for purchasing, leasing, cleaning or maintenance of clothes or costumes that are specifically for professional use
  - Expenses incurred for attending courses or training that are specifically work-related
  - Expenses incurred for purchasing books, journals or tools that are specifically work-related

  The deductible amount for each type of the above expenses is limited to 3% of the individual's annual salary and wage income.
- Special deduction for savings and investments: Up to TWD270,000 for each family unit is deductible for income realized from a savings trust fund and for interest income realized on deposits with financial institutions, excluding interest income from postal savings accounts (which is not taxable), from short-term commercial paper (which is subject to a final 10% withholding tax) and from beneficiary securities or asset-based securities issued according to the Financial Asset Securitization Act and

the Real Estate Securitization Act (which is subject to a final 10% withholding tax).
- Special deduction for individuals with disabilities: Up to TWD200,000 is deductible for an individual meeting the definition of a person with disabilities or diagnosed as having mental illness under the Mental Health Law.
- Special deduction for losses from property transactions: Losses derived from disposals of property are deductible to the extent of gains derived from disposals of property in the same tax year. Any remaining losses may be carried forward for three years.
- Special deduction for tuition fees paid for post-secondary education: Up to TWD25,000 of tuition fees paid for each dependent child less any reimbursement received for post-secondary education is deductible.
- Special deduction for preschool children: TWD120,000 for each dependent child who is five years of age or younger.
- Special deduction for long-term care: TWD120,000 for each individual, including the taxpayer, spouse and dependents, who is deemed disabled by the Ministry of Health and Welfare.

The deduction for preschool children and the deduction for long-term care are not allowed if the taxpayer meets one of the following conditions:
- The taxpayer's annual net taxable income after subtracting the deduction is subject to a progressive tax rate of 20% or higher tax rates.
- The taxpayer elects to separately apply the flat 28% tax rate on dividend income (see *Rates*).
- The taxpayer's minimum income under the Alternative Minimum Tax Law exceeds the TWD6,700,000 deduction (see *Alternative Minimum Tax*).

The amounts of the special deductions for salary or wages and for persons with disabilities may be adjusted if the accumulated consumer price index has increased by at least 3% over the last adjustment.

Basic living expenses. Under the Taxpayer Rights Protection Act, which took effect on 28 December 2017, the expenses that taxpayers pay for maintaining their basic living in accordance with human dignity for themselves and their dependents is not taxed.

Effective from the 2017 tax year, the basic living expense is calculated in accordance with the amount announced by the Ministry of Finance multiplied by the number of persons consisting of the taxpayer, spouse and dependents. If the sum of personal exemptions and deductions is less than the basic living expenses, the taxpayer may deduct the difference from the gross consolidated income. When comparing the sum of exemptions and deductions with basic living expenses, the special deduction for salary or wages and the special deduction for loses from property transactions should be excluded.

The Ministry of Finance should announce the amount of basic living expenses before the end of December each year. For the 2018 tax year, the basic living expense was TWD171,000 per person.

Rates. The progressive consolidated income tax rates for residents for 2019 are set forth in the following table.

Taxable income TWD	Tax rate %	Tax due TWD	Cumulative tax due TWD
First 540,000	5	27,000	27,000
Next 670,000	12	80,400	107,400
Next 1,210,000	20	242,000	349,400
Next 2,110,000	30	633,000	982,400
Above 4,530,000	40	—	—

The income tax rate brackets may be adjusted if the accumulated consumer price index has risen at least 3% over the previous rate adjustment.

Effective from 1 January 2018, taxpayers can choose to calculate the tax liability for dividends by the more beneficial of the following methods:
- Combine dividend income with gross consolidated income and apply progressive tax rates as set forth in *Rates*. The total tax payable can be offset by a tax credit at 8.5% of the dividend income with a limitation of TWD80,000 per year.
- Separately apply a flat tax rate of 28% on the dividend income.

The flat tax rate for nonresident individuals varies according to the type of income. The following are the flat tax rates:
- Salary income and severance and retirement payments: 18%
- Interest income other than those specifically identified in the tax regulation (see *Investment income*): 20%
- Dividends: 21%
- Commissions, rentals, royalties, gains from winnings in competitions or lotteries, income from independent professional practice and other income: 20%

Alternative Minimum Tax. The Alternative Minimum Tax (AMT) Law applies to both profit-seeking enterprises and individuals.

Under the AMT Law, for residents, the following items are added back to net income as calculated under the general income tax system to determine minimum income (MI) subject to AMT:
- Foreign-source income, if such income for each filing household unit exceeds TWD1 million in a tax year
- Insurance payments from life insurance policies or annuities contracted on or after 1 January 2006 in which the beneficiary and the purchaser are not the same person (TWD33,300,000 exemption may be claimed)
- Capital gains derived from transactions in beneficiary certificates of privately placed securities investment trust funds
- Deductions claimed for noncash charitable contributions
- Other items published by the Ministry of Finance

The AMT rate for individuals is 20%. A TWD6,700,000 deduction may be claimed from the minimum income (MI) by each filing household unit to arrive at the minimum taxable income (MTI) subject to AMT.

Under the AMT scheme, individual taxpayers calculate both the tax due under the general income tax rules and the AMT rules, and pay the higher of the two amounts. If foreign-source income has been included in the calculation of the AMT, any foreign tax paid on these amounts may be offset against AMT.

Relief for losses. Except for losses derived from the disposal of properties described in *Capital gains and losses*, no loss may be carried forward or back.

B. Other taxes

Estate tax. Estate tax is imposed on the estate of a decedent who was a national of Taiwan or who owned property in Taiwan. If the decedent was a Taiwan national regularly domiciled in Taiwan, tax is levied on all property, wherever located. If the decedent was a foreign national or Taiwan national regularly domiciled outside Taiwan, tax is levied only on property located in Taiwan.

The basis for estate tax is the prevailing value of property at the time of death, less legal exclusions, exemptions and other deductions. Land and buildings are valued at an officially assessed value determined by the relevant government agencies.

In general, an exemption of TWD12 million is allowed for each decedent. The following are other allowable deductions from total taxable property:

- TWD4,930,000 for the decedent's surviving spouse
- TWD1,230,000 for each of the decedent's surviving parents, TWD500,000 for each dependent grandparent, dependent brothers and sisters, and lineal descendants, as well as an additional TWD500,000 for each year that each lineal descendant and dependent brother and sister is younger than 20 years of age
- An additional TWD6,180,000 for each qualified handicapped or mentally disturbed heir
- The value of agricultural land and the products on the land if the heirs continue to farm the land for at least five years after the death of the decedent
- A percentage of the value of any estate property that was inherited by the decedent within nine years before his or her death and that was subject to tax
- Taxes and penalties owed, and debts incurred, by the decedent before his or her death
- TWD1,230,000 for funeral expenses
- Direct and necessary expenses to execute the decedent's will and administer the estate

Certain property is not subject to estate tax. The following exclusions are among the more common:

- Proceeds from life insurance policies with designated beneficiaries
- Furniture, household equipment and other daily necessities, up to TWD890,000
- Patents and literary or artistic works created by the decedent
- Donations to government agencies and enterprises and to privately incorporated educational, cultural, social welfare, charitable and religious organizations
- Tools used in the decedent's profession, up to TWD500,000
- Property inherited by the decedent within five years before death that was subject to tax
- Land reserved for public facilities

Net taxable estate TWD	Tax rate %	Tax due TWD	Cumulative tax due TWD
First 50,000,000	10	5,000,000	5,000,000
Next 50,000,000	15	7,500,000	12,500,000
Above 100,000,000	20	—	—

The following items may be adjusted if the accumulated consumer price index has increased by at least 10% over the last adjustment:
- Exemptions
- Estate tax rate brackets
- Exclusion amount of furniture, household equipment and other daily necessities, and tools used in the decedent's profession
- Deductions for the surviving spouse, lineal descendants, parents, siblings, and grandparents of the decedent, standard deduction for funeral expenses, and special deductions for handicapped heirs

The executor of an estate, or the heir in the absence of an executor, must file an estate tax return with the local tax bureau generally within six months after the death of the deceased. An extension of three months for the filing may be applied for up front. Payment of tax is due within two months after receipt of a tax assessment notice. If the tax due exceeds TWD300,000, a taxpayer may, subject to prior approval, pay it in 18 installments at intervals of no longer than two months or pay the tax in kind. A taxpayer who is not satisfied with an assessment may seek relief through administrative and judicial reviews.

Gift tax. Gift tax is imposed on gifts made by a donor who is a national of Taiwan or who owns property in Taiwan. If the donor is a Taiwan national regularly domiciled in Taiwan, the tax is levied on any donated property, wherever located. If the donor is a foreign national or Taiwan national regularly domiciled outside Taiwan, tax is levied only on donated property located in Taiwan.

Gifts are valued based on the prevailing value at the time of donation. Land and buildings are valued at officially assessed values determined by government agencies.

An annual exemption of TWD2,200,000 per donor is allowed for taxable gifts. The following items are excluded from total taxable gifts:
- Donations to government agencies and enterprises and to educational, cultural, religious, public welfare and charitable organizations
- Transfers between spouses
- Marriage gifts of up to TWD1 million given by each parent
- Agricultural land given to the donor's heir, if the heir continuously uses the land for farming for at least five years after the transfer

Net taxable gift TWD	Tax rate %	Tax due TWD	Cumulative tax due TWD
First 25,000,000	10	2,500,000	2,500,000
Next 25,000,000	15	3,750,000	6,250,000
Above 50,000,000	20	—	—

The annual exemption amount and gift tax rate brackets may be adjusted if the accumulated consumer price index has increased by at least 10% over the last adjustment.

A donor must file a gift tax return with the local tax bureau within 30 days after making a gift if the aggregate amount of total gifts during the calendar year, including the current gift, exceeds the TWD2,200,000 annual exemption. The local tax bureau must complete the tax assessment within two months after it receives the return. Payment is due within two months after the receipt of a tax assessment notice. If the tax due exceeds TWD300,000, a taxpayer may, subject to prior approval, pay the tax in 18 installments at intervals of no more than two months or pay the tax in kind. A taxpayer who is not satisfied with an assessment may seek relief through administrative and judicial reviews.

C. Social security

No social security taxes are levied in Taiwan. However, nominal labor insurance premiums and national health insurance premiums are imposed at the following rates on each person employed by a Taiwan business entity.

Contributions	Rate (%)
Labor insurance scheme, on monthly salary of up to TWD45,800; paid by	
Employer	7.70
Employee	2.20
National health insurance scheme, on monthly salary of up to TWD182,000; paid by	
Employer	4.53054
Employee	1.407

In addition to the above regular premiums, a supplementary premium for national health insurance at a rate of 1.91% is payable by the employer and employee if the conditions described below are met.

An employer must pay the supplementary premium for the excess portion if the total monthly salary expenses exceed the monthly insurance salary for all employees.

An employee must pay the supplementary premium for the excess portion if his or her total bonus or incentive payments in a calendar year exceed four times his or her monthly insurance salary.

Income derived from part-time jobs is subject to the supplementary premium if a single payment exceeds the minimum wage publicized by the central labor competent authority.

The following income not derived from employment is subject to the supplementary premium if a single payment is TWD20,000 or more, with cap of TWD10 million:

- Professional income from the performance of services rendered by the practitioner of a profession
- Dividend income
- Interest income
- Rental income

D. Tax filing and payment procedures

The tax year in Taiwan is the calendar year. A taxpayer must file an annual income tax return between 1 May and 31 May following the close of the tax year. No extensions are allowed.

Married couples must file joint tax returns except for the first year of marriage and the year of divorce, when they may choose to file as single or as married. If filing jointly, spouses may choose to separately compute tax on their salary income or their total taxable income, whichever is more beneficial.

The following are the tax filing procedures for aliens, depending on the length of their residence in Taiwan:

- In general, a nonresident staying in Taiwan for 90 days or less is only subject to withholding tax on income received from a Taiwan entity and, accordingly, does not need to file an income tax return. For these individuals, income tax payable is withheld directly by the payer at the time of payment at various tax rates depending on the respective income classification (see *Rates*). However, capital gains derived from property transactions and other income that is not subject to withholding tax must be declared and any tax due must be paid on the filing of the tax return.
- An individual present in Taiwan for longer than 90 days must file an annual income tax return.

Taxpayers must submit supporting documents issued by their nonresident employers stating the amount of foreign-paid compensation. The documents must be certified by the tax office that has jurisdiction over the employer or by a certified public accountant.

For taxpayers who file returns after 31 May following the end of the tax year, interest is charged on the net amount of tax payable at a specified interest rate set annually by Taiwan tax authorities.

If an item of income is omitted or if the return is improperly filed, the tax authorities may assess a penalty of up to two times the amount of the additional tax due. If the taxpayer fails to file a tax return, the tax authorities may assess a penalty of up to three times the tax payable.

E. Tax treaties

Taiwan has entered into comprehensive tax treaties with the following jurisdictions.

Australia
Austria
Belgium
Canada
Denmark
Eswatini
France
Gambia
Germany
Hungary
India
Indonesia
Israel
Italy
Japan
Kiribati
Luxembourg
Malaysia
Netherlands
New Zealand
North Macedonia
Paraguay
Poland
Senegal
Singapore
Slovak Republic
South Africa
Sweden
Switzerland
Thailand
United Kingdom
Vietnam

F. Entry visas

Foreign passport holders must have valid visas when they enter Taiwan. However, to meet special needs, the Ministry of Foreign Affairs may grant exemptions from visa requirements to foreign nationals of certain countries (visa-exempt entry) or allow certain foreign nationals to apply for an eVisa, travel authorization certificate and/or landing visa if certain conditions are met. In addition, other than diplomatic and courtesy visas, two categories of visas, which are the visitor visa and the resident visa, are available for foreign nationals to enter the territory of Taiwan.

Visitor visas are issued to those who wish to visit Taiwan for short time periods (for example, for working less than six months, sightseeing, conducting business and other purposes).

Foreign nationals accepting employment in Taiwan must obtain the appropriate visas to enter Taiwan and the necessary employment authorization (work permits) to work in Taiwan. In addition, individuals looking for jobs in Taiwan may apply for an employment-seeking visa.

The Workforce Development Agency issues employment authorizations. The Ministry of Foreign Affairs in Taiwan and consulates abroad issue the appropriate visas based on employment authorizations. The National Immigration Agency supervises entry, departure and residence of foreign nationals working in Taiwan.

G. Resident visas

In general, resident visas are issued to foreign nationals who obtain employment authorizations issued by the Workforce Development Agency that are valid for longer than six months.

Foreign nationals entering Taiwan with resident visas must report to the National Immigration Agency to secure their residency and apply for Alien Resident Certificates (ARCs) within 15 days counting from the date after their arrival. The ARC bears the foreign national's personal information, reason for residence, residential address in Taiwan and the expiration date of the ARC. Expatriates holding ARCs should report any changes of information on the ARCs to the National Immigration Agency within 15 days after the change occurs.

H. Work permits and self-employment

Work permit for foreign professionals. Foreign nationals who intend to work in Taiwan must apply for employment authorizations (work permits). An expatriate's entry, residence and departure are governed by the Ministry of Foreign Affairs and the National Immigration Agency.

An application for employment authorization must be filed by the employer in accordance with the Measures for Regulations on the Permission and Administration of the Employment of Foreign Workers (Employment Rules).

The Employment Rules apply to foreign nationals who wish to work in Taiwan. For most professional foreign expatriates, the three types of job categories are described below.

Type A. The Type A category includes specialized or technical workers.

To qualify as a specialized or technical worker, foreign employees must possess one of the following qualifications:
- A PhD or master's degree in a related field.
- A bachelor's degree in a related field with more than two years of work experience in a related field.
- Proof of employment in a related field for more than five years, and during this period, the completion of related training and the receipt of awards or recommendations from employers. Foreign employees must satisfy all three of these requirements.
- Employment with a multinational enterprise for more than one year and an assignment to work in Taiwan from the multinational enterprise.

An employer must satisfy one of the following conditions to hire foreign specialized or technical workers in the manufacturing industry or the wholesale business:
- Sales volume of TWD10 million for the preceding year or an average of TWD10 million for the preceding three years
- Total import and export volume of USD1 million for the preceding year or an average of USD1 million for the preceding three years
- Total import and export commission revenue of USD400,000 for the preceding year or an average of USD400,000 for the preceding three years
- Company that has been incorporated for less than one year and has paid-in capital of TWD5 million
- Foreign branch that has been established for less than one year and has registered working capital of TWD5 million
- Foreign representative office that has been approved by the government authorities and has been operating in Taiwan
- Research and development center or business operational headquarters that has been approved by the government authorities

Type B. The Type B category includes branch managers for Taiwan branches of foreign companies, representatives for Taiwan representative offices of foreign companies and general managers of companies approved for foreign investment under either the Statute for Investment by Overseas Chinese or the Statute for Investment by Foreign Nationals.

To qualify as a branch manager, representative or general manager of a foreign-investment approved company, an employee must be registered with the government authorities and shown on the company registration card. An employer must satisfy one of the following conditions to hire these foreign nationals:
- Sales volume of TWD3 million for the preceding year or an average of TWD3 million for the previous three years
- Total import and export volume of USD500,000 for the preceding year or an average of USD500,000 for the preceding three years
- Total import and export commission revenue of USD200,000 for the preceding year or an average of USD200,000 for the preceding three years
- Company has been incorporated for less than one year and has paid-in capital of TWD500,000

- Foreign branch has been established for less than one year and has registered working capital of TWD500,000
- Foreign representative office has been approved by the government authorities and has been operating in Taiwan
- Foreign representative office has been approved by the government authorities and has been established for less than one year, in which case no such performance records are needed

For Type A and Type B jobs, employment authorization is based on the employment contract, with a maximum length of three years. Employment extensions can be granted. The wages for foreign employees who undertake these job assignments may not be lower than the amount recorded in the latest survey.

Type G. The Type G category includes contracting foreigners appointed by a foreign legal person to engage in works in order to perform contracts of construction, sale, technical cooperation and other necessities.

To qualify to hire contracting foreigners, the employer must be the Taiwanese branch (representative agency) or contracted foreign entity (agent authorized by a foreign legal person). If a foreign corporation performing a contract needs to assign an expatriate to Taiwan to fulfill contractual obligations, the expatriate can apply for a work permit. Normally, the duration of such work permit may not exceed one year, but it is possible to apply for a renewal. The entry visa held by such foreign employee is deemed to be a work permit for up to 30 days. The work permit for the foreign employee must be applied for within 30 days following the employee's arrival in Taiwan if the employee wishes to work for more than 30 days.

Foreign nationals may not be self-employed in Taiwan.

Work permit for foreign special professionals. Effective from 9 February 2018, the Act for Recruitment and Employment of Foreign Professionals introduced a work permit for foreign special professionals with a maximum validity period of five years. To qualify for the foreign special professionals work permit, foreign employees must satisfy the qualification for a Type A or Type B work permit and have earned an average monthly salary of at least TWD160,000. Depending on the field of industry, qualifications other than the income threshold may be considered.

Employment Gold Card. Foreign professionals who satisfy the requirements to obtain a work permit for foreign special professionals may apply for an Employment Gold Card. This is a four-in-one personal employment pass combining work permit, resident visa, ARC and re-entry permit. The application may be filed by a foreign special professional who is not already employed by a local employer.

I. Mainland China nationals

Mainland China nationals must apply for a Taiwan entry permit in advance to enter Taiwan. The purpose of the entry and the planned activities must be approved by the competent authority. The two main categories of entry permits are Business and Professional. In most cases, the applicants fall into the Business

category. Under the Business category, the following are the three commonly used entry purposes:
• Business meetings
• Training (to be trained)
• Intracompany transfer

J. Family and personal considerations

Family members. Resident visas are granted to the dependents of either a Taiwan citizen or an expatriate who obtains an ARC (see Section G). Copies of the marriage certificate and birth certificates, which are legalized by the Taiwan Consulate located in the issuing country, must be provided to obtain resident visas for the spouse and children, respectively. Health certificates or immunization records may be required for dependents' resident visa applications, depending on the local Taiwan Consulate's policy. The spouse and children may apply for their resident visas and ARCs together with the expatriate.

For dependents over six years old, the ARC application must be accompanied by a health certificate issued within the preceding three months. For dependents six years old or younger, the immunization record must be provided with the ARC application. However, if both the dependents and expatriate are eligible for visa-exempt entry into Taiwan, the health certificate and immunization record are not required.

A working spouse does not automatically receive work authorization. If the spouse wishes to file for a work permit, he or she must do so independently. Effective from 28 July 2017, spouses of foreign professionals who hold a dependent ARC are eligible to apply for a Type A or Type B work permit to provide part-time services. The validity period of the spouse work permit may not exceed the validity period of the foreign professional's work permit. The spouse must meet the same conditions described in Section G for the corresponding types of work permits. The hourly wages for spouses who undertake these job assignments may not be lower than TWD200, and the employer is not subject to meeting the criteria regarding the entity's financial background with respect to the employer's qualification for employment work authorizations.

Dependents of Mainland China nationals who also hold a Mainland China passport are subject to the same Taiwan entry permit application requirement (see Section I) if they want to join the expatriate in Taiwan.

Marital property regime. All married individuals in Taiwan are subject to a statutory property regime, unless the parties agree otherwise in writing and register the agreement in court before or during the marriage. The statutory property regime applies to all heterosexual couples married in Taiwan.

Under the statutory property regime, the property of the husband and the wife is divided into property acquired before marriage and the property acquired during marriage.

If it cannot be determined whether property was acquired before marriage or during the marriage, it is presumed that the property was acquired during the marriage. If it cannot be determined whether the property is owned by the husband or the wife, it is

presumed that the property is owned by the husband and the wife jointly.

The remains of fruits gained during the marriage from the property acquired by the husband or the wife before marriage is deemed to be property acquired during the marriage.

If the husband and the wife enter into a contract regarding the holding of matrimonial property and subsequently adopt the statutory regime, the property held before the adoption is deemed to be property acquired before marriage.

Under the statutory regime, on the termination of the marriage relationship, the balance of the property acquired by the husband or the wife in marriage, after deduction of debts incurred during the marriage, if any, is equally distributed to the husband and the wife, except for property acquired as a result of a succession or a gift or property acquired as a solatium (compensation for an injury or loss).

Forced heirship. Taiwan's succession law provides for forced heirship rules. The law guarantees certain heirs a portion of the decedent's estate.

The compulsory portion for an heir is determined in accordance with the following rules:

- For a lineal descendant by blood, the compulsory portion is one-half of his or her entitled portion.
- For a parent, the compulsory portion is one-half of his or her entitled portion.
- For a spouse, the compulsory portion is one-half of his or her entitled portion.
- For a brother or a sister, the compulsory portion is one-third of his or her entitled portion.
- For a grandparent, the compulsory portion is one-third of his or her entitled portion.

For purposes of the above rules, the entitled portion is the portion of property that an heir should receive, which is calculated based on the number of heirs in the same priority. For example, if three heirs are in the same priority, each heir can receive 1/3 of the property.

Driver's permits. Foreign nationals may not drive legally in Taiwan with their home country driver's licenses. However, expatriates may drive legally with valid international driver's licenses after applying for international driver's license permits in Taiwan.

Foreign nationals with valid international driver's licenses from reciprocating jurisdictions may drive legally in Taiwan for 30 days without applying for international driver's license permits. However, if the stay in Taiwan is more than 30 days, foreign nationals must apply for international driver's license permits.

Based on driver's license reciprocity with the expatriate's home country, an expatriate who possesses an ARC (see Section G) with a validity period of more than one year may apply for a Taiwan license after taking a physical examination if his or her home-country license is valid and has been legalized by the Taiwan Consulate in the issuing country. However, exceptions

may apply for each state or country. For expatriates without a home-country license to take the written and driving tests, to obtain a Taiwan driver's license, he or she must first undergo a physical examination and then apply for a learner license and maintain it for at least three months.

Tanzania

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A. Income tax

Who is liable. Residents are subject to income tax on worldwide income. Nonresidents are subject to tax on Tanzania-source income only. All expatriates are required to pay tax on income earned in Tanzania, except for those who enter the country under special agreements with the government.

Individuals are considered residents if they meet any of the following conditions:
- They are present for 183 days or more in the year of income.
- They are present for an average of 122 days or more in the year of income and in each of the two preceding years of income.
- They have a permanent home in Tanzania and are present for any length of time during the year of income.
- They are employees or officials of the government of Tanzania and are posted abroad during the year of income.

Foreigners (non-citizens) are taxed on their worldwide income after they have been residents for a total of two years during their lifetime.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable employment income includes any compensation for employment received in cash, plus the value of employer-provided benefits. For employees, employer-provided housing is valued at 15% of gross salary less the amount of rent paid. Annual directors' fees payable to directors, other than full-time service directors, are included in employment income. A full-time service director is a person in a managerial position who serves full time at a corporation.

Nonresidents are taxed on employment income that is sourced in Tanzania at a rate of 15%.

The value of other benefits is also included in employees' income. These benefits include the payment of utility expenses, tuition expenses and the services of a watchman or gardener. An education allowance provided by employers to their expatriates' or local employees' children under 18 years of age is taxable income. Taxable benefits are included in taxable employment income.

The following benefits are specifically exempt from tax:
- The traveling costs for passage of the taxpayer, spouse and up to four children, if the individual is domiciled more than 20 miles from his or her place of employment and performs services for the employer only
- Cafeteria services on the business premises that are available on a nondiscriminatory basis
- Contributions to approved pension funds and provident funds
- The value of medical services granted on a nondiscriminatory basis to a full-time employee or a director providing full-time services, the spouse and four children
- Benefit for use of motor vehicle if the employer does not claim any deduction or relief with respect to the vehicle

Directors' fees. Directors' fees paid to directors other than full-time service directors (see *Employment income*) are subject to tax at a rate of 15% for residents and nonresidents. Directors who are not full-time service directors are members of the board of directors of a company.

Self-employment and business income. Self-employment and business income is taxed at a rate of 30%.

Investment income. The following nonresident withholding taxes apply.

Income	Rate (%)
Dividends	5/10 (a)
Interest	10
Royalties	15
Rent	10/20 (b)
Premiums and similar consideration	10/15 (c)
Pension or retirement annuities	10/15 (c)

(a) The 5% rate applies to shares quoted on the Dar es Salaam Stock Exchange.
(b) The 10% rate applies to residents, and the 20% rate applies to nonresidents.
(c) The 10% rate applies to residents, and the 15% rate applies to nonresidents.

Taxation of employer-provided stock options. Currently, Tanzania does not have a tax regime for stock options. It is suggested that professional advice be obtained regarding the taxation of stock options.

Capital gains. Capital gains derived from the sale of real property by individuals not engaged in business are subject to tax at a rate of 10% for residents and 20% for nonresidents. Gains from the sale of shares and securities listed on the Dar es Salaam Stock Exchange are exempt if the shareholding (alone or together with associates) is less than 25%.

Deductions

Deductible expenses. For expenses to be deductible from employment income, an employee must generally establish that the expenses were incurred wholly and exclusively in the production of

income. This is a narrower standard than that required for deductible expenses for self-employed persons (see *Business deductions*).

Business deductions. Expenses directly related to accrued business income, including the cost of goods sold and sales and administrative expenses, are allowed as deductions.

Rates. Tax is levied on monthly income at the rates shown in the following table.

Monthly taxable income Exceeding TZS	Not exceeding TZS	Tax on lower amount TZS	Rate on excess %
0	170,000	0	0
170,000	360,000	0	9
360,000	540,000	17,100	20
540,000	720,000	53,100	25
720,000	—	98,100	30

Presumptive income tax may apply to income received by individuals from businesses generating annual gross turnover of up to TZS100 million. The assessments are based on annual turnover and vary depending on whether the taxpayer maintains complete or incomplete records for the business. The following are the amounts of these assessments.

Complete records

Annual turnover Exceeding TZS	Not exceeding TZS	Amount of tax TZS
0	4,000,000	0
4,000,000	7,000,000	3% of the turnover in excess of 4,000,000
7,000,000	11,000,000	90,000 + 3% of the turnover in excess of 7,500,000
11,000,000	14,000,000	230,000 + 3% of the turnover in excess of 11,000,000
14,000,000	100,000,000	450,000 + 3.5% of the turnover in excess of 14,000,000

Incomplete records

Annual turnover Exceeding TZS	Not exceeding TZS	Amount of tax TZS
0	4,000,000	0
4,000,000	7,000,000	100,000
7,000,000	11,000,000	250,000
11,000,000	14,000,000	450,000
14,000,000	100,000,000	Not applicable

Nonresidents. Nonresident individuals are subject to tax on total (business, investment and employment) income derived in Tanzania at a rate of 30% (previously 20%). However, for nonresident individuals who derive only employment income in Tanzania, the employment income is taxed at a rate of 15%.

B. Other taxes

Estate and gift taxes. Tanzania does not impose estate or gift tax.

Skills Development Levy. The Skills Development Levy (SDL) is payable by employers who have four or more employees. The SDL rate is 4.5%. It is imposed on gross emoluments, excluding benefits in kind.

C. Social security

Tanzania does not have a comprehensive social security system. However, the following pension funds are available:

- The National Social Security Fund (NSSF) for employees in the private sector.
- The Public Service Social Security Fund (PSSSF) for employees in the public sector and employees who were in other previous funds (Parastatal Pension Fund [PPF], Government Employees Pension Fund [GEPF] and Local Authorities Pension Fund [LAPF], which were repealed by the PSSSF Act, 2018). The PSSSF Act is effective from February 2018.

For NSSF, the employee and employer each contribute 10% of monthly gross emoluments, provided that the employee joins the fund before reaching 40 years of age. A refund of contributions made may be claimed in full when the employee ceases to contribute to the fund. In exceptional cases, membership in the fund may continue after the employee reaches 50 years of age, but in all cases, membership ceases at 60 years of age.

For PSSSF, employees contribute 5% of basic salary, and the employer contributes 15%.

No ceiling applies to the amount of salaries subject to social security contributions in Tanzania.

D. Tax filing and payment procedures

The statutory tax year for individuals is the calendar year.

Tax is withheld from employees under the Pay-As-You-Earn (PAYE) system within seven days after the end of each calendar month. Employers must file biannual returns within 30 days of the end of each six-month period.

Individuals who do not have employment income from a resident employer (that is, not under the PAYE system) but have income or profit earned either from employment or business (consultancy) are required to pay and file provisional tax every last working day of March, June, September and December. In addition, a final return is due six months after the end of the respective financial year.

E. Tax treaties

Tanzania has entered into double tax treaties with the following countries.

Canada	India	South Africa
Denmark	Italy	Sweden
Finland	Norway	Zambia

F. Entry visas and passes

Foreign nationals must have visas to enter Tanzania, unless they are nationals of countries that have waived the visa requirement. Foreign nationals must have visas to enter Tanzania, unless they are nationals of countries that have waived the visa requirement. These countries include most British Commonwealth countries, South Africa and member countries of the East African Community, which includes Kenya, Rwanda and Uganda.

A detailed list of the countries whose citizens are exempted from the visa requirement for entry into Tanzania is provided under the third schedule to the Immigration (Visa) Regulations 2016.

At the point of entry into Tanzania, visitors with valid passports may receive visas for social or tourist purposes.

Foreigners intending to visit Tanzania to attend meetings or establish business contacts must first obtain business visas. These visas are issued for various reasons, such as making feasibility studies, establishing professional and business contacts, and making arrangements for investment. The validity period can vary from 3 months to 12 months (for a multiple-entry visa).

Visas and passes, including the business visa and business pass, are issued to foreigners who enter Tanzania and engage in lawful activities, such as business activities, trade activities, professional activities, special assignments or temporary assignments. They are valid for a maximum of 90 days.

To receive a visitor's visa and pass, a foreign national must have a valid passport and a return ticket for exiting Tanzania and must prove that he or she has adequate financial means for the period of the visit.

G. Work and residence permits and self-employment

Foreign nationals wishing to be employed in Tanzania must obtain both a work permit and a residence permit. Work permits enable foreign nationals to work in Tanzania. The residence permits allow foreign nationals to live in Tanzania for specific purposes, including employment. The permits are issued initially for a period of up to two years and are renewable after two years up to a maximum period of 60 months. In exceptional cases, an extension can be granted beyond this period if the company proves it has an investment of great value to Tanzania. The foreign assignee must apply for the work permit and residence permit separately before entering Tanzania, with the application for work permit being the basis for the residence permit. Work permit and residence permit applications must be accompanied by a succession plan for training a local to fill the position of the foreign national once the foreign national ceases to be employed in Tanzania.

The following is a listing of the classes of work permits.

Class	Type of permit	Permit fee (USD)
A	Investor and self-employed	1,000
B	Non-citizens engaged in prescribed professions	500

Class	Type of permit	Permit fee (USD)
C	Non-citizens engaged in other professions	1,000
D	Non-citizens engaged in registered religious and charitable activities	500
E	Issued to refugees	Free

In addition, a USD50 fee for a Work Permit Register inspection is imposed.

The following is a listing of the classes of residence permits.

Class	Type of permit	Permit fee (USD)
A	Self-employed investors and small-scale business	2,050 to 3,050*
B	Foreign employees	2,050
C	Students, researchers, retired persons, missionaries, persons engaged in winding up their affairs and receiving medical treatment, and certain other persons	100 to 500*

* The fee depends on the sector of the economy in which the applicant is involved.

Investor permits. Class A work permits accompanied by residence permits are available to foreign investors. Applicants for Class A work permits must be foreign nationals intending to enter or remain in Tanzania to engage and invest in any of the following:
- A trade, business or profession
- Agriculture or animal husbandry
- Mineral prospecting
- Manufacturing

The applicant's investment in Tanzania must be at least USD500,000. The applicant must have a strong financial background.

Employment permits. Class B work permits accompanied by a residence permit are available to foreign nationals engaged in prescribed professions, which include medical and health care professionals, experts in oil and gas, and university lecturers in science and mathematics.

Class C work permits accompanied by a residence permits are available to foreign nationals with specific offers of employment in Tanzania. The applicant must be a member of a profession recognized by Tanzania, and the government must be satisfied that the applicant possesses the necessary qualifications and skills and that his or her employment will benefit the country.

Offers of employment may be made by the following entities:
- Specific employers
- The Tanzanian government

Employers must apply for Class C work permits and residence permits for their foreign employees while the employees are outside Tanzania.

The Class D work permit is available to foreigners employed or engaged in registered religious or charitable organizations. The last category is Class E, which applies to refugees in Tanzania. Applications for Class E work permits are processed by the director of refugee services who submits them to the Labour Commissioner, together with the director's recommendations.

Steps for obtaining work permits. To obtain work permits, the employer must file for review and approval a completed application pack with the Labour Commissioner at the Ministry of Labour, the Tanzania Investment Center (if the business is registered with the Tanzania Investment Center) or the Zanzibar Investment Promotion Authority. After the application is approved, the Ministry of Labour issues a work permit and recommendation letter, which is forwarded to the Commissioner-General of Immigration Services. For applications channeled through the office of the Labour Commissioner, the applicant is required to initiate the process in the online system and, once the government fee has been paid, submit the application manually to the office of the Labour Commissioner at Dodoma.

Steps for obtaining residence permit. To obtain a residence permit, after obtaining a work permit from the Ministry of Labour, a foreign national must file for review and approval a completed application pack with the Commissioner-General of Immigration. After the application is approved and payment of the government fee is made, the immigration office issues a residence permit. Applications are completed online and, once approved, an applicant is notified regarding the collection of the permit. The Immigration Department has issued a public notice providing that, effective from 31 July 2019, it will stop accepting manual applications.

A company that has its business registered with the Tanzania Investment Centre is granted a Certificate of Incentives, which entitles it to an automatic immigrant quota of up to five persons during the company's startup period.

Self-employment. Foreign nationals wishing to engage in self-employed activities in Tanzania must first obtain Class A residence permits. This permit entitles the holder to investment protection and enables him or her to take advantage of financial, economic and other incentives, which are offered under the Tanzania Investment Act. Self-employed professionals, including doctors, lawyers, accountants, architects and engineers, must be licensed by the relevant professional bodies in Tanzania before they can be issued residence permits.

H. Family and personal considerations

Family members. Holders of valid work and residence permits may be accompanied by their spouses and children 18 years of age or younger. Any dependent wishing to take up employment in Tanzania must apply for both work and residence permits as prescribed above before commencement of employment.

Marital property regime. The marital property regime in Tanzania is one of community property. The regime is mandatory, and couples may not elect out without losing the privileges or interests arising from the joint marital property. The regime applies to all types of property interests arising during the marriage. A spouse's separate property must be clearly identified when the spouse first becomes subject to the regime. The proceeds of separate property always remain separate, unless the couple elects otherwise.

The regime applies to married heterosexual couples who solemnize their marriages in Tanzania and also to foreigners who establish marital domicile in Tanzania. Domicile is established by purposefully making Tanzania the couple's principal or sole permanent home. Tanzania law does not allow same-sex marriages.

In general, community property claims do not survive a permanent move to a non-community property country. Tanzania enforces community property claims brought between couples from non-community property countries who have established a new marital domicile in Tanzania.

Driver's permits. Foreign nationals with international driver's licenses or driver's licenses issued in a British Commonwealth country may drive in Tanzania for a maximum period of three months, after which they must obtain a valid Tanzanian driving license. An applicant must take a driving test, including a written and physical examination.

Thailand

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A. Income tax

Who is liable. All resident and nonresident individuals earning income from sources in Thailand are subject to personal income tax (PIT). A Thai resident is also subject to PIT on self-employment and business income from sources overseas if the income is remitted to Thailand.

Individuals are considered resident if they reside in Thailand for a period or periods aggregating 180 days or more during a calendar year. Income earned overseas by Thai residents is also subject to PIT if it is remitted to Thailand in the year it is earned.

Income subject to tax. Taxable income consists of assessable income, less deductible expenses and allowances.

The taxation of various types of income is described below.

Employment income. All benefits derived from employment are assessable, unless expressly exempt by law. Examples of assessable benefits are wages, salaries, per diem allowances, bonuses, bounties, gratuities, directors' fees, pensions, house rental allowances, the monetary value of rent-free accommodation provided by an employer, and income tax paid and borne by an employer on behalf of an employee.

Tax-exempt benefits include medical expenses as well as travel expenses incurred wholly and exclusively by an employee in carrying out his or her duties. In addition, group medical insurance premiums paid by the employer to an insurance company operating in Thailand on behalf of its employees are tax-exempt benefits if the duration of the group insurance policy does not exceed one year. Income received from a provident fund by an employee

at the termination of his or her employment as a result of retirement, disability or death is also exempt from income tax, subject to certain conditions.

Self-employment and business income. Taxable self-employment and business income consists of assessable income less deductible expenses and allowances. Generally, all types of income are assessable unless expressly exempt by law.

Investment income. Interest, dividends and other investment income are subject to PIT at the rates set forth in *Rates*.

A tax credit is granted for dividend income received by an individual domiciled in Thailand from locally incorporated companies. The credit is calculated according to the following formula:

$$\text{Tax credit} = \frac{t}{100 - t} \times \text{dividends received}$$

For the purposes of the above formula, t equals the rate of corporate income tax applicable to the distributing company.

Capital gains. Gains derived from sales of shares are generally subject to PIT. However, gains derived from sales of securities listed on the Stock Exchange of Thailand are exempt from tax.

Gains derived from sales of real property are subject to PIT. A standard allowance is deductible, depending on the number of years of ownership. This tax also applies to gains derived from sales of real property used in a trade or business.

Taxation of employer-provided stock options. Employees are subject to tax on the benefit derived from shares provided either for free or at a favorable price by the employer. The taxable benefit is the difference between the price paid by the employee, if any, and the fair market value of the shares.

Deductions

Deductible expenses. A standard allowance of 50% of assessable income, up to THB100,000, is allowed as a deductible expense against income from employment.

To arrive at net assessable income, the following allowances are permitted as deductions.

Benefit	Amount
Personal allowance	THB60,000
Spouse allowance	THB60,000
Child allowance	THB30,000 per child (THB60,000 for second child onward)
Parental support allowance	THB30,000 per parent (conditions apply)
Life insurance allowance	Up to THB100,000 (conditions apply)
Health insurance premiums	Up to THB15,000 (aggregate amount of life and health insurance premiums cannot exceed THB100,000)
Parental health insurance allowance	Up to THB15,000 per parent (conditions apply)
Provident fund (PF) allowance	Up to THB500,000 (contribution cannot exceed 15% of assessable income)

Benefit	Amount
Retirement Mutual Fund (RMF)	Up to THB500,000 (contribution cannot exceed 15% of assessable income; combined sum of RMF allowance and PF allowance is subject to certain conditions)
Long-Term Equity Fund (LTF)	Up to THB500,000 (contribution cannot exceed 15% of assessable income)
Interest allowance (housing loans)	Up to THB100,000 (conditions apply)
Donations allowance	Up to 10% of net assessable income
Social security fund allowance	Actual amount (5% of basic salary, not exceeding THB9,000 per year)
Patronage of disabled spouse/parent/ child allowance	THB60,000 per person (conditions apply)

Business deductions. Certain expenses are fully or partially deductible, depending on the type of income. For some expenses, standard deductions are provided. The following table provides the rates of deduction for certain types of income.

Type of income	Rate of deduction
Service income	50%, up to THB100,000
Income from copyrights	50%, up to THB100,000
Income from goodwill or other rights	50%, up to THB100,000
Dividends and interest	None
Rental income	Either 10% to 30%, or actual amount of expenses
Income from liberal professions	Either 30% to 60%, or actual amount of expenses
Income from work contracts	Either 60%, or actual amount of expenses
Income from other businesses, commerce, agriculture, industry and transport	Either various rates or actual amount of expenses

Rates. Personal income tax is levied on an individual's net assessable income at the following progressive rates.

Net assessable income		
Exceeding	Not exceeding	Tax rate
THB	THB	%
0	150,000	0
150,000	300,000	5
300,000	500,000	10
500,000	750,000	15
750,000	1,000,000	20
1,000,000	2,000,000	25
2,000,000	5,000,000	30
5,000,000	—	35

B. Other taxes

Net worth tax. PIT normally is levied on assessable income earned during a calendar year. However, the tax authorities may reassess income tax based on net worth if the amount of a taxpayer's income is believed to be understated. In practice, this power is rarely exercised.

Inheritance and gift taxes. Under the Inheritance Tax Act, which was enacted in 2015, inheritances received are taxable only on the accumulated value in excess of THB100 million per benefactor, at a rate of 5% in the case of descendants or parents or 10% in all other cases. The tax filing must be completed within 150 days from the date of receipt or penalties and surcharges are applied.

In general, gifts are taxed at a flat rate of 5%. However, gifts received from a legitimate parent, child or spouse (up to THB20 million per tax year) or in a ceremony or on occasions in accordance with custom and tradition (up to THB10 million per tax year) are exempt from tax.

C. Social security

The social security contribution rate is 5% on a capped remuneration of THB15,000 per month. As a result, the contribution is capped at THB9,000 per year.

D. Tax filing and payment procedures

PIT payable by employees is withheld by employers. Some self-employed individuals, including certain professionals and those engaged in the rental of property, must make an interim income tax payment by September.

All individuals who earn income in Thailand during a calendar year must file personal income tax returns with the Revenue Department by the end of the following March. Self-assessed income tax must be paid on the filing date.

Married persons are taxed jointly or separately, at the taxpayers' election, on employment income and jointly on all other types of income.

E. Tax treaties

Thailand has entered into double tax treaties with the jurisdictions listed below. The method of eliminating double tax varies by treaty.

Armenia
Australia
Austria
Bahrain
Bangladesh
Belarus
Belgium
Bulgaria
Cambodia
Canada
Chile
China Mainland
India
Indonesia
Ireland
Israel
Italy
Japan
Korea (South)
Kuwait
Laos
Luxembourg
Malaysia
Mauritius
Romania
Russian Federation
Seychelles
Singapore
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Taiwan

Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Hong Kong SAR
Hungary
Myanmar
Nepal
Netherlands
New Zealand
Norway
Oman
Pakistan
Philippines
Poland
Tajikistan
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan
Vietnam

F. Entry visas

The government of Thailand through its embassies or consulates overseas can issue many types of visas. However, the three principal types of visas requested by foreigners from Thai embassies and consulates are tourist visas, non-immigrant visas and transit visas.

Tourist visas are granted for the purpose of tourism only and are normally valid for 60 days. Non-immigrant (business type or Non-B) visas are required for foreign nationals who wish to work or conduct business in Thailand. The holder of a non-immigrant visa is granted a stay of 90 days. The visa may be extended, subject to meeting certain conditions, with permission from the Immigration Bureau.

G. Work permits

Foreign nationals who wish to work in Thailand must obtain work permits from the Employment Department. To be eligible for a work permit, a foreign national must enter Thailand on a Non-Immigration Category "B" (Non-B) Visa.

The granting of a work permit is discretionary, based on such criteria as the nature of the work, the knowledge and skills of the applicant, the capital of the employer, and the proportion of Thai national employees to foreign national employees. The consideration process and criteria for companies with Board of Investment (BOI) privileges are different, and an expedited process is available.

After all required documents are received, the time for processing a work permit can range from approximately a few days up to two weeks, at the discretion of the authority. Applicants may not begin working in Thailand while their work permit applications and other papers are being processed.

Non-BOI companies seeking to extend a visa must show evidence of payroll withholding and Thai Social Security Fund contributions of the foreign national.

To change employers after an applicant receives a work permit, the applicant must cancel the existing work permit before filing a new application reflecting a change of employer.

Work permits are usually granted for one year. An application for renewal is required if the holder wishes to continue working in Thailand.

A foreigner caught working without a valid work permit is subject to a fine or imprisonment or both. The employer in Thailand is also subject to a fine of up to THB100,000 per person.

H. Short-Term Business Travelers

All foreigners entering Thailand for work or business activities are required to apply for a Non-B visa at a Thai embassy abroad. Certain types of activities undertaken in Thailand may require a separate work permit, or an Urgent Work Permit (UWP) if the duration of work is less than 15 days. The Ministry of Labor provides guidance on the specific types of activity that require a UWP, and travelers should seek professional consultation prior to travel.

I. Family and personal considerations

Family members. The working spouse of a work permit holder does not automatically receive a work permit; an application must be filed independently.

Marital property regime. Thailand does not have a community property or similar marital property regime.

Forced heirship. No forced heirship rules apply in Thailand.

Driver's permits. Although Thailand has no driver's license reciprocity agreements with other countries, a foreign national may drive legally in Thailand with an international driver's license.

Obtaining a Thai driver's license requires taking a written examination and a driving test and undergoing a physical examination.

Trinidad and Tobago

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A. Income tax

Who is liable. Individuals ordinarily resident in Trinidad and Tobago are subject to tax on their worldwide income. Individuals not ordinarily resident in Trinidad and Tobago are taxable on income accruing in or derived from Trinidad and Tobago and on foreign income remitted to or received in Trinidad and Tobago.

Individuals are considered resident in Trinidad and Tobago if they are physically present in Trinidad and Tobago for a period of more than six months in the income year. The concept of ordinary residence is expanded under common law jurisprudence and examines various factors that determine the individual's habitual place of abode.

Income subject to tax. Taxable income is the aggregate of worldwide income from all specified sources after allowing for appropriate deductions and exemptions.

Employment income. Taxable income includes the value of employer-provided benefits, including accommodation, transportation and tax equalization.

Self-employment and business income. Taxable income consists of the aggregate amount of income from all sources, including self-employment and business income, after allowing the appropriate deductions.

Directors' fees. Directors' fees and amounts paid by a company for expenses to any of its directors are subject to tax.

Married persons are taxed separately, not jointly, on all types of income. No community property or other similar marital property regime applies.

Investment income. Dividends received from a resident company (other than preferred dividends) are exempt from tax. Interest

received by resident individuals on bank deposits and certificates of deposit held at financial institutions in Trinidad and Tobago and interest on bonds and similar instruments that are issued in Trinidad and Tobago are exempt from tax. Rental income and royalties are taxed as ordinary income.

For nonresidents, a final withholding tax is levied at source at a rate of 15% on interest, royalties and management fees. A final withholding tax is imposed at a rate of 5% on dividends paid to a parent company. For other dividends paid to nonresidents, the final withholding tax rate is 10%. These withholding tax rates may be modified or eliminated under the provisions of a tax treaty (see Section E).

Capital gains. Long-term capital gains are not subject to tax.

Any gain realized on the disposition of certain assets within 12 months after acquisition is taxable as ordinary income. Persons domiciled in Trinidad and Tobago are taxed on gains derived from sales of capital assets acquired and disposed of within a 12-month period.

The following assets are exempt from tax:
- Currency acquired for personal expenditure abroad by the taxpayer or his or her family or dependents
- Sums obtained as compensation or damages for any wrong or injury suffered by an individual in his or her personal life or profession or vocation

The following gains are exempt from tax:
- Gains accruing on the disposal of any security in Trinidad and Tobago
- Gains accruing on the disposal of personal automobiles, household goods or owner-occupied houses if these assets are disposed of for TTD5,000 or less
- Gains that are specifically exempt from tax under the law

The following deductions are allowed:
- The cost (money or money's worth) of an asset, together with other expenses incidental to acquisition
- Any expenditure incurred wholly and exclusively for enhancing the value of an asset (maintenance expenses are not allowable expenses)
- Costs incurred wholly and exclusively in disposing of an asset, including legal fees and agent's fees

Taxation of employer-provided stock options and profit-sharing schemes. No specific provisions in Trinidad and Tobago regulate the taxation of employer-provided stock options. Therefore, the tax treatment is based on general principles and case law.

Ordinarily, an option is taxed on its market value at the time of grant if the option gives the employee an irrevocable right to acquire shares. An option is not taxed at the time it is exercised. In general, any gains derived from the subsequent sale of the shares acquired under the option are exempt from tax. If a vesting period must elapse before the employee obtains an irrevocable right to acquire shares, the taxing date is the date of vesting.

Specific provisions apply to profit-sharing schemes approved by the Board of Inland Revenue. An employer that establishes an

employee share ownership plan (ESOP) must contribute at least 25% of the annual bonus distribution to the plan's trustee for the purchase of company shares. When shares are granted to employees, the shares have already been purchased on behalf of the employees. Contributions by the employer to the plan are not considered income to the employee and are not taxable. Distributions received by an employee from the shares held in trust are not subject to tax. If the shares are transferred to an employee under either of two specified conditions, the market value of all the shares transferred is deemed to be income accruing to the beneficial owner of the shares on the date of transfer and is included in the income of the individual for that income year. The following are the specified conditions:

- The employee is still employed by the employer, and the shares are transferred after five years from the date of allocation of the shares.
- The employee ceases to be employed by the employer for a reason other than retirement or death, and the shares are transferred after the employment ends.

Deductions

Allowances and deductible expenses. The following table lists allowances and deductible expenses.

Allowances and deductible expenses	Amount
Personal allowance	TTD72,000
Contribution to approved pension or retirement fund deferred annuity and 70% of contribution to the National Insurance Scheme (NIS)	TTD50,000
Tertiary education expenses	TTD72,000
First-time home owner allowance	TTD25,000
Maintenance or alimony (under court order)	Amount paid (unlimited)
Donations under deed of covenant	Up to 15% of total income
Purchase and installation of CNG kit	Tax credit of 25% of cost (up to TTD10,000)
Purchase of solar water heating equipment	Tax credit of 25% of cost (up to TTD10,000)
Purchase of National Tax Free Savings Bonds not exceeding TTD5,000 in value	Tax credit of 25% of the face value of the bonds

Traveling expenses wholly, exclusively and necessarily incurred by an employee in the performance of his or her duties with respect to his or her employment is deductible for tax purposes to the extent that the expenses have not been reimbursed by the employer.

Business deductions. The following expenses incurred wholly and exclusively in the production of income are deductible:

- Wear-and-tear allowance: A tax depreciation allowance is available for assets used in a business. The rates range from 10% to 40%, depending on the class of the asset.

- Bad debts: Bad debts incurred that are proved to the satisfaction of the Board of Inland Revenue to have become unrecoverable during the income year are deductible.
- Interest paid: Interest paid on loans or overdrafts is an allowable expense.
- Balancing charge and allowance: Effective from 1 January 2006, all assets are included in the various classes contained in the Seventh Schedule of the Income Tax Act. A balancing charge arises only if the disposal results in a credit balance on the entire pool of assets.
- Rental payments: Rental expenses are deductible in arriving at taxable income. This expense consists of the following elements:
  — Rental of equipment, plant and machinery.
  — Rental of buildings (must substantiate certain details).
  — Rental of motor vehicles.
- Business entertainment: Only 75% of business meals and entertainment expenses may be deducted.
- Promotional expense allowance: This allowance provides for a deduction equal to 150% of the expenditure incurred with respect to the creation or expansion of foreign markets except those markets within the Caribbean Community and Common Market (CARICOM).
- Child care or homework facility: The actual expenditure incurred in setting up a child care or homework facility for dependents of employees is deductible up to a maximum of TTD500,000 per facility but not exceeding in aggregate TTD3 million.

Rates. For 2019, income tax is imposed at the following rates.

Chargeable income		
Exceeding TTD	**Not exceeding TTD**	**Tax rate TTD**
0	1,000,000	25
1,000,000	—	30

Credits. Most tax credits have been replaced by the deductible personal allowance of TTD72,000 (see *Allowances and deductible expenses*).

Relief for losses. Business losses carried forward may be written off to the full extent of taxable business profits in the same tax year. The unrelieved balance may be carried forward indefinitely. No loss carrybacks are allowed.

B. Other taxes

Estate and gift taxes. No inheritance or estate tax is levied on a deceased person's estate, and no tax is levied on gifts.

Lottery winnings tax. A lottery winnings tax is imposed at a rate of 10% on all prize money exceeding TTD1,000 from lotteries organized by the National Lotteries Control Board.

Business levy. Sole traders and self-employed persons engaged in a trade or business are subject to a business levy on gross sales or receipts (other than emolument income) at a rate of 0.6%. This levy applies only if gross sales or receipts exceed TTD360,000 for the income year. Any income tax paid may be credited against the individual's business levy liability if the

business levy liability is higher. An exemption applies for the first three years of the business.

C. Social security

Trinidad and Tobago has no social security program. A national insurance program provides pension, sickness and maternity benefits. The employers' weekly required contributions for 2019 range from TTD23.80 for employees earning less than TTD1,472.99 per month to TTD276.20 for employees earning TTD13,600 or more per month. The employees' weekly required contributions range from TTD11.90 to TTD138.10.

Employees under 16 years of age, unpaid apprentices and persons 60 years of age and older, as well as these individuals' employers, are exempt from the national insurance contribution requirement.

The following health surcharge tax is levied on every employed person who makes, or is required to make, contributions under the National Insurance Act and on individuals, other than employed persons, who are required to file income tax returns.

Income		Weekly contribution
Weekly TTD	Monthly TTD	TTD
0 to 109	0 to 469.99	4.80
Over 109	Over 469.99	8.25

D. Tax filing and payment procedures

The tax year in Trinidad and Tobago is the calendar year. Married persons are taxed separately, not jointly, on all types of income. In general, every person in receipt of income must file an income tax return by 30 April of the year following the tax year. However, taxpayers whose sole income is from employment are not required to file tax returns, unless specifically requested by the Board of Inland Revenue. Every person receiving income from any trade, business, profession or vocation must file an income tax return for the year of income, even if the business operated at a loss. Penalties of TTD100 are imposed on late returns for every six months or part thereof past the due date.

Employers must deduct tax from employees under the Pay-As-You-Earn (PAYE) system.

Every person in receipt of income other than employment income must pay tax in four equal installments on or before 31 March, 30 June, 30 September and 31 December in each income year. Each installment should equal one-quarter of the tax on chargeable income for the preceding year. The balance of tax due, if any, must be paid no later than 30 April of the following year. Late payment of a quarterly installment results in an interest charge at a rate of 20% a year.

If the current year's tax liability exceeds the previous year's tax liability, total quarterly payments for the current year must equal at least the previous year's liability plus 80% of the current year's tax increase. If this requirement is not met, interest is charged at a rate of 20% a year on the underpayment.

Nonresidents must file tax returns for any year in which they derive income from Trinidad and Tobago sources. To file returns, nonresidents follow the administrative rules that apply to residents.

E. Double tax relief and tax treaties

Unilateral relief. A credit is available to residents for foreign taxes paid on foreign-source income. The credit may not exceed Trinidad and Tobago tax payable on the underlying foreign-source income.

A nonresident who proves to the satisfaction of the Board of Inland Revenue that he or she has paid, or is liable for, Caribbean Commonwealth income tax (see below) on Trinidad and Tobago income is entitled to double tax relief on foreign-source income at a rate determined under the following rules:

- If the appropriate Caribbean Commonwealth tax rate does not exceed the tax rate in Trinidad and Tobago, relief is given at one-half of the Caribbean Commonwealth rate of tax.
- If the appropriate Caribbean Commonwealth tax rate exceeds the Trinidad and Tobago rate, relief is given in the amount by which the Trinidad and Tobago rate exceeds one-half of the Caribbean Commonwealth tax rate.

Relief under double tax treaties. Trinidad and Tobago has entered into double tax treaties with the following countries.

Brazil	India	Sweden
Canada	Italy	Switzerland
China	Luxembourg	United Kingdom
Denmark	Norway	United States
France	Spain	Venezuela
Germany		

In addition, the treaty with the CARICOM states (Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia and St. Vincent) provides reduced rates of withholding tax.

F. Entry visas

Only Trinidad and Tobago nationals and residents have the right to enter the country freely. Nonresidents are subject to varying entry requirements, depending on whether a temporary visa or resident status is required. General entry visas are not required for nationals of countries that are members of the following:

- CARICOM
- European Union (EU)
- British Commonwealth

Certain exceptions apply to the European Union and the British Commonwealth.

Obtaining a visa for entry into Trinidad and Tobago does not ensure that entry will be permitted. The immigration officer makes the final decision on whether to allow entry. Under the Immigration Act of 1969, an officer may allow entry to the following classes of persons:

- Diplomatic or consular officers of any country, representatives of the United Nations or any of its agencies, and officials from international organizations in which Trinidad and Tobago

participates, who are entering the country to carry out official duties or to pass through in transit
- Tourists and visitors
- Persons passing through the country to another country
- Clergy, priests or members of religious orders entering to carry out religious duties
- Students entering to attend a university or college authorized by statute to confer degrees, or an educational or training establishment recognized by either the Permanent Secretary of the Ministry of National Security or the Chief Immigration Officer
- Members of crews entering Trinidad and Tobago for shore leave or some other legitimate and temporary purpose
- Persons entering to engage in a legitimate profession, trade or occupation

At the point of entry, the immigration officer issues a landing certificate, which states the terms and the permitted period of stay. The officer may require the person entering to furnish security in the form of a deposit or a bond to cover the cost of repatriation and other incidental expenses.

G. Work permits and self-employment

Trinidad and Tobago has a well-educated labor force with an adequate supply of skilled workers. Therefore, the government requires offering employment opportunities first to Trinidad and Tobago nationals and residents before nonresidents. The Ministry of National Security requires specific and detailed information before granting foreign nationals work permits. In practice, however, in highly technological industries, most foreign investors prefer to rely on expatriate personnel at the senior management level.

Traveling salespeople must obtain valid work permits and Traveling Salesman Licenses to enter Trinidad and Tobago. The licenses allow salespeople to engage in sales and set the conditions for their stays.

Broadly, individuals offered business offices or employment in Trinidad and Tobago who are not residents of countries that belong to the CARICOM, EU or the British Commonwealth must obtain both entry visas and work permits.

A foreign national interested in establishing a business in Trinidad and Tobago must apply for a work permit. Foreign subsidiaries and branches may be headed by foreign nationals.

Foreign nationals intending to work in Trinidad and Tobago for less than 30 days do not require work permits. This is a one-off exemption granted on the first entry. The one-off exemption is not intended for individuals who intend to exercise employment in Trinidad and Tobago for greater than 30 days within a 12-month period. If persons are required to work for a period exceeding 30 days, the employers of such persons must apply to the Permanent Secretary at the Ministry of National Security for work permits. The employer must include a statement indicating the steps taken to recruit a citizen or resident of Trinidad and Tobago for the position in question.

The Ministry of National Security usually requires employers to advertise locally to secure the services of a Trinidad and Tobago

national. The employer must document the results by presenting the advertisements and responses to the Ministry of National Security together with the foreign national's work permit application.

The Trinidad and Tobago work permit process has now moved to a paperless system. All applications are submitted to the Ministry of National Security via a new online system through "TTBiZLink." Access to the site is permitted only after a ttconnect ID is obtained. All required documents, including the completed application form, must be uploaded into the system. Other required documents include a digital passport photo (with required specifications), *curriculum vitae* and proof of qualifications, the biography page of the current passport, a police certificate covering the preceding five years and two written character references (one must be from the last employer). Copies of the documents may be provided but the originals of the police certificate and certified translations must be retained. The application must be submitted with a nonrefundable application fee of TTD600.

The Work Permit Advisory Committee reviews applications through the new online system and may seek advice from competent sources in Trinidad and Tobago about the requirements for the position and whether a qualified national is available to fill the position. If the committee is satisfied that all the requirements are met, approval is granted subject to the payment of TTD450 for each month the work permit is issued. The committee meets every two weeks to review applications; in most circumstances, approval is granted within 8 to 10 weeks from the date of submission of the application. Copies of work permits issued are forwarded to the International Tax Unit of the Board of Inland Revenue.

The approval form and the work permit state the name of the nonresident employee and the position for which he or she is employed, and specify certain conditions. In many cases, the conditions relate to the repatriation of the nonresident employee at the end of the approved period and to training a national employee as an understudy.

By order, the Minister of National Security may exempt nonresidents from the requirement to have a visa and work permit. In addition, the following facilitation policies apply:

- Reciprocal agreement: Under the Visa Abolition Agreement, nationals of Brazil, Canada, Denmark, Finland, Germany, Ireland, Italy, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States are not required to obtain visas to enter Trinidad and Tobago. Entry visas are required for persons in possession of valid work permits.
- Short-term work visits: Persons intending to work in Trinidad and Tobago for less than 30 days do not need work permits.
- Free Zone operations: Under the Free Zones Act, workers employed by approved enterprises engaged in free zone operations are exempt from the payment of fees with respect to the grant of the work permit.

- CARICOM nationals: CARICOM nationals seeking to exercise rights conferred by the Immigration (Caribbean Community Skills Nationals) Act or the Caribbean Community (Movement of Factors) Act are exempt from the requirement to obtain a work permit.

H. Residence permits

The Ministry of National Security may grant permanent resident status to any of the following persons:
- A person who has ceased to be a citizen of Trinidad and Tobago
- A spouse, parent or grandparent of either a citizen or a resident
- A person who, by reason of education, employment, training, skills or other qualifications, has established, or is likely to establish, a successful profession, trade, self-operating business or agricultural enterprise in Trinidad and Tobago and who has sufficient means of support while in the country

A person who has been a continuous resident of Trinidad and Tobago must apply for resident status to the Permanent Secretary of the Ministry of National Security and must present the circumstances of his or her particular case. In determining the suitability of an applicant, the Ministry of National Security must receive proof that the applicant entered the country legally, be satisfied that the person is not categorized within a prohibited class, and receive a good character certificate for the applicant from the police in Trinidad and Tobago. If an application for resident status is refused, the applicant may reapply one year after the date of receipt of the refusal.

I. Family and personal considerations

Family members. Any family member of a working expatriate wishing to work in Trinidad and Tobago must obtain his or her own work permit. The children of a working expatriate do not need student visas to attend schools in Trinidad and Tobago.

Marital property regime. No community property or other similar marital property regime applies in Trinidad and Tobago.

Driver's permits. Foreign nationals may drive legally in Trinidad and Tobago with their home country driver's licenses for 90 days after their date of arrival. A driver must keep a valid passport and license in his or her possession at all times. If the foreign national's period of stay is more than 90 days, he or she is required to apply for a Trinidad and Tobago driver's license.

To obtain a local Trinidad and Tobago driver's license, a foreign national must take an eye test, a written examination and a practical driving examination.

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A. Income tax

Who is liable. All resident individuals in Tunisia must pay income tax on all benefits or income received (worldwide income and benefits). Nonresident individuals are taxed on Tunisian-source income. They are subject to a final withholding tax of 15% (or 25% for residents of tax havens) on such income except for salaries, which are taxed according to the scale set forth in *Rates*, or at a flat tax rate of 20% if employees stay in Tunisia less than six months.

Subject to the provisions of double tax treaties, individuals are considered tax residents if they meet any of the following conditions:
- They maintain their principal home in Tunisia.
- They are present in Tunisia for at least 183 days during the year.
- They are civil servants or state officials performing their duties or assignments in a foreign country, and they are not subject to personal tax on their global income in the foreign country.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable employment income includes total compensation after deducting the employee's social contributions and personal deductions and allowances.

Self-employment and business income. Self-employed individuals are divided into three categories for tax purposes, depending on the nature of their activities. They may be taxed on income from commercial and industrial activities, on income from professional activities or on income from agricultural and fishing activities.

Under the 2019 Finance Act, a new flat tax regime is instituted for the profits of smallholders who are individuals meeting the following conditions:
- They have an unstable income.

- They engage in activities of small businesses, craftsmen and itinerant traders.
- They have no premises required for the exercise of their activity.
- They undertake their activity on 1 January 2019 without filing the declaration of existence provided by Article 56 of the Personal and Corporate Income Tax Code.
- On or after 1 January 2019, they file spontaneously the declaration of existence with the tax authorities that have the legal power to control the taxpayer or that are territorially competent to cover the taxpayer.

The personal income tax due, over a period of three years, is TND200 per year for the persons in activity in communal areas and TND100 per year for those engaging in their activities in other areas.

Investment income. Dividends in Tunisia are subject to a final withholding tax of 10% (or 25% for individuals who are residents of tax havens). Individuals who receive an annual total dividend of less than TND10,000 can deduct the withholding tax on dividends. Interest payments are subject to a final withholding tax of 20% (or 25% for individuals who are residents of tax havens).

Revenues derived from betting games of chance and lottery. Classified as other/miscellaneous revenues, revenues derived from betting games of chance and lottery are subject to personal income tax through a discharging withholding tax at a rate of 25% when the revenues are received in cash.

Income derived from mutual betting games on horse racing and sports prediction contests organized by public establishments, as defined by the regulation in force, are exempt from personal income tax.

Exempt income. Certain types of income are exempt from tax, such as the following:
- Salaries, wages and allowances paid by foreign states to staff seconded to the Tunisian government under the framework of technical cooperation
- Interest paid with respect to home purchase savings plans
- Interest on deposits and securities in foreign currency or convertible dinars
- Revenue from the rental of agricultural land reserved for field crops that are the subject of leases concluded for a minimum period of three years
- Sums paid for the execution of insurance contracts

Capital gains. Capital gains derived from shares are taxable at a rate of 10%, with an annual deduction of TND10,000. For nonresident persons, capital gains derived from the sale of shares are subject to withholding tax of 10%, which cannot exceed 2.5% of the disposal price of the shares.

Some exemptions apply to capital gains derived from the sale of shares, such as the following:
- Shares listed on the Tunis Stock Exchange if their assignment or retrocession takes place after the expiration of the year following that of their subscription or acquisition

- Shares of open-ended investment companies and the units of equity investment mutual funds
- Shares contributed to the capital of the parent company or the holding company, subject to the commitment of the parent company or the holding company to bring its shares to the Tunis Stock Exchange by the end of the year following that of the exemption

Capital gains derived from the sale of buildings and land are subject to tax at a rate of 15% if the asset retention period is five years or less or 10% if the retention period is more than five years. Capital gains derived from the sale of buildings and land are subject to withholding tax of 2.5%.

Some exemptions apply to capital gains derived from the sale of buildings, such as the following:
- The transfer of ownership made to a spouse, ascendant or descendant
- The first transfer of ownership of building and land used for residential purposes, with a total area not exceeding 1,000 square meters, including all annexes, built or not built

Taxation of employer-provided stock options. Under the common regime, options are taxed at the time of exercise on the difference between the exercise price and the fair market value of the stock. The benefit is subject to both income tax and social security contributions.

Deductions

Deductible expenses. The following expenses are deductible:
- Employees may deduct the required amounts withheld by the employer for mandatory contributions to annuities, pensions, retirement funds and social security schemes.
- Individuals may deduct professional expenses equal to 10% of the balance of income, with a threshold of TND2,000 for income realized from 1 January 2017 after the deduction of mandatory contributions to annuities, pensions, retirement funds or social security schemes.
- Tax residents of Tunisia benefiting from foreign-source pensions, annuities or retirement funds may deduct 25% of such items from taxable income if they do not repatriate the income. This rate is increased to 80% for pensions, annuities or retirement funds repatriated into Tunisia.

Personal deductions and allowances. The following personal deductions are granted:
- Mandatory arrears and annuities paid free of charge
- Premiums from certain life insurance and capitalization policies of up to TND10,000
- Interest received by the taxpayer for special savings accounts, limited to an annual amount of TND5,000
- TND150 for heads of families, in addition to TND90 for the first child, TND75 for the second, TND60 for the third, TND45 for the fourth, TND1,200 for disabled children and TND1,000 for children pursuing their studies at a university without any scholarship, plus 5% of net income per dependent parent, up to a combined maximum of TND150
- Principal and interest paid on university loans.

- Interest and fees paid on loans for the acquisition or construction of a single housing if the cost of acquisition or construction does not exceed TND200,000. This does not apply to persons who already own a home on the date of acquisition or construction.
- Contributions paid to social security funds by independent self-employed individuals.

Rates. The following are the income tax rates for income realized on or after 1 January 2017.

Taxable income Exceeding TND	Not exceeding TND	Tax rate %	Effective rate on higher amount %
0	5,000	0	0
5,000	20,000	26	19.50
20,000	30,000	28	22.33
30,000	50,000	32	26.20
50,000	—	35	—

Employees working in Tunisia for less than six continuous or non-continuous months in a calendar year can be taxed at a flat rate of 20% on their gross salaries from Tunisian sources.

Some expatriates engaged in oil and gas activities, in mining activities, or in activities with offshore banks or with companies wholly engaged in exports can benefit from flat-rate taxation of 20% on gross salaries even if their work period exceeds six months and if they satisfy the conditions needed to obtain approval from the competent authorities.

Social Contribution of Solidarity. Beginning with 2018, individuals whose income is subject to personal income tax according to the progressive rate scale are subject to an additional Social Contribution of Solidarity. The Social Contribution of Solidarity equals the difference between the following:

- The personal income tax determined based on the personal income tax progressive scale, increasing by one point the tax rates applicable to the income levels provided by the progressive scale
- The personal income tax determined based on the personal income tax progressive scale, without adding the one point to the tax rates

Tax incentive. A tax incentive that provides an exemption from personal income tax over a period of four years starting from the effective beginning of the activity is available to new enterprises of self-employed individuals who obtain a certificate of the deposit of the declaration of investment during 2018, 2019 or 2020.

The right to the exemption is not available to new enterprises of self-employed individuals engaged in the financial sector, the energy sector except for renewable energies, mining, real estate development, on-site consumption, trade and telecommunication operation.

The tax incentive is granted to new enterprises of self-employed individuals if they fulfill the following conditions provided in Article 13 of the 2019 Finance Act:

- The enterprise keeps regular accounting books that comply with the enterprises' accounting legislation in force.
- The enterprise must start its effective activity within two years from the date of the declaration of investment.

B. Estate and gift taxes

Sales of real property are subject to a proportional registration duty at a rate of 5%.

Inheritance tax is imposed on 2.5% of the inheritance value. Heirs or legatees must file and register a declaration of inherited property within one year following the decedent's death.

Gifts must be recorded within 60 days after the date of the gift.

The following are the rates of tax on gifts and inheritances:
- 2.5% between ascendants and descendants and between spouses. Donations of goods between ascendants and descendants and between spouses, including donations of bare ownership and usufruct rights with respect to real property are registered at a fixed fee of TND25 per donation.
- 5% between brothers and sisters.
- 25% between uncles or aunts, nephews and nieces, great uncles and great aunts, and little nephews (sons of the brother's [or sister's] son or daughter) or little nieces (daughters of the brother's [or sister's] son or daughter), and between cousins.
- 35% between relatives beyond the fourth degree and between non-relatives.

In addition to the registration duties mentioned above, a fee for real estate conservation is due at a rate of 1% (except for donations of goods between ascendants and descendants and between spouses).

An additional 3% registration fee is due for the absence of the property's origin. This fee is imposed if the references to the registration of the previous transfer are not included in the deed.

C. Social security

Employees pay social security contributions on their salaries at a rate of 9.18%. The total rate for contributions paid by the employer is 16.57%. No ceiling applies to the amount of wages subject to social security contributions. In addition, employers must pay a work accident contribution. The rate varies from 0.4% to 4.2%, depending on the nature of the activities.

D. Tax filing and payment procedures

For individuals with a habitual residence in Tunisia, income tax is due on 1 January of each year on all benefits or income realized over the previous year.

The deadline for filing the tax return is 25 February for individuals realizing income on shares and 5 December for employees or individuals benefiting from pensions or life annuities.

The general taxation method is the withholding of tax by employers. Employers must calculate the income tax and deduct it from the monthly gross salary.

Some exceptions exist for expatriates whose salaries are paid abroad. Such employees pay tax through self-withholding and make a filing each month.

Tax withheld by employers and tax self-withheld by employees are deducted from the annual tax due.

E. Double tax relief and tax treaties

Tunisia has entered into double tax treaties with the following jurisdictions.

Austria
Belgium
Burkina Faso
Cameroon
Canada
China
Czech Republic
Denmark
Egypt
Ethiopia
France
Germany
Greece
Hungary
Indonesia
Iran
Italy
Jordan
Korea (South)
Kuwait
Lebanon
Luxembourg
Mali
Malta
Mauritius
Netherlands
Norway
Oman
Pakistan
Poland
Portugal
Qatar
Romania
Saudi Arabia
Senegal
Serbia
South Africa
Spain
Sudan
Sweden
Switzerland
Syria
Turkey
Union of the Arab Maghreb
United Arab Emirates
United Kingdom
United States
Vietnam
Yemen

These treaties generally stipulate that wages and compensation are taxed in the state where the activity is performed. Dividends and interest are taxed differently, depending on whether the source is Tunisian or foreign.

F. Entry visas

Tunisia issues the following documents to foreign nationals:
- Entry visas for stays of less than three months
- Work permits
- Residence permits, which often require applicants to first possess work permits

The requirements for entering, working and residing in the country depend on the nationality of the foreign national. Nationals of European Union (EU) countries, Canada and the United States are not required to obtain entry visas to visit Tunisia. Nationals of France and the Union of the Arab Maghreb (Union du Maghreb Arabe, or UMA) may enjoy certain special work and residence privileges.

Foreign nationals must obtain entry visas from Tunisian embassies or consulates for stays of less than three months.

G. Residence permits

Foreign nationals intending to stay in Tunisia for longer than three months must apply to the Ministry of the Interior for residence permits (*cartes de séjour*). Residence permits are usually granted to foreign nationals who obtain work permits (see Section H). A

residence permit is valid for one year and may be renewed after an employee secures a renewed work permit.

H. Work permits and self-employment

Foreign nationals wishing to work in Tunisia must obtain work permits before beginning employment. The Ministry of Training and Employment requires specific documentation before permitting a foreign national to work in Tunisia. The ministry ensures that all employment opportunities are made available to Tunisian citizens before offering employment to foreign workers.

A foreign national wishing to practice a salaried professional activity in Tunisia must apply for work permit through his or her local employer. The employee must also provide a résumé and any diplomas and transcripts certifying his or her qualifications. The ministry requires a certificate attesting that a local Tunisian with similar qualifications was not available.

Work permits issued by the ministry have specific expiration dates. The work permit period may not exceed one year. To renew the work permit, the employer must again seek approval from the ministry by justifying the need to hire a foreign worker.

Tunisian employers are prohibited from recruiting foreign employees whose employment was not authorized by the Ministry of Training and Employment and have not obtained residence permits. An employer is also prohibited from recruiting a foreign worker whose employment contract with a prior employer has not yet expired. Employers must notify the ministry of the departure of every foreign worker from their company.

Simplified procedure. The following foreign nationals are exempt from obtaining employment contract approval:

- Under Article 258 of the Labour Law, foreigners who have the status of Manager, Co-Manager or proxy director in the case of limited liability companies or Chief Executive or the Chairman of the Board of the company in the case of public limited companies.
- Under Article 6 of the new Investment Law, supervisory and monitoring staff of foreign nationals, up to 30% of the total number of the company's qualified employees, until the end of the third year following the date of the legal incorporation of the enterprise or until the end of the three-year period starting from the date of the company's entry into effective production. This limit is reduced to 10% starting from the fourth year, counted from the relevant date (date of incorporation or entry into effective production). In all cases, the enterprise is allowed to recruit up to four foreign qualified employees.

The following are considered qualified employees:

- Supervisory and monitoring staff of foreign nationals in the fields of prospecting, research and exploration subject of the Article 107 of the Mining Code
- Supervisory and monitoring staff of foreign nationals in the fields of prospecting and research subject of the Article 124 of the Hydrocarbon Code
- Foreign qualified employees practicing in associations and non-profit nongovernmental organizations

- Technical cooperators assigned in projects or programs financed by foreign states or organizations in collaboration with Tunisia
- Moroccan nationals

In all of the exempted cases described above, employers must report recruitment of foreign nationals to the Ministry of Training and Employment. As a result, the work permit is in the form of "Attestation of non-submission of the employment contract to the visa of the Ministry in charge of the employment." The ministry delivers an exemption certificate for each notification. This certificate has no validity term. It should be renewed only for the purpose of residence card renewal.

French citizens. French citizens who have resided in Tunisia for at least three years following the date of the Tunisia/France Residence and Work Treaty (17 March 1988) may automatically obtain residence and work permits valid for 10 years. The work permits allow French citizens to perform any kind of salaried work in Tunisia. French citizens who have been married to Tunisian citizens for one year are also eligible for residence permits and work permits valid for 10 years. French spouses and minor children of holders of 10-year residence and work permits may benefit from the same advantages.

I. Family and personal considerations

Family members. The spouse and dependent children of a foreign national may accompany the worker to Tunisia. However, they are generally not permitted to work in Tunisia unless they qualify independently for work permits (see Section H for exceptions).

Driver's permits. A foreign national may drive legally in Tunisia with a home country driver's license for three months.

Tunisia does not have driver's license reciprocity with other countries.

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A. Income tax

Who is liable. Individuals who are resident in Turkey (full liability taxpayers) are subject to tax on their worldwide income. Nonresidents (limited liability taxpayers) are taxed only on earnings and revenues derived in Turkey.

Residents include individuals with legal permanent residence in Turkey and those who reside in Turkey for more than six months during one calendar year. Temporary absence does not interrupt the continuity of residence in Turkey.

The civil law defines residency as an "intention to settle down permanently." The law does not specify any objective criteria for the determination of residency. However, factors, such as purchasing an apartment in Turkey, closing business operations abroad or having vital social and economic interests in Turkey, may be considered in determining Turkish residency.

An exception to the six-month rule described above applies to expatriates such as businesspersons, scientists, experts, employees of governments or journalists who come to Turkey to perform temporary and predefined work as well as those who have arrived for the purpose of education, medical treatment, rest and travel. Such persons are considered to be nonresidents even if they stay in Turkey longer than six months in a calendar year.

In general, if an individual is a nonresident of Turkey under these rules, the individual is also a nonresident for purposes of the application of Turkey's tax treaties. This may affect the taxation of non-Turkish income in the source country.

Income subject to tax. Turkey has a unitary tax system under which income derived from different sources is aggregated and tax due is computed on the total aggregate income. Under the unitary system, withholding taxes are considered advance payments of tax and are credited against the tax due in the annual

return. Income derived in Turkey by residents and nonresidents are allocated to the following categories:
- Commercial income
- Agricultural income
- Employment income (remuneration)
- Self-employment earnings
- Revenues from immovable properties (including royalties)
- Income from capital investments (dividends and interest)
- Other earnings and gains (capital gains)

The above categories of income and the rules for determining the sources of such income are described below.

Commercial income. Income derived from every kind of commercial and industrial operation through a place of business in Turkey, or through a permanent representative in Turkey, is considered to be income derived in Turkey.

Agricultural income. Income arising from agricultural operations carried out in Turkey is considered to be derived in Turkey.

Employment income. Salary and wages are defined as money and goods given as compensation to employees in connection with a specific place of business as well as benefits provided to them that can be represented in terms of money. No distinction is made between salary and wages in Turkey. Wages include amounts paid as cash, indemnities, allowances, overtime, advances, subscriptions, premiums, bonuses, expense accruals or percentages of profits of enterprises that are not partnerships. Certain payments made by employers on behalf of employees, such as payment for rent and utilities are grossed up and taxed as salary and wage income.

Wage income is considered to be derived in Turkey by nonresident individuals if either of the following conditions is satisfied:
- The employment service is performed in Turkey.
- The services are evaluated in Turkey. Services are considered to be evaluated in Turkey if the payment for the services is made in Turkey or if the payment for the services is made abroad and the amount of the payment is transferred to the account of or deducted from the profit of a Turkish resident entity.

An employment service is considered to have been evaluated in Turkey if the salaries are booked as a cost or expense by a Turkish entity.

Individuals in Turkey who work for liaison offices and are compensated in foreign currency are not taxed on their salaries if all of the following conditions are met:
- The nonresident entity pays the salaries out of earnings derived abroad.
- The salary payments are not charged as expenses against profits taxable in Turkey.
- The amount of compensation is brought into Turkey as foreign currency.

Self-employment earnings. Self-employment earnings include services rendered by a person who satisfies the following conditions:
- He or she works on behalf of himself or herself in his or her name.

- He or she uses his or her own professional knowledge.
- He or she works without being dependent on an employer.

If benefits are derived from self-employment activities performed in Turkey or if the self-employment activities are evaluated in Turkey, the income derived from such activities is considered to be income derived in Turkey and is accordingly taxable to nonresidents.

Recipients of services provided by resident and nonresident self-employed individuals must withhold a 20% tax from the amounts paid to the individuals and remit the withholding tax to the tax offices on behalf of the individuals. If the service provider is a nonresident, provisions of an applicable double tax treaty need to be taken into account.

Revenues from immovable properties. Revenues derived from the rental of immovable properties and rights by their owners, by their holders, by those holding easement and usufruct rights or by their tenants are taxable in Turkey if the immovable property is located in Turkey or if such properties and rights are used or evaluated in Turkey.

Rental income derived by resident and nonresident individuals from immovable assets and royalties for patents and rights are subject to withholding tax at a rate of 20%. For nonresidents, this withholding tax may be eliminated or reduced under applicable double tax treaties.

Capital investment income. The following types of income are included in investment income:
- Dividends from all types of share certificates
- Earnings arising from participation shares
- Profits distributed to the chairman and members of the board of directors of companies
- Interest income derived from bonds and bills
- All interest income (time deposits, repurchase [REPO] agreements and others)

Resident and nonresident individuals are subject to withholding tax on dividends and interest. A 15% withholding tax is imposed on dividends. The general rate of withholding tax on interest from deposit accounts in Turkish lira is 15%. The withholding tax rates for interest on term accounts are 15% for a term of up to six months, 12% for a term of up to a year and 10% for a term of more than one year. The withholding tax rates may be reduced under applicable double tax treaties.

Other earnings and gains. The following types of income are included in other earnings and gains:
- Earnings arising from the sale of securities, rights, copyrights and patents
- Earnings arising from the disposal of land, immovable properties and ships within five years after the acquisition of the assets
- Earnings arising from the transfer of rights of partnership shares
- Earnings arising from the disposal of a whole operation whose activities were halted or from the disposal of part of such operation
- Incidental earnings

Capital gains. Capital gains are normally considered to be ordinary income. However, capital gains derived from transfers of shares are exempt from income tax in certain cases. The rules applicable to capital gains derived from the transfer of shares acquired on or after 1 January 2006 are summarized below.

Under a Council of Ministers' Decree, the withholding tax rate is reduced to 0% for capital gains derived by resident and nonresident individuals from the sale of shares traded at the ISE. This is the final taxation.

Capital gains derived from the disposal of the shares without the intermediation of a bank or an intermediary institution (that is, capital gains derived by resident and nonresident individuals from the sale of shares not traded on the ISE) are subject to tax at the general progressive income rates (see *Rates*) and reported in the annual income tax return. However, if the shares are issued by Turkish resident companies and held for more than two years, the gain is not subject to income tax.

Taxation of employer-provided stock options. No specific rules in Turkey govern the tax treatment of employer-provided stock options. Under the general tax provisions, options are taxable as employment income at the time of exercise. The time of taxation may vary depending on the stock option plan. In addition, under certain circumstances, stock options are subject to stamp tax at a rate of 0.759% and may be subject to social security contributions (see Section C).

Deductions. In determining taxable income, expenses allowable under the income tax law are deducted from gross revenue.

Individuals who render independent professional services or who carry out commercial activities may deduct ordinary business-related expenses from taxable income, including salaries, rental payments, fees and the cost of utilities. Depreciation on fixed assets is also allowed. Penalties are not deductible.

The employee portions of social security contributions and unemployment insurance premiums are deductible from gross employment income.

Premiums paid by the employee for himself or herself, his or her spouse or children with respect to personal insurance policies covering life, death, accident, illness, disablement, unemployment, maternity, birth and education are deductible if the following conditions are satisfied:

- The insurance policy is concluded with an insurance company that is located in Turkey and whose headquarters is in Turkey.
- The amount of the monthly premium or membership fee may not exceed 15% of the salary earned in that month.
- The annual total of the monthly premiums and membership fees that are paid must not exceed the annual legal minimum wage determined by the law (gross TRY2,558.40 per month, effective from January 2019).

Lighting, heating, water, elevator, administration, insurance, interest, tax, depreciation, and maintenance expenses paid by an individual who earns rental income can be deducted from taxable rental income.

Rates. In principle, individual income and gains calculated on a cumulative basis are subject to income tax at progressive tax rates which vary between 15% and 35% and are calculated on a cumulative basis. The following are the 2019 brackets and relevant income tax rates.

Taxable income TRY	Tax rate %	Tax due TRY	Cumulative tax due TRY
First 18,000	15	2,700	2,700
Next 22,000	20	4,400	7,100
Next 108,000	27	29,160	36,260
Above 148,000	35	—	—

Remuneration paid by local employers is also subject to a 0.759% stamp duty.

Credits. The minimum living allowance may be claimed as a credit against the tax on employment income. The minimum living allowance applicable for each month of employment may not exceed 50% of the monthly gross amount of the legal minimum wage that is effective at the beginning of the calendar year in which the wage is earned. The percentage is 10% for a spouse who is unemployed and does not earn income, 7.5% for the first two children and 10% for the third child. The tax credit is calculated by multiplying the total minimum living allowance amount by 15%. However, the credit cannot exceed the total tax calculated on the employment income, and no refund is granted in the event of an excess amount.

The minimum living allowance does not apply to nonresident individuals who derive employment income in Turkey.

Relief for losses. Self-employed individuals engaged in a business or individuals who carry out commercial activities may carry forward business losses for five years. No loss carrybacks are allowed.

B. Other taxes

Inheritance and gift tax. For 2019, beneficiaries of inheritances and gift recipients are subject to inheritance and gift tax at rates ranging from 1% to 30%. The tax is paid over three years in two equal installments, in May and November. For 2019, inheritances amounting up to TRY250,125 and gifts amounting up to TRY5,760 are exempt from tax. The following are the tax rates.

Tax base		Inheritance tax rate	Gift tax rate
Exceeding TRY	Not exceeding TRY	%	%
0	290,000	1	10
290,000	990,000	3	15
990,000	2,490,000	5	20
2,490,000	5,190,000	7	25
5,190,000	—	10	30

Turkish citizens are subject to inheritance and gift tax on worldwide assets received. Resident foreigners are subject to inheritance and gift tax on worldwide assets received from Turkish citizens and on assets located in Turkey received from resident foreigners or nonresidents. Nonresident foreigners are subject to inheritance and gift tax on assets located in Turkey only.

Motor vehicle tax. The persons in whose names motor vehicles are registered may pay motor vehicle tax for each year in two equal installments in January and July. The amount of tax is determined separately for each group of vehicles by taking into consideration the age and engine capacity of the vehicles.

Real estate tax. Buildings and land in Turkey are subject to real estate tax. The taxpayer is the owner of the building or land, the owner of any usufruct over the building or land, or if neither of these exist, any person that uses the building or land as its owner. A partial exemption of 25% of the tax value is granted for buildings or apartments used as residences. This partial exemption applies for five years from the year following the year of the completion of construction.

The tax base for the real estate tax is the tax value of the building or land. The tax value is the value recorded at the Land Registry. The rate of building tax is generally 0.2%, but this rate is reduced to 0.1% for buildings used as residences. The rate of land tax is 0.1%, and the rate of parceled land tax is 0.3%. These rates are increased by 100% within the frontiers of a metropolitan municipality and contiguous regions as defined by law.

A declaration is submitted to the municipality where the building or land is located if a modification is made that might lead to a change in the tax value. Taxes are paid annually in two equal installments, the first at any time during the period from March through May and the second in November.

C. Social security

The Turkish social security system was previously based on three institutions each regulated by its own law. These institutions were the Social Security Institution (for private sector employees), the Pension Fund (for public sector employees) and the Bag-Kur (for self-employed people). Effective from 1 October 2008, the Social Security and General Health Insurance Law No. 5510 unified the prior three social security regimes.

Under the law, all employees of Turkish private entities are subject to a national social insurance system that covers work-related accidents and illness, general social security, disability and death. The law also provides retirement benefits.

Employers and employees pay monthly contributions at varying percentages calculated on gross salary, subject to upper and lower limits stated in the law. For the period of 1 January 2019 through 31 December 2019, the upper limit for monthly salary subject to social security contributions is TRY19,188, and the lower limit for monthly salary subject to social security contributions is TRY2,558.40. Employees pay contributions at a rate of 14%. Employers pay contributions at a rate of 20.5%. Five percent of the employers' contribution can be reimbursed by the Republic of Turkey Prime Ministry Undersecretariat of Treasury if certain conditions are fulfilled by the employer. The rates of unemployment insurance premiums are 1% for employees and 2% for employers.

Employees who are subject to social security contributions in their home country may not be subject to social security contributions in Turkey if they prove their social security status by

submitting legal documents obtained from the relevant foreign social security institution.

To provide relief from double social security premiums and to assure benefit coverage, Turkey has entered into bilateral totalization agreements, the terms of which may differ from agreement to agreement, with the following jurisdictions.

Albania
Austria
Azerbaijan
Belgium
Bosnia and Herzegovina
Canada
Croatia
Czech Republic
Denmark
France
Georgia
Germany
Hungary
Italy
Korea (South)
Libya
Luxembourg
Montenegro
Netherlands
North Macedonia
Northern Cyprus (Turkish Republic of)
Norway
Quebec
Romania
Serbia
Slovak Republic
Sweden
Switzerland
Tunisia
United Kingdom

Turkey is also a party to the European Social Security Agreement. Article 15-1/a of the agreement contains the following provision:

> "Workers employed by a corporation which has a normal employer in one of the contracting states, who are sent to another contracting state for a specific piece of work for the corporation, are subject to the legislation of the state where they were originally employed, provided that the estimated period of employment in that state does not exceed 12 months and that such workers are not sent to replace workers whose periods of employment have ended.
>
> In cases where the work takes longer than 12 months for unforeseen reasons, the employment law of the country of origin will continue to apply until the end of the work, subject to the agreement of the authorities in the country where the work is being carried out."

D. Filing and payment procedures

Tax is imposed on a calendar-year basis in Turkey.

Employers must withhold income tax from salaries and wages paid to employees. All withholding taxes must be declared monthly on the 23rd day and paid on the 26th day of the month following the month of payment (in cash or by accrual).

A taxpayer who derives commercial or self-employment income must file and pay advance income tax quarterly. The advance tax amount equals 15% of net income. The advance payments must be made by the 17th day of the second month following the end of the quarterly tax period. Advance tax paid is deducted from the income tax payable in the final tax return.

Annual income tax returns must be submitted to the tax authorities between 1 March and 31 March of the following year. The balance of tax due must be paid in two equal installments in March and July.

Nonresidents are generally not required to file income tax returns if they have only earnings subject to withholding tax. Nonresident

individuals or Turkish citizens who reside in Turkey with the intention of staying or nonresident individuals who derive income not subject to withholding tax must file annual income tax returns for other sources of earnings, including commercial income. If nonresident individuals having such earnings leave Turkey, they must file an "occasional" tax return 15 days before their departure.

Nonresident individuals who are not required to file an annual income tax return must file a special tax return for certain gains listed in the Income Tax Code. The special tax return must be filed within 15 days following the date on which the gains are derived. For gains related to self-employment earnings, the special tax return must be filed within 15 days after the ending of the self-employment activities.

E. Double tax relief and tax treaties

Tax resident individuals may claim a credit for taxes paid abroad on income derived outside Turkey and subject to tax in Turkey. This credit can be applied against the tax payable in Turkey. A foreign tax credit is not available to nonresidents.

The tax amount allowed as a foreign tax credit for a resident is limited to the amount of tax to be paid in Turkey for the same amount of income. Accordingly, if the tax rate applied in the other country is greater than the tax rate applicable in Turkey the difference cannot be considered in calculating the foreign tax credit. The portion of the income tax corresponding to the earnings derived in foreign countries is calculated based on the ratio of such income to worldwide income.

To claim the foreign tax credit, both of the following conditions must be satisfied:

- The tax paid in the foreign country must be a personal tax levied on the basis of income.
- The payment of the tax in a foreign country must be substantiated with documents obtained from competent authorities and attested to by the local Turkish embassy or consulate, or if these institutions do not exist, by similar representatives of Turkey in that country.

Turkey has entered into double tax treaties with the following jurisdictions.

Albania
Algeria
Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Belarus
Belgium
Bosnia and Herzegovina
Brazil
Ireland
Israel
Italy
Japan
Jordan
Kazakhstan
Korea (South)
Kosovo
Kuwait
Kyrgyzstan
Latvia
Lebanon
Poland
Portugal
Qatar
Romania
Russian Federation
Saudi Arabia
Serbia
Singapore
Slovak Republic
Slovenia
South Africa

Bulgaria
Canada
China
Croatia
Czech Republic
Denmark
Egypt
Estonia
Ethiopia
Finland
France
Georgia
Germany
Greece
Hungary
India
Indonesia
Iran
Lithuania
Luxembourg
Malaysia
Malta
Mexico
Moldova
Mongolia
Morocco
Netherlands
New Zealand
North Macedonia
Northern Cyprus (Turkish Republic of)
Norway
Oman
Pakistan
Philippines
Spain
Sudan
Sweden
Switzerland
Syria
Tajikistan
Thailand
Tunisia
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
United States
Uzbekistan
Vietnam
Yemen

F. Entry visas

Nonresident foreign nationals, who are not exempt from the visa requirements of Turkey under reciprocal agreements, must obtain a visa from the Turkish embassy or the Consulate General in their country before their travel. Exemptions apply for a stay of limited duration (that is, 30 days, 60 days or 90 days, depending on the country of nationality). However, the duration of the stay in Turkey with a business visa cannot exceed 90 days within the 180-day period starting from the date of the first entrance into Turkey. In addition, foreign nationals from a limited group of countries, who are subject to the visa requirement, may obtain an e-visa from the online portal of the Turkish government for a stay of limited duration (that is, 30 days, 60 days or 90 days, depending on the country of nationality).

G. Work permits and resident permits

The Turkish Parliament adopted the Law on International Labor Force (the Law) numbered 6735 on 28 July 2016, and the Law was published in the Official Gazette on 13 August 2016. However, the implementation regulation of the Law has not been issued yet. In this regard, the Regulation Concerning Work Permits of Expatriates numbered 4817 is still in force. Under the Law, nonresident expatriates must obtain a work permit to be eligible for employment in Turkey. The work permit also serves as a residence permit. Work permits are issued by the Ministry of Family, Labor and Social Services (the Ministry). The initial application for the work permit is filed from abroad with the local Turkish embassy or the Consulate General.

The work permit process consists of three main steps. The expatriate must first apply for a work visa at the Turkish Consulate General in the country of his or her citizenship or legal residence to initiate the process.

As of 5 January 2016, applications for all types of visas must be made first online at www.visa.gov.tr. This must be followed by the submission of the original documents to the Consulate General at the time of the appointment.

The second step is to apply for the work permit through the online system. Following the work visa application at the Turkish Consulate, the work permit application must be submitted within 10 days. Work permit applications are accepted by the Ministry only through the online system. Accordingly, the Turkish host company must have a registered electronic mail account and an electronic signature. The Turkish host company must be registered as an employer to file applications.

The expatriate must then revisit the Turkish Consulate to get the work visa stamped into his or her passport and enter into Turkey with his or her work visa within 90 days following the approval of the work permit application by the Ministry. All preconditions and required documents are available during the application process.

Under the Law, work permits are granted for definite or indefinite period of time, and independent work permits are granted for a definite period of time.

Definite-term work permit. A work permit for a maximum of one year shall be issued in the first application for the foreigner. Such work permit does not exceed the term of the foreigner's employment or service agreement to work at a specific workplace owned by a legal entity or a real person, or a public institution or establishment, or other workplaces owned by the same in the same business sector. In the case of an extension request, the foreigner shall be granted a maximum of two years' extension at the first extension application for the same employer, and for further applications, a maximum of three years' extension shall be granted.

Indefinite-term work permit. Foreigners with a long-term residence permit or a legal work permit with a minimum term of eight years may apply for an indefinite-term work permit. However, fulfilling the application criteria does not automatically entitle the foreigner to be granted an indefinite work permit.

Independent work permit. Under the Law, the following persons are required to obtain an independent work permit in order to work in Turkey:

- Statutory managers of limited liability companies who are also shareholders of the relevant company
- Board of directors' members of joint stock companies who are also shareholders of the relevant company
- Commandite shareholders of partnerships in commendam, the capital of which is divided into shares

Foreigners in a learned profession may be granted an independent work permit if they qualify under specific conditions set forth in other legislation.

By virtue of the Law, another type of work permit called the Turquoise Card is initiated. The Turquoise Card is designed to bring into Turkey a qualified foreign labor force who will make investments supporting the development of Turkey, and provide contributions to scientific and technological development. The Turquoise Card Regulation was announced in the Official Gazette numbered 30007 and dated 14 March 2017. The Turquoise

Card may be granted to foreigners who have the following characteristics:

- Are evaluated to be highly qualified labor given their education, salary, professional knowledge and experience, contribution in science and technology, and similar qualifications
- Are evaluated to be highly qualified investors given their investment or export level, size of the employment they will provide, contribution in scientific and technological development, and similar qualifications
- Contribute in scientific and technological development or are scientists or researchers who conduct studies that are considered to be strategic on the international level in terms of the country's interest in the fields of science, industry and technology
- Are successful on the international level in cultural, artistic or sportive activities
- Contribute in the international recognition or promotion of Turkey or the Turkish culture and carry out international activities in relation to national interests of Turkey

The Turquoise Card will be given for a transition period of three years. The General Directorate assigns a specialist to monitor the activities and commitments of the Turquoise Card holder within the transition period in 12-month periods. The transition period registration on the Turquoise Card that is not canceled within the transition period shall be removed if the request to remove the transition period registration is approved and the Turquoise Card becomes indefinite.

A Turquoise Card holder's Relative Card is issued for the Turquoise Card holder's relatives upon application. This card replaces a residency permit within the validity period of the Turquoise Card.

A Turquoise Card holder shall benefit from the rights granted by the indefinite work permit. The following conditions apply.

- Turquoise Card holders are exempt from military duty obligations in Turkey.
- Turquoise Card holders cannot benefit from the right to elect and be elected and assigned in public positions.
- Acquired rights regarding social security are reserved and are subject to the provisions in related legislation when using these rights.
- Transactions of these people in relation to residency, travel, work, investment, commercial activity, inheritance, acquiring and renouncing from movable and immovable, and others are carried out by the related organizations or institutions in accordance with the legislations that apply to Turkish citizens.

Provided that the provisions of the social security agreements in which Turkey is a party are reserved, Turquoise Card holders and employers who employ foreigners are obliged to fulfill their obligations arising from social security legislation in due time.

Foreigners whose qualifications are sufficient for work permit exemptions may work in Turkey by obtaining a work permit exemption. Work permit exemption applications shall be submitted directly to the Ministry of Family, Labor and Social Services in Turkey, and to the consulates of the countries in which the foreigner is a citizen or legally resides to be forwarded to the

Ministry by the Consulate. Board of directors' members of joint stock companies who do not reside in Turkey; shareholders of other companies who do not hold managerial positions; and cross-border service providers whose services in Turkey do not exceed 90 days in a 180-day period are subject to work permit exemption.

For the first application for the work permit, unless otherwise provided in bilateral or multilateral agreements to which Turkey is a party, the work permit is valid for at most one year to work in a certain workplace or enterprise in a certain job. After the duration of one year, the duration of the working permit may be extended up to two years, on the condition of working in the same workplace or enterprise in the same job. At the end of the duration of three years, the duration of the work permit may be extended up to three years, on the condition of working in the same profession and at the disposal of a desired employer. The work permit extension processes must be realized at most 60 days before the expiration date of the valid work permit.

The family of the expatriate may obtain a residence permit for the duration of the expatriate's employment. Dependents cannot file their applications jointly with the expatriate. Once the work permit process is finalized and the dependents enter into Turkey, the residence permit application process can be initiated by completing an online residence permit application form and booking an appointment with the competent immigration authority. The online system generates the date and time for the appointments; a particular date or time cannot be requested.

For each residence permit application, the original copies of the birth certificate of children, the marriage certificate and the criminal record of the work permit holder is either certified with an *apostille* by the authorities from which it is obtained or if the state from which the document is obtained is not a party to the Apostille Convention, approved by the relevant state's authorities (approval by the consulate and by the Ministry of Foreign Affairs or competent Turkish authorities authorized therefor).

H. Family and personal considerations

Family members. After a foreign national obtains a residence permit, the spouse and children may apply for their own residence permits.

The working spouse of a foreign national must apply for a separate work permit. This work permit is granted on the condition that the spouse resided with the foreigner legally and uninterruptedly for at least five years. The duration may be shortened or even eliminated under certain conditions.

Marital property regime. The Turkish Civil Code considers the marital property regime to be the statutory regime for management of marital property. The ordinary marital property regime is participation in the jointly acquired property. Spouses can opt out of the regime by mutual agreement, which must be executed in writing and notarized.

Forced heirship. Turkish succession law provides for forced heirship. If a decedent leaves descendants and a surviving spouse, the

spouse is entitled to one-quarter of the entire intestate share. Other legal portions range from one-quarter to three-quarters of the forced heir's intestate share.

Driver's permits. As per the "Regulation to amend the Road Traffic Regulation," announced in the *Official Gazette*, dated 17 April 2015 and numbered 29329, foreigners can use their driver's licenses in Turkey for six months from the date of their first entrance into Turkey. If they want to drive in Turkey for more than six months, they must change their driver's licenses to Turkish driver's licenses. An administrative fine of TRY603 applies to each violation of the regulation.

An announcement on the Traffic Registry Directorate website provides details regarding the changing of a foreign driver's license to a Turkish driver's license.

Before preparing the required documentation, the foreigner must visit the Traffic Registry Directorate with the original and a translated, notarized copy of his or her driver's license in order to confirm whether his or her driver's license can be changed.

The following is the required documentation:

- Original of the driver's license and notarized or consulate-approved translation copy
- Original and the photocopy of identification or passport (for foreigners, original and copy of residence permit)
- Two hard-copy photographs
- In accordance with the class of the driving license, a health certificate (from the private or official health authorities within the province; must be valid for two years)
- Blood type approval document
- Fee receipt according to the class of the driving license (paid to banks and tax offices; the card fee is TRY134)

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Because of the possible changes to the tax law, readers should obtain updated information before engaging in transactions.

A. Income tax

Who is liable. Residents are subject to tax on worldwide income. Nonresidents are taxable on Ugandan-source income only.

Individuals are considered resident in Uganda for tax purposes if they meet at least one of the following conditions:
- They maintain a permanent home in Uganda.
- They are present for 183 or more days in the tax year. The tax year runs from 1 July to 30 June.
- They are present for an average of 122 days in the tax year and the two preceding tax years.
- They are employees or officials of the government of Uganda posted abroad during the tax year.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Employment income includes wages, salaries, vacation pay, sick pay, payment in lieu of vacation, directors' fees, commissions, bonuses, gratuities, and entertainment or other allowances received for employment. Employment income also includes most benefits in kind, including employer-provided car, housing and stock options. Travel allowances are taxable if they are deemed to be excessive.

Education cash allowances provided by the employer to all of the employer's local and expatriate staff are taxable for income tax purposes and social taxes. However, the allowances are not subject to social taxes if the employer pays directly the school fees

to the school or college, or reimburses the actual fees paid by the employee.

A nonresident is subject to income tax on employment earnings if his or her employer is resident in Uganda or has a permanent establishment in Uganda. Income derived from services performed outside Uganda by a short-term resident is exempt from tax. A short-term resident is a resident individual who is not a citizen of Uganda and is present in Uganda for a period not exceeding two years.

A resident individual who earns foreign-source employment income is exempt from tax on that income if the individual has paid foreign income tax with respect to that income.

If the employee is receiving a motor-vehicle benefit from his or her employer, the motor vehicle is depreciated at an annual reducing-balance rate of 35% when computing the motor-vehicle benefit.

Self-employment and business income. Business income includes the following:
- Trading profits
- Gains from disposals of business assets, shares of profits or partnership interests
- Professional and management fees
- Insurance compensation and legal damages for loss of profits

Investment income. Dividends received by residents and nonresidents are subject to final withholding tax at a rate of 15%. For resident persons, royalties are aggregated with other income and are taxed at the rates set forth in *Rates*. Income received by residents from the rental of immovable property is taxed separately at a rate of 20% on net income in excess of UGX2,820,000. Net income for individuals is defined as 80% of gross rent received. A final withholding tax is levied on interest income received by residents at a rate of 15%.

Nonresidents are subject to withholding tax at a rate of 15% on investment income, income from the rental of real property, management fees, royalties, consultancy fees and any payments for services performed in Uganda.

Capital gains. Capital gains derived from the disposal of business assets are subject to tax at a rate of 30%.

Deductions

Personal deductions. No personal deductions are allowed.

Business deductions. Expenses are deductible to the extent they are incurred in the production of income. Identified bad debts incurred in the production of taxable income are also deductible.

Plant and machinery qualify for an annual capital allowance deduction. Certain plant and machinery also qualify for an initial allowance of 50%. The amount of the initial allowance is subtracted from the depreciable cost of an asset. The balance is subject to a depreciation (wear-and-tear) allowance at the applicable rate.

Capital allowances for industrial buildings and certain commercial buildings are permitted on a straight-line basis over 20 years. In addition, industrial buildings qualify for an initial allowance of 20% if their construction began on or after 1 July 2000. The initial allowance was repealed in 2014 but was reintroduced by the 2017 Income Tax Amendment, effective from 1 July 2017. Plant and machinery is eligible for a wear-and-tear allowance using the declining-balance method at rates ranging from 20% to 40%.

Rates. The resident individual tax rates are set forth in the following table. These rates apply to employment income and taxable business income.

Annual taxable income		Tax on lower amount	Rate on excess
Exceeding UGX	Not exceeding UGX	UGX	%
0	2,820,000	0	0
2,820,000	4,020,000	0	10
4,020,000	4,920,000	120,000	20
4,920,000	120,000,000	300,000	30
120,000,000	—	34,824,000	40

For nonresidents, taxable income, including investment income, is taxed at the rates in the following table.

Annual taxable income		Tax on lower amount	Rate on excess
Exceeding UGX	Not exceeding UGX	UGX	%
0	4,020,000	0	10
4,020,000	4,920,000	402,000	20
4,920,000	120,000,000	582,000	30
120,000,000	—	35,106,000	40

The amount of tax payable is reduced by tax withheld.

Income derived by resident individuals from the rental of real property is taxed at a rate of 20% on chargeable income in excess of UGX2,820,000.

Withholding tax. The Income Tax Act Cap 340 specifies persons who are required to withhold tax as well as those on whom the tax should be imposed, depending on the nature of transaction. This tax is deducted at source by a withholding agent on making the payment to another person.

A withholding tax agent is the person who makes the payment and is required to withhold tax; the recipient of the payment is the payee.

If a taxpayer is designated by the minister to withhold tax, and the payer pays an amount or amounts in aggregate exceeding UGX6 million for a supply of goods and services, the payer withholds tax at a rate of 6% on local payments. If a taxpayer is not a designated withholding tax agent, the payer withholds tax only on payments made with respect to professional services and management fees. For international payments, tax is withheld at a rate of 15%. However, for countries that have double tax treaties with Uganda, the rate at which tax is withheld varies per country. Withholding value-added tax (VAT; see Section B) is introduced at a rate of 6%, effective from 1 July 2019.

Relief for losses. Losses may be carried forward to be offset against future profits. In general, losses may not be carried back. However, with respect to long-term contracts, a loss in the final year of the contract can be carried backward to offset reported tax profits of previous years.

A long-term contract is a contract for manufacturing, installation, or construction or for the performance of services related to such activities, if not completed within the year of income in which work under the contract commenced, excluding a contract estimated to be completed within six months of the date on which work under the contract commenced.

B. Other taxes

Uganda imposes a value-added tax (VAT) on the sale or import of taxable goods and services. The standard VAT rate is 18%. Certain goods and services are zero-rated, and others are exempt.

The VAT payable on a taxable supply made to a government ministry, department or agency by a contractor executing an aid-funded project is deemed to have been paid by that ministry, department or agency if the supply is solely and exclusively for the use of the aid-funded project.

Uganda charges import duty on most imports except exempt imports. A traveler is allowed duty-free imports of up to USD500.

Effective from 1 February 2005, the East African Community Customs Union (EACCU) consisting of Kenya, Tanzania and Uganda, became operational. In 2008, Burundi and Rwanda were admitted to the EACCU. The EACCU provides for the duty-free movement of goods among member states and a common external tariff (CET) on goods from third countries. The CET is generally imposed at a rate of 0% to 25% on goods imported from third countries into Uganda. However, sensitive products are subject to a duty rate exceeding 25%. Eligible goods from Common Market of East and Southern Africa (COMESA) and Southern African Development Community (SADC) countries continued to attract preferential treatment for 2009 and 2010. The import duty rate on goods imported into Uganda from Kenya was progressively reduced by two percentage points per year, from an initial 10% in 2005 to 0% in 2010. The EACCU also provides various tax incentives for producers of goods for export.

Uganda charges excise duty on certain items, including spirits, beer, soft drinks, cigarettes and mobile phone airtime.

Estate and gift tax is not levied in Uganda. Net worth tax is not levied in Uganda.

C. Social security

The National Social Security Fund (NSSF) is a statutory savings program to provide employees with retirement benefits. Employees contribute 5% of their total monetary remuneration, and employers contribute an amount equal to 10% of each employee's total monetary remuneration.

D. Tax filing and payment procedures

Tax is withheld from employees under the Pay-As-You-Earn (PAYE) system.

The tax year runs from 1 July to 30 June. Individuals must file quarterly provisional returns. A penalty is imposed for the failure to file provisional returns.

Individuals must file their final tax returns within six months after the end of the accounting year. An assessment is made based on the return, with a credit given for taxes withheld at source and for provisional taxes paid.

Nonresidents who trade in Uganda through permanent establishments are subject to the same filing requirements as residents.

Interest and a penalty are imposed for unpaid tax. Any penalties or interest paid cannot exceed the principal amount of the tax outstanding.

E. Double tax relief and tax treaties

Residents may deduct foreign taxes paid from Ugandan income tax payable on foreign-source income. Uganda has entered into double tax treaties with the following countries.

Denmark	Mauritius	South Africa
India	Netherlands	United Kingdom
Italy	Norway	Zambia

Certain treaties are in the final discussion phase including treaties with Belgium, China, the East African Community (EAC) Egypt, Seychelles, Sudan and the United Arab Emirates.

F. Temporary permits

All foreign visitors must obtain valid entry visas to enter Uganda, with the exception of nationals of member countries of the COMESA or the EAC, and nationals of the following countries.

Angola	Gambia	Singapore
Antigua	Ghana	Solomon Islands
Bahamas	Grenada	St. Vincent and the Grenadines
Barbados	Jamaica	Tonga
Belize	Lesotho	Vanuatu
Cyprus	Malta	
Fiji	Sierra Leone	

Dependents' passes are issued to family members and relatives of foreign nationals with valid permits. These passes are linked to the principal's permit and are canceled on expiration or cancellation of the principal's permit.

Students' passes are issued to foreign students who wish to study in Uganda. All EAC nationals studying or seeking to study in Uganda must obtain student passes from designated immigration offices. These passes are issued at no cost.

Special passes are issued to foreign nationals wishing to work in Uganda on a short-term assignment (three to five months). A special pass is valid for three months and may be extended once.

Visitors' passes are issued on entry into Uganda. They are valid for three months and may be extended for up to six months.

Transit passes are normally valid for seven days.

Prohibited immigrant passes are issued to foreign nationals who, under normal circumstances, would not be granted visas. They are granted only in special cases and are valid for seven days.

When applying for passes, applicants must have valid passports or equivalent travel documents. No quota system exists for immigration purposes in Uganda.

G. Work permits and self-employment

Only special passes and work permits allow foreign nationals to undertake employment in Uganda.

Temporary work permits, called special passes, are valid for three months and may be extended for up to a maximum of five months.

A work permit or entry permit is issued for up to three years and may be renewed every three years. Work permits are divided into seven classes (Classes A through G), which are summarized below.

Class A permits are issued to foreign diplomats, United Nations staff and foreigners recruited to work in Uganda government service. They require the submission of the following documents:
- Copies of passport (bio-data page)
- Recent passport-size photograph
- Cover letter from the embassy (diplomatic note)
- Letter from the Ministry of Foreign Affairs of Uganda

Class B work permits are issued to investors in agribusiness and require the submission of the following documents:
- Registration certificate (certificate of incorporation)
- Company Form 7
- Memorandum and articles of association
- Analysis of the viability of the proposed venture
- Photocopies of the applicant's passport
- Photographs
- Land title
- Recommendation letter (possibly from a local authority)
- Clearance from the Ministry of Agriculture regarding an intended agricultural venture
- Clearance from Interpol
- Copy of nonrefundable prepayment receipt or a copy of identification from nationals of Burundi, Kenya and Rwanda
- Copy of security bond
- Income tax clearance
- Tax identification number (TIN) of the company
- Completed entry/work permit form

Class C work permits are issued to investors prospecting for, or mining, minerals and require the documents listed below:
- License issued by the Ministry of Energy and Mineral Development
- Support letter from the permanent secretary or designated officer of the Ministry of Energy and Mineral Development
- Memorandum and articles of association

- Company Form 7
- Income tax clearance
- Physical address and active telephone contacts
- TIN of the company
- Registration certificate (certificate of incorporation)
- Photocopies of the applicant's passport
- Analysis of the viability of the project
- Copy of nonrefundable payment receipt
- Copy of Uganda Investment Authority license
- Security bond
- Recent passport-size photograph
- Police clearance from Interpol or home country

Class D work permits pertain to general business or the retail trade. In addition to the documents listed for Class B permits, excluding the analysis of viability, the application for a Class D work permit requires bank statements.

Class E permits are issued to manufacturers. In addition to the documents required to obtain Class B permits, excluding the analysis of viability, applicants for Class E permits must produce an investment license.

Class F permits, which are issued to practicing professionals (for example, lawyers and accountants), require the submission of the following:
- Qualifications and references or résumés
- Copy of the passport (bio-data page)
- Copy of a recent passport-size photograph
- Clearance letter from Interpol or home country
- Registration certificate with relevant professional body in Uganda
- Cover letter from the organization
- Copy of nonrefundable prepayment receipt or a copy of identification from nationals of Burundi, Kenya and Rwanda
- Security bond

Class G has two sub-classifications of work permits, which are Class G1 and Class G2. They are issued to employees. Applicants for Class G1 permits (missionaries, volunteers and workers for nongovernmental organizations [NGOs]) are required to produce the following documents:
- Certified copy of qualifications
- Appointment letter from the organization
- Copy of the passport (bio-data page)
- Copy of a recent passport-size photograph
- Cover letter from the organization
- Clearance letter from the Interpol or home country
- An employment contract
- Recommendation from the National Bureau for NGOs

Applicants for Class G2 (expatriates) are required to produce the following documents:
- Appointment letter from the organization
- Copy of the passport (bio-data page)
- Certified copy of qualifications
- Copy of a recent passport-size photograph
- Cover letter from the organization
- Clearance letter from Interpol or home country
- Income tax clearance for the organization

- Copy of nonrefundable prepayment receipt
- Copy of security bond payment

The flow of the immigration process is adjusted, effective from 1 July 2016. The following is the flow of the process:

- The company must register and obtain an organization code so that all assignees apply under the company's account (the requirements for obtaining an organization code include filling out the Imm001 form and then attaching the company documentation under each class on a CD, which is shared with the immigration department).
- After the company obtains an organization code, the applicant must fill out the permit application form online.
- The applicant is then prompted to upload the required documents as per the type of permit.
- The application is then submitted, and follow-ups can be made based on the application identification number, passport number and date of birth.
- An approval letter is sent by email or downloaded through the Uganda electronic visa/permit website. This letter establishes that the applicant is eligible for the approved visa or permit, but it does not establish that the application is definitely approved.
- The final approval is issued at the selected point of entry (in the case of a visa) or at the immigration office headquarters where the visa or permit sticker is printed and pasted on the passport.

Payment of the government fees is due after approval has been received.

After all documents are received, it takes from one to two weeks to process a work permit. All passes (special passes, dependent passes, student passes) usually take two to three days to be approved.

As a result of the introduction of the organization code, nonresidents seeking permits are not required to present company documentation (for example, articles and memorandum of association), because they are applying for a permit under an organization's account that was issued an organization code on presentation of the necessary documentation mentioned above.

Foreign nationals may change employers after they have obtained work permits. However, they must apply for new work permits under their new employers.

An investment license, issued by the Uganda Investment Authority, is required for all foreign business operations in Uganda. Investment incentives, including tax holidays, are available to businesses that satisfy certain conditions and bring specific amounts of capital into Uganda.

H. Residence permits

Certificates of residence allow foreign nationals to work and live in Uganda. The duration for the certificates can be 5 years, 10 years or a lifetime.

Foreign nationals seeking certificates of residence must have resided in Uganda for at least 10 consecutive years, be married to a Ugandan or be a former citizen of Uganda.

I. Family and personal considerations

Family members. Dependents of expatriates with work permits may obtain long-term entry permits called dependents' passes. The length of validity of these passes depends on the duration of the expatriate's work permit. However, the duration of the passes is granted at the discretion of the Commissioner General.

Working spouses of work permit holders do not automatically receive the same type of pass or permit as the principal permit holder. Applications must be filed independently.

Driver's permits. Uganda has driver's license reciprocity with British Commonwealth countries only. Foreign nationals from a British Commonwealth country may drive legally in Uganda with their home country driver's licenses for three months. Thereafter, the foreign national can apply to the Uganda Revenue Authority for a Conversion Permit, which allows the national to obtain a Ugandan driver's permit with classes equivalent to those in his or her home country permit.

To obtain a local driver's license in Uganda, an applicant must obtain a provisional driver's license after paying a general fee. This enables the applicant to go to a driving school and to perform a driving test, after which he or she is issued a driving permit. No written or physical examination is required. However, a medical examination is now required before an applicant can take a driving test.

Ukraine

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Because Ukraine's legislative system is in a state of development and is subject to frequent and often unpredictable changes, readers should obtain updated information before engaging in transactions.

The exchange rate on 1 October 2019 was UAH24.197474 = USD1.

A. Income tax

Who is liable. Residents of Ukraine are subject to tax on worldwide income. Individuals who are not tax residents in Ukraine are taxed on their Ukrainian-source income, which includes the following:
• Income derived from work or services performed in Ukraine
• Income and gains from the disposal of real estate in Ukraine
• Rent from property located in Ukraine
• Dividends paid on shares of Ukrainian companies

An individual is considered to be a tax resident of Ukraine if he or she has a place of abode in Ukraine. If a person has a domicile both in Ukraine and in another country, he or she is considered Ukrainian tax resident if he or she has a permanent place of abode in Ukraine. If he or she has a permanent place of residence in both countries, he or she is considered Ukrainian tax resident if he or she has a center of vital interests (for example, resident relatives) in Ukraine. If a country where the person has a center of his or her vital interests cannot be determined or if a person does not have a permanent place of residence in any country, he or she is considered Ukrainian tax resident if he or she is present in Ukraine for 183 days or more during a tax year (including the day of arrival and the day of departure). For this purpose, the days of presence in Ukraine need not be consecutive.

If it is impossible to determine residency status based on the above, the person is considered to be Ukrainian tax resident if he or she is a citizen of Ukraine.

Notwithstanding the above, the law allows an individual to claim tax residency in Ukraine based on an acknowledgment that Ukraine is his or her main residence or on registration as a self-employed person in Ukraine.

However, in practice, since January 2010, the most important criterion from the perspective of the tax authorities in Ukraine is physical presence (183 days) during a calendar year in Ukraine, which must be confirmed by documents.

Income subject to tax. The taxation of various types of income is described below.

Employment income. The taxable employment income of residents consists of all compensation received in cash or in kind, whether the income is received in Ukraine or abroad.

The taxable income of an individual also includes allowances paid because of residence in Ukraine (hardship and cost of living allowances) and compensation received for children's education, meals and holiday travel for the taxpayer's family to the family's home country.

Certain benefits provided by a Ukrainian employer to employees and compensation for such benefits (for example, accommodation or corporate cars) may be exempt from tax under the tax code of Ukraine if the following conditions are satisfied:

- The benefits are provided with respect to the performance of labor.
- The benefits are stipulated in the law, an applicable employment agreement or a collective bargaining agreement.
- The benefits are provided within the limits prescribed in the employment agreement, the collective bargaining agreement or the law. Because the law does not currently impose any such limits, the employment agreement or collective bargaining agreement must specify the limits.
- The employer owns the property provided to the employee.

Individuals are exempt from tax on the following types of employment income:

- Unified social tax payable by a Ukrainian employer on top of an employee's salary
- Amounts paid by employers to Ukrainian educational institutions to cover educational costs for the training of their employees with respect to the business activities of the employer, subject to certain limitations
- Amounts paid by employers to cover medical assistance to employees, subject to certain limitations
- Company contributions made under non-state pension contracts for the employees' benefit, subject to certain limitations

Passive income. Passive income in the form of royalties and capital gains, as well as interest income received by individuals from deposits in Ukrainian banks, is subject to tax at a rate of 18%.

Dividends received by individuals from resident companies are taxed at a rate of 5%, while dividends received by individuals from nonresident companies, collective-investment institutions and economic agents that are not payers of corporate profit tax are taxed at a rate of 9%.

Self-employment and business income. Taxable self-employment and business income consists of gross income (receipts in cash or in kind), less appropriately documented expenses incurred in generating that income.

Exempt income. In addition to the exempt items mentioned above, individuals are exempt from tax on the following types of income:

- Tax refunds as well as payments from state social security and pension funds
- Insurance proceeds, except for long-term life (long-life insurance contracts are those that have a duration of five years or more and that provide for an insurance payment as a lump sum or annuity if certain conditions are satisfied) and non-state pension insurance (subject to certain limitations)
- Income received from entrepreneurial activities by an individual who pays tax under the simplified system of taxation

Taxation of employer-provided stock options. Ukrainian law contains no specific rules for the taxation of stock option plans. Consequently, taxation of such options is based on general principles. Because of the broad definition of income, a risk of taxation of an option at the moment of grant exists. The position of the Ukrainian tax authorities on this matter is unclear, but it appears that this risk is remote. As a result, options are likely to be taxed at the moment of exercise.

The difference between the option exercise price and the fair market value of the shares on the date of exercise is considered to be taxable income to the employee. This income is subject to tax at a rate of 18%.

On the sale of the shares in Ukraine, the employee derives a taxable capital gain, which is equal to the difference between the sale price and the purchase price. For the taxation of capital gains derived from the sale of shares outside Ukraine, the entire sale proceeds are subject to tax in Ukraine without the possibility of deducting expenses incurred in connection with the acquisition of the shares. Income from the sale of shares is taxed in the same manner and at the same rate as the employee's other compensation income. The capital gain is not taxable if it falls within the capital gains exemption described in *Capital gains*. In addition, if shares are received as a gift or inheritance, the taxable amount on sale is decreased by the amount of personal income tax and state duty (the current maximum rate of the state duty is 1%).

Certain limits on the transfer of funds abroad (including the purchase of the underlying shares) apply to Ukrainian currency control residents. Currently, the annual limit is EUR50,000. Currency control residents are defined as individuals (citizens of Ukraine, foreigners and stateless persons) who permanently reside in Ukraine, including individuals temporarily staying outside Ukraine.

Income from alienation of movable and immovable property. Income derived from sales of property is subject to tax at the rates described in *Rates*, but certain exemptions and special rules apply.

Income derived from sale of a car, motorcycle or motor bicycle in Ukraine is exempt from tax if only one such sale is performed in a reporting year.

Income derived from the sale of immovable property (for example, residency house, apartment or single room) in Ukraine, with the simultaneous sale of a land plot on which the property is

located, if any, or from the sale of a land plot (subject to certain limitations) is exempt from tax if a seller has owned the respective immovable property for more than three years and if only one such sale is performed in a reporting year.

Capital gains. A capital gain is usually calculated as the difference between proceeds derived by a taxpayer from investment assets and expenses incurred in connection with the acquisition of such property.

Capital gains derived from the alienation of investment assets, such as securities and other corporate rights, are included in taxable income to the extent that the annual gains exceed the amount of UAH2,689.40. If the alienation of the investment assets results in a loss, such loss can be deducted against gains derived from the alienation of investment assets during the tax year, subject to certain limitations. Such loss can be carried forward to future years without limitation.

An individual who receives income from the alienation of investment assets must record the results of the transactions separately from other income and expenses and report such results in the annual tax return. However, if the individual performs transactions regarding investment assets with the involvement of a securities broker in accordance with an agreement with the broker, the broker may be considered a tax agent of the individual.

Deductions. Taxable salary income received from a Ukrainian employer may be reduced by the social tax benefit, which varies from one half to two subsistence minimums for the employee as of 1 January of the reporting year (currently, the subsistence minimum in Ukraine equals UAH1,921), depending on the status of the individual (categories include single parents, parents of handicapped children, widowers, certain war veterans, disabled persons, Chernobyl victims and others).

A Ukrainian tax resident who has a Tax Identification Code may apply for a tax discount by deducting from salary income the sum of certain amounts paid to Ukrainian residents during the tax year. The following amounts may be included in the tax discount:

- Payments for the education of the individual and his or her immediate family members, subject to certain restrictions
- Payments for medical assistance provided to an individual and his or her immediate family members, subject to certain restrictions (this measure will take effect in the year following the year when the Law of Ukraine on Mandatory Medical Insurance enters into effect)
- A portion of interest paid by an individual with respect to a mortgage credit
- Cost of charitable gifts made by a taxpayer in an amount of up to 4% of his or her annual taxable income
- Long-term life insurance premiums and contributions paid by the taxpayer for himself or herself or his or her immediate family (subject to certain limitations) to the respective Ukrainian resident entities (insurance companies)
- Private pension insurance contributions made by the taxpayer for himself or herself or his or her immediate family (with certain restrictions) to the respective Ukrainian resident entities (non-state pension funds and banking establishments)
- Payments for artificial insemination, with certain restrictions

- Payments for state services related to the adoption of a child
- Payments for equipment that allows a taxpayer's vehicle to use biofuel
- Expenses incurred on the building or purchase of accommodation that is classified as affordable

The total amount of the tax discount may not exceed the total amount of taxable salary income received by an individual during the tax year. In addition, any amount of the tax discount that is not used as a result of this restriction may not be carried back or forward.

To claim the tax discount, a taxpayer must file his or her tax return by the end of the tax year following the reporting year. All of the relevant expenses incurred must be properly documented with receipts and bills. Based on the tax return, the tax authorities allow the tax discount and refund any excess tax paid not later than 60 days after receipt of the tax return.

Rates. Flat income tax rates of 0%, 5%, 9% and 18% are imposed on individuals in Ukraine. The rates vary according to the type of income.

Income derived from the alienation of real estate is taxed at a rate of 0%, 5% or 18% depending on the following:
- Duration of ownership of such property
- The frequency of alienations
- Type of property
- Tax residence status

In general, an 18% tax rate applies to most types of income of resident and nonresident individuals (employment and nonemployment), except for the types of income described below.

An 18% tax rate applies to royalties, investment income and interest income received by resident and nonresident individuals in Ukraine. A 9% tax rate applies to dividends received by individuals from nonresident companies, collective-investment institutions and economic agents that are not payers of corporate profit tax. A 5% tax rate applies to dividends received from resident companies.

Gifts and inheritances received are treated as income and are subject to personal income tax at rates of 0%, 5% or 18%. The applicable rate for inheritances depends on the residency status of the testator and on the degree of relation between the testator and inheritor. The applicable rate for gifts depends on the giver (that is, if a giver is a legal entity or an individual registered as a private entrepreneur, the applicable rate is 18%; if a giver is a private individual who is not an entrepreneur, the rate depends on the residency status of the giver or recipient and on the degree of relation between the giver and recipient).

A tax rate of 18% applies to prizes and gains derived from nonstatutory lotteries.

The law provides a special procedure for the payment of Ukrainian-source income by a nonresident individual or company to a nonresident individual. Under such procedure, the income must be paid through an account specially opened by the

recipient nonresident individual at a Ukrainian bank, which acts as a tax agent of the individual.

Income received in foreign currency is converted into Ukrainian currency at the exchange rate established by the National Bank of Ukraine on the date of accrual (receipt). The converted amount is then subject to tax at the same rates as income in Ukrainian currency. The exchange rate on 1 October 2019 was UAH24.197474 = USD1.

Military levy. Effective from 3 August 2014, a military levy of 1.5% is imposed on Ukrainian wages and similar compensation, as well as on lottery and gambling prizes. This levy was expected to be in effect until 1 January 2015. However, it is further extended for an indefinite term. In addition, the base for the levy is extended to any personal income (including foreign income) to which income tax applies.

Relief for losses. Loss carryforwards and carrybacks are not allowed.

B. Property tax

Property space that exceeds 60 square meters for an apartment, 120 square meters for a house or 180 square meters for various types of residential property, including all of its parts (in the case of simultaneous ownership of apartments and residential houses) is subject to property tax. Property tax may be established at a rate of up to 1.5% of a minimum salary (UAH62.60) per square meter of space. The local authorities establish the property tax rates, depending on the location.

If the taxpayer owns residential real estate and if the total area exceeds 300 square meters (for an apartment) and/or 500 square meters (for a house), the amount of real estate tax is increased to UAH25,000 annually for each real estate object.

C. Social security

Locally paid salaries are subject to the unified social tax, borne by the employer at a flat rate of 22%. The base for the contributions is capped by the maximum monthly base (15 minimum salaries), which was UAH62,595 as of 1 October 2019.

The unified social tax is not payable on salaries paid from outside Ukraine by nonresident employers to their employees.

D. Tax filing and payment procedures

The tax year in Ukraine is the calendar year.

For most individuals, tax is payable through withholding at source of payment by a tax agent. The tax is withheld by the tax agents, which are entities that withhold and pay personal income tax on behalf of and at the expense of individual taxpayers in Ukraine. Ukrainian entities, including enterprises with foreign investment, must withhold income tax from the salaries of their employees.

The following individuals, among others, must file annual tax returns:

- Individuals who derive income that is taxable in Ukraine if a tax agent did not withhold income tax from such income

- Foreign individuals who obtained Ukrainian residence status in the reporting year

An individual may voluntarily file a tax return even if this is not required by law. An individual may want to voluntarily file a tax return to claim a tax refund or a tax discount.

An individual must file the annual income tax return before 1 May of the year following the reporting year. However, to claim a tax discount, an individual may file a tax return by 31 December of the year following the reporting year. Under the tax law, the deadline for the settlement of tax liability is 1 August of the year following the reporting year.

Tax residents who intend to leave Ukraine for permanent residence must file a departure tax return no later than two months before departure. After the liability is settled, the tax authorities issue a tax certificate, which must be presented by the individual to the Ukrainian Immigration Services when leaving Ukraine.

In Ukraine, for delinquent filing, the tax authorities may impose an administrative fine and financial sanctions of up to UAH306.

In addition, the tax authorities are monitoring the timing of tax payments very closely. The tax authorities impose late payment penalties of 0.05% of the tax due for each day of delay starting with the 91st day of non-payment. They also impose an additional fine of 10% of the tax due. This fine is increased to 20% if the payment delay exceeds 30 days.

Self-employed individuals and private entrepreneurs are subject to special tax filing and payment requirements, which differ from the above.

E. Tax treaties

Ukraine is currently honoring the double tax treaties entered into by the former USSR with Japan, Malaysia and Spain.

Ukraine has entered into new double tax treaties with the following jurisdictions.

Algeria
Armenia
Austria
Azerbaijan
Belarus
Belgium
Brazil
Bulgaria
Canada
China
Croatia
Cuba
Cyprus
Czech Republic
Denmark
Egypt
Estonia
Finland
France
Indonesia
Iran
Ireland
Israel
Italy
Jordan
Kazakhstan
Korea (South)
Kuwait
Kyrgyzstan
Latvia
Lebanon
Libya
Lithuania
Luxembourg
Malta
Mexico
Moldova
Mongolia
Portugal
Qatar
Romania
Russian Federation
Saudi Arabia
Singapore
Slovak Republic
Slovenia
South Africa
Sweden
Switzerland
Syria
Tajikistan
Thailand
Turkey
Turkmenistan
United Arab Emirates
United Kingdom

Georgia	Morocco	United States
Germany	Netherlands	Uzbekistan
Greece	North Macedonia	Vietnam
Hungary	Norway	Yugoslavia (former)*
Iceland	Pakistan	
India	Poland	

* This treaty applies to Montenegro and Serbia.

F. Temporary visas

Entry visas may be obtained from Ukrainian embassies or consular offices before arrival in Ukraine. Ukraine issues transit, short-term (for up to 90 days of stay in Ukraine in a 180-day period) and long-term (for those foreigners who submit the documents for work or living in Ukraine) visas.

Individuals may travel to Ukraine without visas if they are citizens of Albania, Andorra, Argentina, Bosnia and Herzegovina, Brazil, Brunei Darussalam, Canada, Chile, European Union (EU) member countries, the Hong Kong Special Administrative Region (SAR), Iceland, Israel, Japan, Kazakhstan, Kyrgyzstan, Korea (South), Liechtenstein, Monaco, Mongolia, Montenegro, North Macedonia, Norway, Panama, Paraguay, St. Kitts and Nevis, San Marino, Serbia, Switzerland, Tajikistan, Turkey, the United Arab Emirates, the United States or Vatican City, and if the duration of the stay does not exceed 90 days in a 180-day period, with certain exceptions (up to 90 days in a 365-day period for citizens of Argentina; up to 30 days in a 60-day period for citizens of Bosnia and Herzegovina and Serbia, up to 30 days for citizens of Brunei Darussalam; up to 14 days for citizens of the Hong Kong SAR). Visitors from other jurisdictions need to obtain entry visas.

In a limited number of cases, foreign citizens can obtain visas on arrival, which are described below, at border check points at Boryspil and Odesa international airports.

The first type of visa referred to above is a single-entry short-term (C type) visa, which is valid for 15 days and is available to the following.

- Applicants who enter Ukraine for a diplomatic or official purpose on invitation of Ukraine's state authorities
- Applicants who enter Ukraine to render assistance in eliminating the aftermath of an emergency or accident in Ukraine
- Applicants who enter Ukraine for urgent medical treatment or participation in the burial of a close relative in Ukraine
- Pilots and other aircraft crew members carrying out international flights (based upon a pilot's license or a Flight Crew Member Certificate issued in line with the Convention on International Civil Aviation)

The second type of visa referred to above is a single-entry transit (B type) visa, which is valid for up to five days to crew members of foreign vessels staying in Ukraine's ports (based upon an extract from the shipboard list).

Starting from 1 January 2019, the Ministry of Foreign Affairs introduced an extended range of Ukraine's electronic visa (e-Visa) categories of travel to Ukraine for the purposes of

business, private, tourism, medical treatment, cultural/scientific/educational/sport activities and foreign mass media staff visits. E-Visas may be issued to foreigners holding passports of the following specified jurisdictions.

Australia
Bahamas
Bahrain
Barbados
Belize
Bhutan
Bolivia
Cambodia
China
Colombia
Costa Rica
Dominica
Dominican Republic
Ecuador
El Salvador
Fiji
Grenada
Guatemala
Haiti
Honduras
Indonesia
Jamaica
Kiribati
Kuwait
Laos
Malaysia
Maldives
Marshall Islands
Mauritius
Mexico
Micronesia
Myanmar
Nauru
Nepal
Nicaragua
New Zealand
Oman
Palau
Peru
St. Lucia
St. Vincent and the Grenadines
Samoa
Saudi Arabia
Seychelles
Singapore
Solomon Islands
Suriname
Thailand
Timor-Leste
Trinidad and Tobago
Vanuatu

E-Visas are issued as single-entry visas, which are valid for up to 30 days.

Citizens of the majority of member countries of the Commonwealth of Independent States (CIS) do not need visas to enter Ukraine, with certain exceptions.

G. Work permits

To work in Ukraine (either based on a direct employment agreement or being assigned based on an agreement between a Ukrainian and a foreign legal entity), a foreign national must have a work permit. No comprehensive quota system exists in Ukraine with respect to the issuance of residence and work permits to most foreign nationals. Obtaining a work permit is a rather burdensome and time-consuming procedure.

The State Employment Center of the Ministry of Social Policy issues work permits, which are usually valid for a period of up to one year and may be extended for the same period.

The employer of a foreign national must apply for a work permit with the local employment center and submit the following documents:

- An application
- Copies of passport pages bearing personal data
- One color matte photograph of 3.5 cm by 4.5 cm
- Copy of the draft employment agreement between the Ukrainian legal entity and the foreign national

All documents issued in foreign countries and in foreign languages must be legalized, *apostilled* or notarized, depending on the country of issuance, before their translation into Ukrainian.

In addition, the procedure for obtaining a work permit varies depending on the category of the employee. The rules make a clear distinction between the lists of documents needed to obtain

work permits for direct employees, secondees and intracorporate transferees (a specific category of secondees).

No special treatment is given to EU nationals. The application procedure is the same for all foreign nationals. The work permit application process may take up to two months.

A foreign national's work permit becomes invalid if the individual changes employers.

A work permit is a basis for issuing a Long-term Visa D (a special type of entry visa, which may be obtained for the purpose of engaging in employment in Ukraine). This type of visa is a multi-entry visa (which is issued for a purpose of obtaining a temporary residence permit in Ukraine; a foreign individual is allowed to stay in Ukraine up to 90 days for obtaining his or her temporary residence permit). To commute freely to and from Ukraine, a temporary residence permit must be obtained.

Self-employment. No law prohibits foreign nationals from establishing or managing businesses in Ukraine. However, restrictions on foreign investment are imposed in certain industry sectors, including defense. Business activities of foreign nationals must comply with either domestic law or international treaties entered into by Ukraine.

H. Residence visas/permits

Foreign citizens' passports are registered at the point of entry into Ukraine. Individuals can legally stay in Ukraine for a period of 90 days during a 180-day period or for the term of validity of the respective visa that is the basis for entry into Ukraine, unless otherwise provided under a relevant international agreement. A foreign citizen who remains in Ukraine longer than the valid registration period must apply for extension of the period of stay with the immigration service of Ukraine if sufficient grounds exists for such extension (for example, treatment, pregnancy or childbirth, caring for a sick family member, registration of heritage, applying for an immigration permit or Ukrainian citizenship, performance of the duties of a foreign correspondent or representative of the foreign mass media).

If a foreign citizen's employer has obtained a work permit for the individual, a temporary residence permit must be obtained from the Ukrainian immigration authorities in order for the foreign citizen to have a right to stay in Ukraine for the period of the work permit's validity (usually up to one year) and to travel freely to and from the country. An individual can begin the procedure for obtaining a temporary residence permit only if he or she obtains a D-type visa at a consular office outside Ukraine, with exceptions for certain CIS countries. Citizens of certain CIS countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, the Russian Federation and Uzbekistan) do not need to apply for the D-type visas and may obtain the temporary residence permits right after their work permits are obtained. Citizens of Kazakhstan, Kyrgyzstan and Turkmenistan should apply for the D-type visas outside Ukraine.

A foreign citizen must submit the following documents with the Ukrainian immigration authorities:

- Application for a temporary residence permit
- Obligation from the employer (a document stating that in case of termination of the employment relationship with the foreign employee, the company has the obligation and takes responsibility for informing the Ukrainian immigration authorities of that fact)
- Notarized translation of the first page of the foreign citizen's passport
- Foreign citizen's original passport
- Foreign citizen's Ukrainian work permit
- Four matte color photographs sized 3.5 cm by 4.5 cm
- Medical insurance certificate
- Receipt confirming payment of the statutory fee

The temporary residence permit application process may take up to 15 working days.

On obtaining a temporary residence permit, a foreign citizen should be registered at his or her place of residence in Ukraine.

I. Family and personal considerations

Family members. The working spouse of a work permit holder does not automatically receive a work permit. An application must be filed independently. The spouse and children are allowed to stay in Ukraine under the family reunion grounds and accordingly obtain their own temporary residence permits (separately for spouse and for each child notwithstanding the age). Like the holder of the work permit, the D-type visa should be first obtained at a consular office outside Ukraine.

Marital property regime. A joint ownership regime applies to legally married couples in Ukraine. The regime is mandatory and applies to property acquired during marriage. Property owned by an individual before marriage, as well as property obtained during marriage by gift or inheritance, remains separate property. Separate property must be clearly identified when the couple first becomes subject to the joint ownership regime.

Although the law is silent on the marital domicile, Ukraine acknowledges marriages contracted in foreign countries. Consequently, the joint ownership rules are applied to couples married outside Ukraine who divorce under Ukrainian law.

Forced heirship. Under Ukrainian law, specified proportions of testamentary property are transferred to minor or disabled children or to a disabled spouse or parent, regardless of the contents of a will.

Driver's permits. If a foreign individual obtains a permanent residence permit, his or her driving license is valid only for the period of 60 days from the moment of issuance of the permanent residence permit. To obtain a local Ukraine driver's license, an applicant must pass a written examination, a medical test and a practical driving test.

United Arab Emirates

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A. Income tax

No personal taxation currently exists in the United Arab Emirates (UAE).

Laws covering corporate tax exist in all the individual emirates but, in practice, taxes are enforced only on the following entities:
- Foreign oil and gas producing companies (oil/hydrocarbon companies with actual production in the Emirates) at rates set forth in their government concession agreements (which are confidential)
- Branches of foreign banks at rates fixed by decree or in agreements with the Rulers of the Emirates where the banks operate

B. Other taxes

No capital gains tax is imposed in the UAE. Capital gains are taxed as part of regular business profits. The UAE does not impose net worth tax or estate and gift tax. Value-added tax at a rate of 5% was introduced in the UAE, effective from January 2018.

C. Social security

The UAE does not impose social security taxes on foreign nationals. UAE-national employees and nationals from the other Gulf Cooperation Council (GCC) countries contribute to retirement and pension funds in accordance with specific regulations.

D. End-of-service benefits

A foreign employee who is not a national of a GCC country and who completes a period of continuous service that is longer than one year is entitled to a gratuity as described below.

Unlimited employment contracts. The end-of-service gratuity for individuals on unlimited Ministry of Human Resources and Emiratisation employment contracts must be calculated in accordance with the following formula:
- Less than one year of service: employee is not entitled to any gratuity pay
- Between one year and three years of service: employee is entitled to one-third of the 21 days of gratuity pay

- Between three years and five years of service: employee is entitled to two-thirds of the 21 days of gratuity pay
- Five or more years of service: employee is entitled to the full 21 days of gratuity pay

The total gratuity may not exceed the remuneration of two years (24 months).

Limited employment contracts. The end-of-service gratuity for individuals on limited Ministry of Human Resources and Emiratisation employment contracts must be calculated based on the following formula:

- Less than one year of service: employee is not entitled to any gratuity pay
- Between one year and five years of service: employee is entitled to the full 21 days of gratuity pay
- Five or more years of service: employee is entitled to the full 30 days of gratuity pay

The overall gratuity may not exceed the remuneration of two years (24 months).

The gratuity is calculated based on the last basic wage paid to the employee. It is payable on the termination or expiration of the employment contract. The employee is entitled to a gratuity for any fraction of a year of service if the employee has completed at least one year of continuous service.

The above end-of-service benefit regulation applies to entities established in Mainland UAE (areas outside the Free Zones). Each Free Zone in the UAE may have different end-of-service benefit regulations. The calculation can vary further depending on the circumstances of termination or cessation of employment.

E. Wages Protection System

The UAE Ministry of Human Resources and Emiratisation requires all registered employers to use the Wages Protection System (WPS) for the transferring of wages to employees.

The WPS is an electronic salary transfer system that allows institutions to pay workers' wages through authorized banks, *bureaux de change* (currency exchanges) and financial institutions in the UAE. The UAE Central Bank regularly issues an updated list of financial institutions that are authorized to offer wage payment services through WPS agents. WPS enables the Ministry of Human Resources and Emiratisation to create and maintain a database of wage payments in the private sector.

In practice, this requirement is not enforced in all Free Zones in the UAE.

F. Temporary permits

All foreign nationals wishing to visit the UAE on business must have a valid visa status to enter the UAE, with the exception of nationals of GCC countries (excluding Qataris). Foreign nationals may enter the UAE for business purposes under a company-sponsored visit visa or free visa on arrival. In addition, transit visas of up to 96 hours are possible.

Passport holders from certain jurisdictions (see list below) do not need to apply for a visa in advance. On entry, they receive a free visa on arrival enabling them to stay in the UAE for an allowable period. The only documentation required for such individuals is their passport, which must have validity of six months.

A paid 14-day visa on arrival can be granted to Indian nationals who hold a visa status issued by the European Union (EU), the United Kingdom or the United States. The EU, UK or US visa must be valid for a minimum of six months at the time of arrival in the UAE.

Citizens of the following jurisdictions are granted a single-entry, 30-day free visa on arrival.

Andorra
Australia
Brunei Darussalam
Canada
China Mainland
Hong Kong SAR
Ireland
Japan
Kazakhstan
Malaysia
Mauritius
Monaco
New Zealand
Russian Federation
San Marino
Singapore
Ukraine
United Kingdom
United States
Vatican City

Citizens of the following jurisdictions are granted a multiple-entry, 90-day free visa on arrival, which is valid for six months from the date of issuance, for a stay of a total of 90 days.

Argentina
Austria
Bahamas
Barbados
Belgium
Brazil
Bulgaria
Chile
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
El Salvador
Estonia
Finland
France
Germany
Greece
Honduras
Hungary
Iceland
Italy
Korea (South)
Latvia
Liechtenstein
Lithuania
Luxembourg
Malta
Mexico
Montenegro
Nauru
Netherlands
Norway
Poland
Portugal
Romania
St. Vincent and the Grenadines
Serbia
Seychelles
Slovak Republic
Slovenia
Solomon Islands
Spain
Sweden
Switzerland
Uruguay

Business activities allowed under company-sponsored visit visas or free visas on arrival are generally restricted to training, conferences, meetings, seminars and similar activities. The above list may change slightly from time to time, and it is therefore suggested that applicability of the free visa on arrival be confirmed with the local UAE representation or chosen airline prior to travel. In addition, certain Free Zones require a temporary access pass to be provided by the host entity to the business visitor in addition to the company-sponsored visit visa or free visa on arrival. Some Free Zones allow limited work activities with such a temporary access pass, while in others it is used as a gate pass to the premises of the Free Zone.

G. Work and residence permits and self-employment

Companies wishing to sponsor foreign national employees must apply for employment residence permits for the individuals, unless they are eligible for a non-sponsored labor or Free Zone identification card. Companies must be eligible to sponsor foreign nationals and have available quota. For companies located in mainland jurisdictions, the applications go through the Ministry of Human Resources and Emiratisation and the General Directorate of Residency and Foreigners Affairs (GDRFA). For companies located in Free Zone jurisdictions, the applications go through the Free Zone authority and the GDRFA.

The application by the sponsoring company must include, among others, the following documents:
- A copy of the prospective employee's passport
- Passport photos of the prospective employee
- A legalized university diploma (for professional roles)

The overall process for a UAE employment residence permit should take four to six weeks. In Free Zone jurisdictions, work can begin when the employment residence permit is stamped within the employee's passport. For mainland jurisdictions, work can begin when an individual has entered the UAE on an employment entry permit or has undergone a local status amendment.

If a company wants to hire a GCC national (except for a Qatari national) or a female who is sponsored under her husband's or father's sponsorship, it can seek a non-sponsored labor identification card for the individual. This is an alternative way for an individual to become authorized to perform work-related activities, without the need of sponsoring the individual's UAE employment residence permit. As of recently in the UAE mainland jurisdictions, this option is also available to non-GCC male employees.

Individuals who want to pursue self-employment, establish a business, invest in property or set up a foreign subsidiary in the UAE should seek analysis and advice on a case-by-case basis.

H. Family members

Residence permits are granted to dependents of foreign nationals who have residence permits sponsored by a UAE company and who satisfy certain income and status conditions. The foreign national is considered the sponsor.

Dependents of a holder of a residence permit do not automatically receive a residence permit. The sponsor must file an application independently.

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On 23 June 2016, the United Kingdom (UK) voted in a referendum to leave the European Union (EU). Article 50 was triggered on 29 March 2017, which started a two-year process of negotiations for the United Kingdom to leave the EU on 29 March 2019. The UK was initially expected to leave the EU on 29 March 2019. However, at the time of writing, the UK's Article 50 period had been legally extended by the EU until 31 January 2020. The UK can leave earlier (on the first day of the month following deal ratification) pending the deal passing in parliament. The EU "firmly" excluded any reopening of the withdrawal agreement and has ruled out discussions of the future EU-UK relationship (the Political Declaration) until the deal is ratified.

From a personal tax perspective, the exit should have little impact on the operation of the UK personal tax and withholding regime on employment income, because currently, the interactions between the different EU states' personal income tax regimes are governed by international tax treaties with the individual countries, and these treaties are expected to continue to be in force after the UK leaves the EU. A minor change will be that certain non-UK resident EU nationals may lose their right to claim personal allowances. See Personal allowance in Section A for further details.

The exit will have a bigger impact on social security because the UK is currently included in a European-wide social security agreement, which would cease to directly apply once the UK formally leaves the EU. Consequently, the UK's decision to leave the EU could significantly change the social security landscape for mobile workers (and their families), both UK residents working within the EU and EU residents working in the UK. This could lead to increased social security costs and compliance obligations for employers, together with implications for employees, in relation to accessing and entitlement to public health care and benefits. At the time of writing, it was not clear when this change will occur and to what extent any new agreements between the UK and EU member states will mirror current arrangements. UK legislation is also likely to change as the final relationship between the EU and the UK becomes clearer.

Notably, the ability of European Economic Area (EEA) and Swiss nationals to live and work in the UK will continue unimpeded at least until the UK formally exits the EU. For further details regarding the potential effects on immigration, see Section F.

A. Income tax

Who is liable. The taxation of individuals in the UK is determined by residence and domicile status. Effective from 6 April 2013, the UK applies a comprehensive statutory residence test (SRT) to determine whether an individual is resident in the UK. The SRT has rules that determine whether someone is one of the following:

- Conclusively UK nonresident
- Conclusively UK resident
- Subject to the "sufficient ties" tests to determine their UK residence status

Professional advice should be obtained for any queries regarding the different rules that applied before 6 April 2013.

Residents. Tax residents are liable to UK tax on their worldwide income. However, individuals who are regarded as not domiciled in the UK (see *Domicile*) may not be liable to UK tax on offshore income and capital gains if the funds are not remitted to the UK (this is known as the "remittance basis").

Individuals wanting to be taxed on the remittance basis must, in most cases, make a claim each year. For further details regarding the remittance basis, see *Remittance basis*.

Nonresidents. Nonresidents are subject to tax on their UK-source income, such as compensation attributable to UK workdays and certain UK-source investment income. Under the SRT, an individual who has been nonresident for UK tax purposes throughout the preceding three UK tax years is generally regarded as conclusively nonresident if he or she spends no more than 45 days in the UK in any UK tax year. Other tests may also apply under which a taxpayer is regarded as conclusively nonresident, the most common of which is the test applying to an individual who meets the conditions for "full-time work abroad" (FTWA) during the tax year. This term has a statutory definition under the SRT and is very different from the previous practice.

UK residence. Employees leaving the UK most commonly cease to be UK tax resident by virtue of FTWA. FTWA, as defined under SRT, requires individuals to work for a minimum of

35 hours per week under one or more contracts of employment and/or self-employment (the methodology for calculating the hours per week is set out in the legislation) for the relevant tax year. It also places a limit on the number of days (maximum of 90 per UK tax year) and workdays (maximum of 30 per UK tax year) that an individual may spend in the UK and still be regarded as FTWA for the tax year concerned. It is also possible to be conclusively nonresident by spending no more than a *de minimis* number of days in the UK in a tax year (15 days if the individual has been resident in any of the previous three tax years and 45 days if he or she has been nonresident throughout that period). Separate automatic nonresidence rules may apply if the taxpayer dies in the tax year.

An individual coming to the UK is likely to be regarded as conclusively UK resident if he or she does not meet any conditions to be regarded as conclusively UK nonresident (see above) and satisfies any of the following conditions:

- He or she spends at least 183 days in the UK in the UK tax year.
- He or she works sufficient hours (at least 35 hours per week on average) in the UK, assessed over a 365-day period, with more than 75% of his or her workdays being UK workdays (full-time working in the UK, or FTWUK).
- He or she has his or her only home or all his or her homes in the UK, for a period of at least 91 consecutive days, and at least 30 days of the 91-day period fall in the UK tax year concerned.
- He or she meets the sufficient ties test.

Particular rules apply to individuals who have relevant jobs in international transport, such as air crew. These rules exclude them from the FTWA and FTWUK tests.

For an individual who is neither conclusively resident, nor conclusively nonresident, a sufficient ties test applies under the SRT. The sufficient ties test looks at the number of connection factors (ties) that the individual has with the UK and the number of days spent in the UK. Five possible ties can apply to determine the extent of the individual's connection to the UK; the more ties that an individual has, the fewer days he or she may spend in the UK in a tax year without becoming UK tax resident. The following are the five possible ties that an individual may have:

- He or she has a UK substantive employment (at least 40 UK workdays, as defined).
- He or she has UK accommodation (as defined).
- He or she has more than 90 days present in the UK in either of the preceding two UK tax years.
- He or she has UK-resident family (spouse, civil partner or minor children).
- He or she has been UK tax resident in any one or more of the three preceding UK tax years and has not spent more days in any single country than he or she has spent in the UK.

After the number of ties is determined, this is compared with the number of days of presence in the UK. For example, under the sufficient ties test, an individual who has not been tax resident in the UK in any one of the preceding three tax years does not become a UK resident in the following circumstances:

- He or she is present up to 120 days in the UK and has no more than two ties.

- He or she is present up to 90 days in the UK and has no more than three ties.

Complex statutory definitions apply in all cases. For example, a day is usually counted as a day of presence if the individual is in the UK at midnight, but an additional anti-avoidance rule can also apply if the individual has three UK ties, has been UK tax resident during any of the preceding three UK tax years and has more than 30 days in the UK when he or she is in the UK during the day but absent at midnight (see *Days present in the UK*). A UK workday is defined as a day on which more than three hours of work is undertaken in the UK and includes both training and traveling undertaken in the performance of employment duties.

Overseas workday relief. For UK tax residents who are non-domiciled, overseas workday relief may be available on their employment income when they first become resident if they have been nonresident for UK tax purposes throughout the preceding three UK tax years, if the remittance basis is claimed and if the remuneration related to those overseas workdays is both paid and retained offshore (for further details, see *Remittance basis*). If overseas workday relief applies, the income relating to the overseas workdays is excluded from UK taxation so long as it is not brought to the UK.

Overseas workday relief is likely to apply to the UK tax year in which the individual first becomes UK tax resident and to the two subsequent UK tax years. The law does not prevent an individual from being entitled to overseas workday relief on several different assignments to the UK. However, unless he or she is nonresident in the UK for at least three full UK tax years between assignments, the period over which relief may be claimed is likely to be restricted.

Split-year position. In principle, residence is determined for a tax year as a whole, but under the SRT a taxpayer who is UK tax resident may be eligible for split-year treatment in certain circumstances. If the conditions are met, non-UK income and gains of the overseas part of the UK tax year concerned are generally not subject to UK tax. An individual arriving in the UK who would otherwise be UK tax resident all year may qualify for split-year treatment in any of the following five circumstances:

- The individual starts to have his or her only home in the UK.
- He or she starts to work full time in the UK.
- He or she returns from working full time abroad, having been UK tax resident in one or more of the four tax years immediately preceding the previous UK tax year.
- He or she is an accompanying spouse or civil partner of someone who is returning from working full time abroad, as described above.
- He or she starts to have a home in the UK and did not previously have a UK home.

If more than one of the above circumstances applies, an ordering rule typically applies the test that minimizes the overseas part of the tax year and begins taxation as a UK resident from the earliest possible date.

In addition, in any of the following three sets of circumstances, someone leaving the UK may qualify for split-year treatment:

- The individual leaves the UK for FTWA.
- He or she is an accompanying spouse of someone who is leaving the UK for FTWA.
- He or she is leaving the UK permanently and will not have a home in the UK after departure.

If more than one of the above circumstances applies, the date of the beginning of the overseas part of the tax year is determined in the following order of priority:
- FTWA
- Accompanying spouse rule
- Test based on ceasing to have a UK home

Individuals may also need to look at their residence position for the previous and subsequent tax years as part of the split-year conditions. Consequently, professional advice should be obtained if relevant.

Domicile. Under English law, an individual's domicile is the country considered to be his or her permanent home, even though he or she may be currently resident in another country. It may be a domicile of origin, choice or dependency. Under English law, every person is born with a domicile of origin, which is normally that of his or her father. A domicile of origin has great tenacity. Consequently, individuals who were never domiciled in the UK and who work there for limited periods normally have no difficulty in proving that they are not domiciled in the UK.

Effective from 6 April 2017, individuals who are non-UK domiciled are deemed to have a UK domicile for income tax purposes if they have been resident in the UK for at least 15 out of the 20 tax years immediately preceding the current tax year. In addition, if an individual with a UK domicile of origin had acquired a non-UK domicile of choice, it was possible for him or her to maintain that non-UK domicile of choice in the event that he or she returned to the UK for a limited period. Effective from 6 April 2017, such individuals are deemed to be domiciled in the UK from the date on which they return. If such individuals returned to the UK before 6 April 2017, they are deemed domiciled in the UK from that date.

Domicile status affects how an individual's offshore income and/or capital gains are taxed. A non-UK-domiciled individual can have his or her offshore income and/or offshore capital gains taxed on either of the following bases:
- Remittance basis
- Arising basis

An individual who is taxable on the arising basis is subject to UK tax on his or her worldwide income and capital gains, regardless of where they arise. For further details regarding the remittance basis, see *Remittance basis*.

Days present in the UK. Effective from 6 April 2008, any day on which the individual is present in the UK at midnight is considered a full day of presence in the UK for residence purposes. Days in transit may be excluded from the count if the individual does not perform any activities in the UK that are unrelated to the transit. In some cases, up to 60 days that were spent in the UK as a result of exceptional circumstances that were not anticipated

and were outside the taxpayer's control may be disregarded in calculating total days of presence.

An anti-avoidance rule, effective from 6 April 2013, applies to taxpayers who have three or more ties under the SRT and who were UK tax resident in at least one of the preceding three UK tax years. If an individual spends more than 30 days in the UK on which the individual is not also present in the UK at midnight, each subsequent day spent in the UK (above 30) for which the taxpayer is absent at midnight is counted as a day of UK presence for all of the day-count tests applied under the SRT. However, this anti-avoidance rule does not apply to individuals who meet the criteria for FTWA (see above).

Remittance basis. Non-UK domiciled but UK resident individuals can claim the remittance basis of taxation. An individual who is taxed on the remittance basis can potentially keep certain of his or her foreign income and gains outside the scope of UK tax by having them paid offshore and not subsequently remitting them to or enjoying them in the UK. "Remittance" is widely defined to include direct and indirect remittances, and professional advice should be taken as necessary to determine when the remittance basis may be claimed.

Effective from 6 April 2008, the default position is that nearly all residents are subject to UK tax on worldwide income and gains (known as the "arising basis"). Individuals who qualify and wish to be taxed on the remittance basis must normally claim to be taxed on this basis. Individuals who claim the remittance basis lose the tax-free personal tax allowance for income tax (in any event, this allowance is subject to phaseout for individuals with income in excess of GBP100,000 in the tax year; see *Personal allowance*) and also lose the annual exemption for capital gains tax (CGT) for that tax year. In addition, individuals who have been resident in at least seven of the preceding nine UK tax years must pay an additional remittance basis charge (RBC) of GBP30,000 for each year for which the claim to be taxed on the remittance basis is made. The charge is increased to GBP60,000, effective from 6 April 2015, for individuals who have been resident in the UK in at least 12 of the preceding 14 UK tax years. It is increased further to GBP90,000, effective from 6 April 2015, for individuals who have been resident in the UK in at least 17 of the preceding 20 UK tax years. From 6 April 2017, individuals resident in the UK in at least 15 of the preceding 20 UK tax years are no longer able to access the remittance basis and the 17-out-of-20-year RBC of GBP90,000 was abolished.

However, the remittance basis currently applies without a formal claim if non-domiciled residents satisfy the following *de minimis* conditions:

- Their total unremitted offshore income and gains in the UK tax year amount to less than GBP2,000 (if a taxpayer is eligible for split-year treatment, this limit applies to the UK-resident part of the tax year only, so that any unremitted offshore income and gains for the overseas part of the tax year are ignored; only income and gains related to the UK part of the split tax year count toward the GBP2,000 limit).

- They have not made any remittances of "relevant income or gains" to the UK, have been resident in the UK in no more than six out of the preceding nine UK tax years (or they are under 18 throughout the tax year), and their only UK-source income is investment income that has been taxed at source of no more than GBP100.

"Relevant income or gains" are the individual's foreign income and gains for that tax year as well as foreign income and gains for every previous tax year to which the remittance basis applied.

If the remittance basis applies without a formal claim, the individual does not lose the tax-free personal tax allowance for income tax (assuming his or her gross income is below the phase-out level; see *Personal allowance*) or the annual exemption for CGT for that tax year.

Income and gains that may be taxed on the remittance basis include the following:
- Earnings paid outside the UK and attributable to workdays outside the UK if the individuals are eligible to claim overseas workday relief (see *Overseas workday relief*)
- Earnings from a separate employment with a non-UK-resident employer if the duties are performed wholly outside the UK (however, under an anti-avoidance law, effective from 6 April 2014, remuneration from many such contracts are typically taxed on the arising basis instead)
- Most common forms of investment income arising from assets or funds based outside the UK
- Capital gains arising from the disposal of assets located outside the UK

Organizing bank accounts. If the remittance basis applies, special rules identify the source of funds remitted to the UK in a specific order from a so-called "mixed fund." A "mixed fund" is a fund that contains monies from different sources, such as employment income, investment income, capital gains and "clean capital," or income or gains of more than one UK tax year. If monies are remitted to the UK, the following order applies in determining what has been brought to the UK:
- Employment income that has already been taxed in the UK
- General foreign earnings (for example, earnings relating to overseas workdays) that have not been subject to foreign taxes
- Specific foreign employment income (such as income derived from certain share incentives) that has not been subject to foreign taxes
- Foreign-investment income that has not been subject to foreign tax
- Foreign chargeable gains that have not been subject to foreign tax
- Employment income that has been subject to foreign tax
- Foreign-investment income that has been subject to foreign tax
- Foreign chargeable gains that have been subject to foreign tax
- Income or capital (including income or capital already taxed in the UK) not contained in the above categories, including underlying capital, such as preresidence earnings, investment income and capital gains

If possible, offshore accounts containing segregated funds (for example a separate account to hold proceeds from the disposal of

assets chargeable to CGT) should be organized to avoid the complications of the mixed fund rules.

A law, which took effect on 6 April 2013, allows a taxpayer to nominate a particular offshore account that meets certain conditions to be a "qualifying mixed fund account." The law restricts the types of income that the account may contain. Although the account may be held in joint names, only one of the account holders may contribute to it. Accounts that do not contain current year employment income that is a mixture of UK-source earnings and earnings that are eligible for overseas workday relief are not eligible for nomination. A taxpayer may have only one nominated bank account at one time and details of that nominated account must be provided to HMRC.

For most bank accounts, an analysis of what has been brought to the UK with each remittance must be made on a transaction-by-transaction basis. For nominated bank accounts only, the analysis may be undertaken at the end of the UK tax year on the basis of cumulative figures for the year if all of the necessary conditions are met.

As a result of the complexities of the remittance basis and the mixed fund rules, and the potential interaction with double tax treaties, professional advice should be sought from the outset.

Income subject to tax. The taxation of various types of income is described below.

Employment income. An employee is prima facie taxed on all remuneration and benefits from employment received during a tax year. The UK tax year ends on 5 April. An employee is taxable not only on basic salary but also on most perquisites or benefits in kind, including company cars, meals, accommodation, tuition for dependent children, medical insurance premiums and imputed interest on loans below market rates. Employer-paid education expenses for employees and life insurance premiums may be taxable in certain circumstances. Education allowances provided by employers to their expatriate and local employees' children are chargeable to income tax and social security. However, contributions by an employer to a UK-registered pension scheme are normally not taxed if prescribed limits are not exceeded (see *Pensions*).

All salaries, fees and benefits in kind earned by directors are taxable as employment income. Individuals who are resident are taxed on their worldwide employment income. However, non-UK-domiciled individuals may be taxed on the remittance basis if they elect to be taxed on the remittance basis or if the remittance basis applies without a claim (see *Remittance basis*). As a result, remuneration for duties performed outside the UK, such as income relating to overseas workdays, may potentially escape UK tax altogether if it is paid offshore and not subsequently remitted to or enjoyed in the UK. However, as explained above, overseas workday relief is only normally available for the UK tax year in which tax residence is established and the two subsequent UK tax years. Earnings derived by non-UK-domiciled individuals from UK duties are taxable in the UK regardless of whether the arising or remittance basis applies.

Remuneration from certain specific employment contracts for non-domiciled individuals with non-UK employers under which no duties of the employment are performed in the UK may also be taxable on the remittance basis, but following the reform of the related law, effective from 6 April 2014, additional conditions must be met, which means that income from such contracts is much more likely to be taxable as it arises.

Individuals who are resident are taxed on their employment income for the year. However, some individuals may qualify for "split-year" treatment under which the employment income relating to periods before and after their UK employment and assignment can be excluded from UK taxation if certain conditions are met (see *Split-year position*).

Individuals who are nonresident in the UK are taxed on their earnings from UK employment duties only.

If employment income that is earned during a period of UK residence is paid when the individual is nonresident, the employment income remains taxable as though the individual is resident. It is the resident status of the employee when the individual earns the income that determines the taxability of the earnings and not the residence status of the employee at the time of payment unless HMRC has specifically agreed to the use of an alternative "cash basis" for tax-equalized employees.

If all of the conditions are satisfied, a double tax treaty may grant an exemption to exclude certain types of employment income from UK taxation for employees who are resident in another contracting state for the purpose of the treaty (see Section E).

Tax is normally deducted from employment income at source under the Pay-As-You-Earn (PAYE) system (see Section D).

Self-employment income. Self-employment income includes income from a trade, profession or vocation. Whether a person is considered to be employed or self-employed is determined by the individual's particular circumstances and as a matter of fact.

Tax is charged on the profits or gains of trades, professions and vocations carried out wholly or partly in the UK by UK residents. A nonresident individual is charged on any business exercised in the UK, or on the part of the trade carried on in the UK if the trade is carried on partly in the UK and partly overseas. A business carried out wholly overseas by a UK-resident individual is regarded as foreign income and, consequently, may be taxed on the remittance basis if the individual is eligible and claims the remittance basis.

For tax purposes, profits are usually determined in accordance with normal accounting principles, but adjustments may be necessary.

A self-assessment system applies, which means that self-employed individuals are generally taxed on the business profits earned during an accounting period ending in the current tax year.

From 6 April 2017, a GBP1,000 trading allowance is available. If the allowance covers all the trading income before expenses, the income is not taxable and not reportable. If this is not the case,

the individual has the option of deducting his or her expenses or using the allowance. The allowance cannot be claimed by partnerships and cannot be claimed if rent-a-room relief is claimed.

Investment income. For tax years up to and including the 2015-16 tax year (ended 5 April 2016), income from most investments in the UK was received after tax was withheld or paid at source wholly or in part. Effective from 6 April 2016, a new regime applies.

For UK dividends, the tax credit regime that previously applied has also been abolished, effective from 6 April 2016. Instead, taxpayers are potentially entitled to a dividend allowance of up to GBP2,000 (GBP5,000 before 1 April 2017), so that up to the first GBP2,000 of dividend income received in the tax year is effectively taxed at 0%. For dividends in excess of the allowance, the following rates apply:
• 7.5% for basic rate taxpayers
• 32.5% for higher rate taxpayers
• 38.1% for additional rate taxpayers

Although the first GBP2,000 of dividend income is tax-free, it is still taken into account in determining the taxpayer's marginal tax rate and any entitlement to the personal savings allowance, as explained below.

Effective from 6 April 2016, a new personal savings allowance applies for other investment income such as bank interest.

UK banks and building societies are no longer required to deduct basic rate tax at source from any interest income paid by them. The personal savings allowance is set at GBP1,000 for basic rate taxpayers and GBP500 for higher rate taxpayers. It is not a deduction from taxable income, but it is effectively an amount of savings income that may be taxed at 0%. Additional rate taxpayers (individuals with taxable income in excess of GBP150,000) are not entitled to a savings allowance.

Investment income in excess of the savings allowance is subject to income tax at the taxpayer's marginal tax rate. See *Rates* for further details.

Any income from UK leased property is taxed as income at the applicable marginal rate of the taxpayer (see *Rates*). Leasing agents for nonresident landlords should withhold the basic tax rate of 20%, unless HMRC issues a direction to them authorizing gross payment to the landlord. Income tax on property income is charged on the net profit from rentals after deduction of qualifying expenses, such as repairs and maintenance but not depreciation, which is not a qualifying expense for UK tax purposes. Mortgage interest paid in prior years was a fully deductible expense, but this deduction is being phased out over three UK tax years, starting from 6 April 2017, so that from 6 April 2020, it will no longer apply. An alternative deduction that will be limited to a maximum of basic rate tax relief on the disallowed mortgage interest will apply instead.

The net profit is calculated in accordance with UK rules even if the rental income arises from foreign leased property and is taxed on the remittance basis. A 10% wear-and-tear allowance that was allowed as a standard deduction on property that was leased

furnished was abolished, from 6 April 2016. A deduction may be claimed instead for actual expenditure on replacement of furniture and fittings used in a property income business.

From 6 April 2017, a GBP1,000 property allowance is available. If the allowance covers all the property income before expenses, the income is not taxable and not reportable. If this is not the case, the individual has the choice of deducting his or her expenses or the allowance.

UK domiciled and resident individuals are usually liable to UK tax on their worldwide investment income.

Nonresident individuals are liable to UK tax on their investment income from UK sources only, regardless of their domicile status.

Individuals who are not domiciled but are resident in the UK are also usually liable to UK tax on investment income from UK sources. However, they may claim to have their investment income from any non-UK-source income taxed on the remittance basis so that they are taxed on their investment income from any non-UK sources only to the extent that it is remitted to or enjoyed in the UK.

If all the conditions are satisfied, a double tax treaty may grant an exemption to exclude certain types of investment income from UK taxation for individuals who are resident in the other contracting state for purposes of the treaty (see Section E).

Stock options and share-based incentive schemes. Detailed, complicated legislation applies to the taxation of share incentives provided to employees by their employers. The legislation applies to "securities," which includes, but is not limited to, shares in the employer company. The application depends on the specific plan rules. As a result, professional advice should be taken on the implications of this law in any particular case. The following discussion is for general guidance only.

The UK introduced a reform of the law that governs the taxation of certain equity-based compensation for internationally mobile employees, which took effect on 6 April 2015. This new regime applies to all chargeable events, including awards vesting or being exercised, occurring on or after 6 April 2015 and generally seeks to tax the proportion of any award attributable to periods of UK tax residence, together with any amounts attributable to UK work during periods of nonresidence. The regime described below applies to all awards if the taxable event occurs on or after 6 April 2015, regardless of the original date of grant.

Another amendment to the regime is effective from 6 April 2016. This amendment also applies to all taxable events on or after that date. The effect of the change is that any right to acquire securities is likely to be taxed under the securities options law, regardless of whether it has the form of a securities option.

Unapproved employee share option schemes and restricted stock units. Unapproved employee share options are not taxed on grant, but when the chargeable event occurs. This is usually when the option is exercised but may include other events, such as the settlement in cash of the option by the employer, rather than the exercise of the option to acquire shares.

Any rights to acquire securities are now likely to be taxed as employment-related securities options on exercise of the option or, for other rights to acquire, such as restricted stock units, when the employee becomes entitled to the award. The UK taxable proportion of the award is calculated by allocating the award to the UK tax years over which it was earned and apportioning the income by tax year between UK and non-UK elements. Any parts that are not attributable either to periods of UK residence or to UK workdays are excluded from UK tax. If employees are entitled to overseas workday relief, they may also be eligible for a form of overseas workday relief with respect to their overseas workdays during UK-resident periods. It may also be possible to rely on a double tax treaty to limit the UK's right to tax amounts attributable to non-UK duties if the employee is treaty nonresident in the UK at the time of the chargeable event.

The employer must withhold income tax on chargeable events, such as exercise, in most circumstances.

The social security position is more complex. However, for employees who are within the scope of UK social security, it is possible for employers to enter into agreements with their employees to pass on the secondary (or employer's) social security liability to the employee. Under the agreement, the employee pays any employer-owed social security contributions due on the exercise of the option; the employee may then deduct the contributions paid when calculating the amount of the gain liable to UK income tax.

If awards of shares are made, rather than share options, the value of the shares awarded to an employee is usually subject to income tax and social security contributions (if applicable) on the date of the award. The position may be more complex if shares are restricted, such as being at risk of forfeiture. If shares are at risk of forfeiture, the liability is usually deferred until the restrictions lift, assuming this happens within five years of the grant. Employers and employees can instead jointly make elections so that the taxes on the award are charged up front on the value ignoring the restrictions. This is an extremely complex area, and professional advice should be obtained in all cases.

For the purpose of any treaty apportionment, share-option income is typically sourced from grant to vesting, assuming that the individual remains in employment with a group company throughout this period. By exception, the UK continues to apply a grant-to-exercise sourcing period for gains under its treaties with Japan and the United States.

In all the above cases, the law is complex, and professional advice should be obtained.

Tax-advantaged employee share schemes. The UK currently has several employee share schemes that can have tax-advantaged status. Income from tax-advantaged schemes that is realized in an approved manner is usually not subject to income tax or to National Insurance contributions. Tax-advantaged plans include, among others, the Company Share Option Plan, the Save As You Earn (SAYE) Share Option Scheme, the Share Incentive Plan (formerly the All Employee Share Ownership Plan) and the

Enterprise Management Incentives. Each plan has different characteristics and is consequently relevant to particular employer and employee circumstances. The advantage of these schemes over unapproved schemes is that they generally put shares into the hands of employees free of income tax and National Insurance. A disadvantage is that the value of awards that may be made to employees is limited.

CGT on employee share schemes. CGT may be due if the shares acquired from employee share schemes are sold and if the employee is within scope of CGT at the time (broadly, if he or she is resident or only temporarily nonresident). In general, the underlying shares acquired from tax-advantaged schemes are still subject to capital gains tax when they are sold. However, shares in a Share Incentive Plan subject to a minimum holding period may be exempt from UK CGT on disposal.

For shares acquired from the exercise of options, the base cost of the shares sold for UK capital gains tax purposes is increased by the amount of any income that was subject to UK income tax at exercise. More complex base cost rules apply if employees hold shares acquired by them on different dates at different prices.

Pensions. In terms of UK tax treatment, pension schemes may broadly be divided into the following three groups:
- UK registered pension plans and international equivalents
- Unapproved (for UK-tax) pension schemes
- Wholly unfunded schemes

UK-registered plans. No limit is imposed on the absolute amount that may be contributed to UK-registered pension schemes, but an annual allowance charge applies to restrict the tax relief available if the contributions or increase in accrual in the pension input period (PIP) ending in a tax year exceeds the permitted annual allowance. For UK-registered schemes, it was possible for tax years up to and including the 2015-16 tax year for the PIP to end on a chosen date, nominated by the pension scheme administrator (or in the case of money purchase arrangements only, either the pension scheme administrator or the individual scheme member). For the 2016-17 tax year (beginning 6 April 2016) and future years, all PIPs are aligned with the UK tax year. To align PIPs with tax years, a transitional rule applied for the 2015-16 tax year, which for annual allowance purposes only, split the tax year into two separate periods before and after 8 July 2015.

Pension inputs are determined for a defined contribution scheme by adding together any employer and employee contributions and, for a defined benefit scheme, by multiplying the inflation-adjusted increase in the accrued annual pension value over the course of the PIP (which from 6 April 2016 is the tax year) by a factor of 16 (plus the increase in any separate lump-sum entitlement) to arrive at the value by which the fund is deemed to have increased over that period. The total of the pension inputs to all relevant pension schemes for a particular individual is measured against his or her annual allowance for the relevant tax year, and any excess is subject to an annual allowance charge at his or her marginal income tax rate.

Effective from 6 April 2011, the annual allowance was limited to GBP50,000. However, this was decreased to GBP40,000,

effective from 6 April 2014. For the purposes of the 2015-16 tax year transitional rule, the annual allowance was GBP80,000 for pension inputs falling into the pre-8 July 2015 period and, to the extent that the full GBP80,000 was not used, a maximum of GBP40,000 could be carried forward and used in the post-8 July 2015 period. Effective from 6 April 2016, a further restriction applies so that for most persons with UK taxable income and pension inputs (as adjusted) of at least GBP150,000, the annual allowance is reduced by GBP1 for every GBP2 over the income limit, subject to a minimum allowance of GBP10,000. Any unused annual allowances from the preceding three UK tax years may be carried forward to offset any excess pension inputs in the current tax year.

An overall limit is imposed on the maximum amount that may be saved tax efficiently over a lifetime, known as the lifetime allowance. For the 2011–12 tax year, this was set at GBP1,800,000. However, it was reduced to GBP1,500,000, effective from 6 April 2012, and was reduced further to GBP1,250,000, effective from 6 April 2014. Effective from 6 April 2016, it is further reduced to GBP1 million. Since the 2018-19 tax year, the standard lifetime allowance has been increased annually from GBP1 million in line with UK inflation. It was GBP1,030,000 for the 2018-2019 tax year and is GBP1,055,000 for the 2019-20 tax year. The level of pension saving is tested against the individual's available lifetime allowance if a benefit crystallization event occurs, such as the individual beginning to draw a pension, and a lifetime allowance charge is levied if the lifetime allowance is exceeded. Some individuals may have a lifetime allowance higher than the standard lifetime allowance.

International equivalents. Non-UK schemes that the UK law regards as being like a UK scheme are subject to a similar regime to the one described above, but with slightly different rules. For example, for non-UK schemes, by law, the PIP has always been the UK tax year. The following four types of schemes may fall within this group:

- Schemes for which Migrant Member Relief (MMR) has been claimed.
- Schemes for which transitional corresponding acceptance (TCR) has been claimed.
- Schemes for which tax relief on contributions has been claimed under an appropriate double tax treaty.
- Overseas pension schemes (as defined) with employer contributions that are not taxable on the employee because the scheme provides only death and retirement benefits. In very broad terms, an overseas pension scheme is usually one that is subject to a system of regulation and tax recognition in the country in which it is established and that is open to local residents in that country.

For schemes for which relief is available under MMR, TCR or a double tax treaty, employer contributions are also usually deductible for corporation tax purposes. However, for the employee personally, tax relief for total pension inputs are subject to the annual allowance and lifetime allowance limits described above. In addition, if after leaving the UK and not having been nonresident for a period of 10 complete UK tax years (or 5 complete UK

tax years in the case of funds for which UK relief was claimed before 6 April 2017), an individual who has had UK tax relief takes benefits from his or her pension scheme in a form that would not be permitted for a UK-registered pension scheme (including taking any form of loan or making a transfer to another non-UK scheme that is not a qualifying scheme for UK tax purposes); a 55% unauthorized payment charge applies to an amount up to the amount of the total UK tax-relieved funds in the scheme.

Other pension schemes. Other schemes that are not UK-registered schemes and that are not schemes to which any of the reliefs for international equivalents are available are typically subject to tax under the UK's "disguised remuneration" regime, unless they can be shown to be wholly unfunded. This usually means that if any contributions made to such a scheme are with respect to, or otherwise earmarked for, an employee, the employee must be taxed on the contributions through PAYE at the time of contribution. For a funded defined benefit scheme, the employee is taxed on the value of the accrued benefit (unless the scheme provides only death and retirement benefits), but normally this tax charge is not subject to PAYE withholding.

Wholly unfunded schemes. Wholly unfunded schemes are usually outside the disguised remuneration rules. However, an extended definition of funding for this purpose is provided. Under this definition, if, for example, the employer provides an asset as security for the scheme or if the employer makes any form of promise or undertaking to provide funding to a third party in the future, this is subject to UK tax, with PAYE withholding, in the same way as if the scheme was funded immediately.

Benefits paid from pension schemes for which an employee has had contributions or has accrued entitlement during a period when they he or she was a UK resident or was performing duties in the UK is likely to be subject to UK tax, often with a corresponding PAYE withholding obligation for the employer or UK host employer. These UK tax charges might be blocked by the pensions article of a double tax treaty in some cases, but this does not automatically remove the employer's PAYE withholding obligation unless the pension scheme member obtains clearance in advance from the UK tax authorities.

The law with respect to pension schemes in the UK is extremely complex. As a result, specific advice should be obtained in all cases.

Capital gains tax. An individual who is resident and domiciled in the UK is taxed on gains arising on disposals of assets located anywhere in the world. However, an individual who is resident but not domiciled in the UK and who elects to be taxed on the remittance basis for that year is taxed on disposals of overseas assets only if the proceeds are remitted to the UK (see *Remittance basis* in Section A). In this case, the gain element of the sale proceeds is regarded as being remitted ahead of the capital. All individuals who are subject to UK capital gains tax (CGT) are entitled to an annual CGT exemption, but this is lost if the remittance basis is claimed.

It is proposed that from 6 April 2020, when a UK resident disposes of UK land and a CGT liability arises, a return should be made and the CGT tax paid within 30 days after completion of the disposal.

An individual who is nonresident is not normally subject to UK CGT (however, see *Years of departure and arrival, and temporary nonresidence rule* and *Disposal of UK residential property by nonresidents*).

Years of departure and arrival, and temporary nonresidence rule. Effective from 6 April 2013, individuals who leave the UK during the year, who are considered resident before departure and who qualify for split-year treatment under the SRT are not normally chargeable to CGT on gains realized in the nonresident part of the tax year. However, individuals who, on departure, had been resident in the UK for four out of seven of the preceding UK tax years remain subject to "temporary nonresidence" rules if their period of absence from the UK does not last for at least five years.

If the temporary nonresidence rules apply, gains arising on the disposal of assets owned before the period of temporary nonresidence that are sold during the period of temporary nonresidence are subject to CGT in the UK tax year in which the taxpayer returns to the UK and resumes tax residence (year of arrival). Gains on the disposal of assets acquired in a period of nonresidence and sold while the individual is still nonresident are not subject to UK CGT. Likewise, individuals who arrive in the UK during the year, who are considered resident, who are eligible for split-year treatment and who are not subject to temporary nonresidence rules are normally taxed only on gains realized after the date on which they are treated as becoming UK tax resident under the split-year provisions.

Taxpayers who left the UK before 6 April 2013 but who return to the UK before a period of five complete UK tax years elapses are subject to the temporary nonresidence regime as it applied before the SRT on their return to the UK. They should obtain specific advice regarding this law, as necessary.

Reliefs. Various reliefs are available for CGT. The most common relief is main residence relief, which exempts all or part of a gain that arises on a property that an individual has used as his only or main home, if certain conditions are met.

Entrepreneurs' relief is a relief available to taxpayers who sell or give away their businesses. This relief aims to reduce the rate of CGT on qualifying disposals to 10%. Gains are eligible for entrepreneurs' relief up to a maximum lifetime limit, which is currently GBP10 million.

Many other reliefs are available, including rollover relief for disposals of certain business assets.

Foreign currency. Foreign currency is generally a chargeable asset for CGT purposes unless it is acquired for specific personal use outside the UK. However, currency gains on cash balances held in a non-sterling bank account are also specifically excluded from CGT by law, effective from the 2012-13 tax year.

Annual exempt amount. The annual exempt amount for the 2019-20 tax year is GBP12,000. This exemption is forfeited if a claim for the remittance basis is made for the tax year.

Rates. For gains realized on all disposals other than those realized on residential property disposals made during the 2019-20 tax year, a 10% rate applies to chargeable gains that fall within the individual's basic rate band limit, after taking into account income as calculated for income tax purposes (see *Rates* below). Chargeable gains in excess of the basic rate band are charged at a rate of 20%. For gains on residential property and earned interest, the applicable rates are 18% for basic rate taxpayers and 28% for higher and additional rate taxpayers.

Capital losses. Capital losses can be automatically deducted from capital gains in the same year. Any allowable unused capital losses may be carried forward indefinitely to relieve future gains. Losses realized by non-domiciled taxpayers who have claimed the remittance basis are not normally regarded as capital losses except in the circumstances discussed below.

Effective from 6 April 2008, for individuals who elect to be taxed on the remittance basis, capital losses from the disposal of assets not located in the UK cannot be offset against chargeable gains in the UK, unless they make an election. The election potentially allows individuals to claim relief for capital losses on the disposal of any assets not located in the UK. However, the election would require them to track and possibly disclose the details of their worldwide capital transactions to HMRC. Any losses from the disposal of assets located in the UK are first offset against any unremitted foreign gains in preference to any UK gains, thereby increasing the amount of UK CGT payable. As a result, this election might not be beneficial if an individual has significant UK gains and losses.

The election must be made with respect to the first tax year in which individuals are claiming the remittance basis of taxation after 6 April 2008, regardless of whether they have any capital losses arising in that year. The election is irrevocable after it is made.

Disposal of UK property by nonresidents. From April 2019, the UK government has widened the scope of nonresident Capital Gains Tax (NRCGT) to bring nonresidents into the charge of UK CGT on gains made on the direct or indirect disposal of UK immovable property.

Direct disposals. From April 2019, direct disposals of UK land and buildings are subject to UK CGT, regardless of the type of the property or the residence of the disposing individual.

For investment property, the property is rebased to market value at 6 April 2019, meaning that only the change in value from that date onward will be subject to UK tax. Nonresidents also have the option to use original cost rather than the April 2019 value if this results in a more favorable outcome. Sales of residential property do not benefit from a rebasing in April 2019; however, a further election is available to calculate the taxable gain on a proportionate basis.

Indirect disposals. In addition, indirect disposals of UK land are subject to UK CGT if the disposal is of an entity that is considered "property rich" and if the nonresident owner holds or has held at least a 25% interest in that entity at some point within the two years prior to the sale of the entity. For all indirect disposals of "property rich" entities, the value of shares is rebased to the April 2019 market value.

For these purposes, an entity is considered "property rich" if, at the time of disposal, 75% or more of the value of the entity being disposed of is directly or indirectly derived from UK land. The 75% test is based on the market value of the underlying assets held by the entity at the time of its disposal.

The rules only bring nonresidents into the scope of UK tax if they hold or have held an interest of 25% or greater in the "property rich entity." The holdings of connected parties or parties "acting together" need to be considered in determining whether the 25% test is met. Disposals with an appropriate connection to a collective investment vehicle (potentially including limited partnerships, unit trusts and UK real estate investment trusts) do not benefit from the 25% ownership test such that even a disposal of a small percentage holding would fall within the rules.

Generally, taxing rights on disposal are allocated to the UK. However, certain double tax treaties include an exemption for disposals of listed shares.

Compliance. Individuals will need to file an NRCGT return and settle any tax due within 30 days after the disposal. Penalties for late filing and late payment apply. Professional advice should be taken as necessary.

Deductions

Deductible expenses. Under general rules, a deduction in determining taxable earnings is allowed for any amount if it is incurred wholly, exclusively and necessarily in the performance of the duties of the employment. The rule relating to what is regarded as "necessary" in the performance of the duties of employment is very tightly drawn.

Special rules relate to various items, including, but not limited to, travel and subsistence, relocation and overseas medical costs. The following are the common types of deductions and exemptions:

- Travel and subsistence costs incurred when an employee works at a temporary workplace (that is, a workplace where an employee expects to work for no longer than 24 months and such period does not form all or nearly all the employment period)
- The cost of employee and family return trips home (subject to certain limitations with respect to the duration of claim and family trips; a non-UK-domiciled individual who performs employment duties in the UK is eligible to claim home-leave expenses with respect to his or her family for qualifying journeys that are completed within five years of the date of his or her arrival in the UK)
- Qualifying relocation expenses of up to GBP8,000
- Work-related training (for employees only)
- Professional subscriptions
- Business mileage allowance for using an employee's private car to travel in the performance of employment duties

- Overseas medical costs (for UK employees on foreign assignment)

Certain conditions may need to be satisfied before the above expenses can be claimed as deductions. As a result, professional advice should be sought before making these claims.

Personal allowance. UK-resident taxpayers are normally entitled to an annual tax-free personal allowance. The amount is GBP12,500 for the 2019-20 tax year. Each individual has his or her own personal allowance. In addition, if an individual is tax resident for only part of the UK tax year, he or she will nevertheless receive his or her full annual tax-free personal allowance. However, effective from 6 April 2010, the personal allowance is reduced by GBP1 for every GBP2 of "adjusted net income" over GBP100,000. Consequently, individuals with "adjusted net income" of GBP125,500 or more do not receive any personal allowance for the 2019-20 tax year.

In addition, as mentioned in *Remittance basis*, an individual who claims the remittance basis loses his or her personal allowance unless the remittance basis applies without a claim. In this circumstance, the personal allowance may, in some cases, be reinstated as a result of the specific provisions of a double tax treaty (see Section E), but typically remains subject to the phaseout because of income levels. Not all treaties contain the necessary provisions. Consequently, professional advice should be sought if an individual is considering this option.

Nonresident individuals are generally entitled to a UK personal allowance (subject to the same income phaseout) if they satisfy either of the following conditions:

- They are nationals of a member country of the EEA. This condition may be amended as a result of the UK leaving the EU. This will not be before 29 March 2019 and is likely to be longer if an agreement on transitional provisions is reached.
- They are entitled to the allowance under specific double tax treaty provisions that cover personal allowances.

Individuals aged 65 or older in the tax year may be entitled to a higher rate of the personal allowance.

Married couples also qualify for the married couple's allowance if one or both of the spouses were born before 6 April 1935. The maximum amount of this allowance is GBP8,915, depending on the taxpayers' age and income. This relief may be taken only at a rate of 10%. In some circumstances, married couples who pay tax at no more than the basic rate may also be able to transfer the unused personal allowance to their spouse or civil partner.

Relief for alimony and maintenance payments may be available if an individual or his or her ex-spouse was born before 6 April 1935 and if certain other conditions are met.

Business deductions. Expenses incurred for a trade, profession or vocation are generally only available as deductions in determining taxable profit or allowable loss if they are incurred wholly and exclusively for the purpose of the trade, profession or vocation. In addition, certain types of expenses are not allowed as deductions. These include the following:

- Entertainment and gifts (except for certain inexpensive gifts bearing conspicuous advertising)
- Depreciation, other than capital allowances
- Nonbusiness expenses or the private-use proportion of expenses
- Costs of a capital nature
- Profits or capital withdrawn from the business

Although deductions for depreciation and expenditure of a capital nature are not allowed, deductions in the form of capital allowances (tax depreciation) may be available.

Rates. The following are the income tax rates for the 2019-20 tax year.

UK excluding Scotland			
Taxable income GBP	**Tax rate %**	**Tax due GBP**	**Cumulative tax due GBP**
First 37,500	20	7,500	7,500
Next 112,500	40	45,000	52,500
Above 150,000	45	—	—

Scotland			
Taxable income GBP	**Tax rate %**	**Tax due GBP**	**Cumulative tax due GBP**
First 2,049	19	389.31	389.31
Next 10,395	20	2,079.00	2,468.31
Next 18,486	21	3,882.06	6,350.37
Next 119,070	41	48,818.70	55,169.07
Above 150,000	46	—	—

The 2018-2019 tax year was the first year that the Scottish Parliament used its powers to impose different rates and thresholds from the rest of the UK.

From 6 April 2019, the Welsh Assembly can set part of the income tax rate. The current rates for Welsh taxpayers are the same as the UK excluding Scotland rates shown above.

Relief for losses. The most common types of losses are trading losses, property losses and capital losses.

Trading losses. Trading losses may be offset against a taxpayer's total taxable income. The taxpayer may choose to offset the loss in the year in which the loss is incurred and/or in the preceding year. If the current year loss cannot be fully offset against the current or preceding year trading income, the balance can be used to offset capital gains for that year (after the current year capital loss has been used). For married couples, losses may be offset only against the income of the spouse incurring the loss. Special rules provide for the carryback of losses incurred in early trading years. In addition, a taxpayer may carry forward unused trading losses to offset future income from the same trade. Special rules apply at the cessation of an individual's trade or business.

Property losses. If an individual has more than one rental property, all profits and losses from properties that are leased commercially in the tax year are pooled together to give an overall profit or loss for the year. Special rules can apply to properties leased at less than a commercial rent and to furnished holiday leases. Typically, other property losses can be carried forward

and offset against property income from a UK property business in future tax years. A property loss may not be carried back to a previous tax year.

Capital losses. For details regarding capital losses, see *Capital gains tax*.

B. Other taxes

Taxes on property

Real estate transfer taxes. The UK levies various real estate transfer taxes on transactions involving the acquisition of any estate, interest, right or power in or over land in the UK and certain partnerships that hold UK real estate. The real estate transfer taxes cover the following:

- Real estate situated in England and Northern Ireland is subject to stamp duty land tax (SDLT).
- Real estate situated in Scotland is subject to land and building transaction tax (LBTT), which is effective from 1 April 2015 (prior to this date, SDLT applied).
- Real estate situated in Wales is subject to land transaction tax (LTT), which is effective from 1 April 2018 (prior to this date, SDLT applied).

Although these taxes are similar, differences exist, most notably to the rates and bands.

Annual tax on enveloped dwellings. Since 1 April 2013, an annual tax on enveloped dwellings (ATED) applies to non-natural persons holding UK residential property (if an individual does not own the residential property directly, but owns it, for example, through a company, this tax may apply).

There was an initial valuation date of 1 April 2012, which applied to properties valued at more than GBP2 million owned on or before this date. The regime was extended several times and its current form is that effective from 1 April 2016, properties valued at more than GBP500,000 as of 1 April 2012 (or on purchase if later) are in scope of the ATED.

There are fixed revaluation dates whereby property (including property acquired after 1 April 2012) must be revalued every five years from 1 April 2012. A subsequent revaluation occurred on 1 April 2017 and is used effective from the ATED year beginning on 1 April 2018. Accordingly, for the ATED period beginning in April 2019, properties valued at more than GBP500,000 as of 1 April 2017 (or on purchase if later) are in scope of the ATED.

The following are the chargeable amounts of ATED for 1 April 2019 through 31 March 2020.

Property value	Annual charge (GBP)
More than GBP500,000 but not more than GBP1 million	3,650
More than GBP1 million but not more than GBP2 million	7,400
More than GBP2 million but not more than GBP5 million	24,800
More than GBP5 million but not more than GBP10 million	57,900

Property value	Annual charge (GBP)
More than GBP10 million but not more than GBP20 million	116,100
More than GBP20 million	232,350

Prior to 6 April 2019, non-natural persons within the charge of the ATED were also liable to an ATED-related CGT charge at a rate of 28% in relation to certain disposals of a UK property with a value of more than GBP500,000 at a gain (also, see *Capital gains tax* in Section A). From 6 April 2019, ATED-related CGT has been abolished and disposals of UK residential property are brought within the nonresident CGT and corporation tax regime.

Certain reliefs and exemptions from ATED are available (for example, to bona fide property rental businesses, property developers and property traders).

Inheritance and gift tax. Inheritance tax (IHT) may be levied on the estate of a deceased person who was domiciled or deemed domiciled in the UK or who was not domiciled in the UK, but owned assets situated there. An individual who does not have a UK domicile for IHT purposes is taxed only on UK-situated assets and, from 6 April 2017, "UK residential property interests" held via certain non-UK trusts, companies and partnerships. For these purposes, a "UK residential property interest" is widely defined and includes certain loans and collateral provided with respect to UK residential property.

A UK domicile is acquired at birth when the individual's father (if the child's parents are married at birth) has a UK domicile. An individual may change this by severing all ties with the UK and acquiring a "domicile of choice" elsewhere. Similarly, an individual domiciled outside the UK may acquire a UK domicile of choice by forming an intent to remain in the UK permanently or indefinitely. For IHT purposes, UK domicile is extended to apply to non-domiciled individuals who were resident in the UK for 15 of the past 20 tax years with effect from 6 April 2017 (previously, 17 out of the last 20 years for the period up to 6 April 2017).

Other recent changes include that an individual born in the UK with a UK domicile of origin at birth, who later acquires a non-UK domicile of choice, is treated as being UK domiciled for IHT purposes when the individual resumes UK residence (if the individual has been UK resident for at least one of the two preceding tax years).

In addition, there is a "run-off period" during which deemed domicile status for UK IHT purposes endures for a non-UK resident. This applies if deemed domicile status has been acquired under the 15-out-of-20-years rule. Once deemed domiciled, the individual will need to spend at least four UK tax years outside the UK before losing his or her deemed tax domicile status for UK IHT.

The inheritance tax rate is 40% for the estate on death. If a will contains a charitable legacy leaving at least 10% of an individual's estate to charity, this reduces the inheritance tax rate applied to that estate by 10%. This means that the effective tax rate is reduced to 36%. A nil rate band of GBP325,000 applies for 2019-20. Any unused allowance of a spouse or civil partner may

be transferred to the second deceased's estate proportionally, provided the second death occurs after 9 October 2007.

Effective from 6 April 2017, a new main residence transferable nil-rate band applies if a "main residence" is passed on to a direct descendant. Broadly, this means a child or grandchild and includes adopted children, foster children and stepchildren. It does not include nieces and nephews. The definition of main residence is very similar to the definition currently applicable to principal private residence relief for CGT. A property that was never a residence of the deceased such as a buy-to-lease property will not qualify. The allowance was initially set at GBP100,000 in 2017-18, increasing to GBP125,000 in 2018-19, GBP150,000 in 2019-20 and to GBP175,000 in 2020-21. A tapered withdrawal of the additional nil-rate band is provided for estates with a net value of more than GBP2 million. The withdrawal rate is GBP1 for every GBP2 over this threshold.

IHT is also levied on gifts made by the deceased within seven years before death and on certain other lifetime gifts.

Exemptions and deductions are available for inter vivos gifts and for estate transfers at death. Gifts between spouses are exempt, but if the transferor is domiciled in the UK and if the transferee is not domiciled there, the spousal exemption is limited to the same amount as the prevailing nil rate band, which is currently GBP325,000 (GBP55,000 before 6 April 2013). Non-UK-domiciled individuals with UK-domiciled spouses may make an election to be treated as having a UK domicile for IHT purposes in order to obtain the full spouse exemption. Inter vivos transfers over the nil rate band into all types of family trusts are subject to IHT at 20%, subject to certain limited exemptions. Taper relief provisions to reduce the IHT payable on gifts made within seven years before death are shown in the following table.

Years between gift and death		Percentage of relief on IHT due
Exceeding	**Not exceeding**	
0	3	0
3	4	20
4	5	40
5	6	60
6	7	80

Business Property Relief and Agricultural Property Relief are available at either 100% or 50% on the transfers of certain assets if various conditions are satisfied.

To prevent double taxation, the UK has entered into IHT or estate tax treaties with the following jurisdictions.

France	Netherlands	Sweden
India	Pakistan	Switzerland
Ireland	South Africa	United States
Italy		

Unilateral relief may also be available.

Apprenticeship levy. The apprenticeship levy, effective from 6 April 2017, is a charge on UK employers to fund apprenticeships. It potentially affects all employers across all industry

sectors, regardless of whether apprentices are employed. The levy is charged at a rate of 0.5% of an employer's "pay bill," which is defined as earnings subject to Class 1 secondary National Insurance contributions (UK employer social security contributions on cash and deemed cash payments, but not on benefits in kind; also, see Section C). All employers receive an annual allowance of GBP15,000 to offset against their levy, meaning that only those employers with a pay bill in excess of GBP3 million per tax year actually have to pay the levy. Groups of connected companies are considered one employer for the purposes of calculating the levy and have only one allowance to cover all of the group companies' payrolls.

Employers need to calculate, report and pay the levy on a monthly basis via the normal payroll process alongside the normal PAYE (see Section D) and National Insurance contribution remittances. The levy, which is an employer charge, cannot be deducted from the earnings of an employee.

C. Social security

Contributions. In general, National Insurance contributions are payable on the earnings of individuals who work in the UK. Special arrangements apply to individuals working temporarily in or outside of the UK. Under certain conditions, an employee is exempt from contributions for the first 52 weeks of employment in the UK.

The contribution for an employed individual is made in two parts —a primary contribution from the employee and a secondary contribution from the employer. For 2019-20, the employee contribution is payable at a rate of 12% on weekly earnings between GBP166 and GBP962, and at a rate of 2% on weekly earnings in excess of GBP962.

An employer contributes at a rate of 13.8% on an employee's earnings above GBP166, with no ceiling. Except under certain circumstances related to the exercise of a share option or the award of restricted securities, the employer is not entitled to reimbursement for any secondary contributions made, but these contributions are an allowable expense for purposes of determining the employer's income tax or corporation tax. Contributions are collected under the PAYE system (see Section D).

Since 6 April 2015, employers no longer pay employer's National Insurance contributions on weekly earnings up to the upper earnings limit (GBP962 for 2019-20) for employees under the age of 21. From 6 April 2016, this exemption from employer National Insurance contributions also applies to apprentices under the age of 25. Employers' contributions are payable at a rate of 13.8% on weekly earnings above GBP962.

Employers must also pay National Insurance contributions on the provision of taxable benefits in kind (for example, employer-provided car or housing).

Different rules apply to self-employed individuals. For 2019-20, a weekly contribution of GBP3.00 is due if annual profits are expected to exceed GBP6,365. In addition, a self-employed

individual must make a profit-related contribution on business profits or gains, which is collected together with income tax. The 2019-20 profit-related contribution rates are 9% on annual profits ranging from GBP8,632 to GBP50,000, and 2% on annual profits in excess of GBP50,000. Nonresident self-employed individuals are not subject to profit-related contributions.

The 2019-20 National Insurance contribution rates for employed individuals are set forth in the following tables.

Employee's contributions

Total weekly earnings From GBP	To GBP	Contribution rate %
0	166.00	0
166.01	962.00	12
962.01	—	2

Employer's contributions

From GBP	To GBP	Contribution rate %
0	166.00	0
166.01	—	13.8 *

* Employer National Insurance contributions are only payable on earnings above GBP962 for employees under the age of 21 and apprentices under the age of 25.

Totalization agreements. Contribution liability for individuals transferring to or from the UK varies, depending on whether the individual is covered under the EC social security legislation or a reciprocal agreement or whether the assignment is to or from a country with which the UK has not entered into a social security agreement. Each category is discussed below.

EC social security legislation. EU social security legislation (EEC Council Regulation No. 883/2004) is effective from 1 May 2010. This legislation applies to all inter-EU moves for EU nationals. This legislation covers moves to Switzerland, effective from 1 April 2012, and moves to Iceland, Liechtenstein and Norway, effective from 1 June 2012. However, the UK has not extended the application of EEC Council Regulation No. 883/2004 to non-EU nationals. The previous EU legislation (EEC Council Regulation No. 1408/71) continues to apply to non-EU nationals.

Under the EU legislation, a covered worker normally pays social security contributions in a single member country, usually the country where his or her employment duties are performed, even though he or she may not live there.

Under an exception to this rule, a worker seconded to work in the UK from another member state normally remains subject to social security contributions in his or her home country if the assignment is for 12 months or less (if Regulation 1408/71 applies) or 24 months or less (if Regulation 883/2004 applies). Individuals may remain in their home country scheme for significantly longer periods if they are deemed to work partly in more than one member state (multistate workers), or if they are considered special cases by virtue of specific skills or knowledge.

Cessation of UK membership in the EU (Brexit). The impact of the UK's proposed departure from the EU is currently unclear as a result of the political uncertainty around this issue in the UK. Several scenarios may potentially arise based on action undertaken by the EU and its member states as well as the UK. It is not currently possible to state with certainty what the final outcome will be from a social security perspective, but there are several clear possibilities depending on whether the UK leaves with an agreement in place with the 27 EU countries (EU 27) or without such a deal (no-deal Brexit).

A provisional withdrawal agreement has been drafted between the EU and the UK that allows for a period of transition as the UK exits the EU. This agreement provides for the continued application of the current EU social security regulations for a period of transition (expected to be until 31 December 2020) after which a new agreement will be in place, which will set out the long-term arrangements between the EU and the UK regarding social security coordination. The UK Parliament has been reluctant to pass this agreement into UK law, and the bill has not yet been approved. It remains to be seen whether the agreement will ever take effect. In its absence, or the absence of an equivalent agreement, the following scenarios outlined below may apply:

- The UK government has indicated that in the absence of a broad agreement with the EU, it intends to codify into UK domestic law key provisions of the current EU social security regulations. This includes rules determining which country's social security legislation applies to an individual working on a cross-border basis. Practically, it is not yet clear how this will be managed because without an agreement from the EU 27 to reciprocate the UK's approach, there is a risk of a dual liability to pay social security arising as a result of the change to UK domestic legislation. There are considerable practical challenges around the extent to which the UK proposals regarding social security coverage would be operable without EU cooperation. It has yet to be clarified how any domestic legislation will interact with existing reciprocal social security agreements with EU/EEA countries. In addition to addressing when social security liabilities may arise, it is expected that the UK will also protect certain benefit entitlements for EU nationals based on principles of aggregation of contributions and residence.
- The UK already has reciprocal social security agreements with several EU/EEA member states, which have largely been dormant as a result of the UK's participation in the EU social security regulations. These agreements may again become relevant if the UK leaves the EU and if there is no new agreement regarding social security to override their provisions. Several EU member states have indicated that they would expect to revert back to applying the terms of such agreements in the event of the UK leaving the EU without a social security agreement in place. In addition, the UK has already arranged a new agreement with the Republic of Ireland, which broadly replicates the terms of the current EU social security regulation and which will take effect if an agreement is not reached with the EU as a whole.

Reciprocal agreements. The UK has reciprocal social security agreements with several non-EEA countries, although the terms

of the agreements vary. Therefore, to determine an individual's liability or benefit entitlement, it is important to consult the particular agreement relating to the individual's home country.

To prevent double social security taxes and to assure benefit coverage, the UK has entered into reciprocal agreements with the following jurisdictions.

EEA countries	Isle of Man	Mauritius
Barbados	Israel	Philippines
Bermuda	Jamaica	Switzerland
Canada	Japan	Turkey
Chile	Jersey	United States
Guernsey	Korea (South)	Yugoslavia*

* The UK honors the Yugoslavia treaty with respect to Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia. The EC social security rules have applied to Slovenia since 1 May 2004 and to Croatia since 1 July 2013 (see *Cessation of UK membership in the EU [Brexit]* above).

Without reciprocal agreement. If no reciprocal agreement exists between the home country of an individual and the UK, the individual is subject to both the domestic law of his or her home country and the law of the UK. For these individuals who come to work temporarily in the UK, exemption from payment of certain contributions for the first 52 weeks of their stay is common. The exemption depends on both the employee and the employer meeting various requirements.

D. Tax filing and payment procedures

General. The tax year for individuals in the UK runs from 6 April to 5 April of the following year.

Whether compensation is subject to UK tax and how it is taxed depend on the employee's residence status at the time the compensation is earned. Taxable compensation is actually taxed in the year of receipt. Earnings, including bonuses and commissions earned in one year but not paid until a subsequent tax year, are taxed when received. For example, if an individual receives a salary of GBP30,000 during the year ending 5 April 2020, and earns a bonus of GBP20,000 for that tax year that is not paid until December 2020, the salary is subject to tax in 2019-20, but the bonus, earned in the same period as the salary, is subject to tax in 2020-21, when it is received. The term "receipt" is broadly defined for this purpose and includes payment as well as entitlement to payment. The payment does not have to be made to the employee; for example, a payment of an employee's earnings to an employee's family remains taxable.

Married persons are taxed as separate individuals. Spouses are responsible for their own tax returns, are assessed on their own income and gains, and are given tax relief for their own allowable deductions and allowances. Individuals are entitled to their own tax-band rates and capital gains tax exemptions.

Income from jointly held assets is divided equally between spouses and taxed accordingly. However, if a husband and wife are beneficially entitled to unequal shares of an investment in certain property and to the resulting income, or if either spouse is beneficially entitled to the capital or income to the exclusion of the

other, a declaration may be made to HMRC to ensure that the income is assessed according to its beneficial interest.

Advance payment of taxes. Income tax and social security contributions on cash earnings are normally collected under the Pay-As-You-Earn (PAYE) system. All employers must use the PAYE system to deduct tax and social security contributions from wages or salaries.

Although expense reimbursements and many noncash benefits are not normally subject to PAYE withholding, they must be reported to HMRC by employers after the end of the tax year and by employees on their tax returns. HMRC may also take them into account in determining the employee's PAYE tax code, which in turn adjusts the amount of tax to be deducted from the employee's cash pay. From 2016-17 onward as an alternative, employers may agree with HMRC that most benefits in kind may be subject to payroll withholding rather than reported separately after the end of the tax year.

Tax returns. The UK has a self-assessment tax system. Under the self-assessment system, individuals who receive a notice to file a tax return from HMRC may choose to have HMRC calculate and assess their tax liability or to calculate and assess the tax due themselves. Individuals who choose to have HMRC calculate and assess tax must complete and submit their tax returns by 31 October following the end of the tax year. Individuals who choose to calculate and assess tax themselves must complete and submit tax returns by 31 October following the end of the tax year if they want to file paper returns. Returns can be filed electronically, together with a calculation of the tax due, up to 31 January following the end of the tax year.

If tax is due as calculated on the return, it must be paid by 31 January following the end of the tax year. Provisional on account payments of tax on income not subject to withholding are usually payable in two installments, on 31 January in the tax year and on the following 31 July.

Each installment must equal 50% of the previous year's income tax liability not withheld at source.

Interest is automatically charged on tax not paid by the due dates. A 5% penalty is also imposed if the tax is not paid within 30 days after the final payment date. A further penalty of 5% is imposed if the tax is not paid within six months following the final payment date. An additional penalty of 5% is imposed if the tax is still not paid within 12 months following the final payment date.

A fixed penalty of GBP100 is imposed if a return is not filed by the applicable deadline (that is, 31 October or 31 January) even if no tax is due. If the return is three months late, HMRC may seek to impose daily penalties of GBP10 a day for a period of up to 90 days (GBP900 per return). A further fixed penalty of the higher of GBP300 or 5% of the tax due is imposed if the return is six months late. An additional penalty, which can be up to 200% of the tax due, is imposed if the return is 12 months late and if facts are deliberately concealed. Penalties also apply to incorrect returns.

Individuals who are not subject to tax withheld at source and who do not receive a notice to file a tax return must inform HMRC by 5 October following the end of the tax year if they are likely to have a UK tax liability for the tax year concerned. Individuals with simpler tax affairs may receive an assessment of their tax liability from HMRC, which negates the requirement to file a tax return. This would not normally apply to non-UK domiciled individuals and individuals working in more than one country.

Capital gains tax. Capital gains are generally reported on the self-assessment tax return, and any CGT due must be included with the final payment of tax for the year. An exception is that disposals of UK land should be reported and any tax paid within 30 days after disposal. An additional reporting requirement, the NRCGT return, also applies with respect to disposals of UK residential property by nonresidents (see *Disposal of UK residential property by nonresidents* in *Capital gains tax* in Section A).

Inheritance tax. Inheritance tax is usually payable by the deceased's personal representative when probate (confirmation of the estate) is obtained. Some liabilities, however, must be paid by trustees of settled property and by recipients of lifetime gifts.

E. Double tax relief and tax treaties

If income is doubly taxed in two or more countries, relief for double taxation is typically available through a foreign tax credit or exemption. In the absence of a treaty with the country imposing the foreign tax, unilateral relief may be claimed under UK domestic law. However, to claim relief, it is essential that the income be regarded as foreign source under UK law and arise from sources in the jurisdiction imposing the tax. The taxpayer also usually needs to be resident in the UK unless he or she has an ongoing liability for UK taxes as a nonresident (for example, because he or she is a Crown employee).

The relief usually takes the form of a foreign tax credit if an individual is resident in the UK for the purpose of a double tax treaty. In this case, any foreign taxes paid on doubly taxed income arising from sources in the other jurisdiction can be taken as credit against the UK tax liability on the same source of income. The credit that can be claimed is limited to the lesser of the foreign taxes paid or the amount of equivalent UK tax on the doubly taxed income.

If an individual is resident in the UK and treaty-resident in a jurisdiction with which the UK has entered into a double tax treaty, a claim may be made in the UK to exempt from UK tax the income that would otherwise be taxed in both jurisdictions if the treaty contains the relevant articles.

The UK has entered into double tax treaties covering taxes on income and capital gains with the following jurisdictions.

Albania
Algeria
Antigua and Barbuda
Argentina
Armenia
Grenada
Guernsey
Guyana
Hong Kong SAR
Hungary
Iceland
Oman
Pakistan
Panama
Papua New Guinea
Philippines
Poland

Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Barbados
Belarus
Belgium
Belize
Bolivia
Bosnia and Herzegovina
Botswana
British Virgin Islands
Brunei Darussalam
Bulgaria
Canada
Cayman Islands
Chile
China Mainland
Côte d'Ivoire
Croatia
Cyprus
Czech Republic
Denmark
Egypt
Estonia
Eswatini
Ethiopia
Falkland Islands
Faroe Islands
Fiji
Finland
France
Gambia
Georgia
Germany
Ghana
Greece
India
Indonesia
Ireland
Isle of Man
Israel
Italy
Jamaica
Japan
Jersey
Jordan
Kazakhstan
Kenya
Kiribati
Korea (South)
Kosovo
Kuwait
Latvia
Lesotho
Libya
Liechtenstein
Lithuania
Luxembourg
Malawi
Malaysia
Malta
Mauritius
Mexico
Moldova
Mongolia
Montenegro
Montserrat
Morocco
Myanmar
Namibia*
Netherlands
New Zealand
Nigeria
North Macedonia
Norway
Portugal
Qatar
Romania
Russian Federation
Saudi Arabia
Senegal
Serbia
Sierra Leone
Singapore
Slovak Republic
Slovenia
Solomon Islands
South Africa
Spain
Sri Lanka
St. Kitts and Nevis
Sudan
Sweden
Switzerland
Taiwan
Tajikistan
Thailand
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Tuvalu
Uganda
Ukraine
United Arab Emirates
United States
Uruguay
Uzbekistan
Venezuela
Vietnam
Zambia
Zimbabwe

* The 1962 South Africa treaty applies to Namibia (formerly known as South West Africa).

The UK has agreed to tax treaties with Colombia and Kyrgyzstan, but these treaties are not in force because they have not yet been ratified by the governments.

F. Entering the UK

Brexit. The UK's Article 50 period has been legally extended by the EU until 31 January 2020. It can leave earlier (on the first day of the month following deal ratification) pending the deal passing in parliament. The EU "firmly" excluded any reopening of the withdrawal agreement and has ruled out discussions of the future EU-UK relationship (the Political Declaration) until the deal is ratified.

On 24 October 19, the government laid before parliament new Immigration Regulations and a Statement of Changes in the

Immigration Rules, to take effect in the event of a no-deal exit from the EU.

If the UK leaves the EU without a withdrawal agreement at any point, the rules set out below would come into effect.

New measures put before parliament. The following new measures have been put before parliament:

- The Immigration (Amendment) (EU Exit) Regulations 2019, which addresses deficiencies that will arise in the Immigration (European Economic Area) Regulations 2016, which will be retained, for the time being, by the European Union (Withdrawal) Act 2018 from exit day in a no-deal Brexit.
- A Statement of Changes in the Immigration Rules to give effect to the Regulations.

Whom do these rules apply to. The rules apply to EEA and Swiss nationals and their family members (in the discussion below, EEA should be read to include Swiss nationals).

What do the new rules do. The new rules do the following:

- They apply UK conduct and criminality thresholds to both the pre-exit and post-exit conduct of EEA citizens and their family members moving to the UK after Brexit. These thresholds will also apply to the post-exit conduct of EEA citizens living in the UK before Brexit, and their family members, and to the pre-exit as well as post-exit conduct of EU citizens living in the UK before Brexit, and their family members, if their conduct after exit results in a sentence of imprisonment.
- They provide access to the EU Settlement Scheme (EUSS) for certain categories of family members joining an EEA citizen resident in the UK before Brexit, with applications by such family members able to rely on residence in the UK which began after Brexit, and to reflect the deadline by when applications by such family members will need to be made.
- They establish the European Temporary Leave to Remain (Euro TLR) scheme (see *European Temporary Leave to Remain scheme*), for EEA citizens and their close family members, moving to the UK after a no-deal Brexit and before the start of the new points-based immigration system from January 2021, to enable them to obtain a UK immigration status so that they can continue living and working in the UK for a temporary period after 2020.

European Temporary Leave to Remain scheme. The Euro TLR scheme will enable EEA citizens and their close family members, moving to the UK after a no-deal Brexit and before the start of the new points-based immigration system from January 2021, to obtain a UK immigration status so that they can continue to work or study in the UK as they do now, for a temporary period.

Applications will be made within the UK, will be free of charge and will involve a simple online process and identity, security and criminality checks.

Euro TLR holders wishing to stay in the UK after their Euro TLR leave expires will need to make a further application and qualify under the new points-based immigration system.

If they do and if this is in a route under the new system that leads to settlement (indefinite leave to remain) in the UK, their period of Euro TLR will count toward the qualifying residence period for settlement under that route.

If an individual who holds Euro TLR does not meet the requisite criteria under the new points-based immigration system or otherwise have a right to remain in the UK, he or she will be expected to leave the UK when his or her Euro TLR expires.

An applicant refused Euro TLR based on an application made from 4 December 2019 will be able to apply for an administrative review of that decision.

Family members of Irish citizens will be able to apply under the scheme.

Ongoing requirements. The following will be ongoing requirements:

- A person granted Euro TLR must occupy adequate accommodation for the duration of that leave. Adequate accommodation means not overcrowded within the meaning of the relevant Housing Act 1985 (Housing [Scotland] Act 1987 or the Housing [Northern Ireland] Order 1988) and not contravening public health regulations.
- A person granted Euro TLR must continue to meet the eligibility requirements for that leave met by him or her at the date of application (unless granted leave as a child).

Who is a close family member. A close family member is a spouse, partner or child under the age of 18.

When can applications be made. Applications can be made from the following dates:

- The scheme will open to EEA nationals from 31 October 2019.
- The scheme will open from 4 December 2019 to non-EEA national close family members who are in the UK lawfully (other than as a visitor).
- From 1 January 2021, EEA citizen close family members will be able to apply for Euro TLR.

By when must applications be made. Applications must be made by the following dates:

- Before 1 January 2021, for EEA citizens
- Before the date of expiration of the Euro TLR of a relevant EEA citizen or for a relevant family member of that EEA citizen
- Before 31 December 2023 for relevant family members of Irish citizens

How long is leave granted for. The following will be the rules for the duration of the granting of leave:

- EEA citizens applying successfully under the scheme by 31 December 2020 will be granted a period of 36 months' limited leave to remain in the UK, running from the date the leave is granted.
- If the applicant is a relevant family member of an EEA citizen, Euro TLR will be granted for a period equal, as at the date of decision, to the remaining period of the Euro TLR granted to the relevant EEA citizen.

- If the applicant is a relevant family member of an Irish citizen and if the date of application is before 1 January 2021, Euro TLR will be granted for a period of 36 months from the date of decision.
- If the applicant is a relevant family member of an Irish citizen and if the date of application is on or after 1 January 2021, Euro TLR will be granted until 31 December 2023.
- In all cases, the date on which a grant of Euro TLR will expire may not be after 31 December 2023.
- The duration of a grant of Euro TLR may not be extended.

EUSS for family members joining a pre-exit resident EEA national. The following are the rules for EUSS for family members joining a pre-exit EEA national:

- The rules will reflect application deadlines that have been announced already in the policy for family members. The following are the deadlines:
  - 29 March 2022, if the relationship existed before Brexit and continues to exist when the application is made, in the case of spouses, civil partners, durable partners, children, parents and grandparents, and of children born overseas after Brexit
  - 31 December 2020, if the relationship as a spouse, civil partner or durable partner was formed after Brexit and continues to exist when the application is made, or for other dependent relatives
- The deadline in a no-deal scenario for applications by existing family members overseas at Brexit, who wish to rely on pre-exit residence in the UK and Islands in applying for status under the EUSS, will be 31 December 2020 (which will also be the deadline in that scenario for applications by those in the UK at Brexit), with scope in any case for a late application by a person with reasonable grounds for missing the deadline.
- Otherwise, they may be able to return to the UK by 29 March 2022 and apply then, based on post-exit residence, for status under the scheme.
- After a no-deal Brexit, there will be scope for relevant non-EEA national family members to apply for an EUSS family permit to join an EEA citizen in the UK with EUSS status, if the relevant family relationship was formed after Brexit, as well as if it was formed before Brexit.

General principles. In general, to enter the UK, you must have a valid travel document (in most cases, a passport).

Regardless of the duration or purpose of their visit, nationals of certain countries must obtain entry clearance (a visa) before traveling to the UK. Individuals from the relevant countries are known as "visa nationals."

In contrast, "non-visa nationals" are not required to obtain entry clearance if traveling to the UK as visitors or business visitors (performing certain permissible activities) for a period not exceeding six months.

If the purpose of the visit is for employment or study, individuals, including non-visa nationals, must obtain appropriate entry clearance (a visa) before traveling to the UK.

Entry clearance applications must be made to a British Embassy, Consulate General or High Commission (collectively known as

British diplomatic posts) through one of the UK's Commercial Partners' offices in the individual's home country or country of legal residence. Applications for visit visas and EEA Family Permits as well as under Tier 5 of the Points Based System (see *Non-EEA nationals* in Section G) can be made from any country.

Applications for entry clearance may be refused if the applicant has breached UK immigration rules during the preceding 10 years. Providing misleading or false information when applying for entry clearance or leave to enter may result in an individual being barred from entering the UK for up to 10 years.

A British diplomatic post approving entry clearance for longer than six months may stipulate that the individual must register with the police within seven days of arriving in the UK. Nationals of EEA or Commonwealth counties are not required to register with the police.

UK authorities may impose financial penalties on airlines and shipping companies that bring unauthorized passengers to the UK. This legislation was introduced to reduce the number of persons who are turned away at the port of entry because they do not have the necessary visa.

The UK government has introduced an Immigration Health Surcharge (separate from the visa fee). The surcharge is payable by non-EEA migrants coming to the UK for more than six months. The surcharge is currently set at GBP400 per year for the main applicant and each dependent, and GBP300 per year for students.

Visitors. Individuals coming to the UK as tourists or business visitors are normally granted admission for a period of six months. The rules regarding business visitors are complex and should be considered on a case-by-case basis. In general, business visitors are prohibited from working while in the UK or receiving a salary in the UK. However, they are allowed to attend meetings, transact business and negotiate contracts with UK companies. It is advisable that an individual planning to come to the UK as a business visitor carry a letter from his or her employer stating the purpose and duration of the visit.

The UK government has identified specific categories of individuals who are permitted to perform paid activities in the UK. They are allowed to perform "work" for which they can receive payment, but only for a period of up to one month. These categories are visiting academic examiners, lecturers, pilot examiners and advocates/lawyers, and activities related to the arts or entertainment.

Visa nationals coming to the UK must obtain entry clearance before traveling to the UK. Although non-visa nationals coming to the UK as visitors for up to six months do not require entry clearance, they must restrict their activities to those prescribed and permitted under the business visitor rules.

G. Entry for the purposes of employment, self-employment, studying, government-exchange program and other purposes

Under the Immigration Act of 1971 and the British Nationality Act of 1981, certain individuals have right of abode, which in most cases entitles the bearer to live and work in the UK without restriction. These acts preclude the necessity for entry clearance for certain qualified individuals. Individuals who do not have right of abode and who wish to live and work in the UK must apply for the appropriate immigration document and/or entry clearance (visa). Whether a combination of these items is required depends on the individual's circumstances.

EEA and Swiss nationals. The EEA consists of the following countries.

Austria	Greece	Netherlands
Belgium	Hungary	Norway
Bulgaria	Iceland	Poland
Croatia	Ireland	Portugal
Cyprus	Italy	Romania
Czech Republic	Latvia	Slovak Republic
Denmark	Liechtenstein	Slovenia
Estonia	Lithuania	Spain
Finland	Luxembourg	Sweden
France	Malta	United Kingdom
Germany		

For the purposes of entry on the grounds of employment, the list of countries above extends to Switzerland, notwithstanding the fact that Switzerland is not a member of the EEA.

Nationals of EEA countries currently have full rights of access to the UK labor market.

EEA nationals may apply for a residence document on arrival in the UK, but this is not mandatory. After an individual has been resident in the UK for five years, he or she may qualify for permanent residence, subject to meeting certain requirements. See *Brexit* in Section F regarding the post-Brexit position of EEA nationals.

In all cases, non-EEA dependents who wish to join an EEA family member in the UK should obtain an EEA Family Permit (usually valid for six months) from a British diplomatic post before traveling to the UK.

Non-EEA nationals. In general, non-EEA nationals, and persons without settled status or a right of abode who wish to come to the UK for the purpose of employment must obtain the requisite entry clearance for that purpose before traveling to the UK.

The UK's Points Based System (PBS) is a points-scoring system under which applicants are awarded points to reflect earnings, experience and the demand for skills in certain sectors. Illegal working legislation has increased the penalties for employers who breach the requirements. These measures are aimed at strengthening the government's ability to control immigration more effectively.

The PBS consists of five tiers.

Tier 1. Tier 1 has several subcategories:

The Tier 1 (Exceptional Talent) category is intended for individuals who are internationally recognized in their field as a leading global talent. The UK government has limited the number of applications that can be made, with 1,000 places released on both 6 April and 1 October each year. Every initial application must be endorsed by a "designated competent body" before a visa application can be made.

The Tier 1 (Graduate Entrepreneur) category is closing 5 July 2019 and is being replaced by the Start-up visa.

The Tier 1 (Entrepreneur) category was closed to applications to enter the scheme on 28 March 2019. However, the category, which applies to individuals who intend to invest in the UK by setting up or taking over the running of a UK business, is still open to those eligible to extend their visa or who are eligible to switch from the Tier 1 (Graduate Entrepreneur) category (see above).

The Tier 1 (Start-up) and Tier 1 (Innovator) categories were opened on 29 March 2019. Applications under these categories require an endorsement by an approved body, which will assess whether an individual's business idea is new and viable and has potential for growth. The Tier 1 (Start-up) category is available for those looking to set up a business in the UK and permits a stay for up to two years without the option of extension. The Tier 1 (Innovator) category is available for those wishing to set up and invest at least EUR50,000 of funds into a business and initially permits an stay for three years with the option to extend for further three-year periods with the potential to apply for settlement after five years. Business organizations with a history of supporting UK entrepreneurs may be eligible to apply to become endorsing bodies.

The Tier 1 (Investor) category applies to individuals who intend to make a large investment in the UK. Such individuals need access to a minimum of GBP2 million that is disposable and held in a regulated financial institution and must have a UK bank account for investment purposes. Accelerated routes to settlement are available to individuals who can invest GBP5 million in three years or GBP10 million in two years.

Tier 2. The Tier 2 (General) category applies to skilled workers with a licensed sponsor that has offered them a job in the UK. A key feature is that employers must obtain a sponsor license in order to sponsor non-EEA nationals coming to the UK. Sponsors are required to estimate their use of Certificates of Sponsorship (CoS) in different categories on an annual basis. They are also subject to reporting and compliance requirements to maintain their status as licensed sponsors.

Applications can be submitted from within the UK if permissible (for example, extensions' applications for existing Tier 2 migrants, students or individuals seeking to change employment) or from outside the UK. The employer must usually satisfy the Resident Labour Market Test (unless an exemption applies) to demonstrate that it has been unable to fill the post with a settled

worker and is therefore employing a non-visa national. Except for nationals from a handful of majority-English-speaking countries, individuals who wish to work in the UK under Tier 2 (General) must provide specified documents to show that they have a good knowledge of English at Level B1. The minimum salary requirement for roles in this category is currently GBP30,000 per year for experienced workers and GBP20,800 for new entrants. Salaries must also meet the minimum set out in the relevant Standard Occupation Classification (SOC) Code published by UK Visas and Immigration. There is also a maintenance requirement to be met if the individual's sponsor does not certify the maintenance associated with the individual's application.

This category is subject to an annual limit of 20,700 places, from 6 April of each year to 5 April of the following year, with the exception of individuals who will receive an annual salary of at least GBP159,600 per year. Licensed sponsors must apply for a "restricted" certificate of sponsorship (if applicable) through the monthly allocation. The sponsor must already have carried out the Resident Labour Market Test (if applicable) before applying for a "restricted" certificate of sponsorship. Individuals who receive a guaranteed salary of at least GBP159,600 are exempt from the Resident Labour Market Test requirement as well as the "cooling off period" (see below).

When a Tier 2 visa holder leaves the UK at the end of his or her stay or moves to another immigration category, he or she may not apply for a new Tier 2 visa until 12 months have passed. This is known as the "cooling off period." Several exceptions exist, most notably if the guaranteed salary will be at least GBP159,600.

Once a migrant has spent a continuous period of five years in the UK as a Tier 2 migrant, he or she is eligible to apply for indefinite leave to remain provided that he she also meets the other criteria as well.

The Tier 2 (Intra-Company Transfer) or ICT category has two subcategories, which are Tier 2 (ICT: Long Term) and Tier 2 (ICT: Graduate Trainee).

The Tier 2 (ICT: Long Term) category applies to overseas employees of multinational companies who are being transferred to a UK-based branch of the organization. These employees must have normally worked abroad with the company for at least 12 months unless their salary is at least GBP73,900 in which case this requirement is waived. Individuals who enter the UK under this category must fill roles at graduate level or above. The minimum annual salary threshold for this category is GBP41,500. Individuals must also receive at least the minimum salary specified in the relevant SOC Code for their particular occupation. Individuals are not required to demonstrate English-language ability for the Tier 2 ICT category. It is possible to apply for an initial grant of entry clearance for a period of five years (or to apply for an initial period three years, with the option of a further extension in-country to bring the total grant of leave to five years. Typically, it is not possible to extend leave beyond 5 years and individuals are then subject to the 12-month cooling off period. However, employees who receive an annual salary of at least GBP120,000 may extend their leave up to nine years and are also

exempt from the cooling off period when returning to the UK in the Tier 2 (ICT) category.

The Tier 2 (ICT: Graduate Trainee) category applies to recent graduate employees of multinational companies with at least three months overseas' service who are being transferred to the UK-based branch of the organization for no more than 12 months. Individuals may only come to the UK in this category if they are part of a structured graduate training program with clearly defined progression toward a managerial or specialist role within the organization. Only certain roles are eligible to qualify for this visa. Only 20 graduate trainee visas may be issued per sponsor per financial year. Graduate Trainees must be paid a minimum salary of GBP23,000 per year, or the minimum salary threshold as specified in the relevant SOC Code, whichever is higher.

UK employers are now required to pay an Immigration Skills Charge (ISC) for employing Tier 2 (General) and Tier 2 (ICT) migrant workers with some exceptions. The exact amount depends on the size of the organization and how long the worker will be employed. For large sponsors, this amount is GBP1,000 per person per year.

The Tier 2 (Minister of Religion) category applies to individuals coming to the UK as religious workers for religious organizations. Individuals coming to the UK under this category are required to meet the English language requirement at Level B2.

The Tier 2 (Sportsperson category) applies to elite sports people and coaches who are internationally established at the highest level and will make a significant contribution to the development of their sport. Individuals coming to the UK under this category are required to meet the English language requirement at Level A1.

Tier 4. Tier 4 covers individuals wishing to study in the UK. Such individuals must be sponsored by a licensed educational institution in the UK and meet the English language and maintenance requirements.

Tier 5. Tier 5 covers the following temporary workers:
- Individuals coming to the UK to work or perform as sportspersons, entertainers or creative artists
- Individuals coming to the UK to do voluntary work for charity
- Individuals coming to the UK to work temporarily as religious workers
- Individuals coming to the UK through Government Approved Exchange Programs for the purposes of internships or work experience
- Individuals coming to the UK under contract to do work that is covered under international law

Tier 5 also covers young people (aged from 18 years to 30 years) from participating jurisdictions who would like to experience life in the UK under the Youth Mobility scheme for up to two years. For 2019, the following are the jurisdictions participating in the scheme, and the number of places or certificates of sponsorship allocated to them:
- Australia: 31,000

- Canada: 6,000
- Japan: 1,000
- Hong Kong SAR: 1,000
- Korea (South): 1,000
- Monaco: 1,000
- New Zealand: 14,000
- Taiwan: 1,000

Nationals from Korea (South) who want to apply must obtain sponsorship before making an application in this category.

Permit-free employment categories. Individuals who fall into certain categories do not need permission to work in the UK but must obtain prior entry clearance from a British diplomatic post before entering the UK. These include the following:

- UK Ancestry: Commonwealth nationals with a British-born grandparent or right of abode
- Representatives of an Overseas Business: Representatives of a business that does not have a branch, subsidiary or other representation in the UK, including representatives of foreign newspapers, broadcasters or news agencies on a long-term assignment to the UK
- Individuals coming to the UK as representatives of foreign governments or as employees of the United Nations or other international organizations

Further details regarding the first two categories are provided below.

UK Ancestry. A Commonwealth citizen with a British-born parent or grandparent may be given permission to live and work in the UK for five years. At the end of this period, the individual may be eligible to apply for Indefinite Leave to Remain (ILR; see Section H) in the UK.

Representatives of an Overseas Business. The purpose of the visa category for Representatives of an Overseas Business is for a business to introduce its products into the UK market by bringing senior-level overseas employees to the UK to set up operations.

To obtain entry clearance as a representative, an individual must prove that he or she will be a representative of a particular overseas company in the UK. He or she must also demonstrate that a need exists for his or her presence in the UK and that it is his or her intention to establish a subsidiary or branch of the foreign company after entering the UK.

A representative must remain under the direct control of the overseas company. Initially, entry clearance is usually granted for up to three years. After this period, the individual can apply for an extension if certain criteria are met. Indefinite Leave to Remain (ILR; see Section H) is also possible after five years, subject to meeting further eligibility criteria.

H. Indefinite Leave to Remain

If an individual has been living and working in the UK continuously for five years with valid leave in a relevant immigration category, he or she and his or her dependents may be eligible to apply for Indefinite Leave to Remain (ILR). Individuals applying for ILR

on the basis of their sponsored employment are required to meet a minimum salary threshold of GBP35,800 from April 2019. This minimum salary threshold is set to increase on an annual basis each April (and from April 2020 is expected to increase to GBP36,200).

An individual who has obtained leave as the partner of a British citizen or person settled in the UK must reside in the UK continuously for five years before he or she qualifies for ILR.

ILR status removes the time and employment restrictions that were imposed when an individual first entered the UK. This means that the individual may be able to settle permanently in the UK and take up any employment. The individual is free from immigration restrictions.

An individual can retain his or her ILR status during a period of absence if he or she is not away from the UK for a continuous period of more than 24 months and if he or she retains close ties with the UK during his or her absences; that is, when the individual returns to the UK, he or she is returning to reside, not to visit.

I. Family and personal considerations

Family members. The dependents of a non-EEA (and non-Swiss) national admitted to the UK under most categories are admitted for the same period as the main applicant and are eligible to take employment. Subject to some restrictions, dependents generally include the permit holder's spouse, unmarried or civil partner and children less than 18 years of age. However, dependents must obtain entry clearance before accompanying the principal applicant to the UK.

The spouse or civil partner and dependents (including children under 21 years of age, parents and grandparents) of an EEA national or a Swiss national, regardless of whether they are EEA or Swiss nationals themselves, are also granted entry rights including the right to work for an initial period of six months. On entry into the UK, they may extend their stay by applying for a residence card. EEA or Swiss nationals and their dependents are not required to register with the police (see Section F). Also, see *Brexit* in Section F regarding the post-Brexit position of EEA nationals.

The UK immigration rules contain provisions to accommodate non-EEA family members of British citizens. However, such applications should be assessed on a case-by-case basis. Individuals are typically issued entry clearance for a period of 33 months with the option to extend this status from within the UK and make an application for ILR on the completion of 5 years' continuous lawful residence in the UK.

Driver's permits. Most foreign nationals may drive legally in the UK with their home jurisdiction driver's licenses for 12 months. After 12 months, foreign nationals must either exchange their license for a UK license or apply for a provisional driving license and then pass the theory and practical driving tests to continue driving in the UK. EU nationals can drive in the UK on their full, valid license until they are 45 years old, or for 5 years after they become resident in the UK, whichever is longer.

J. Other matters

British citizenship. In certain circumstances, an individual may be eligible to apply to naturalize as a British citizen after a continuous period of five years' residence in the UK, the last 12 months of which must have been as a holder of ILR. In most cases, an individual should be eligible for naturalization after a continuous period of residence of six years in the UK (five years to obtain ILR and one further year free of immigration conditions).

An individual married to a British citizen may be able to apply to naturalize as a British citizen if he or she has continuously resided in the UK for three years and is a holder of ILR at the time the application is made. In practice, because the partner of a British citizen can now only obtain ILR after five years, it still takes five years to qualify for naturalization in most circumstances. The UK allows dual nationality. However, not all countries allow dual nationality. Consequently, this should be confirmed before making an application.

Identity cards for non-EEA nationals. The government has introduced identity cards (Biometric Residence Permits, or BRP cards) for foreign nationals in the UK. BRP cards replace the stickers or vignettes in passports. Identity cards have now been introduced for all migrant worker categories, applications for ILR and applications for leave as an unmarried partner, same-sex partner or spouse. Individuals granted entry clearance now receive a vignette in their passport valid for 30 days and are required to collect their BRP cards from a participating post office in the UK on arrival.

Tuberculosis testing. Individuals resident in certain countries who are coming to the UK for more than six months are required to have a tuberculosis (TB) test.

An individual is given a chest X-ray to test for TB. If the result of the X-ray is not clear, the individual may also be asked to give a sputum sample (phlegm coughed up from the lungs).

If the test shows that the individual does not have TB, he or she is given a certificate that is valid for six months. This certificate must be included with the UK visa application.

A TB test is not required for the following individuals:
- Diplomats accredited to the UK
- Residents of the UK who are returning within two years of leaving
- Holders of certificates of entitlement (right of abode in the UK) for more than six months who are applying for another visa within six months of leaving their country of residence

All children must see a clinician who decides if they need a chest X-ray. Children under 11 will not normally have a chest X-ray. A parent must take his or her child to an approved clinic and complete a health questionnaire. If the clinician decides the child does not have TB, the clinician gives a certificate to the parent. This certificate must be included with the child's UK visa application.

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A. Income tax

Who is liable

Territoriality. US citizens and resident aliens are subject to tax on their worldwide income, regardless of source. US citizens and resident aliens may exclude, however, up to USD105,900 (for 2019) of their foreign-earned income plus certain housing expenses if they meet specified qualifying tests and if they file US tax returns to claim the exclusion.

* All immigration services described in this chapter are provided by EY Law LLP, Ernst & Young Tower, 100 Adelaide Street West, P.O. Box 1, Toronto, Ontario M5H 0B3, Canada.

A nonresident alien is subject to US tax on income that is effectively connected with a US trade or business and on US-source fixed or determinable, annual or periodic gains, profits and income (generally investment income, including dividends, royalties and rental income). US-source investment income is taxed on a gross basis at a flat rate of 30%. Income effectively connected with a US trade or business is taxed after subtracting related deductions at the graduated rates listed in *Rates*. Portfolio interest and, generally, capital gains from the sale of stock in a US company are exempt from the 30% tax. Moreover, an election to tax rental income on a net basis is available. However, gains from sales of US real property interests are usually considered to be effectively connected income, and special complex rules apply.

Definition of resident. Residence for income tax purposes generally has no bearing on an individual's immigration status. Generally, foreign nationals may be considered resident aliens if they are lawful permanent residents ("green card" holders; see Section G) or if their physical presence in the United States meets the substantial presence test. Under the substantial presence test, a foreign national is deemed to be a US resident if the individual fulfills both of the following conditions:

- The individual is present in the United States for at least 31 days during the current year.
- The individual is considered to have been present in the United States for at least 183 days during a consecutive three-year test period that includes the current year, using a formula weighted with the following percentages:

Current year	100.00%
First preceding year	33.33%
Second preceding year	16.67%

  For example, 122 days of presence during each of the three consecutive years causes a foreign national to be considered a US resident under the substantial presence test.

Among several exceptions to the substantial presence test are the following:

- Days present as a qualified student, teacher or trainee, or if a medical condition prevented departure, are not counted.
- An individual might claim to be a nonresident of the United States by virtue of having a closer connection (such as a tax home) to a foreign country.
- Bilateral income tax treaties may override domestic US tax rules for dual residents.

The Internal Revenue Service (IRS) has issued regulations that require individuals to file statements with the IRS setting forth the facts that prove their claims for these exceptions.

In certain circumstances, it may be beneficial for an individual to be considered a resident of the United States for income tax purposes. An individual may make what is known as a first-year election to be treated as a resident in the year of arrival if certain conditions are met.

Income subject to tax. In general, gross income must be segregated into the following three separate baskets:

- Earned income, which is generally salary and earnings from active trades or businesses
- Portfolio income, which is generally investment income, including interest, dividends, certain royalties and gains from the disposition of investment property
- Passive income, which is generally income from traditional tax-shelter investments including real estate

Examples of items that are not included in taxable income are gifts, unrealized appreciation in the value of property, interest received on municipal bonds, certain amounts received (for example, death benefits paid) under US qualified life insurance contracts, certain employer-paid education costs, employer-paid retirement planning services, and qualified distributions from Roth individual retirement accounts (IRAs) or education savings accounts.

Employment income. In addition to cash payments, taxable salary generally includes all employer-paid items, except medical insurance premiums, pension contributions to a US qualified plan and, for qualifying individuals on short-term assignments of one year or less, meals and temporary housing expenses.

Education allowances provided by employers to their employees' children are taxable for income and social security tax purposes.

In general, a nonresident alien who performs personal services as an employee in the United States at any time during the tax year is considered to be engaged in a US trade or business. An exception to this rule applies to a nonresident alien performing services in the United States if all of the following conditions apply:
- The services are performed for a foreign employer.
- The employee is present no more than 90 days during the tax year.
- Compensation for the services does not exceed USD3,000.

These conditions are similar to those contained in many income tax treaties, although the treaties often expand the time limit to 183 days and increase or eliminate the maximum dollar amount of compensation.

If an employee does not fall under the above statutory exception or under a treaty exception, all US-source compensation received in that year is considered effectively connected income (not just the amount exceeding the USD3,000 limitation or the dollar limitation under a treaty). This income includes wages, bonuses and reimbursements for certain living expenses paid to, or on behalf of, the employee.

Compensation is considered to be from a US source if it is paid for services performed in the United States. The place where the income is paid or received is irrelevant in determining its source. If income is paid for services performed partly in the United States and partly in a foreign country, and if the amount of income attributable to services performed in the United States cannot be accurately determined, the US portion is determined on a workday ratio basis. Fringe benefits that meet certain requirements are sourced to the person's principal place of work. These benefits include moving expenses, housing, primary and secondary education for dependents and local transportation.

Effectively connected income retains its character even if received before or after a US trade or business ceases operations. Consequently, wages for services performed in the United States, but received during a year in which a nonresident alien reports no US workdays, are taxed at the graduated rates instead of the flat 30% rate.

States often follow the federal tax treatment in determining if a nonresident alien's income is subject to state taxation; however, certain states tax income of a nonresident regardless of federal tax treatment or treaty relief.

Self-employment income. In general, a nonresident alien who performs independent personal services in the United States at any time during the tax year is considered to be engaged in a US trade or business.

Although subject to tax at the graduated rates, compensation paid to a nonresident alien for performing independent personal services in the United States is subject to a 30% withholding tax. A nonresident alien must file a US tax return to claim a refund or to pay any additional tax due. If compensation is exempt from US tax under an income tax treaty, a nonresident alien may request exemption from withholding by preparing Form 8233, Exemption from Withholding on Compensation for Independent Personal Services of a Nonresident Alien Individual, and then giving it to the withholding agent (payer). In addition, many US income tax treaties contain separate provisions affecting the taxation of independent personal services income.

Investment income. Dividends, interest income and capital gains are considered portfolio income and are generally taxed at the ordinary rates (however, see *Capital gains and losses*, and *Dividends*). Certain types of interest income, including interest on certain state and local government obligations, are exempt from federal tax, but may be subject to alternative minimum tax (AMT; see *Rates*).

Net income from the rental of real property and from royalties is aggregated with other income and taxed at the rates set forth in *Rates*. Foreign rental properties considered to be qualified business units have an additional filing requirement of Form 8858 from 2018 onward.

Directors' fees. In general, directors' fees are considered to be earnings from self-employment (see *Self-employment income*).

Deferred compensation and participation in foreign pension plans. The United States has very complex rules regarding the taxation of deferred compensation. If a plan of deferral does not meet the requirements of the law, significant penalties and interest may be charged. Complex rules apply to the taxation related to participation in a non-US retirement plan. In many cases, continued participation in the home country plan may result in income that is taxable in the United States. Certain income tax treaties attempt to address this issue.

Income from certain foreign corporations. Under a complex set of rules, US citizens and residents with ownership interests in "controlled foreign corporations" may be subject to US tax on certain categories of income, even if the income has not been

distributed to them as a dividend. Beginning in 2018, the categories of income subject to current taxation are expanded. Individuals who were subject to these rules in 2017 were required to calculate a "transition tax" when filing their 2017 tax returns. The transition tax affected certain taxpayers in 2018 with fiscal year-ends. Taxpayers may have elected to pay the transition tax in eight annual installments.

Taxation of employer-provided stock options

Qualified stock option plans. Under incentive stock option (ISO) rules, options provided to employees under qualified stock option plans are not subject to tax at the time the option is granted nor at the time the employee exercises the option and buys the stock. However, at the time of exercise, the difference between the exercise price and the fair market value of the stock at the date of exercise is considered a tax preference item for AMT purposes (see *Rates*). Tax is levied at capital gains tax rates when the employee sells the stock (see *Capital gains and losses*). The employee's basis in the stock is the amount paid for the stock at the time the option is exercised. Consequently, the employee recognizes a capital gain or loss in the amount of the difference between the sale price and the grant price. For purposes of determining whether the capital gain is long-term or short-term, the holding period begins on the date after the option is exercised, not on the date the option is granted. Stock purchased under an ISO may not be sold within two years from the grant date and within one year from the exercise date. If the stock is sold before the expiration of the required holding period, any gain on the sale is treated as ordinary income.

Non-qualified stock option plans. A stock option provided to an employee under a non-qualified plan is taxed when it is granted if the option has a readily ascertainable fair market value at that time. An option that is not actively traded on an established market has a readily ascertainable fair market value only if all of the following conditions are met:

- The option is transferable.
- The option is exercisable immediately and in full when it is granted.
- No conditions or restrictions are placed on the option that would have a significant effect on its fair market value.
- The fair market value of the option privilege must be readily ascertainable.

The above conditions are seldom satisfied. Consequently, most non-qualified options that are not traded on an established market do not have a readily ascertainable fair market value and are not taxable at the date of grant.

The exercise of a non-qualified stock option triggers a taxable event. An employee recognizes ordinary income in the amount of the value of the stock purchased, less any amount paid for the stock or the option. When the stock is sold, the difference between the sale price and the fair market value of the stock at the date of exercise, if any, is taxed as a capital gain.

Capital gains and losses. Net capital gain income is taxed at ordinary rates, except that the maximum rate for long-term gains is limited to the following:

- 0% for married individuals filing jointly, with a maximum taxable income of USD78,750 (USD39,375 for single individuals)
- 15% for married individuals filing jointly, with a maximum taxable income of USD488,850 (USD434,550 for single individuals)
- 20% for married individuals filing jointly, with taxable income of more than USD488,850 (USD434,550 for single individuals)

Net capital gain is equal to the difference between net long-term capital gains over net short-term capital losses. Long-term refers to assets held longer than 12 months. Short-term capital gains are taxed as ordinary income at the rates set forth in *Rates*.

Investors who hold "qualified small business stock" may be entitled to exclude from income part or all of the gain realized on disposition of the stock.

Once every two years, US taxpayers, including resident aliens, may exclude up to USD250,000 (USD500,000 for married taxpayers filing jointly) of gain derived from the sale of a principal residence. To be eligible for the exclusion, the taxpayer must generally have owned the residence and used it as a principal residence for at least two of the five years immediately preceding the sale. However, if a taxpayer moves due to a change in place of employment, for health reasons or as a result of unforeseen circumstances, a fraction of the maximum exclusion amount is allowed in determining whether any taxable gain must be reported. The numerator of the fraction is generally the length of time the home is used as a principal residence, and the denominator is two years. The repayment of a foreign currency mortgage obligation may result in a taxable exchange-rate gain, regardless of any economic gain or loss on the sale of the principal residence. In certain cases, part of the gain on the sale of a principal residence may not be eligible for exclusion. To the extent the taxpayer has "non-qualified use" of the property, that portion of the gain (determined on a time basis over the total holding period of the property) is not eligible for exclusion from income. A complex set of rules applies to determine whether a particular use of the property, such as renting out the property or leaving it vacant, is considered a "non-qualified use."

Capital losses are fully deductible against capital gains. However, net capital losses are deductible against other income only up to an annual limit of USD3,000. Unused capital losses may be carried forward indefinitely. Losses attributable to personal assets (for example, a personal residence or an automobile) are not deductible.

Dividends. Dividends received by individuals from domestic corporations and "qualified foreign corporations" are taxed at the same special rates as those applicable to net capital gains, for both the regular tax and the alternative minimum tax. See *Capital gains and losses* for the tax rates.

To qualify for the 15% (or 0% or 20%) tax rate, the shareholder must hold a share of stock for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date. Other dividends are taxed at ordinary rates.

Deductions

Deductible expenses. Certain types of deductions, including amounts related to producing gross income, are subtracted to arrive at adjusted gross income. Alimony payments to a former spouse and contributions to health savings accounts are among the most commonly claimed deductions in this category. See new rules below for post-2018 divorce agreements. Alimony (but not child support) must meet certain criteria, and must be included in the recipient's gross income, to be deductible by the payer. Child support payments are neither deductible by the payer nor includible in the income of the recipient. A tax of 30% generally must be withheld (and remitted to the IRS) from alimony paid by a US citizen or resident to a nonresident-alien former spouse. Certain US income tax treaties may reduce the 30% withholding tax rate (see Section E).

For divorce agreements executed after 31 December 2018 (or modified after that date to reflect the new tax rules), alimony payments are not deductible, and alimony received is not taxable.

Complex rules determine eligibility for other deductions from gross income. For example, depending on the taxpayer's income level, interest of up to USD2,500 on qualified educational loans, and individual retirement account (IRA) contributions of up to USD6,000 (USD7,000 if age 50 or older at the end of 2019) may be deducted.

After adjusted gross income is determined, a citizen or resident alien is entitled to claim the greater of itemized deductions or a standard deduction. The amount of the standard deduction varies, depending on the taxpayer's filing status. For 2019, the standard deduction is USD24,400 for married individuals filing a joint return, USD18,350 for a head of household, USD12,200 for a single (not married) individual and USD12,200 for a married taxpayer filing a separate return.

Itemized deductions include the following items:
- Unreimbursed medical expenses to the extent that they exceed 10% of adjusted gross income (from 1 January 2019)
- Income, general sales, and property taxes of US states and localities, but limited to USD10,000 in total
- Foreign income taxes paid if a foreign tax credit is not elected
- Certain interest expenses, generally home mortgage interest and investment interest expenses, with new limitations with respect to home mortgage interest
- Casualty losses to the extent they are attributable to specified natural disasters
- Gambling losses to the extent of gambling winnings
- Charitable contributions made to qualified US charities

A nonresident alien may not use the standard deduction instead of actual itemized deductions. Also, the types of itemized deductions a nonresident alien may claim are limited to charitable contributions made to qualified US charities, and state and local taxes imposed on effectively connected income (limited to USD10,000). A nonresident alien may not claim an itemized deduction for medical expenses, taxes (other than state and local income taxes) or most interest expenses.

Business deductions. Self-employed individuals are entitled to the same deductions as employees, which after the 2017 Tax Cuts and Jobs Act are very limited. However, they may also deduct directly related ordinary and necessary business expenses. Special rules may apply to limit business deductions if a taxpayer's business activity does not result in a profit for three of five years. In this situation, the activity may be classified as a hobby, and the expenses are deductible only if they qualify as itemized deductions. Self-employed individuals may establish, and may deduct contributions paid to, their own retirement plans, subject to special limitations.

Beginning in 2018, taxpayers may be entitled to deduct up to 20% of their "qualified business income," when calculating taxable income. This 20% deduction is calculated under a complex set of rules. There are many limitations to this deduction, including whether the taxpayer operates a qualified business and whether the individual's taxable income is below the overall limit of USD160,700 (USD321,400 for married filing joint return). In general, qualified business income does not include income from performing services as an employee.

Rates. The applicable US tax rates depend on whether an individual is married or not and, if married, whether an individual elects to file a joint return with his or her spouse. Certain individuals also qualify to file as heads of households.

Unmarried nonresident aliens are taxed under the rates for single individuals. Married nonresidents whose spouses are also nonresidents are generally taxed under the rates for married persons filing separately.

The tax brackets and rates for 2019 are set forth in the tables below. The income brackets in these tables are indexed annually for inflation. The following are the tables.

Married filing joint return

Taxable income	Amount of tax
Not over USD19,400	10% of the taxable income
Over USD19,400 but not over USD78,950	USD1,940 plus 12% of the excess over USD19,400
Over USD78,950 but not over USD168,400	USD9,086 plus 22% of the excess over USD78,950
Over USD168,400 but not over USD321,450	USD28,765 plus 24% of the excess over USD168,400
Over USD321,450 but not over USD408,200	USD65,497 plus 32% of the excess over USD321,450
Over USD408,200 but not over USD612,350	USD93,257 plus 35% of the excess over USD408,200
Over USD612,350	USD164,709.50 plus 37% of the excess over USD612,350

Married filing separate return

Taxable income	Amount of tax
Not over USD9,700	10% of the taxable income
Over USD9,700 but not over USD39,475	USD970 plus 12% of the excess over USD9,700
Over USD39,475 but not over USD84,200	USD4,543 plus 22% of the excess over USD39,475

Married filing separate return

Taxable income	Amount of tax
Over USD84,200 but not over USD160,725	USD14,382.5 plus 24% of the excess over USD84,200
Over USD160,725 but not over USD204,100	USD32,748.50 plus 32% of the excess over USD160,725
Over USD204,100 but not over USD306,175	USD346,628.50 plus 35% of the excess over USD204,100
Over USD306,175	USD82,354.75 plus 37% of the excess over USD306,175

Head of household

Taxable income	Amount of tax
Not over USD13,850	10% of the taxable income
Over USD13,850 but not over USD52,850	USD1,385 plus 12% of the excess over USD13,850
Over USD52,850 but not over USD84,200	USD6,065 plus 22% of the excess over USD52,850
Over USD84,200 but not over USD160,700	USD12,962 plus 24% of the excess over USD84,200
Over USD160,700 but not over USD204,100	USD31,322 plus 32% of the excess over USD160,700
Over USD204,100 but not over USD510,300	USD45,210 plus 35% of the excess over USD204,100
Over USD510,300	USD152,380 plus 37% of the excess over USD510,300

Single individual

Taxable income	Amount of tax
Not over USD9,700	10% of the taxable income
Over USD9,700 but not over USD39,475	USD970 plus 12% of the excess over USD9,700
Over USD39,475 but not over USD84,200	USD4,543 plus 22% of the excess over USD39,475
Over USD84,200 but not over USD160,725	USD14,382.50 plus 24% of the excess over USD84,200
Over USD160,725 but not over USD204,100	USD32,748.50 plus 32% of the excess over USD160,725
Over USD204,100 but not over USD510,300	USD46,628.50 plus 35% of the excess over USD204,100
Over USD510,300	USD153,798.50 plus 37% of the excess over USD510,300

The above rates are used to compute an individual's regular federal tax liability. In addition, higher income taxpayers (income over USD250,000 for married filing jointly and USD200,000 for single) are subject to a 3.8% tax on their "net investment income." The definition of "net investment income" is broad and essentially includes all income other than income from a trade or business. Compensation from personal services is generally excluded from this tax.

The United States also imposes alternative minimum tax (AMT) at a rate of 26% on alternative minimum taxable income, up to USD194,800, and at a rate of 28% on alternative minimum taxable income exceeding USD194,800 (long-term capital gains and qualified dividends are generally taxed at lower rates of 15% or 20%; see *Capital gains and losses* and *Dividends*). The

primary purpose of AMT is to prevent individuals with substantial income from using preferential tax deductions (such as accelerated depreciation), exclusions (such as certain tax-exempt income) and credits to substantially reduce or to eliminate their tax liability. It is an alternative tax because, after an individual computes both the regular tax and AMT liabilities, the greater of the two amounts constitutes the final liability.

Some states, cities and municipalities also levy income tax. City or municipal income tax rates are generally 1% or lower. However, the top 2019 rate for residents of New York City is 3.876%. State income tax rates generally range from 0% to 12%. Therefore, an individual's total income tax liability depends on the state and the municipality where the individual resides or works. For a list of maximum state and certain local tax rates, see Appendix 1.

Credits. Tax credits directly reduce income tax liability rather than taxable income and therefore provide a dollar-for-dollar benefit. Most credits are limited, depending on the taxpayer's income level. Credits include a maximum USD14,080 credit for qualified adoption expenses, a USD2,000 child tax credit for dependents under 17 years of age (and who have a social security number), a USD500 credit for certain other dependents, and two alternative higher education credits, with maximums of USD2,000 and USD2,500, respectively.

Relief for losses. In general, passive losses, including those generated from limited-partnership investments or rental real estate, may be offset only against income generated from passive activities.

Limited relief may be available for real estate rental losses. For example, an individual who actively participates in rental activity may use up to USD25,000 of losses to offset other types of income. The USD25,000 offset is phased out for taxpayers with adjusted gross income of between USD100,000 and USD150,000, and special rules apply to married individuals filing separate tax returns.

Disallowed losses may be carried forward indefinitely and used to offset net passive income in future years. Any remaining loss may be used in full when a taxpayer sells the investment in a transaction that is recognized for tax purposes.

B. Other taxes

Net worth tax. No federal tax is levied on an individual's net worth. However, some states and municipalities impose a tax on an individual's net worth.

Estate and gift tax. US estate and gift taxes are imposed at graduated rates ranging from 18% to 40% on the value of property transferred by reason of death or gift. In general, citizens and residents are entitled to a unified exemption of USD10 million (indexed for inflation; USD11,400,000 for 2019) on these taxes. No exemption is available to non-US citizens or residents for gift tax purposes, and an exemption of only USD60,000 is available to non-US citizens or residents for estate tax purposes. A third transfer tax, known as the generation-skipping transfer (GST) tax, operates under a complex set of rules.

In general, transfers between spouses who are US citizens, or from a non-US citizen to a US citizen spouse, are not subject to estate or gift taxes. However, transfers from a US citizen to a non-US citizen spouse may be subject to estate or gift tax.

Like US income tax rules, US estate and gift tax rules differ, depending on whether a foreign national is considered to be a resident or nonresident alien. However, the distinction between residents and nonresidents differs from that under US income tax rules. For estate and gift tax purposes, a nonresident is a foreign national who is not a US citizen and whose domicile is outside the United States at the date of death or gift. A person's domicile is defined generally as the place the individual regards as his or her permanent home—that is, the place where he or she is living with no present intention of leaving.

Application of US estate and gift tax rules may be modified if a nonresident alien is a resident of a country that has entered into an estate and gift tax treaty with the United States. The United States currently has estate and/or gift tax treaties with the following jurisdictions.

Australia	Germany	Netherlands
Austria	Greece	Norway
Denmark	Ireland	South Africa
Finland	Italy	Switzerland
France	Japan	United Kingdom

Gift tax. US citizens and resident aliens are subject to gift tax on transfers of all property, tangible and intangible, regardless of the location of the property. Tax is imposed on the fair market value of property on the date of the gift, at graduated rates determined by the individual's cumulative lifetime transfers.

Each year, a donor is entitled to exclude from taxable income gifts of present interests valued at up to USD15,000 (for 2019) for each recipient. A husband and wife may elect to treat gifts made by one spouse as being made one-half by each spouse if both spouses are US citizens or residents. This gift-splitting election on joint gifts increases the annual exclusion to USD30,000 (for 2019) for each recipient. Gifts in excess of the annual exclusion are subject to taxes ranging from 18% to 40%. However, a credit may be used to offset this liability.

A US citizen or resident is exempt from gift tax on annual transfers (other than gifts of future interests in property) of up to USD155,000 for 2019) to a non-US citizen spouse.

Foreign nationals who are not domiciled in the United States must generally pay gift tax on transfers of real property and tangible personal property located in the United States. Intangible property, including stocks and bonds, is generally exempt. The gift tax rates for nonresidents are the same as those for citizens and residents. These nonresidents are allowed to give up to USD15,000 (for 2019) annually to each recipient with no gift tax consequences, but they may not split gifts with their spouses.

US citizens or resident aliens (as defined for income tax purposes) are required to report gifts or bequests from foreign corporations or partnerships in excess of USD16,388 (for 2019), in

aggregate, but they are generally not subject to tax. However, the IRS has not required gifts from nonresident aliens or foreign estates to be reported unless the aggregate gifts exceed USD100,000. Substantial penalties may be imposed for failure to report such gifts or bequests.

Estate tax. The estate of a US citizen or resident includes all property, tangible and intangible, regardless of location.

Property transferred at death from a US citizen to a non-US citizen spouse is generally not excluded from the decedent's gross estate, unless the property is placed in a qualified domestic trust or the surviving spouse becomes a US citizen before the estate tax return is due. To be considered a qualified domestic trust, a trust must satisfy the following conditions:

- At least one trustee of the trust must be a US citizen or a domestic corporation, and no distribution (other than a distribution of income) from the trust may be made unless the US trustee has the right to withhold the US tax on that distribution.
- The trust must meet the requirements prescribed by Treasury Department regulations.
- The executor must make an irrevocable election to be treated as a qualified domestic trust on the estate tax return.

Estate tax is levied on the property in the trust if any of the following events occurs:

- The trust ceases at any time to meet the above requirements.
- The corpus is distributed prior to the surviving spouse's death, except in cases of hardship.
- The surviving spouse dies.

For US tax purposes, the estate of a nonresident includes only property deemed to be located in the United States. This generally includes tangible, intangible and real property located within the United States at the time of death. For this purpose, shares of US domestic corporations, US property owned through certain trusts and certain debt obligations of US residents are considered to be property located in the United States. In addition, in some instances, US property held by a partnership or limited liability company may be considered to be property located in the United States, but the law in this area is unclear. The estate tax rates are the same as those for citizens and residents. An estate tax return must be filed if the value of a nonresident alien's gross estate exceeds USD60,000.

Expatriation tax. Before 17 June 2008, the United States did not have an exit tax. However, former US citizens and former long-term permanent residents were subject to reporting requirements and potentially to US income tax under a complex set of rules generally in effect for 10 years following expatriation.

Effective from 17 June 2008, certain individuals known as "covered expatriates" are immediately taxed on the net unrealized gain in their property exceeding USD600,000 (indexed for inflation; USD725,000 for 2019) as if they sold the property for fair market value the day before expatriating or terminating their US residency. In general, "covered expatriates" are US citizens, or long-term residents ("green card" holders [see Section G] for any part of 8 tax years during the preceding 15 years) who either have a five-year average income tax liability exceeding USD124,000

(indexed for inflation; USD168,000 for 2019) or a net worth of USD2 million or more, or who have not complied with their US tax filing obligations for the preceding five years. This treatment applies to most types of property interests held by individuals.

The above rules also affect the taxation of certain deferred compensation items (including foreign and US pension plans, deferred compensation plans, and equity-based compensation plans), interests in and distributions from non-grantor trusts and certain tax-deferred accounts, such as so-called 529 plans, Coverdell education savings accounts and health-savings accounts. In many cases, the present value of the interest in the deferred compensation items and other tax-deferred accounts is subject to immediate taxation, but taxpayers can elect to defer the tax on pension and deferred compensation plans that have US payers until distributions are actually made. The USD600,000 (USD725,000 for 2019) threshold discussed above does not apply to deferred compensation items, non-grantor trusts or tax-deferred accounts.

At the election of the taxpayer, subject to approval of the IRS, payment of the exit tax may be deferred if adequate security is provided. Such deferral is irrevocable, carries an interest charge and requires the taxpayer to waive any treaty rights with respect to the taxation of the property.

US citizens or residents receiving gifts or bequests of more than USD10,000 (indexed for inflation; USD15,000 for 2019) from covered expatriates are taxed at the highest gift or estate tax rate currently in effect (40% in 2019). Under the general US rules of gift taxation, tax is assessed on the donor. However, the rule described above imposes tax on the US citizens or residents receiving the gifts. This rule does not have a time limit. The tax on gifts or bequests from a covered expatriate to a US citizen or resident may be assessed at any time such a gift or bequest is received after the expatriation of the covered expatriate.

C. Social security taxes

Social security tax. Under the Federal Insurance Contributions Act (FICA), social security tax is imposed on wages or salaries received by individual employees to fund retirement benefits paid by the federal government. The following two taxes are imposed under FICA:

- Old-age, survivors and disability insurance (OASDI)
- Hospital insurance (Medicare)

For 2019, the OASDI tax is imposed on the first USD132,900 at a rate of 6.2% on the employee and 6.2% on the employer. Medicare tax is imposed, without limit, at a rate of 1.45% on the employee and 1.45% on the employer. In addition, higher income employees (but not their employers) pay an extra 0.9% Medicare tax. The income threshold varies by tax return filing status. Married couples filing jointly pay the extra tax on their combined wages in excess of USD250,000, single taxpayers and heads of households on wages exceeding USD200,000, and married taxpayers filing separately on wages exceeding USD125,000. Self-employment income (see below) is added to the amount of wages when determining the threshold.

FICA tax is imposed on compensation for services performed in the United States, regardless of the citizenship or residence of the employee or employer. Consequently, absent an exception, non-resident alien employees who perform services in the United States are subject to FICA tax, even though they may be exempt from US income tax under a statutory rule or an income tax treaty. Certain categories of individuals are exempt from FICA tax, including foreign government employees, exchange visitors in the United States under J visas, foreign students holding F, M or Q visas, and individuals covered under social security totalization agreements between the United States and other countries. These agreements allow qualifying individuals to continue paying into the social security system of their home countries, usually for a period of five years.

Totalization agreements are currently in effect with the following jurisdictions.

Australia	Germany	Norway
Austria	Greece	Poland
Belgium	Hungary	Portugal
Brazil	Iceland	Slovak Republic
Canada	Ireland	Slovenia
Chile	Italy	Spain
Czech Republic	Japan	Sweden
Denmark	Korea (South)	Switzerland
Finland	Luxembourg	United Kingdom
France	Netherlands	Uruguay

An agreement with Mexico has been signed, but it is not yet in force.

Self-employment tax. Self-employment tax is imposed under the Self-Employment Contributions Act (SECA) on self-employment income, net of business expenses, that is derived by US citizens and resident aliens. The following two taxes are imposed under SECA:

- Old-age, survivors and disability insurance (OASDI)
- Hospital insurance (Medicare)

For 2019, the OASDI tax is imposed on the first USD132,900 of the net earnings of a self-employed individual at a rate of 12.4%. Medicare tax is imposed, without limit, at a rate of 2.9%. In addition, higher income individuals pay an extra 0.9% Medicare tax. The income threshold varies by tax return filing status. Married couples filing jointly pay the extra tax on their combined self-employment income in excess of USD250,000, single taxpayers and heads of households on self-employment income exceeding USD200,000, and married taxpayers filing separately on self-employment income exceeding USD125,000. Wage income (see above) is added to the amount of self-employment income when determining the threshold.

Self-employed individuals must pay the entire tax (unlike an employee who pays half the tax while the employer pays the other half of the tax) but may deduct 50% (not including the extra 0.9% Medicare tax) as a trade or business expense on their federal income tax return. No tax is payable if net earnings for the year are less than USD400. If a taxpayer has both wages subject to FICA tax and income subject to SECA tax, the wage base subject

to FICA tax is used to reduce the income base subject to SECA tax. SECA tax is computed on the individual's US income tax return. Nonresident aliens are not subject to SECA tax unless they are required to pay the tax under a totalization agreement (see *Social security tax*).

Federal unemployment tax. Federal unemployment tax (FUTA) is imposed on employers' wage payments to employees. FUTA is imposed on income from services performed within the United States, regardless of the citizenship or residency of the employer or employee. It is also imposed on wages for services performed outside the United States for a US employer by US citizens. The 2019 tax rate is 6% on the first USD7,000 of wages of each employee. Most states also have unemployment taxes that are creditable against FUTA tax when paid. Self-employed individuals are not subject to FUTA tax.

D. Tax filing and payment procedures

The US system of tax administration is based on the principle of self-assessment. US taxpayers must file tax returns annually with the IRS and with the state and local tax authorities under whose jurisdiction they live if those governments impose income or net worth taxes.

On the federal return, taxpayers must report income and deductions and must compute the tax due. Taxes are generally collected by employer withholding on wages and salaries and by individual payment of estimated taxes on income not subject to withholding. Normally, tax due in excess of amounts withheld and payments of estimated tax must be paid with the return when filed. The taxpayer may also claim a refund of an overpayment of tax on the annual return. Substantial penalties and interest are usually imposed on a taxpayer if a return is not filed on time or if tax payments, including estimated payments, are not made by the applicable due dates.

Tax returns may be selected for an audit at later dates by the IRS or state auditors. Failure to provide adequate support for amounts claimed as deductions on the return may result in the disallowance of deductions and in a greater tax liability, on which interest and/or penalties are levied from the original due date. In general, taxpayers must maintain supporting documentation for at least three years after a return is filed.

US citizens and resident aliens file Form 1040, US Individual Income Tax Return. The due date for calendar-year taxpayers is normally 15 April. Extensions to file tax returns may be obtained by filing a request with the IRS. However, an extension to file a return is not an extension to pay tax. To prevent interest and penalties from being charged on unpaid tax, a calendar-year taxpayer should pay any tax due by 15 April.

Nonresident aliens with reportable US gross income must generally file Form 1040NR, US Nonresident Alien Income Tax Return. This return is required even if a taxpayer has effectively connected income but no taxable income or if income is exempt under a tax treaty. Nonresident aliens are not required to file Form 1040NR if they are not engaged in a US trade or business during

the tax year and if any tax liability on US-source investment (portfolio) income is satisfied by the 30% (or lower treaty rate) withholding tax.

If required, Form 1040NR is due on 15 April for nonresident aliens who earn wages subject to withholding; otherwise, the due date is normally 15 June. Extensions to file the return (but not to pay tax due) may be obtained by filing a request with the IRS.

An employer (US or foreign) is responsible for withholding US income and social security taxes from nonresident alien employees.

For years in which a foreign national is both a resident alien and a nonresident alien, two returns are generally prepared, attached to each other, and filed simultaneously. One return reports income and deductions for the resident period, and the other reports income and deductions for the nonresident period. The income from the nonresident period that is effectively connected with the taxpayer's US trade or business is combined with all income from the resident period for computation of the tax on income subject to graduated tax rates. The includible income and deductions are different for both portions of a dual-status year. For a cash-basis taxpayer, income is taxable when received. Therefore, foreign-source income earned while a taxpayer was a nonresident alien is taxable if it is received while the individual is a resident alien. Conversely, non-effectively connected foreign source income earned while a taxpayer was a resident alien is not taxed if it is received when the taxpayer is a nonresident alien. As a result, to avoid US tax on wages or a bonus for services performed outside of the United States, a foreign national transferring to the United States generally should receive the amount before arriving in this country.

Two elections are available to married aliens that enable them to file one tax return and qualify for the lower married filing joint return tax rates. The first election may be made by an individual who, at the close of the year, was a nonresident alien married to a US citizen or resident. The second election is available to an individual who, at the beginning of the year, was a nonresident alien and who, at the close of the year, was a resident alien married to a US citizen or resident. Under these elections, both spouses must make the election to be entitled to file the joint return. Under both elections, the nonresident alien spouse or part-year resident spouse is treated as a US resident for the entire year.

In addition to the income tax return filing requirements discussed above, the United States has information reporting rules, which affect certain US residents and citizens, and certain nonresidents. The rules cover interests and signature authority in foreign bank and other financial accounts and assets, including foreign pension plans, foreign corporations, foreign trusts and foreign partnerships. The reporting rules are extremely complex, and penalties (both civil and criminal) for failure to comply with the reporting requirements can be significant.

E. Double tax relief and tax treaties

A foreign tax credit is the principal instrument used by US individuals to avoid being taxed twice on foreign-source income—once by a foreign government and again by the United States. In

general, the foreign tax credit permits a taxpayer to reduce US tax by the amount of income tax paid to a foreign government, subject to certain limitations.

The foreign tax credit is generally limited to the lesser of actual foreign taxes paid or accrued and US tax payable on foreign-source income. Separate limitations must be calculated for two principal categories of income. These categories are passive category income and general category income, which includes earnings from personal services. Under the separate limitation rules, foreign taxes paid on a particular category of income are available for credit against US tax imposed on foreign-source taxable income only in that category. A foreign tax credit is allowed against AMT liability (see Section A). Unused credits may be carried back 1 year and carried forward 10 years. There are additional categories of income that are less common, including income resourced under a treaty.

Special rules apply to nonresident aliens who are residents of countries that have income tax treaties with the United States. For example, a treaty may reduce or eliminate the 30% tax rate applicable to dividends, interest and royalties. Treaties may also limit or eliminate the taxation of visitors who work in the United States on short-term assignments or may provide exemption from tax for teachers, professors, trainees, students and apprentices.

Even if a treaty provides for exemption from, or a reduction of, the 30% tax, this does not mean that the reduced rate applies automatically. Nonresident aliens must first claim their treaty benefits. For example, income tax withholding applies unless nonresident alien employees file statements with their employers (foreign or US) stating why they qualify for exemption from US tax under an income tax treaty clause. Similarly, foreign students, teachers and researchers must each complete Form 8233 and file it with their US institution or employer. Treaty benefits for other types of income, including royalties or interest, are obtained by filing the appropriate W-8 form.

If applicable, the withholding agent must notify the nonresident alien of the gross amounts paid and taxes withheld by 15 March of the following year. This is done on Form 1042-S, Foreign Person's US-Source Income Subject to Withholding. This form, when attached to the nonresident alien's US income tax return (Form 1040NR), provides proof of amounts withheld to the IRS.

The United States has entered into double tax treaties with the following jurisdictions.

Australia	Indonesia	Portugal
Austria	Ireland	Romania
Bangladesh	Israel	Russian Federation
Barbados	Italy	Slovak Republic
Belgium	Jamaica	Slovenia
Bulgaria	Japan	South Africa
Canada	Kazakhstan	Spain
China Mainland	Korea (South)	Sri Lanka
Cyprus	Latvia	Sweden
Czech Republic	Lithuania	Switzerland
Denmark	Luxembourg	Thailand
Egypt	Malta	Trinidad

Estonia	Mexico	and Tobago
Finland	Morocco	Tunisia
France	Netherlands	Turkey
Germany	New Zealand	Ukraine
Greece	Norway	United Kingdom
Hungary	Pakistan	USSR*
Iceland	Philippines	Venezuela
India	Poland	

* The United States honors the USSR treaty with respect to Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan and Uzbekistan.

F. Nonimmigrant visas

In general, foreign nationals who wish to be admitted to the United States generally must first obtain authorization, and in many instances, must obtain visas from a US consulate or embassy. The activities to be performed in the United States determine the type of visa or authorization that individuals need to enter the United States. Visas are endorsed in passports and indicate that evidence of a legally sufficient purpose for admission was presented to a US consular official.

US immigration laws clearly distinguish between foreign nationals seeking temporary admission (nonimmigrants) and those intending to remain in the United States permanently (immigrants).

At US ports of entry, foreign nationals are inspected or questioned by Customs and Border Protection (CBP) officials to determine their eligibility to enter the United States and the duration of their initial periods of stay. Nearly all nationals admitted to the United States for temporary periods receive instructions to access an electronic Form I-94 online (https://i94.cbp.dhs.gov/I94/#/recent-search). The I-94 record indicates both the individual's status in the United States and the last date on which the individual may remain in the United States. The online portal also allows individuals to check their travel history from and to the United States, as captured by US authorities.

Different nonimmigrant visas authorize a variety of activities in the United States, including visiting, studying and working. The categories are identified by combinations of letters and numbers that authorize the particular visas, for example, B-1 visitors for business or the work authorized L-1 intracompany transferee. Every nonimmigrant category permits a maximum length of stay and a range of permissible activities. The most commonly used categories of nonimmigrant visas are described in detail below.

Nonimmigrant visas allow visa holders to be admitted to the United States for a temporary period ranging from a few days to several years, depending on the visa category. In general, holders of nonimmigrant visas must intend to remain in the United States for a temporary period, not exceeding the validity of their I-94 document. Without this intent, and with notable exceptions, the applicant may be considered to be an intending immigrant, and must apply for an immigrant visa (see Section G).

With some notable exceptions, while a nonimmigrant is in the United States, he or she may apply to change to another

non-immigrant category or to extend the length of the authorized stay. However, most nonimmigrant visa categories have maximum stay limitations. Some categories of nonimmigrants may also become eligible for permanent residence or "green card" status (see Section G).

Business- and work-related nonimmigrant visas. A business that requires the immediate services of a particular employee ordinarily brings the employee to the United States first in a nonimmigrant category. If the employee wishes to remain in the United States on a permanent basis, the immigrant application process may begin while the employee is in the United States.

Several business-related nonimmigrant visa categories are described below.

Visitor for business—B-1. B-1 status is issued to people temporarily visiting the United States to engage in business on behalf of foreign employers. B-1 holders may not be employed by or receive salary from US employers, but, among other activities, they may negotiate contracts, sell company products, develop business leads and attend conferences and business meetings on behalf of their foreign employers. A temporary business visitor may accept reimbursement for incidental expenses such as travel expenses. A B-1 visitor must retain unrelinquished domicile in the foreign country to where he or she intends to return at the conclusion of his or her temporary US stay.

In general, business visitors with B-1 visas may enter the United States for periods of up to six months. However, B-1 status can be granted for a shorter period, often not exceeding 30 days, unless the business visitor can justify a longer period of admission. Applications for an extension beyond the initial entry period can be sought from the United States Citizenship and Immigration Service (USCIS).

The B-2 visa category is available for individuals who are traveling to the United States for tourism purposes, and not for business.

An individual may receive a combined B-1/B-2 multiple-entry visa from a US consulate. This allows the visa holder to enter the United States in either B-1 business visitor status or B-2 tourist status, depending on the purposes of his or her travel on a particular trip.

The B-1 visa category is heavily scrutinized because of its misuse in the past. Prior to commencement of travel, business visitors must determine the purpose and duration of the trip, their nationality and the nature of the activities that they will engage in to ensure that the activities are permissible under "business travel." It is the individual's activities in the United States (as opposed to any tax classifications or period of stay) that determine whether the travel may be appropriately designated as "business." As of 29 November 2016, nationals of China Mainland holding a 10-year B1/B2, B1 or B2 (visitor) visa are required to complete an Electronic Visa Update System (EVUS) enrollment to be admitted into the United States. Travelers who are subject to EVUS requirements but do not have valid enrollments will not be

able to obtain a boarding pass or enter through a land port of entry. For more information, visit https://www.cbp.gov/contact.

Visa Waiver Program. The Visa Waiver Program (VWP) allows nationals of the following jurisdictions to visit the United States for business, as generally described above, or pleasure for up to 90 days without first obtaining B visas from US consular posts overseas.

Andorra	Greece	Netherlands
Australia	Hungary	New Zealand
Austria	Iceland	Norway
Belgium	Ireland	Portugal
Brunei Darussalam	Italy	San Marino
Chile	Japan	Singapore
Czech Republic	Korea (South)	Slovak Republic
Denmark	Latvia	Slovenia
Estonia	Liechtenstein	Spain
Finland	Lithuania	Sweden
France	Luxembourg	Switzerland
Germany	Malta	Taiwan
	Monaco	United Kingdom

The above list is updated occasionally; readers should check the Department of State website (https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html) for the current list before traveling.

All VWP travelers are required to obtain a travel authorization through the US Department of Homeland Security's Electronic System for Travel Authorization (ESTA) before traveling to the United States. ESTA is an automated system used to determine the eligibility of visitors to travel to the United States under the VWP. ESTA is accessible online at https://esta.cbp.dhs.gov/esta/ for citizens of VWP countries.

Travelers are encouraged to apply as soon as travel is planned, and it is strongly suggested that they apply no later than 72 hours before travel to the United States. An approved ESTA travel authorization is valid for multiple entries into the United States and is generally valid, unless revoked, for up to two years or until the traveler's passport expires, whichever comes first. ESTA is not a guarantee of admission to the United States at a port of entry. ESTA approval only authorizes a traveler to board a carrier for travel to the United States under the VWP. Readers should review the US Department of State website for the most up-to-date information about ESTA.

Visa waiver status is strictly limited; an extension of stay or a change in status is not authorized. However, in an emergency situation, a local USCIS office may grant a 30-day extension. Business necessity is not generally considered an emergency situation for these purposes. In addition, visa waiver applicants who are found to be not admissible to the United States may be expeditiously removed without trial, or right to confer with counsel. At a minimum, machine-readable passports are required to take advantage of the VWP. Nationals of the Czech Republic, Estonia, Greece, Hungary, Korea (South), Latvia, Lithuania, Malta and the Slovak Republic require passports with an

integrated chip containing the information from the data page. Citizens of Taiwan require passports with an integrated chip containing information from the passport data page and a national identification number. Please consult the US Department of State's website (https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html) for current passport requirements.

Under the Visa Waiver Program Improvement and Terrorist Travel Prevention Act of 2015, travelers in the following categories are no longer eligible to travel or be admitted to the United States under the VWP:

- Nationals of VWP countries who have traveled to or been present in Iran, Iraq, Sudan or Syria on or after 1 March 2011 (with limited exceptions for travel for diplomatic or military purposes in the service of a VWP country)
- Nationals of VWP countries who are also nationals of Iran, Iraq, Sudan or Syria

These individuals are still able to apply for a visa using the regular appointment process at a US embassy or consulate. For those who require a US visa for urgent business, medical or humanitarian travel to the United States, US embassies and consulates stand ready to handle applications on an expedited basis.

On 24 September 2017, President Donald Trump issued Presidential Proclamation 9645 (Travel Ban 3.0), entitled "Enhancing Vetting Capabilities and Processes for Detecting Attempted Entry into the United States by Terrorists or Other Public Safety Threats." Under this ban, nationals of Iran, Korea (North), Libya, Somalia, Syria, Venezuela and Yemen are subject to various travel restrictions, as outlined in the following table, subject to any exceptions and waivers set forth in the travel ban.

Country	Travel restrictions
Iran	Suspends the entry of immigrants and all nonimmigrants, except F (student), M (vocational student) and J (exchange visitor) visas, though they are subject to enhanced screening
Korea (North)	Suspends the entry of all immigrants and nonimmigrants
Libya	Suspends the entry of immigrants and temporary visitors on business or tourist visas (B-1/B-2)
Somalia	Suspends the entry of immigrants, and requires enhanced screening of all nonimmigrants
Syria	Suspends the entry of all immigrants and nonimmigrants
Venezuela	Suspends the entry of certain government officials and their family members on business or tourist visas (B-1/B-2)
Yemen	Suspends the entry of immigrants and temporary visitors on business or tourist visas (B-1/B-2)

Unless an exemption applies or the individual is eligible for a waiver, the travel restrictions apply to foreign nationals of the designated countries who meet the following conditions:

- They are outside the United States on the applicable effective date.
- They do not have a valid visa on the applicable effective date.
- They do not qualify for a reinstated visa or other travel document that was revoked under Presidential Executive Order 13769.

On 26 June 2018, the United States Supreme Court issued a decision regarding Presidential Proclamation 9645, ruling that the proclamation was a lawful exercise of the president's authority under the Immigration and Nationality Act. Consistent with the Court's decision, the Department will continue processing visa applications in accordance with the Presidential Proclamation for subject nationals of the seven affected countries.

Specialty occupations—H-1B. The H-1B category covers foreign nationals employed in specialty occupations that require a theoretical and practical application of highly specialized knowledge, as well as a bachelor's degree or the equivalent in the field.

Before applying for an H-1B visa, an employer must file a Labor Condition Application (LCA) with the Department of Labor (DOL) and certify that, among other things, the foreign national will be paid at least the prevailing wage for the proffered position. On 15 March 2019, the DOL issued policy guidance regarding LCA posting requirements. A prospective employer must also provide notice of filing the application by posting a hard copy notice, electronic notification or, when applicable, notification to the company's bargaining representative. If posting by hard copy notice, the employer must post notice of filing the application in two conspicuous locations at the employment site for at least 10 consecutive business days.

If the employer meets the requirements, the holder of the H-1B status is entitled to a maximum six-year stay in the United States. In specified circumstances, extensions beyond the six-year limit may be available. Each year, only 65,000 H-1Bs are made available. In addition, regulations allow a further 20,000 H-1Bs to be issued to persons having a master's or higher degree from qualifying US post-secondary institutions. Readers should consult with the USCIS to confirm that the H-1B cap has not been changed by Congress or has not been reached for the current fiscal year. The USCIS received 201,011 H-1B petitions for the 2020 fiscal year, which take effect on 1 October 2019. It uses a computer-generated random selection process (lottery) to select the necessary amount of petitions to meet the numerical limits.

Special, less onerous procedures and a specific quota apply to, and are set aside for, citizens of Chile and Singapore, stemming from free-trade agreements between those countries and the United States.

On 22 February 2018, The USCIS instructed its officers to enforce certain evidentiary requirements for H-1B workers who will be employed at one or more third-party worksites. The agency requires petitioners to prove the employment relationship

for H-1B workers with contracts between petitioning employers and any intermediate vendors, as well as end-clients. The policy guidance requires that detailed itineraries be submitted for each H-1B worker in this class. These requirements apply to both initial and renewal petitions. Prior to issuing this policy guidance, the USCIS generally permitted petitioning employers to provide general statements regarding the dates and locations of an H-1B worker's proposed or possible employment at external client locations. The current policy guidance specifically overturns the prior guidance and institutes a requirement for a specific, detailed itinerary corroborated by contracts covering these employees' work.

On 19 November 2018, a new ETA Form 9035, Labor Condition Application (LCA), was implemented by the DOL. The new LCA form requests that the employer disclose the following:

- Estimated number of workers that will perform work at the intended place of employment
- Whether the worker subject to the LCA will be placed with a secondary employer at the place of employment
- If the worker is placed with a secondary employer, the legal business name of the secondary employer

These revisions were made to improve transparency about the number of H-1B workers being sent to worksites, the locations at which H-1B workers will be placed and the entities with which H-1B workers will be placed.

Spouses and children of H-1B visa holders are eligible for H-4 status. Historically, such dependents were not authorized to work in the United States. However, beginning 26 May 2015, certain H-4 spouses may apply for employment authorization. H-4 spouses are eligible for employment authorization if the H-1B employee is the beneficiary of an approved I-140 employment-based petition (the I-140 is an employer-sponsored "green card" [see Section G] petition that is filed with USCIS) or has been granted H-1B status beyond the six-year H-1B maximum based on a Program Electronic Review Management (PERM) labor certification (see Section G) or an I-140 filed at least 365 days before requesting an extension of status beyond the six-year H-1B maximum.

On 8 March 2019, the USCIS announced that H-4 and L-2 dependents who are seeking to extend their stay in the United States or change to another nonimmigrant category will be required to pay a biometrics fee and attend a biometrics appointment.

Specialty occupations—Trainees—H-3. H-3 status may be issued to foreign nationals to enter the United States for up to two years to receive training and to develop skills that will be used in their careers abroad.

Trainees must participate in structured training programs at US companies. The programs must incorporate theoretical and practical instruction, and may not consist solely of on-the-job training. The training must be unavailable in the foreign national's home country, and the skills acquired must apply to work outside the United States.

For short-term training assignments (typically up to three months), an H-3 visa may not be required (for someone who falls under the VWP or who does not require a US visa), because in some instances the US immigration authorities recognize the "B-1 in lieu of an H-3" visa, which allows individuals to apply at a consulate (or in the case of the VWP, at the port of entry) for admission for the purpose of short-term training.

Spouses and unmarried children of H-3 visa holders are eligible for H-4 status, but are not permitted to work in the United States.

Treaty traders and treaty investors—E-1 and E-2. Foreign nationals who are citizens of countries that have treaties of friendship, commerce and navigation with the United States (see list below) may be admitted to the United States to invest in businesses or to engage in international trade under two categories of treaty-based visas, called E visas. The most common application process for these visas requires submission of documentation and attendance at an interview at a US consulate abroad.

The E-1 treaty trader category permits foreign nationals to enter the United States to engage in substantial trade in goods, services or technology with treaty countries. The US enterprise for which the foreign national works must be majority-owned by treaty-country nationals (either companies or individuals). An E-1 treaty trader must be employed in a supervisory or executive capacity or in a capacity that requires skills essential to the company.

The E-2 treaty investor category enables investors who are nationals of treaty countries and who invest substantial amounts of money in active US businesses to remain in the country to develop, direct and oversee the businesses. Managers, executives or employees with essential skills from treaty countries are also admissible on E-2 visas.

For E visa purposes, the nationality of an enterprise is determined by the nationality of the entity owning at least 50% of the enterprise.

Spouses and unmarried children under 21 years of age, regardless of nationality, may receive derivative E visas to accompany the principal visa holder. Spouses of E visa holders may apply for employment authorization following his or her entry into the United States. This document allows them to be employed with any employer in the United States.

Agreements between the United States and the following jurisdictions authorize treaty trader (E-1) and/or treaty investor (E-2) classifications for nationals of these jurisdictions (for a current list of treaty jurisdictions, please consult with the US Department of State).

Albania (b)	France	Norway
Argentina	Georgia (b)	Oman
Armenia (b)	Germany	Pakistan
Australia	Greece (a)	Panama (b)
Austria	Grenada (b)	Paraguay
Azerbaijan (b)	Honduras	Philippines
Bahrain (b)	Iran	Poland
Bangladesh (b)	Ireland	Romania (b)
Belgium	Israel	Senegal (b)

Bolivia
Bosnia and Herzegovina
Brunei Darussalam (a)
Bulgaria (b)
Cameroon (b)
Canada
Chile
Colombia
Congo (b)
Costa Rica
Croatia
Czech Republic (b)
Denmark
Ecuador (b)
Egypt (b)
Estonia
Ethiopia
Finland
Italy
Jamaica (b)
Japan
Jordan
Kazakhstan (b)
Korea (South)
Kosovo
Kyrgyzstan (b)
Latvia
Liberia
Lithuania (b)
Luxembourg
Mexico
Moldova (b)
Mongolia (b)
Montenegro
Morocco (b)
Netherlands
New Zealand (d)
North Macedonia
Serbia
Singapore
Slovak Republic (b)
Slovenia
Spain
Sri Lanka (b)
Suriname
Sweden
Switzerland
Taiwan
Thailand
Togo
Trinidad and Tobago (b)
Tunisia (b)
Turkey
Ukraine (b)
United Kingdom
Yugoslavia (c)

(a) Limited to E-1 status.
(b) Limited to E-2 status.
(c) The United States takes the view that the treaty in force at the time of dissolution of the Socialist Federal Republic of Yugoslavia applies to its successors.
(d) Beginning 10 June 2019, certain New Zealand nationals can request a change of status to the E-1 nonimmigrant trade classification and the E-2 nonimmigrant investor classification.

E-3 for Australians. The E-3 is a visa category available to nationals of Australia (E-3D visas are available to their children and spouses), limited to 10,500 per fiscal year. The E-3 status allows nationals of Australia to be admitted into the United States to work temporarily in a "specialty occupation" for an initial period of 24 months. The application for an initial E-3 visa can be made directly to a US consular mission abroad and requires a Labor Condition Application. The requirements for qualification for the new E-3 visa are very similar to the requirements for the H-1B category. After arrival in the United States, the spouse of an E-3 visa holder may apply directly to the USCIS for employment authorization in the United States. The spouse does not need to be a national of Australia to be eligible for employment authorization.

Intracompany transferees—L-1. The L-1 visa allows foreign companies with affiliated operations in the United States to transfer needed personnel to their US facilities. L-1 visas may be issued to foreign nationals who are employed abroad in executive or managerial positions, or who hold positions involving specialized knowledge in the company's procedures, processes, services and/or products.

On 15 November 2018, the USCIS issued a Policy Memorandum (PM) clarifying the requirement that the qualifying organization must have employed the principal L-1 beneficiary at the related foreign entity abroad for at least one continuous year during the three years preceding the time of petition filing. The PM explains the following:

- The L-1 beneficiary must be physically outside of the United States during the required one continuous year of employment.

- The petitioner and the beneficiary must meet all requirements, including the one year of foreign employment, at the time the petitioner files the initial L-1 petition.

Specifically, the PM states that while a qualifying foreign entity employs a beneficiary abroad, brief trips to the United States for business or pleasure in B-1 or B-2 status tolls the one continuous year of employment abroad. If the beneficiary made brief trips to the United States that year for a total of 60 days, the beneficiary would need to accrue at least an additional 60 days of qualifying employment to meet the one-year foreign employment requirement.

On arrival in the United States, the beneficiary must assume an executive, managerial or specialized knowledge position with the US affiliate, parent, subsidiary or branch office.

Managers and executives may be issued and retain L-1A status for up to seven years; L-1B specialized-knowledge personnel may remain in the United States in that status for up to five years.

For startup operations, L-1 visas are granted initially for a one-year "new office" period. For visa extensions, startup companies must prove at the end of the year that they are "doing business" in the United States and have made progress toward becoming viable operating entities that need the services of managers, executives or personnel with specialized knowledge. If, at the end of the first year, the startup company is unable to prove that this progress has been made, it may be possible for the individual to receive an extension of an additional year to continue to grow the business.

L-1B specialized knowledge visa holders may not work primarily at a worksite other than that of the petitioning employer if either of the following conditions will apply:

- The work to be carried out will be controlled by a different employer.
- The off-site arrangement will provide labor for hire, rather than service related to the specialized knowledge of the petitioning employer.

The L-2 category is set aside for immediate family members (spouse and child) of the L-1 beneficiary. An L-1 visa holder's spouse who holds L-2 status may apply for employment authorization following his or her entry into the United States. This document allows them to be employed with any employer in the United States.

Over the past several years, USCIS service centers have shown a clear trend toward higher scrutiny of L-1 petitions, resulting in greatly increased rates for requests for additional evidence and denials. This increased scrutiny has been applied across the board with L-1 petitions, but has been most evident for petitions involving startup companies and for personnel possessing specialized knowledge.

Starting in December 2018, CBP officers at preclearance offices and land ports of entry began refusing to adjudicate extension/renewal blanket and individual L-1 petitions for readmission for Canadian citizens. Currently, the State Department is reviewing its policy on the legal authority for Canadian citizens to apply for visas at US consulate posts.

North American Trade Agreement Professionals—TN. Canadian and Mexican citizens are eligible to apply for TN status in the United States pursuant to the North American Free Trade Agreement (NAFTA) of 1993 between Canada, Mexico, and the United States. TN status provides a Canadian or Mexican foreign national with temporary authorization to work for a US employer at a professional level. The professional must be coming to the United States to engage in one of the professions expressly enumerated in Appendix 1603.D.1 of the NAFTA and have the appropriate degree and/or experience to perform the duties of the profession. In addition, the work must be pre-arranged to be performed for a US entity.

TN status may be granted for up to a three-year increment. No maximum limit is imposed on the amount of time that a foreign national may apply for and obtain TN status if the foreign national can demonstrate an intention to depart the United States before the end of the authorized period of stay. Spouses and children of a foreign national with TN status may qualify for derivative or "TD" status in the United States. TD status allows a spouse or child to attend school but not to work.

Canadians may apply for admission to the United States by presenting the TN application materials in person at designated air or land ports of entry. Before traveling to the port of entry, Canadians have the option of applying for pre-approval by submitting a petition to the USCIS. Mexican nationals must apply for a TN visa at the US consulate. As part of the consular application process, Mexican citizens may present a Form I-797 (petition approval notice) from the USCIS; alternatively, Mexican citizens may submit the TN supporting documents directly to the US consulate for adjudication. Mexicans may then present the visa at the port of entry to be admitted to the United States with TN status. If a Mexican or Canadian TN applicant is already in the United States, it is generally possible to apply with the USCIS for change of status or extension of status.

On 1 October 2018, President Donald Trump announced an agreement with Canada and Mexico to replace the existing NAFTA with a new agreement to be called the United States-Mexico-Canada Agreement (USMCA). Although the USMCA is not effective immediately (NAFTA will continue into 2019 or even longer, depending on the US legislative and implementation process), it is a new agreement, and there are some significant changes that affect trade and taxes. However, the countries retained existing NAFTA language on TN visas. As such, there are no expected changes to immigration under the USMCA when it enters into effect.

Extraordinary ability—O-1. The O-1 visa category is for persons of extraordinary ability in the sciences, arts, education, business or athletics. Separate tests for demonstrating extraordinary ability exist for the following categories of individuals:

- Foreign nationals in the motion picture and television industries
- Other foreign nationals

Most foreign nationals must prove their claim of extraordinary ability by providing evidence of sustained national or international acclaim. They may enter the United States only to work in their fields, and US immigration authorities must determine that

their entry substantially benefits the United States. O-1 petitions are submitted to the USCIS for adjudication, and in some instances must be accompanied by proof of consultation with appropriate US labor unions (particularly those representing individuals in the arts, entertainment or athletics).

The O-3 category is set aside for spouses and minor children of O visa holders. No employment authorization is available to holders of O-3 category visas.

Performing artists and athletes—P. The P visa category is reserved for certain performing artists and athletes. This visa status contains the following subcategories:

- P-1: internationally recognized entertainers and athletes. The P-1A classification is for persons who are coming to the United States in order to perform at a specific athletic competition as one of the following:
  - An internationally recognized athlete
  - Part of an internationally recognized group or team
  - A professional athlete
  - An athlete or coach, who is part of a team or franchise located in the United States and a member of a foreign league or association

  The P-1B classification is for individuals coming to the United States to perform as a member of an internationally recognized entertainment group. The P-1S classification is for "Essential Support Personnel" who are an integral part of the performance of a P-1 nonimmigrant, and who perform support services that cannot be readily performed by a US worker. Initial approvals for P-1S petitioners are limited to the period of time necessary to complete the event, not to exceed one year, regardless of the initial authorized stay approved for the related P-1A nonimmigrant.
- P-2: reciprocal exchange artists and entertainers who will perform under a reciprocal exchange program between an organization in the United States and an organization in another country. The P-2S classification is available for "Essential Support Personnel" who support the P-2 artist or entertainer.
- P-3: culturally unique artists and entertainers coming temporarily to perform, teach or coach as artists or entertainers, individually or as part of a group. The P-3S classification is available for "Essential Support Personnel" who support the P-3 artist or entertainer.
- P-4: family members of P-1 to P-3 visa holders.

Employment visas as part of a course of study. Several nonimmigrant visa categories, which are outlined below, apply specifically to business trainees, researchers and students.

Exchange visitors—J-1. Visas for exchange visitors (J-1 visas) enable certain sponsoring institutions with exchange programs to bring students, researchers, business and industrial trainees, and others to the United States to participate in training programs administered by the Department of State's Bureau of Educational and Cultural Affairs and the Office of Exchange Coordination and Designation. The following J-1 categories, each having their own specific rules, exist:

- Post-secondary students

- Secondary students
- Short-term scholars
- Summer work travel applicants
- Interns
- Trainees
- Teachers
- Professors and research scholars
- Alien physicians
- Au pairs
- Other categories

Subject to the Department of State's approval, a company may establish its own training program or work with an organization already recognized for sponsoring training programs. A trainee may be engaged in any productive employment that provides knowledge of specific firm practices in the United States or of US business procedures in general. J-1 trainees are typically authorized to remain in the United States for up to 18 months, but the validity period for the other J-1 categories listed above may differ. Some program participants are required to return to their home country for two years before they become eligible to re-enter the United States.

J-1 regulations focus on the distinction between work (that is, gainful employment) and legitimate training. Prospective J-1 training sponsors must submit detailed descriptions of their training programs and of their goals and objectives.

Derivative J-2 visas may be issued to a spouse or unmarried child under age 21, and J-2 spouses may apply for employment authorization, which allows them to be employed with any US employer.

Academic students—F. Students enrolled in academic institutions may be allowed to work on campus during their studies and during school vacations. Students also may be authorized to engage in practical training at a US employer during their studies or for one year after graduation. Students seeking post-graduation practical training must obtain school approval and employment authorization documents from the USCIS before they begin working. Some F-1 holders may obtain a 17-month extension (up to 29 months total) to their work authorization if they have completed a degree in science, technology, engineering or mathematics and if they have accepted employment with employers enrolled in the USCIS's E-Verify electronic employment verification program. Students should consult with their Designated School Officials and/or the USCIS before requesting an extension of their work authorization.

Non-academic students—M. Students who have completed a course of non-academic education may engage in practical training for up to six months, depending on the length of the educational program.

G. Immigrant visas

Permanent resident or immigrant visas, which are commonly referred to as "green cards," are issued to those intending to reside permanently in the United States. Immigrant visa holders may live and work in the United States with few restrictions. After a period

of physical presence and continuous residence of either three or five years (depending on the basis on which the individual obtained the green card), immigrant visa holders may, but are not required to, apply for US citizenship.

Nine preference categories of immigrant visas are available to foreign nationals. Four categories are based on family relationships, and five are based on US employment (see details below).

Immigrant visas based on family relations or US employment are subject to the visa being available. The Department of State publishes current immigrant visa availability information in a monthly Visa Bulletin. The Visa Bulletin indicates when statutorily limited visas are available to prospective immigrants based on their individual priority date. The priority date is generally the date when the applicant's relative or employer properly filed the immigrant visa petition on the applicant's behalf with the USCIS. If a labor certification is required to be filed with the applicant's immigrant visa petition, the priority date is when the labor certification application was accepted for processing by the DOL. Availability of an immigrant visa means that eligible applicants are able to take one of the final steps in the process of becoming US permanent residents. Availability of the visas change from month to month and generally are more restrictive for nationals of China Mainland, India, Mexico and the Philippines.

Immigrant visas may also be obtained in accordance with the diversity immigration visa program (visa lottery). Under this program, 50,000 diversity visas are available annually to nationals of many, but not all, foreign countries. Such individuals may qualify for diversity visas if they have completed at least a high school education or its equivalent, or if they have worked at least two years in occupations that require two or more years of training or experience. Each diversity visa applicant may file only one application per year; multiple applications void all previous applications. Foreign nationals are chosen at random and are eligible to receive diversity visas only in the fiscal year in which they are selected. In most cases, persons qualify on the basis of the country in which the applicant was born. However, a person may be able to qualify in two other ways. Under the first alternative, if a person was born in a country whose natives are ineligible but his or her spouse was born in a country whose natives are eligible, such person can claim the spouse's country of birth, provided both the applicant and spouse are issued visas and enter the United States simultaneously. Under the second alternative, if a person was born in a country whose natives are ineligible, but neither of his or her parents was born there or resided there at the time of his or her birth, such person may claim nativity in one of the parents' country of birth, provided the natives of such country qualify to apply for the program.

Potential applicants should check the availability of diversity visas with respect to their nationality before applying. For additional information, see https://travel.state.gov/content/visas/en/immigrate/diversity-visa/entry.html. Currently, natives of the following jurisdictions are not eligible to apply under the visa lottery.

Bangladesh
Brazil
Canada
China (born in China Mainland)
Colombia
Dominican Republic
El Salvador
Haiti
India
Jamaica
Korea (South)
Mexico
Nigeria
Pakistan
Peru
Philippines
United Kingdom (except Northern Ireland) and its dependent territories
Vietnam

Natives born in the Gaza Strip are chargeable to Egypt for the visa lottery for 2019 and should use Egypt as their country of birth.

Persons born in the Hong Kong Special Administrative Region (SAR), Macau SAR and Taiwan are eligible. Please consult with the US Department of State for a current list and lottery instructions.

Categories of employment-based immigrant visas. The five categories of immigrant visas described below may allow foreign nationals to immigrate to the United States on an employment-related basis.

First preference—priority workers. Foreign nationals who fall into one of the following categories are classified as priority workers; no labor certification (see *Steps for obtaining employment-based immigrant visas*) is required for these workers:

- Foreign nationals with extraordinary ability in the sciences, arts, education, business or athletics who satisfy the following conditions:
  - They have received sustained national or international acclaim or awards of excellence.
  - Their achievements are recognized through extensive documentation, such as evidence of original contributions of major significance in the field.
  - They intend to work in their area of ability.

  No offer of employment is required.
- Professors and researchers who have received international recognition as outstanding in a specific field who satisfy the following conditions:
  - They have at least three years' experience in teaching or research in their field.
  - They have been offered tenure or tenure-track teaching or research positions.
  - They have made original scientific or scholarly research contributions in the field.
- Multinational executives and managers who have been employed in executive or managerial capacities with their sponsoring employers abroad for at least one year in the three years preceding their admission into the United States and who intend to continue to work for those US employers, subsidiaries or affiliates in an executive or managerial capacity.

Second preference—professionals holding advanced degrees and aliens of exceptional ability. Foreign nationals holding advanced degrees (or the equivalent) and aliens of exceptional ability may be issued immigrant visas. Labor certifications are required for these individuals. Individuals whose US job positions require

these certifications and who fulfill the following conditions may qualify:

- They have earned an advanced degree: master's degree or bachelor's degree plus five years' progressively more responsible experience in the field.
- They have "exceptional ability" in the sciences, arts or business. "Exceptional ability" means "a degree of expertise significantly above that ordinarily encountered in the sciences, arts or business."

Foreign nationals may also petition for a National Interest Waiver (NIW) through the second preference category, in which they request a waiver of the labor certification requirement. To qualify, an individual must demonstrate exceptional ability and that his or her permanent employment in the United States would greatly benefit the national interest. The foreign national must meet specified criteria demonstrating experience and excellence in his or her field and the anticipated contribution to the United States.

Third preference—skilled workers, professionals holding a US baccalaureate degree and other workers. Individuals in certain categories may be issued immigrant visas on job-related bases. Labor certifications are required for these individuals. The following are the categories:

- Skilled workers, not temporary or seasonal, with a minimum of two years' training or experience
- Professionals with baccalaureate degrees (does not include three-year baccalaureate programs)
- Other workers, including unskilled laborers, who are neither temporary nor seasonal

Fourth preference—special immigrants. Foreign nationals classified as special immigrants (including religious workers, certain medical doctors who have continuously practiced medicine in the United States since 1978 and long-time US government workers abroad), may be issued immigrant visas on job-related bases. These individuals do not require labor certifications.

Fifth preference—immigrant investors. Foreign nationals investing at least USD1 million in a US commercial enterprise that preserves or provides full-time employment for at least 10 US workers may be issued immigrant visas. Investment of as little as USD500,000 in targeted employment areas may qualify an investor for this status. Although no offer of employment or labor certification is required, strictly passive investments do not qualify. Approximately 10,000 visas are allocated to this category each year. The immigrant visa quota mechanisms include protections to ensure that immigrants from all countries have an opportunity to utilize the category.

Steps for obtaining employment-based immigrant visas. To obtain permanent residence under an employment-based immigrant visa is a two or three-step process. The following are the steps:

- A labor certification application (for second and third preference categories only)
- An immigrant visa petition
- An application for permanent residence status

Labor certification. Obtaining a labor certification approval is very complex, and it is highly advisable to seek legal counsel.

For certain employment-based immigrant visa categories, labor certification is the first step in the process of immigrating to the United States. The employer submits an application to the DOL to certify that an adequate test of the labor market for qualified and available US workers has been undertaken and that the immigrant's employment will not adversely affect wages or working conditions in the United States. Labor certifications are issued in accordance with regulations for the permanent employment of aliens in the United States under the Program Electronic Review Management (PERM) process.

To obtain labor certification, an employer must make good faith efforts to recruit US workers for the position by following detailed and specified recruitment procedures.

A labor certification is not issued if the labor market test results in a US worker applicant who is qualified and available for the position, even if the foreign national is more qualified than the US worker applicant.

The employer must also offer a salary that is equal to or greater than the prevailing wage paid to workers with comparable job duties in the region that the position is being offered.

Schedule A: Pre-certified occupations. For certain positions requiring labor certification, the labor market test is not required. The DOL has established certain pre-certified positions and acknowledges that hiring foreign nationals for these jobs does not adversely affect US workers or wages. These jobs, referred to as Schedule A positions, currently include the following two major groups of occupations:

- Group 1: Physical therapists and professional nurses
- Group 2: Aliens of exceptional ability in the performing arts, sciences and arts, including college and university teachers, who are outstanding in their fields

Multinational executives and managers: Exempt labor certification. Foreign nationals applying for lawful permanent resident status under the employment-based, first preference, multinational manager or executive category do not require a labor certification.

Immigrant visa petition. After the labor certification petition is approved (if required), the second step to obtain an immigrant visa, and ultimately permanent residence, is filing an immigrant visa petition. The prospective employer must petition the USCIS to classify the foreign national under a recognized employment-based preference classification. The employer must prove that the foreign national is qualified for the position and that the employer has the ability to pay the offered wage.

Application for permanent residence status. A foreign national wishing to obtain permanent residence status must apply either for an immigrant visa or for adjustment of status as a lawful permanent resident within a preference classification. Applications for adjustment of status to lawful permanent residence may be filed after the immigrant visa petition is approved or, under certain circumstances, may be filed concurrently with

the immigrant visa petition. The principal foreign national and his or her spouse and unmarried children younger than 21 years of age must each file separate applications.

Alternatively, immigrant visas are issued overseas at US embassies and consulates in the immigrants' home countries. Applicants not physically present in the United States must ordinarily remain outside the country during the immigrant visa processing periods. In most cases, foreign nationals who have entered with visas may apply for permanent residence in the United States by filing an application for adjustment of status (see *Adjustment of status in the United States*).

Processing overseas at a US consulate. The USCIS immigrant visa petition approval is forwarded to the National Visa Center, which collects biographic information, as well as certificates of birth, marriage and divorce. Foreign nationals must also submit police certificates from all places where they have resided for longer than six months since the age of 16. After the National Visa Center has collected the required information and documents, the application is transmitted to the US consulate handling immigrant visas in the country where the foreign national resides. The consulate then provides instructions for a medical examination and in-person interview.

Adjustment of status in the United States. Foreign nationals who have maintained lawful nonimmigrant status in the United States may be allowed to apply for permanent residence through an adjustment of status application. If a foreign national violates his or her nonimmigrant status, he or she may still be eligible to file for an adjustment of status in the United States under certain circumstances; however, that determination is made on an individual basis.

After filing an adjustment of status application, an applicant ordinarily remains in the United States. In many cases, departing without prior USCIS permission cancels the application. Consequently, the applicant should apply to the USCIS for an advance parole. Advance parole grants permission to re-enter the United States and prevents the USCIS from concluding that an adjustment of status application has been abandoned. An exception also exists for travel in H or L status under certain circumstances. Advance parole applications should be filed well in advance of the intended travel date.

Applicants for adjustment of status (including family members) may apply for and obtain an Employment Authorization Document permitting them to be employed by any employer pending the finalization of the adjustment application.

Categories of family-based immigrant visas. Under existing rules, many but not all family relationships may qualify an individual for lawful permanent residence status. Qualifying relationships allow the sponsorship of family members, including immediate relatives, such as the following:

- Spouses of US citizens
- Minor unmarried children under age 21 of US citizens
- Parents of US citizens who are at least age 21
- In limited circumstances, spouses of deceased US citizens

In addition, family preference categories allow for the submission of an immigrant petition on behalf of certain groups. However, these groups have historically experienced severe backlogs as a result of annual demand exceeding annual quotas. The following are the groups:

- Unmarried sons or daughters of US citizens
- Spouses or minor children of foreign nationals lawfully admitted for permanent residence
- Unmarried sons or daughters of foreign nationals lawfully admitted for permanent residence
- Married sons or daughters of US citizens
- Brothers or sisters of US citizens who are at least age 21

Loss of permanent residence status. Foreign nationals may lose their US permanent residence status in several ways. The most common means is through abandonment, either by intent or by an act deemed to indicate intent to abandon residence, such as continuous absence from the United States over a long period of time or failure to file US federal income tax returns as a resident of the United States. Permanent residents may also lose their status if they commit a prohibited act, including conviction for certain crimes. Permanent residence may also be rescinded if an application is found to have been fraudulent.

Absence of less than six months from the United States by a permanent resident usually does not constitute abandonment if the foreign national returns to an unrelinquished US domicile. However, an absence of one year or longer generally does constitute abandonment, unless the individual has a re-entry permit. Consequently, permanent residents who remain outside the United States for longer than six months should consider obtaining re-entry permits. A re-entry permit may allow an otherwise eligible individual to re-enter the United States after up to two years of continuous absence.

Obtaining a re-entry permit requires a statement that the foreign national intends to leave the United States only temporarily. The application for a re-entry permit may be denied if the permanent resident has been living overseas with only occasional visits to the United States, if he or she expresses no intent to return to a US residence within a fixed period of time, or if he or she has no ties to the United states, such as real or personal US property.

H. Family and personal considerations

Family members. The spouse and minor children of a nonimmigrant visa holder may accompany the nonimmigrant to the United States for the duration of the principal foreign national's visa. Specific nonimmigrant visas are issued to accompanying family members (see Section F). Under many derivative visa categories, spouses and children of the primary visa holder may attend school during the family's stay in the United States without a separate student visa. Spouses of L, E and some H-1B visa holders may apply for permission to work in the United States, and spouses of J visa holders are usually granted work authorization in case of economic necessity. Spouses of holders of other types of visas and dependent children seeking to work must qualify independently for a working visa. Same-sex spouses are eligible for dependent status and benefits if the marriage is legally recognized in the jurisdiction in which the marriage occurred. In

addition, unmarried partners who are not otherwise eligible for derivative visas as a principal applicant's spouse (for example, unmarried cohabiting partners and domestic partnerships) may be eligible for extended B-2 visitor for pleasure visas, which allows them to accompany a nonimmigrant to the United States.

The spouse and children of potential immigrants may file accompanying applications for permanent resident status. They are issued permanent residence simultaneously if the principal foreign-national immigrant is granted permanent residence and if they are not individually ineligible to receive immigrant visas.

Change of address after entering the United States. All non-US citizens remaining in the country for 30 days or more must report any change in address within 10 days after the change by filing Form AR-11 with the USCIS. The AR-11 form can be filed online.

Appendix 1: State and local tax rates

The table below presents the maximum state and certain local individual income tax rates for 2019. The rates are applied to taxable income unless otherwise noted. Other local taxes may be imposed.

State	Highest marginal rate
Alabama	5%
Alaska	None
Arizona	4.5%
Arkansas	6.9%
California	12.3%
Colorado	4.63%
Connecticut	6.99%
Delaware	6.6%
District of Columbia	8.95%
Florida	None
Georgia	5.75%
Hawaii	11%
Idaho	6.925%
Illinois	4.95%
Indiana	3.23%
County tax	3.38% (highest rate)
Iowa	8.5308%
Kansas	5.7%
Kentucky	5%
Louisiana	6%
Maine	7.15%
Maryland	5.75%
County tax	3.2% (highest rate)
Massachusetts	5.1% and 5.05% (12% on certain capital gains)
Michigan	4.25%
Minnesota	9.85%
Mississippi	5%
Missouri	5.9%
Montana	6.9%
Nebraska	6.84%
Nevada	None
New Hampshire	5% on interest and dividends

State	Highest marginal rate
New Jersey	10.75%
New Mexico	4.9%
New York	8.82%
New York City	3.876%
North Carolina	5.25%
North Dakota	2.9%
Ohio	4.997%
Oklahoma	5%
Oregon	9.9%
Pennsylvania	3.07%
Philadelphia	
Resident	3.8809% on compensation and net profits
Nonresident	3.4567% on compensation and net profits
Rhode Island	5.99%
South Carolina	7%
South Dakota	None
Tennessee	2% on interest and dividends
Texas	None
Utah	4.95%
Vermont	8.75%
Virginia	5.75%
Washington	None
West Virginia	6.5%
Wisconsin	7.65%
Wyoming	None

US Virgin Islands

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Please direct all inquiries regarding the US Virgin Islands to the persons listed below in the San Juan, Puerto Rico, office.

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On 22 December 2017, the President of the United States signed into law the Tax Cuts and Jobs Act, which amended various provisions of the US Internal Revenue Code (IRC). Because the US Virgin Islands operate under a system of corporate income taxation that is a mirror image of the IRC, please refer to the United States chapter of this guide for further details on the applicable new provisions.

A. Income tax

Who is liable. The US Virgin Islands income tax system mirrors the US income tax system. The applicable law is the US IRC, with "US Virgin Islands" substituted for all references to the "United States." For a description of the income taxation of individuals who are bona fide residents of the US Virgin Islands, refer to the chapter in this book on the United States and substitute "US Virgin Islands" for each reference to the "United States."

Bona fide residents of the US Virgin Islands are taxed on their worldwide income. The US Virgin Islands tax liability of other US citizens or residents with US Virgin Islands-source income is based on the ratio of their adjusted gross income derived from US Virgin Islands sources to their adjusted gross income worldwide.

An individual is considered to be a bona fide resident of the US Virgin Islands if he or she satisfies all of the following conditions:

- He or she is present for at least 183 days during the year in the US Virgin Islands. This determination is made under the applicable rules under the substantial presence test.
- He or she does not have a tax home outside the US Virgin Islands during the tax year.

- He or she does not have a closer connection to the United States or a foreign country than to the US Virgin Islands.

Individuals who are not US citizens or bona fide residents of either the United States or the US Virgin Islands must pay taxes on US Virgin Islands-source income and on income effectively connected with a US Virgin Islands trade or business. For US Virgin Islands tax purposes, rules similar to the rules for determining whether income is income from sources within the United States or is effectively connected with the conduct of a trade or business within the United States apply for purposes of determining whether income is from sources within the US Virgin Islands. However, any income treated as income from sources within the United States or as effectively connected with the conduct of a trade or business within the United States may not be treated as income from sources within the US Virgin Islands or as effectively connected with the conduct of a trade or business within the US Virgin Islands.

Under IRC Section 937 and Treasury Regulation Section 1.937-1(h), effective from 2001, an individual with worldwide gross income of more than USD75,000 must file Form 8898 for the tax year in which he or she becomes or ceases to be a bona fide resident of one of the US Virgin Islands, among other US possessions.

For married individuals, the USD75,000 filing threshold applies to each spouse separately.

Income subject to tax. Income tax provisions in the US Virgin Islands governing the computation of taxable income, including employment and business income, directors' fees, investment income, income from certain foreign corporations and capital gains, as well as the availability of deductible expenses and personal deductions and allowances, are the same as those in the United States. The taxation of employer-provided stock options in the US Virgin Islands is the same as in the United States.

The rules for the taxation of nonresidents are the same as the US rules for nonresidents of the United States, except that the withholding tax rate is 10% instead of 30%. Generally, it has been indicated in certain publications of the USVI Government that the 10% withholding tax should not apply to payments to US residents because they are not considered foreign for USVI purposes.

Rates. The income tax rates are the same as those in the United States.

B. Estate and gift taxes

US federal estate and gift taxes. The US federal estate tax applies in the US Virgin Islands and is administered by the US Internal Revenue Service (IRS). Federal estate tax returns are filed with the IRS in the United States. Federal estate tax is payable by all US Virgin Islands estates with a value that exceeds total exemptions granted by the US IRC. Persons who are US citizens because they are born or naturalized in the US Virgin Islands and who are US Virgin Islands residents at the time of their death are treated as nonresidents, not as citizens of the United States, for federal

estate tax purposes. These US Virgin Islands residents are subject to US estate tax on the part of their gross estate that is situated in the United States at the time of their death.

US citizens residing in the US Virgin Islands who make gifts exceeding the annual exclusion (generally USD15,000 for each recipient in 2019) must file a federal gift tax return with the IRS. A limited exemption may apply to gifts of US Virgin Islands assets made by persons naturalized or born in the US Virgin Islands.

US Virgin Islands inheritance and gift tax. The rates of US Virgin Islands inheritance and gift taxes vary, depending on the relationship of the beneficiary or donee to the deceased or donor. The rates range from 2.5% to 7.5%. The exemptions included in the law are so broad, however, that these taxes usually apply only to inheritances received in the US Virgin Islands from persons who neither reside in the US Virgin Islands nor own property in the US Virgin Islands, and to gifts of US Virgin Islands property made by persons who do not reside in the US Virgin Islands.

C. Social security

US social security (FICA) and self-employment taxes are imposed in the US Virgin Islands. Payments are remitted to the US mainland rather than to the Virgin Islands Bureau of Internal Revenue.

D. Tax filing and payment procedures

In general, the tax year for individuals in the US Virgin Islands is the calendar year. The US Virgin Islands system of tax administration is based on the principle of self-assessment. In general, taxpayers must file returns with the Virgin Islands Bureau of Internal Revenue or the IRS, depending on their residence status and the source of their income. Taxes are generally collected by employer withholding on wages and salaries and by individual payment of estimated taxes on income not subject to withholding. Normally, tax due in excess of amounts withheld and payments of estimated tax must be paid with the return when filed. Taxpayers may claim refunds of overpayments of tax on annual returns. Substantial penalties and interest are usually imposed on taxpayers if returns are not filed on time or if tax payments, including estimated payments, are late.

Tax returns may be selected for audit at a later date by the Bureau of Internal Revenue. Failure to adequately support amounts claimed as deductions on a return may result in the disallowance of deductions and in a greater tax liability, on which interest and penalties are levied from the original due date. In general, taxpayers must maintain supporting documentation for at least three years after a return is filed.

US Virgin Islands resident. A bona fide resident of the US Virgin Islands (see Section A) must file a US annual return (Form 1040) with the Virgin Islands Bureau of Internal Revenue. The return is due on or before the fifteenth day of the fourth month following the close of the tax year. A US Virgin Islands resident with income from sources outside the US Virgin Islands must also complete and attach Form 1040 INFO to their tax return to report such income to the US Virgin Islands Bureau of Internal

Revenue. A person who is a bona fide resident of the US Virgin Islands on the last day of the year is not required to file a tax return with the IRS if the taxpayer reports and pays tax on income from all sources to the US Virgin Islands and identifies the sources of the income on the return.

US citizen or resident alien. A US citizen or resident alien who is not a bona fide resident of the US Virgin Islands and who has income from sources in the US Virgin Islands or income effectively connected with the conduct of a trade or business in the US Virgin Islands, must file identical returns with the United States and the US Virgin Islands. The amount of tax that must be paid to the US Virgin Islands is computed using Form 8689. The tax is calculated by multiplying the total tax on the US return (after certain adjustments) by a decimal, which is computed by dividing the adjusted gross income from the US Virgin Islands by worldwide adjusted gross income. Tax due is paid to the US Virgin Islands.

Individuals not US citizens, US Virgin Island residents or US residents. Individuals who are not US citizens or residents of the United States or US Virgin Islands must file Form 1040 NR with the US Virgin Islands and pay taxes to the US Virgin Islands on Virgin Islands-source income.

E. Double tax relief and tax treaties

A foreign tax credit is available to US Virgin Islands residents. It is computed using the rules under the US IRC.

Double tax treaties entered into by the United States are inapplicable in the US Virgin Islands. The US Virgin Islands may not enter into separate tax treaties with foreign governments.

The IRS and the Virgin Islands Bureau of Internal Revenue have established a mutual agreement procedure to resolve inconsistent treatment of tax items. Requests for assistance under this procedure should be addressed to the Tax Treaty Division of the IRS.

F. Visas

The rules concerning eligibility for visas that allow foreign nationals to work in the US Virgin Islands are identical to those of the continental United States. For more detailed information, including information regarding the duration of visas, please see the chapter on the United States in this book.

G. Family and personal considerations

Family members. Please refer to the US chapter of this publication for information on the procedures and requirements necessary to obtain a visa for family members of visa holders.

Marital property regime. In general, the US Virgin Islands recognizes that property acquired during marriage is subject to division and equitable distribution, and therefore, constitutes marital property. The US Virgin Islands recognizes as separate property, distinguishable from marital property, any property acquired prior to marriage and all property derived by either of the spouses during the marriage through inheritance, gift or devise.

Forced heirship. Under the forced heirship rules in effect in the US Virgin Islands, the real estate of a deceased person, not devised, and the surplus of his or her personal property after payment of debts and legacies, if not bequeathed, is distributed to the surviving spouse and children as follows: one-third to the surviving spouse, and the residue in equal portions to the children, or to the legal representatives of the children if any of them predeceased the parent. Different rules apply if the heirs are other than the surviving spouse and children.

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The exchange rate of the Uruguayan peso against the US dollar is approximately UYU35 = USD1.

A. Income tax

Under the personal income tax law, effective from 1 July 2007, individuals are subject to income tax in Uruguay.

Resident individuals are subject to tax on their Uruguayan-source income. They are also subject to tax on certain foreign-source income, such as capital gains and work income, if certain conditions are met. Income subject to the tax is divided into the categories of capital gains (Category I) and labor income (Category II).

The basic rate of personal income tax on capital gains is 12%.

Tax on labor income applies to income derived from dependent or independent work. A specified amount of income is not subject to tax. The tax is imposed at progressive rates ranging from 10% to 36%.

Income from pension funds is subject to the Tax of Assistance to Social Security. This tax is similar to the personal income tax.

Nonresident individuals are subject to income tax on their Uruguayan-source income at a rate of 12%. They are also subject to tax on their income from technical services performed abroad if certain conditions are met.

In addition, a 4% (2% for the seller and 2% for the buyer) transfer tax is imposed on sales of real estate.

B. Other taxes

Net worth tax. In general, individuals owning assets in Uruguay must pay tax on their net worth at year-end at progressive rates ranging from 0.3% to 0.6% (for 2019). However, for nonresident individuals who are not subject to nonresidents' income tax, the

rates vary from 0.7% to 1.5%. A tax-free allowance of UYU4,166,000 (for 2018; the amount for 2019 is to be determined) may be deducted.

Inheritance and gift taxes. Transfers of real estate by gift or inheritance are subject to the 4% transfer tax, except for inheritances from direct line of consanguinity, which is subject to a 3% transfer tax.

C. Social security

Contributions. Self-employed individuals pay social security taxes on notional amounts of income rather than on actual earnings, except for professional self-employed individuals to whom a different regime applies. The amounts are established by law.

Contributions are paid by employers and employees at the rates set forth in the following table.

Type	Employer %	Employee %	Self-employed %
Pension fund	7.5 (a)	15 (a)	Variable (c)
Medical care	5	3 to 8	3 to 8
Work Reconversion Fund (b)	0.1	0.1	—
Labor Credits Guarantee Fund (b)	0.025	—	—

(a) This rate applies to the portion of income that does not exceed approximately UYU173,539 (monthly).
(b) These are taxes on salaries and are paid to the social security body (Banco de Previsión Social, or BPS).
(c) Self-employment contributions are calculated by deducting 30% of the total amounts invoiced. Pension fund contributions vary according to category.

Totalization agreements. To provide relief from double social security taxes and to assure benefit coverage, Uruguay has entered into totalization agreements, which usually apply for a maximum period of one year, with the following jurisdictions.

Argentina	Ecuador	Paraguay
Austria	El Salvador	Peru
Belgium	France	Portugal (c)
Bolivia	Germany	Romania (e)
Brazil	Greece	Spain
Canada	Israel	Switzerland
Chile	Italy	United States (b)
Colombia	Luxembourg	Venezuela (d)
Costa Rica (a)	Netherlands	

(a) This treaty has not yet been approved by Costa Rica.
(b) This agreement applies only to pensions. It entered into force in November 2018.
(c) This treaty is in the process of renegotiation and is not fully applicable.
(d) This treaty is in force, but some dispositions were not regulated.
(e) This agreement was recently ratified by the Uruguayan parliament, but it is not yet in force.

D. Tax filing and payment procedures

Married persons have the option to be taxed jointly or separately for purposes of the personal income tax Category II and the net worth tax.

E. Tax treaties

Uruguay has entered into double tax treaties with the following jurisdictions:

- Argentina (not a double tax treaty but a tax information exchange agreement with a clause to avoid double taxation; entered into force and effective since February 2013)
- Belgium (entered into force in November 2017 and effective since January 2018)
- Chile (entered into force in September 2018 and effective from January 2019)
- Ecuador (entered into force in November 2012 and effective since January 2013)
- Finland (entered into force in February 2013 and effective since January 2014)
- Germany (renegotiated and effective since January 2012)
- Hungary (effective since January 1994; obsolete in certain aspects)
- India (entered into force in June 2013 and effective since January 2014)
- Korea (South) (entered into force in January 2013 and effective since January 2014)
- Liechtenstein (entered into force in September 2012 and effective since January 2013)
- Luxembourg (entered into force in January 2017 and effective since January 2018)
- Malta (entered into force in November 2012 and effective since January 2013)
- Mexico (entered into force in December 2010 and effective since January 2011)
- Portugal (entered into force and effective since September 2012)
- Romania (entered into force in October 2014 and effective since January 2015)
- Singapore (entered into force in March 2017 and effective since January 2018)
- Spain (entered into force in April 2011 and effective since January 2012)
- Switzerland (effective since January 2012)
- United Arab Emirates (entered into force in June 2016 and effective since January 2017)
- United Kingdom (entered into force in November 2016 and effective since January 2017)
- Vietnam (entered into force in July 2016 and effective since January 2017)

F. Temporary visas

Most foreign nationals must obtain valid entry visas to enter Uruguay. However, foreign nationals of certain jurisdictions do not need entry visas to enter Uruguay if they stay for less than three months, or in some cases, if they stay for less than one month. These jurisdictions include the following.

Andorra	Guatemala	Peru
Argentina	Guyana	Poland
Armenia	Honduras	Portugal

Australia
Austria
Bahamas
Barbados
Belgium
Belize
Bolivia
Brazil
Bulgaria
Canada
Chile
Colombia
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Ecuador
El Salvador
Estonia
Finland
France
Georgia
Germany
Greece
Grenada
Hong Kong SAR
Hungary
Iceland
Ireland
Israel
Italy
Jamaica
Japan
Korea (South)
Latvia
Liechtenstein
Lithuania
Luxembourg
Macau SAR
Malaysia
Malta
Mexico
Monaco
Mongolia
Montenegro
Netherlands
New Zealand
Nicaragua
Norway
Panama
Paraguay
Romania
Russian Federation
St. Kitts and Nevis
St. Vincent and the Grenadines
San Marino
Serbia
Seychelles
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sweden
Switzerland
Trinidad and Tobago
Turkey
Vatican City
Venezuela
Ukraine
United Arab Emirates
United Kingdom
United States

Foreign nationals may enter Uruguay under temporary or permanent visas.

Different types of temporary visas are available for an individual to stay in Uruguay in addition to the visa that may be required to enter the country (detailed above).

Temporary visas are available to the following temporary resident individuals:
- Migrant workers
- Scientists, researchers and academics
- Professional, technical and skilled personnel
- Students, trainees and interns
- Businesspersons, entrepreneurs, directors, managers and consultants
- Journalists
- Sports persons
- Artists
- Religious individuals

Temporary visas are available to the following nonresident individuals:
- Tourists (foreigners entering the country for recreation, leisure or rest)
- Individuals invited by public or private entities because of their profession or art
- Businesspersons
- Members of public, artistic or cultural performances
- Members of international transport crews
- Passengers in transit

- Individuals in local border traffic
- Members of crews of fishing vessels
- Members of crews performing transshipments in the country
- Individuals who come for medical treatment
- Athletes
- Journalists and other professionals in the media
- All persons not included in the preceding items who are expressly authorized by the National Directorate of Immigration

G. Work permits

To work in Uruguay, an employee must have a Uruguayan permit. Although Uruguayan regulations do not provide a "work permit" as such, a foreign national may work in Uruguay under a permanent residence visa, or under one of the temporary visas described above, for a period lasting the length of the employment contract. If the period is less than 180 days, a provisional identity sheet of the identity card should be requested.

An applicant may work in Uruguay while his or her work permit application and other papers are being processed.

No limitations are imposed on foreign nationals wishing to start businesses or head subsidiaries in Uruguay.

H. Permanent residence visas

Permanent visas are issued to foreign nationals who intend to establish permanent residence in Uruguay.

To obtain a permanent visa, an application must be filed either in the foreign national's home country or in Uruguay, accompanied by the following documents:
- Passport or equivalent document
- Health certificate
- Proof of financial means
- Criminal records
- Identity card or document
- Birth certificate
- Uruguayan address certificate

After all documents are submitted, the approximate time for obtaining a visa is three to six months.

Under Law No. 19,254, permanent residence applications for nationals of Southern Common Market (Mercado Común del Sur, or MERCOSUR) countries and associated states and foreigners who have certain familiar ties to Uruguayan nationals must be processed by the Ministry of Foreign Affairs.

I. Family and personal considerations

Family members. The working spouse of a work permit holder is not automatically authorized to work in Uruguay; a separate application must be filed at the same time as that of the expatriate.

Driver's permits. A foreign national may drive legally in Uruguay with his or her home country driver's license only while he or she is applying for a local driver's license.

To obtain a local driver's license in Uruguay, an applicant must pass a written exam on specific Uruguayan traffic rules, as well as a physical exam.

Uruguay does not have driver's license reciprocity with other countries.

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A. Income tax

Who is liable. Individuals are subject to tax in Uzbekistan based on their tax residency status. A resident is defined as an individual who is physically present in Uzbekistan for 183 days or more in any period up to 12 months ending in a calendar year. Individuals not meeting this test are considered to be nonresidents. Residents are taxed on their worldwide income. Nonresidents are taxed only on their Uzbek-source income.

Income subject to tax. In general, all income and benefits-in-kind are taxable in Uzbekistan, unless they are specifically exempt. Income that is specifically exempt from tax includes alimony, severance pay (up to a maximum amount) and state pension income.

The taxation of various types of income is described below.

Employment income. Employment income includes all cash and noncash remuneration, allowances and benefits arising from employment.

Self-employment and business income. In general, self-employment and business income is included in an individual's gross income and taxed at the general individual income tax rates (see *Rates*). However, the following special tax rules apply to private entrepreneurs:

- Fixed rates. Private entrepreneurs with an annual turnover less than UZS100 million (approximately USD11,000) are eligible for a fixed tax rate, which varies from UZS50,000 to UZS1 million per month (approximately USD5.8 to USD118) depending on the activities of the private entrepreneur and the location of the activities.
- Unified tax payment. Private entrepreneurs with an annual turnover of over UZS100 million but less than UZS1 billion (approximately USD12,000 to USD118,000) are subject to a unified tax payment at the rate of 4%.

- General established taxation regime. Private entrepreneurs with an annual turnover more than UZS1 billion (approximately USD118,000) are subject to generally established tax regime applicable to legal entities.

Directors' fees. Directors' fees are generally included in gross income and are subject to individual income tax at the general individual income tax rates (see *Rates*).

Investment income. Dividends and interest income received from Uzbek companies are subject to withholding tax at a rate of 5% for tax resident individuals and 10% for tax nonresident individuals. Royalties and other investment income are generally taxable at the general individual income tax rates (see *Rates*). However, interest income of individuals received from certificates of deposits, bank deposits and government securities is exempt from tax.

Taxation of employer-provided stock options. The Uzbek law does not provide any specific measures regarding the taxation of stock options.

Capital gains and losses. Capital gains are normally subject to tax at the general individual income tax rates (see *Rates*). Capital gains derived from the sale of private nonbusiness property are exempt from tax. A capital gain derived from the sale of residential premises is exempt from tax if one transaction is conducted within a 12-month period. Capital losses are not deductible.

Deductions. No significant tax deductions are allowed for individuals.

Rates. The general Uzbek individual income tax for residents is levied at a flat rate of 12%, while a flat rate of 20% applies to nonresidents.

Relief for losses. Losses may not be carried forward or back by individuals.

B. Other taxes

Wealth tax and net worth tax. Uzbekistan does not impose a wealth tax or net worth tax.

Property tax. Property tax is imposed on buildings and apartments of individuals. The rates vary from 0.2% to 0.35% of the cadastral value of the property.

Inheritance, estate and gift taxes. Inheritances and gifts received from other individuals are not taxable. Gifts from an employer valued above 6 MWs per year are taxable at the general individual income tax rates (see *Rates*).

Land tax. An individual granted permanent possession of a land plot may be subject to land tax at a fixed rate, depending on the location of the land. For example, in the city of Tashkent, the rates vary from UZS356.8 to UZS902.5 (approximately USD0.04 to USD0.1) per square meter, depending on the location of the land plot.

C. Social security

Employers make mandatory monthly contributions to individual accumulative pension accounts of citizens at a rate of 0.1% of salaries of employees, and the amounts of such contributions are subtracted from accrued individual income tax. Employers are subject to a unified social fund contribution on the payroll of employees at a rate of 12% (while a 25% rate is applicable for state entities and entities with a state share in their capital of 50% or more).

D. Tax filing and payment procedures

An annual tax declaration must be completed and filed by 1 April of the year following the reporting year. Payment of any additional tax liability must be made by 1 June of the year following the reporting year. An individual leaving Uzbekistan must file a final declaration one month before departure.

E. Double tax relief and tax treaties

Uzbekistan has entered into double tax treaties with the following countries.

Austria
Azerbaijan
Bahrain
Belarus
Belgium
Bulgaria
Canada
China
Czech Republic
Estonia
Finland
France
Georgia
Germany
Greece
Hungary
India
Indonesia
Iran
Ireland
Israel
Italy
Jordan
Kazakhstan
Korea (South)
Kuwait
Kyrgyzstan
Latvia
Lithuania
Luxembourg
Malaysia
Moldova
Netherlands
Oman
Pakistan
Poland
Romania
Russian Federation
Saudi Arabia
Singapore
Slovak Republic
Slovenia
Spain
Switzerland
Tajikistan
Thailand
Turkey
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
Vietnam

Uzbekistan also honors the double tax treaty between the former USSR and Japan.

To obtain treaty benefits, a written application for treaty relief must be submitted to the Uzbekistan tax authorities on specified forms. The application must be accompanied by certain documents including a certificate from the applicant's home country tax authorities stating that the applicant is resident in that country.

F. Temporary visas

In general, all foreign nationals and stateless persons are required to obtain a visa to enter Uzbekistan. The general visa requirements do not apply to the following individuals:

- Nationals of the following Commonwealth of Independent States (CIS) countries: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan (if up to 60 days), Moldova, the Russian Federation, Tajikistan (if up to 30 days) and Ukraine

- Based on a new visa-free regime (introduced from 5 January 2019), for stays up to 30 days by nationals of the following countries: Andorra, Argentina, Australia, Austria, Belgium, Bosnia and Herzegovina, Brunei Darussalam, Bulgaria, Canada, Chile, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Iceland, Indonesia, Ireland, Israel, Italy, Japan, Korea (South), Latvia, Lichtenstein, Lithuania, Luxembourg, Malaysia, Malta, Monaco, Mongolia, Montenegro, the Netherlands, New Zealand, Norway, Poland, Portugal, Romania, San Marino, Serbia, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom and Vatican City, as well as by crew members of aircraft of foreign airlines carrying out regular flights to Uzbekistan
- Passengers in transit who continue their journey within 24 hours by the same or first connecting aircraft if they hold valid onward and return documentation and if they do not leave the transit area
- Nationals of certain countries holding diplomatic passports who have the respective accreditation
- Nationals of countries with which Uzbekistan has respective intergovernmental agreements

A simplified procedure for issuing visas that cancels the requirement to provide to the Ministry of Foreign Affairs a tourist voucher or a request of the inviting legal entity or individual to Uzbekistan and that results in the processing of a visa within two working days applies to the nationals of the following jurisdictions.

Albania
Algeria
Angola
Antigua and Barbuda
Bahamas
Bahrain
Bangladesh
Barbados
Belize
Bhutan
Bolivia
Cambodia
Cameroon
Cape Verde
China Mainland*
Colombia
Costa Rica
Cote d'Ivoire
Cuba
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Fiji
Grenada
Guatemala
Guyana
Honduras
India
Iran
Jamaica
Jordan
Kiribati
Korea (South)
Kuwait
Laos
Lebanon
Maldives
Marshall Islands
Mauritius
Mexico
Micronesia
Morocco
Nauru
Nepal
Nicaragua
North Macedonia
Oman
Palau
Panama
Philippines
Qatar
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Samoa
Saudi Arabia
Senegal
Seychelles
Solomon Islands
South Africa
Sri Lanka
Suriname
Sweden
Thailand
Tonga
Trinidad and Tobago
Tunisia
United States
Uruguay
Vanuatu
Venezuela

Gabon	Paraguay	Vietnam
Ghana	Peru	

* Including the Hong Kong Special Administrative Region (SAR).

In addition, for more convenience in obtaining visas for Uzbekistan, starting from 15 July 2018, the nationals of the abovementioned jurisdictions can obtain an electronic visa through the E-VISA.UZ system for entry and stay in Uzbekistan for a period of 30 days with a single entry. The electronic visa is valid for 90 days from the date of its issuance. The time for consideration of applications for registration and issuance of an electronic visa is two working days, excluding the day the application was filed.

The visa requirements are subject to frequent changes. Consequently, individuals should verify them before planning a trip to Uzbekistan.

Business visa. In general, to obtain a business visa to Uzbekistan, a visa applicant should submit the following documents to the relevant consular office of Uzbekistan:

- Invitation letter from the hosting organization (for example, a business partner or an Uzbek company) that is duly processed through the Ministry of Foreign Affairs of Uzbekistan in Tashkent (this requirement does not apply to the nationals of those countries for which Uzbekistan has a simplified procedure for issuing visas)
- Two copies of the completed and signed visa application form
- Valid passport or document of a stateless person
- Two passport-size pictures
- Proof of visa fee payment unless a visa fee exemption has been established by an intergovernmental agreement between Uzbekistan and the respective foreign country, and/or Uzbekistan legislation

Incomplete visa applications are not accepted. A personal interview with an applicant may be required. Visas are issued within two working days to citizens of those countries for which Uzbekistan has a simplified procedure for issuing visas. For citizens of other countries, the processing of business visa applications may take up to 10 calendar days.

Starting from 1 March 2019, for founders (participants) of enterprises with foreign investments and for members of their families, the investment visa is introduced. It is valid for a period of three years, with the possibility of extension without leaving Uzbekistan.

For citizens of foreign jurisdictions, including founders (participants) of enterprises with foreign investments, who made investments in enterprises producing goods and services located in Uzbekistan in the equivalent of at least USD3 million, a residence permit may be issued for 10 years.

Private invitation visa. In general, in order to obtain a private invitation visa to Uzbekistan, a visa applicant should submit the following documents to the relevant consular office of Uzbekistan:

- Original letter of invitation (faxes or copies are not accepted) from the inviting person that has been approved by the local

department of the Ministry of Internal Affairs of Uzbekistan and processed through the Ministry of Foreign Affairs of Uzbekistan (this requirement does not apply to the nationals of those countries for which Uzbekistan has a simplified procedure for issuing visas)
- Completed and signed visa application form
- Copies of valid passports of the invited and the inviting person or of a document of a stateless person
- Two passport-size pictures
- Copies of documents confirming the relationship between the invited and the inviting person
- Copies of tickets
- Proof of visa fee payment unless a visa fee exemption has been established by an intergovernmental agreement between Uzbekistan and the respective foreign country, and/or Uzbekistan legislation

For an arrival visa receipt at the Tashkent airport, copies of tickets should also be provided.

Incomplete visa applications are not accepted. A personal interview with the applicant may be required.

Transit visa. In general, an individual traveling through Uzbekistan to another country needs a transit visa for Uzbekistan. To obtain a transit visa, a visa applicant should submit the following documents to the relevant consular office of Uzbekistan:
- Completed and signed visa application form
- Valid visa to the country of destination
- Travel documents with confirmed departure date from Uzbekistan to the country of destination (confirmed round-trip ticket)
- Valid passport or a document of a stateless person
- Two passport-size pictures
- Proof of visa fee payment unless a visa fee exemption has been established by an intergovernmental agreement between Uzbekistan and the respective foreign country, and/or Uzbekistan legislation

Incomplete visa applications are not accepted. A personal interview with an applicant may be required. Transit visas are issued within three calendar days after the date of application.

Additional information. In general, if an individual's stay in Uzbekistan exceeds three days excluding public holidays and nonworking days, he or she is required to register with the local department of the Ministry of Internal Affairs within three business days after arrival. A registration stamp is affixed on the individual's passport. The following are significant aspects of registration:
- If the individual stays in a hotel, the hotel administration registers the individual automatically.
- If the individual stays in a private apartment or house, he or she should be registered with the local department of the Ministry of Internal Affairs in the district where this apartment or house is located.
- There is no fee for registration of an individual from a CIS country for a period of stay up to one month. A fee for registration of an individual from a CIS country for a period of stay of up to six months is USD5, and for a period of stay over six

months is USD10. Foreign individuals from other countries do not pay a fee for a period of stay up to one month and pay a fee in the amount of USD40 or more for a period of stay over one month, depending on the length of stay.

An individual's passport is checked on departure from Uzbekistan. Failure to register may lead to administrative liability of a foreign national in the form of a fine of up to 100 minimum monthly wages (approximately USD2,200) or deportation from Uzbekistan.

G. Additional categories of entry visas for certain groups of foreign citizens

Additional categories of entry visas for certain groups of foreign citizens include the following:

- Vatandosh: a visa issued for two years to natives of Uzbekistan and members of their families, invited by their relatives who are citizens of Uzbekistan
- Student visa: a visa issued for one year to foreign students studying in educational institutions of Uzbekistan
- Academic visa: a visa issued for three months to two years to foreign citizens who wish to conduct research and teaching activities in Uzbekistan
- Medical visa: a visa issued for a period of up to three months to foreign citizens coming to Uzbekistan for medical treatment by invitation of the hospital
- Pilgrim visa: a visa issued for a period of up to two months to foreign citizens at the request of the Committee of Religious Affairs

H. Work visas and permits and self-employment

A foreign citizen may work in Uzbekistan only if he or she obtains through his or her Uzbek employer a confirmation for the employment (work permit) and if his or her Uzbek employer obtains a license for employment of foreign specialists (license).

The Consular Department of the Ministry of Foreign Affairs of Uzbekistan issues a work visa to a foreign citizen only if the foreign citizen and his or her Uzbek employer obtained the work permit and license.

Uzbek law does not contain any measures allowing a foreign citizen to be self-employed in Uzbekistan.

I. Residence visas

The local offices of the Ministry of Internal Affairs of Uzbekistan can issue residence visas to foreign citizens permanently residing in Uzbekistan on the submission of the package of required documents.

The residence visa is issued for up to five years and can be renewed five times for the same period.

J. Family and personal considerations

Family members. The spouse and dependents of a working expatriate should obtain separate work permits to be legally employed in Uzbekistan. In addition, they should apply for their entry visas independently of the employed expatriate.

Marital property regime. Property acquired by a couple during marriage is considered their common property unless the law or a marital agreement provides otherwise. In addition, property gifted to or inherited by one of the spouses is considered the personal property of that spouse.

Forced heirship. Under Uzbek succession law, a testator is free to give by will his or her property in any manner he or she sees fit.

Driver's permits. A foreign citizen of a member country of the Vienna Convention on Road Traffic of 1968 may drive legally in Uzbekistan with his or her home country driver's license on obtaining an official translation of the driver's license from the Diplomatic Service under the Ministry of Foreign Affairs of Uzbekistan. The official translation applies for the period of accreditation of the foreign citizen, which usually does not exceed one year.

Venezuela

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A. Income tax

Who is liable. Tax resident individuals pay tax on their worldwide income. Residents are subject to tax if their annual worldwide gross income exceeds 1,500 tax units or if their annual worldwide net income exceeds 1,000 tax units. For the 2019 tax year, the value of a tax unit is VES50. For the 2018 tax year, the value of a tax unit was VES17. The bolivar to tax unit ratio is modified each year by the tax administration, subject to the approval of the National Assembly. Nonresident individuals are taxed on Venezuelan-source income, regardless of where the payment is made.

Individuals are considered resident for tax purposes if they are physically present in Venezuela for more than 183 days in the current or immediately preceding calendar year. An individual resident in a jurisdiction with which Venezuela has entered into a double tax treaty is protected under the independent or dependent personal services clause.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Taxable net employment income consists of all compensation or profit, regular or accidental, resulting from the provision of personal services under a dependence relationship, regardless of the character of the wages.

Severance indemnities received by employees or their beneficiaries and travel-expense reimbursements related to rendering personal services are excluded from total income.

Nontax residents are subject to a final withholding tax at a flat rate of 34% on their income from Venezuelan sources.

Self-employment and business income. The taxable income for self-employed individuals is determined in accordance with the rules described in *Employment income*.

Annual gross income in excess of 1,500 tax units or net taxable income in excess of 1,000 tax units must be formally declared. To determine net taxable income, individuals may deduct all costs and expenses necessary to produce self-employment and business income.

Nonresident individuals are subject to a final withholding tax at a flat rate of 34% on income derived from Venezuelan sources.

Directors' fees. Directors' fees relating to activities performed in Venezuela and received from resident companies are taxed as employment income at the rates described in *Rates*.

In addition, an individual is subject to social security contributions on directors' fees. The contribution is based on a percentage of monthly salary earned.

Investment income. Interest received by resident and nonresident individuals from savings instruments issued by Venezuelan banks and other financial institutions are tax-exempt. Other interest is aggregated with other income and taxed at the rates described in *Rates*.

Nonresident individuals are subject to a final withholding tax at a rate of 34% on royalties derived from Venezuela.

Effective from January 2001, dividends paid by Venezuelan companies are subject to withholding tax at a rate of 34% to the extent that income before taxes exceeds net taxable income for tax years beginning on or after the effective date. "Income before taxes" is defined as financial income before tax reconciliation, and "net taxable income" is income subject to tax after tax reconciliation. Recipients are subject to tax at the same rate on dividends from non-Venezuelan companies, less any foreign taxes paid.

Capital gains. Capital gains are taxed with other income according to the Tariff No. 1 rates described in *Rates*.

Deductions

Personal deductions and personal tax credit. Tax-resident individuals are allowed to deduct the following items:

- Mortgage interest payments for a principal dwelling, limited to an amount equivalent to 1,000 tax units, rent payments for a principal dwelling, limited to an amount equal to 800 tax units.
- Payments to educational institutions in Venezuela for taxpayers and their children under 25 years of age. The age limit does not apply to expenses incurred on the education of handicapped children and adults under the tutelage of the taxpayer.
- Premiums for surgery, hospitalization and maternity insurance paid in Venezuela to domiciled companies (no limit).
- Medical, dental and hospitalization expenses incurred in Venezuela for the taxpayer, spouse and ascendants or descendants (no limit).

Taxpayers must keep the documentation (receipts and vouchers) supporting the deductions mentioned above in case of a tax audit.

Tax residents may opt for a standardized deduction equal to 774 tax units, instead of all of the itemized deductions mentioned above. No supporting documentation is required for the standardized deduction.

Deductible expenses incurred in Venezuela may offset only Venezuelan-source gross income. Foreign-source deductible expenses may offset only foreign-source income. The supporting documents for the tax return must contain the taxpayer's tax information number.

Resident individuals receive an additional annual personal rebate of 10 tax units. They are also entitled to a family rebate of 10 tax units for each family member who lives in Venezuela (spouse, ascendants and descendants who have not attained the legal age required by Venezuelan law, unless they are handicapped and unable to work or are studying and are less than 25 years old).

Business deductions. Individuals may deduct all expenses necessary to produce self-employment and business income.

Rates. Resident individuals are subject to the progressive tax rates of Tariff No. 1, which are applied to taxable income expressed in tax units (see *Who is liable*). The following are the applicable rates.

Taxable income		
Exceeding Tax units	**Not exceeding Tax units**	**Rate %**
0	1,000	6
1,000	1,500	9
1,500	2,000	12
2,000	2,500	16
2,500	3,000	20
3,000	4,000	24
4,000	6,000	29
6,000	—	34

Relief for losses. Business losses of a self-employed person may be carried forward for three years but cannot exceed 25% of the income in each tax year. Loss carrybacks are not allowed.

B. Inheritance and gift taxes

Resident nationals, resident foreigners and nonresidents are subject to inheritance and gift taxes only on assets located in Venezuela. Inheritance tax is levied at the following rates, which vary depending on the relationship of the beneficiary to the deceased or donor.

Beneficiary	Rate (%)
Spouse, ascendants and descendants	1 to 25
Siblings, nephews and nieces	2.5 to 40
Other relatives	6 to 50
Unrelated persons	10 to 55

C. Social security

The social security system provides the following benefits:

- Medical assistance for the worker and the worker's spouse, parents and children
- Indemnities for temporary disability and death

• Pensions for disability, old age and dependent survivors

Employers and employees are required to make social security contributions in accordance with the following table.

Type of contribution	Amount of contribution %
Social security contributions on monthly salary of each employee, up to a ceiling of five minimum salaries; paid by	
Employer	9/10/11
Employee	4
Unemployment insurance regime contributions on monthly salary of each employee, up to a ceiling of five minimum salaries; paid by	
Employer	2
Employee	0.5
Housing regime contributions on total monthly salary; paid by	
Employer	2
Employee	1
National Socialist Training Institute contributions (required if employer has five or more employees); paid by	
Employer, on total employee remuneration	2
Employee, on any profit-sharing received from the employer at the year-end	0.5

Social security treaties. Venezuela has entered into social security treaties with Chile, Ecuador, Greece, Italy, Portugal and Spain.

Under the above treaties, nationals of the treaty countries who are working in Venezuela or Venezuelans who are working in the treaty countries may rely on the treaties to avoid double social taxation for the time period stated in the treaties. However, according to the Social Security Institute, the only treaty that is in effect for Certificates of Coverage is the Spain treaty.

D. Tax filing and payment procedures

For individuals, the tax year in Venezuela is the calendar year. Tax returns must be filed by 31 March of the following tax year. The tax liability indicated on the return may be paid in three portions. The first is due when the return is filed, the second one within 20 days after filing the return and the third one within 40 days after the return is filed.

Married persons are taxed either jointly or separately, at the taxpayers' election, on all types of income.

E. Double tax relief and tax treaties

Income is separated into two baskets, one for foreign-source income and expenses and another for domestic-source income and expenses. Foreign taxes paid on the foreign-source income may offset the Venezuelan tax on that income only. However, losses in the Venezuelan-source basket may be offset against foreign-source income.

Venezuela has entered into double tax treaties with the following countries.

Austria	Germany	Russian Federation
Barbados	Indonesia	Spain
Belarus	Iran	Sweden
Belgium	Italy	Switzerland
Brazil	Korea (South)	Trinidad and Tobago
Canada	Kuwait	United Arab Emirates
China	Malaysia	United Kingdom
Cuba	Netherlands	United States
Czech Republic	Norway	Vietnam
Denmark	Portugal	
France	Qatar	

Venezuela has signed a double tax treaty with Mexico, which has not yet entered into force.

F. Temporary visas

Venezuela issues tourist visas. Foreign nationals with tourist visas may not work as employees or engage in business in Venezuela. Business visas allow individuals to conduct commercial affairs or to provide technical assistance.

G. Work visas and permits

Under the Immigration Law, foreign citizens who intend to render services in Venezuela for more than 90 days must obtain a labor permit (authorization) and a labor visa (Working Transient Visa; known as "TR-L"). The company that intends to employ the foreign citizen requests the labor permit. If a foreign citizen will not be in Venezuela for more than 90 days, neither a labor permit nor a labor visa is required.

To obtain a TR-L, the foreign citizen must have a passport that had been issued by the respective authority at least 6 months before the request for the TR-L, as well as an employment contract with a Venezuelan entity. The visa has a term of one year and may be renewed for an additional term of one year. The holder of the TR-L may make multiple entries into Venezuela or may stay in Venezuela for the entire period of the visa.

To obtain a labor visa and work permit, the company must file an application with the Office of Migration and the Ministry of Labor, which will issue the labor visa and the labor permit respectively, within 15 business days following the request. In practice, the period for the issuance of the visa may be extended for an additional 15 days.

Work visa. To obtain a work visa, the following documents must be submitted to the Office of Migration (Dirección de Extranjería):

- Proof of payments by the employer to the National Socialist Training Institute (Instituto Nacional de Capacitación y Educación Socialista, or INCES)
- Proof of last three payments by the employer to the social security system
- Copy of municipal license of the company
- Copy of last income tax return of the company
- Authorization letter

- Justification letter (providing reasons for requesting labor visa)
- Entry request form, issued by the Administrative Service Office for Identification, Immigration and Foreign Purposes (Servicio Administrativo de Identificación, Migración y Extranjeria, or SAIME)
- Two wallet-sized photos of the foreign worker
- Copy of the entire passport (including blank pages)
- Notarized employment contract (original)
- University or college or technical or associate degree, translated into Spanish if in another language, and legalized in the country of residence before the Venezuelan consulate, or annotated
- Résumé, translated into Spanish if in another language, and legalized in the country of residence before the Venezuelan consulate, or annotated

Work permit. To obtain a work permit, the following documents must be filed with the Ministry of Labor:

- Copy of the document of incorporation and bylaws of the contracting company
- Copy of notarized employment contract
- Employment declaration form and hours worked (this form is issued by the Ministry of Labor)
- Justification letter (providing reasons for requesting labor permit)
- Format of job offer issued by Ministry of Labor (original and two copies)
- Information filed with the Labor Inspector Office (Inspectoría del Trabajo), including a copy of the Tax Identification Number (Registro Unico de Información Fiscal, or RIF) of the contracting company, company name, number of employees and workers and authorization letter

The authorities may require additional documents that they consider to be necessary for this process.

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A. Income tax

Who is liable. Under the Personal Income Tax (PIT) Law, taxpayers are resident and nonresident individuals who have income that is subject to tax.

The following individuals are considered to be residents for tax purposes:

- Persons residing in Vietnam for an aggregate of 183 days or more in a calendar year or in a continuous 12-month period, beginning on the first date of arrival. In calculating the number of days, the arrival and departure dates are counted as one day in total.
- Persons having a permanent residence in Vietnam, including a registered residence that is recorded on the Permanent or Temporary Resident Cards of foreigners or a house lease that has a total term of 183 days or more. The total term of a lease equals the sum of the lease terms for different leased locations in a tax year, including hotels, motels, working places and offices.

If an individual has a permanent residence as mentioned above, but stays in Vietnam for less than 183 days in a tax year and can prove that he or she is a tax resident of another country, he or she is treated as a Vietnam tax nonresident in that tax year. The document required to prove tax residency of a foreign country is the original tax residency certificate issued by the foreign tax authority.

Tax year. The Vietnamese tax year is calendar year. However, if an individual stays in Vietnam for less than 183 days in the calendar year of first arrival, the first tax year is the 12-month period from the date of arrival. Subsequently, the tax year is calendar year.

For tax resident individuals who are citizens of countries having double tax treaties with Vietnam, their tax obligation is calculated from the month in which they arrive in Vietnam to the month in which their Vietnam assignment is terminated, and they leave Vietnam.

Income subject to tax. Residents are taxed on their worldwide income, while nonresidents are taxed on their Vietnam-source income.

Under the PIT Law, the following 10 types of income are subject to tax:
- Income from business
- Income from employment
- Income from capital investment
- Income from capital transfers
- Income from transfers of real property
- Income from royalties
- Income from franchising
- Income from winnings or prizes
- Income from the receipt of inheritances
- Income from the receipt of gifts

The taxation of various types of income is described below.

Income from employment. Employment income includes all cash remuneration and benefits in kind (for example, salaries, wages, bonuses, allowances, premiums, directors' fees and remuneration, housing benefits [with a tax concession; see next paragraph], income tax and benefits paid by the employer, and other payments for employment services rendered). Progressive tax rates ranging from 5% to 35% apply to both Vietnamese and expatriate residents (see *Tax rates*), while a flat rate of 20% applies to nonresidents. Income received in foreign currency is converted to Vietnamese dong when calculating taxable income. If the income is remitted to an individual's bank account in Vietnam, the actual buying exchange rates of the bank where the individual's income is received must be used. If the individual's bank account is maintained outside Vietnam, the buying exchange rate of the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) on the payment date must be used.

Rental payments, including utilities and related services, made by an employer on behalf of an employee are taxable based on the lower of the amount actually paid and 15% of total taxable income (excluding taxable housing, utilities and service fees). A

housing benefit is considered to be net income if the company pays the tax and accordingly a tax-on-tax calculation is required. The full amount of utilities paid separately with the rental are subject to tax.

Hypothetical tax and the housing norm are deductible before grossing up the net-of-tax income to the gross-of-tax income.

Life insurance is taxed at the time of payout. If the insurance is bought from an insurance company that is established and operated under Vietnamese law, the insurance company is responsible for withholding 10% on the relevant accumulated premium contributed by the employers from 1 July 2013 at the maturity date of the contract. If the employer buys life insurance for its employees from an insurance company that is not established in Vietnam but allowed to sell in Vietnam, the employer must withhold tax of 10% of the premium before paying the net income to its employees.

The following are the principal categories of employment income that are exempt from tax:

- One-off allowance for relocation to Vietnam for an expatriate employee and from Vietnam to overseas for a Vietnamese national based on a labor contract or an assignment letter. The exemption also extends to a Vietnamese individual residing overseas on a long-term basis and returning to Vietnam to work.
- School fees paid by the employer for kindergarten to high school education for the children of expatriate employees working in Vietnam and Vietnamese nationals working overseas.
- Home leave round-trip air tickets for expatriate employees and Vietnamese nationals working overseas once a year.
- Payment for housing, electricity, water supply and associated services (if any) for housing built by the employer to provide for employees at industrial parks or for housing built by the employer in an economic zone, a disadvantaged area or an extremely disadvantaged area, to provide for its employees.
- Certain benefits in kind provided on a collective basis if the beneficiaries of such benefits cannot be determined (for example, membership fees, entertainment and health care).
- Mid-shift meals arranged directly by the employer or paid in cash to employees up to the amount stipulated in the labor regulations.
- Stationery, per diem for business trips and telephone expenses per the company's policies.
- Uniforms within the limits of the prevailing regulations.
- Cost of training for the improvement of the professional skills of employees as per the policy of the company.
- Rotation cost (for example, airfare, expenses related to use of helicopters to transport rotators from the mainland to a rig offshore and vice versa and hotel costs incurred during the days waiting for the flight to a rig offshore) for expatriate employees working in Vietnam in a number of specific industries, such as petroleum and mining.
- Retrenchment, redundancy and unemployment allowances, in accordance with the guidelines stipulated in the Labor Code.
- Financial support from an employer's after-tax fund for an employee and his or her family members with respect to cures or medical treatment for fatal diseases.

- Cost of transportation for employees from home to work and vice versa in accordance with the company policy.
- The voluntary and non-accumulated insurance premiums paid by the employer (for example, health insurance and accident insurance, including voluntary insurance bought from an insurance company that is not established and operating under the Vietnamese law). The exemption does not apply to insurance schemes under which the participants are entitled to receive accumulated premiums at the maturity date of the insurance contract.
- Funeral and wedding support provided by employers to their employees and their employee's family under the company policy. The exemption is limited to the amount prescribed in the corporate income tax regulations.

Income from business. Business income is income derived from production and business activities, including agriculture, forestry, salt production, aquaculture and fishing, as well as income from independent practice in the fields that are licensed or certificated as prescribed.

Tax residents and nonresidents, including individuals and groups of individuals and households who engage in production and trading activities with respect to goods and services in all fields as stipulated by laws, are subject to tax on business income (including value-added tax [VAT] if applicable and PIT). An exception applies to individuals with total annual revenue equal to or less than VND100 million.

Income from business activities is subject to a flat tax rate, which varies by sector and type of services (see *Tax rates*).

Various methods for tax calculation, declaration and remittance exist for individuals having business income including the payment of tax on a deemed basis, payment of tax on ad hoc transactions and payment of tax for individuals having income from asset leasing, as well as for individuals deriving income as insurance agents, lottery agents or multilevel sales agents.

The amount of tax payable is determined using the following calculations:
- VAT payable = VAT taxable income x VAT rate
- PIT payable = PIT taxable income x PIT rate

For purposes of the above calculations, the following rules apply:
- Taxable income equals the gross revenue from sales, commissions and services rendered in the production and trading of goods and services in the relevant tax period.
- The tax year is the calendar year.
- Tax rates applied on revenue vary depending on the business sectors (see *Tax rates*).

An individual engaged in business who hires 10 employees or more is required to set up a corporation in accordance with the Enterprise Law, prepare documentation and invoices in accordance with the Vietnamese accounting regulations, and pay corporate income tax.

Income from capital investment. Income from capital investment includes the following:

- Interest on loans granted to organizations, enterprises, business households in accordance with loan agreements, except for interest paid by banks and credit institutions
- Dividends
- Profits from other forms of capital contributions, including capital contributions in the form of commodities, reputation, land-use rights and inventions, except for income after payment of corporate income tax of private companies and single-member limited liability companies under the ownership of individuals
- Interest on bonds, treasury bills and other valuable instruments, except for bonds issued by the Vietnamese government

Income from capital investment paid to tax resident and tax nonresident individuals is taxed at a rate of 5%.

Income from capital transfers. Income from capital transfers includes the following:

- Gains derived by individuals from the transfer of capital contributions in limited liability companies, partnerships and shareholding companies. The assessable income from transferring contributed capital equals the transfer price minus the purchase price of the transferred capital and reasonable expenses related to the generation of the income from the transfer of capital. A 20% tax rate is applied to the gains of tax resident individuals and 0.1% tax is applied to the sales proceeds of tax nonresident individuals.
- Income from securities transfers, including income from transferring shares, stock options, bonds, treasury bills, fund certificates and other securities according to the regulations of the Law on Securities, and income from transferring shares of persons in joint stock companies according to the Law on Enterprises.

Income from the transfer of real property. Income from the transfer of real property includes the following:

- Income received from the transfer of land-use rights, residential houses and other assets attached to land
- Transfer of ownership or rights to the use of residential houses, lease rights to land or water surfaces and other rights to real property

Assessable income from real property transfers is the price agreed in the transfer contract at the time of transfer. A tax rate of 2% is applied to the transfer price.

Income from royalties. Income from royalties is income derived from the assignment or transfer of the right to use intellectual property rights or objects including literary, artistic and scientific works, copyrights, inventions, industrial designs, trademarks, technical know-how and similar items. Assessable income equals the amount of the royalties in excess of VND10 million, according to the transfer contract, regardless of the number of payments the taxpayer receives.

Income from franchising. Income from franchising is income derived by an individual from a franchising contract under which the franchisor authorizes the franchisee to purchase and sell goods or provide services in accordance with conditions imposed by the franchisor. Assessable income equals the amount of the

franchise fee in excess of VND10 million based on the contract, regardless of the number of payments the taxpayer receives.

Income from winnings or prizes. Income from winnings or prizes is income derived from winnings in cash or in kind in excess of VND10 million from lotteries, betting, promotional prizes and similar items. Assessable income equals the amount of the prize in excess of VND10 million, determined on a transaction basis.

Income from the receipt of inheritances or gifts. Income from the receipt of inheritances or gifts is income in excess of VND10 million derived by an individual under a testament or law from the receipt of inherited or gifted assets, including securities, contributed capital, real property and other assets that are required to be registered. The amount of assessable income is determined when the procedures are completed for the transfer of ownership or the transfer of the right to use the asset or when the taxpayer receives the gift.

Tax exemptions. Certain types of income are exempt from tax, including the following:

- Income from the transfer of real property by inheritance or gifts between husband and wife, parents and children including adoptive parents and adopted children, parents-in-law and children-in-law and grandparents and grandchildren, and between siblings
- Income from the transfer of a residential house or right to use residential land and assets attached to land by an individual who has one sole residential house and/or land-use right in Vietnam, subject to certain conditions
- Interest on money deposited at banks or credit institutions, interest from life insurance policies and interest from government bonds
- Income in foreign currency received from Vietnamese residing overseas
- Overtime premium amount over the normal wage or salary that is paid in accordance with the Labor Code.
- Pensions paid by the Social Insurance Fund under the Law on Social Insurance, and monthly pensions from voluntary pension funds
- Scholarships
- Compensation payments from life and non-life insurance contracts, compensation for labor accidents and other state compensation payments
- Income received from charitable funds or from foreign-aid sources for charitable or humanitarian purposes

Tax reduction. Foreign experts working for official development assistance projects or with respect to programs or plans of non-governmental organizations in Vietnam are exempt from tax if they meet certain conditions. They must submit an application for exemption as required by law.

Taxation of employer-provided shares. Shares provided to employees are taxable as employment income and taxed at the time of transfer or sale. The taxable income equals the value of the shares recorded in the employer's accounting books. Income from the transfer of the awarded shares is also subject to capital gains tax (see *Income from capital transfers*).

Tax deductions. The deductions described below are available to tax residents who have employment income.

Personal and dependent relief. Personal relief of VND9 million per month is automatically granted to resident individuals who derive employment income. Dependent relief of VND3,600,000 is granted for each eligible dependent. No limit is imposed on the number of dependents. However, an eligible dependent must meet certain conditions with respect to income, age and his or her relationship with the taxpayer. A registration dossier for qualified dependents is also required to be submitted to the tax authorities.

Mandatory contributions. Mandatory social, health and unemployment insurance contributions, including mandatory contributions by expatriates to overseas schemes in the home country, are deductible from employment income for PIT purposes.

Contributions to charity. Certain contributions to registered charitable, humanitarian or study promotion funds are deductible.

Contributions to voluntary retirement funds. Contributions to voluntary pension funds, which are established in accordance with the Ministry of Finance's guidance, are deductible from taxable income. However, the deduction is capped at VND1 million per month for both employer and employee contributions.

Foreign tax credit. Tax paid on foreign-sourced income in other countries may be claimed as a credit against the tax liability in Vietnam. However, the amount of the credit may not exceed the amount payable in accordance with the Vietnamese tax scale that is assessed and allocated to the part of the income arising overseas. To claim the foreign tax credit, an application and required supporting documents must be filed with the tax authorities together with the year-end finalization dossier.

Tax rates

Employment income. The table below presents the progressive tax rates on employment income of resident individuals. To calculate the tax due by using the table, multiply the taxable income by the tax rate and then subtract the bracket adjustment. The following is the table.

Residents' average monthly assessable income			
Exceeding VND (thousands)	Not exceeding VND (thousands)	Tax rate %	Bracket adjustment VND (thousands)
0	5,000	5	0
5,000	10,000	10	250
10,000	18,000	15	750
18,000	32,000	20	1,650
32,000	52,000	25	3,250
52,000	80,000	30	5,850
80,000	—	35	9,850

Business income. The following table presents the PIT rates on business income for various activities, which apply to tax residents.

Business activities	Deemed PIT rate (%)	Deemed VAT rate (%)
Leasing and rental	5	5
Insurance and multilevel sales and lottery agent	5	5
Distribution and supply of goods	0.5	1
Services and construction without materials (no supply of materials)	2	5
Production, transportation, services associated with goods and construction with materials	1.5	3
Other business activities	1	2

The following table presents the PIT rates on business income for various activities, which apply to tax nonresidents.

Business activities	Deemed PIT rate (%)
Distribution and supply of goods	1
Supply of services	5
Production, construction, transportation and other activities	2

Other non-employment income. The following fixed tax rates are imposed on income derived by resident individuals other than employment and business income.

Type of income	Tax rate (%)
Income from capital investment	5
Income from royalties and franchising (exceeding VND10 million)	5
Income from winnings or prizes (exceeding VND10 million)	10
Income from inheritances (exceeding VND10 million)	10
Income from capital transfers	20
Income from security transfers	0.1
Income from property transfers	2

The following tax rates apply to nonresident individuals.

Type of income	Rate (%)
Income from employment	20
Income from capital investment	5
Income from royalties and franchising (exceeding VND10 million)	5
Income from winnings or prizes (exceeding VND10 million)	10
Income from capital transfers	0.1
Income from transfers of real property	2

B. Social security

The following are the statutory contribution rates for employers and employees with respect to social security, health insurance and unemployment insurance from 1 June 2017.

	Social insurance %	Health insurance %	Unemployment insurance %
Employer	17.5	3	1
Employee	8	1.5	1
Total	25.5	4.5	2

The social and health insurance contribution is calculated based on the salary or wage, allowance and additional payments stated in the labor contract. However, it does not exceed 20 times the common minimum salary provided by the government. Effective from 1 July 2019, the capped salary for the social and health insurance contribution is VND29,800,000 (VND1,490,000 x 20). The common minimum salary may change from year to year according to the government's decision.

The unemployment insurance contribution is only required for Vietnamese employees and calculated based on the salary or wage, allowance and additional payments stated in the labor contract. However, it does not exceed 20 times the regional minimum salary, which currently ranges from VND2,920,000 to VND4,180,000 and varies for each city and province. These ranges apply from 1 January 2019.

Social insurance and health insurance apply to both Vietnamese and expatriate employees working in Vietnam. From 1 December 2018, social insurance applies for foreigners who sign labor contracts with Vietnamese entities with a term of one month or more and having a work permit or practice license or certificate. From 1 December 2018 until 1 January 2022, short-term schemes (sickness, maternity, occupational diseases and accident) will take effect first. From 1 January 2022 onward, the above short-term schemes and long-term schemes (retirement and death) will take effect in full.

C. Tax filing and payment procedures

Organizations and individuals must withhold income tax from income paid to resident and nonresident individuals with respect to income from employment, capital investments, capital transfers (including transfers of securities), royalties, franchising, and winnings and prizes.

Declaration and payment of tax on employment income by income payers must be made on a monthly basis by the 20th day of the following month or on a quarterly basis by the 30th day of the following quarter. The eligibility to declare tax on a monthly or quarterly basis shall be determined in the first month in which tax is withheld. It will remain unchanged throughout the year. If the income payer has monthly tax payable of less than VND50 million or is eligible to declare VAT on a quarterly basis, declaration and payment of tax on employment income must be made on a quarterly basis. In all other cases, declaration and payment of tax on employment income must be made on a monthly basis.

Individuals receiving salary from overseas are required to file tax returns on a quarterly basis by the 30th day of the 1st month of the following quarter. A year-end finalization of income tax is also required and any amounts due must be paid within 90 days after the end of the first tax year or the end of the calendar year.

Finalization is required if any of the following circumstances exist:
- The tax payable is greater than the tax withheld or paid.
- The individual is eligible for a tax refund.
- The individual is a resident foreigner who terminates a Vietnam assignment.

An individual deriving income from the transfer of real property must declare tax and file a tax return together with the documents relating to transfer of ownership or right to use the real property. The tax must be paid in accordance with the tax notice.

An individual deriving income from the transfer of capital must declare tax when he or she performs procedures for the transfer of the capital. The tax must be paid in accordance with the tax notice.

An individual deriving income from inheritances or gifts must declare tax each time the income arises. The tax declaration must be submitted when the procedures for the transfer of ownership or rights to the use of the inherited or donated assets are conducted.

For resident individuals deriving income arising from overseas, employment income is declared on a quarterly basis and an annual basis. Other types of income (capital investment, capital transfer, transfer of real property, royalties, franchising, winnings, inheritances and gifts) must be declared within 10 days after the date the income arises or is received.

D. Tax treaties

Vietnam has entered into double tax treaties with the jurisdictions listed below. Exemption under double tax treaties is not automatic in Vietnam and an application must be filed before relying on the exemption.

Algeria*
Australia
Austria
Azerbaijan
Bangladesh
Belarus
Belgium
Brunei Darussalam
Bulgaria
Cambodia
Cameroon*
Canada
China Mainland
Cuba
Czech Republic
Denmark
Egypt*
Estonia
Finland
France
Germany
Ireland
Israel
Italy
Japan
Kazakhstan*
Korea (North)
Korea (South)
Kuwait
Laos
Latvia*
Luxembourg
Macau SAR
Malaysia
Malta
Mongolia
Morocco*
Mozambique*
Myanmar
Netherlands
New Zealand
North Macedonia*
Norway
Poland
Portugal
Qatar*
Romania
Russian Federation
San Marino*
Saudi Arabia
Serbia*
Seychelles
Singapore
Slovak Republic
Spain
Sri Lanka
Sweden
Switzerland
Taiwan
Thailand
Tunisia*
Ukraine
United Arab Emirates

Hong Kong SAR	Oman	United Kingdom
Hungary	Pakistan	United States*
India	Palestinian Authority*	Uruguay
Indonesia	Panama	Uzbekistan
	Philippines	Venezuela

* This treaty is not yet in force.

E. Entry visas

The sections below provide only the general standard business immigration requirements for a foreigner to work in Vietnam. Various requirements and practices are not described in this book. Professional advice should be obtained on a case-by-case basis.

All foreigners must have a passport or passport substitute papers that are valid for at least six months and a visa granted by the competent Vietnamese agencies, except for citizens of countries that have visa exemptions included in bilateral consular agreements with Vietnam (Association of Southeast Asian Nations [ASEAN] member countries and Kyrgyzstan) or unilateral agreements with Vietnam (Denmark, Finland, France, Germany, Japan, Korea [South], Italy, Norway, the Russian Federation, Sweden and the United Kingdom).

To legally enter Vietnam, foreigners must apply for a visa corresponding to the entry purpose and provide supporting documents. After the visa is granted, the foreigner is responsible for acting in accordance with the registered purpose of entry, and this purpose should not be changed during the stay in Vietnam.

Foreigners entering Vietnam to work must submit the work permits or work permit exemption certificates in the visa application dossiers. Consequently, work permits or work permit exemption certificates must be obtained before the labor visa application dossiers are filed.

The validity of each visa type differs and corresponds to the supporting documents in the visa application. For example, the maximum duration of a labor visa is 24 months, the maximum duration of an investor visa is 5 years, and the maximum duration of a business visa is 12 months.

The current processing time is five working days from the date of filing.

F. Work permits

A work permit is required for a foreign national to legally work in Vietnam, except for cases of work permit exemptions. This document is granted only to a foreign national who is sponsored by an entity in Vietnam.

Procedure and standard timeline. The sponsoring entity in Vietnam must submit the demand for using foreign nationals working in Vietnam to the relevant government's body at least 30 days before recruiting or transferring the foreign nationals to work in Vietnam. Within 15 days after receiving the demand, the local DOLISA responds to the sponsoring entity in writing regarding the acceptance or refusal of the demand. This letter is considered to be a pre-approval for using foreign employees in Vietnam. This

pre-approval letter is one of the compulsory documents for application dossiers for work permit issuances, work permit reissuances and work permit exemptions.

A work permit application must be filed with the local DOLISA at least 15 business days before the expected commencement date for the employee. The current processing time at the local authority is seven business days.

Required documents in work permit application dossiers that are issued in foreign countries must be legalized in the country of issuance to be recognized in Vietnam. Depending on the diplomatic relations between Vietnam and the country of issuance, the steps required to legalize the documents may vary. Consequently, the total processing time for work permit applications may take one to three months or more.

A work permit can be granted with a maximum validity period of two years. A work permit can be renewed through the reissuance process.

Qualification requirements. A foreign national who wants to work in Vietnam must meet the required qualifications for a pre-approval position. The following are the three main categories of positions that foreign nationals may apply for a work permit in Vietnam and the related qualification requirements:

- Management experience is required for managers, executives or higher positions according to the definition in the Law on Enterprise.
- At least three years of relevant professional experience and a bachelor, engineering or equivalent or higher degree are required for specialists. Alternatively, the specialist must have a document from the relevant foreign authority, organization or enterprise that recognizes him or her an expert.
- A minimum one year-training certificate and three years of relevant experience is required for technicians.

In addition to the above qualifications, foreign nationals will generally fall into one of two major categories: intra-company transfer and local hires. An intra-company transfer must have worked for his or her home employer for at least 12 months prior to the work permit application. The local hire must sign a local employment contract with the sponsoring entity in Vietnam. Both intra-company transfers and local hires must submit documentation proving that they meet the necessary criteria.

Work permit exemptions. Under the Labor Code and the decree on work permits, 19 cases of work permit exemptions exist. The following are typical examples of individuals who are exempt from the requirement to obtain a work permit in Vietnam:

- A foreigner who is a contributing member or owner of a limited liability company.
- A foreigner who is a member of the board of directors of a joint stock company.
- A foreigner who comes to Vietnam for a period of less than three months to offer services.
- A foreigner who is an intracompany transferee of corporations operating within 11 service industries listed under Vietnam's World Trade Organization commitments.

- A foreigner who enters Vietnam for less than 30 days to work as a manager, executive director, specialist or technician. However, the cumulative period of working in Vietnam in a year cannot exceed 90 days.

To satisfy the work permit exemption, at least seven business days before the date the foreign national is supposed to begin work, the sponsoring entity must submit the work permit exemption application to the respective local authority for the place where the foreign national will work regularly.

The local DOLISA issues a written certificate to the employer within three working days after the date on which a sufficient application is received. A written response and explanation are provided if the work permit exemption application is rejected.

G. Temporary residence card

The temporary residence card serves as a multiple-entry visa with a minimum term of one year. The maximum term of the temporary residence card is subject to the term of the work permit, the work permit exemption certificate, the validity of the business license and the applicant's passport.

A temporary residence card is granted to a foreigner who has a valid work permit or work permit exemption certificate with duration of over one year and his or her legal spouse and children under 18 years old. Documents proving the relationships between the principal applicant and the dependents must be legalized and translated into Vietnamese for the temporary residence card application.

This card can only be granted after the applicant has entered Vietnam using the correct visa. The current processing time at the local authority is five business days from the date of the filing of the application.

Zambia

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A. Income tax

Who is liable. Residents are subject to income tax on income derived, or deemed to be derived, from a source in Zambia.

A person who lives and works in Zambia for more than 183 days in a tax year is considered resident for tax purposes.

Income subject to tax

Employment income. All salaries paid and benefits given in consideration for work performed in Zambia, regardless of where paid, are subject to tax in Zambia. Employers are subject to tax on certain benefits they provide, including accommodation and the personal use of a company vehicle.

Self-employment and business income. Any individual who earns income from a source or a deemed source in Zambia is subject to tax for the year in which the income is earned. Partners are subject to tax individually on their respective shares of partnership income.

Business income for tax purposes includes all profits and gains, except capital gains, arising from a business.

A 20% withholding tax is imposed on dividends and management and consulting fees paid to nonresidents, as well as on payments to nonresident contractors.

Resident individuals are subject to withholding tax on management and consultancy fees at a rate of 15%.

Directors' fees. Directors' fees received from resident companies are included in taxable income.

Investment income. Resident individual shareholders are subject to withholding tax on dividends at a rate of 15%. This is a final tax.

The withholding tax rate is 0% for interest earned by resident and nonresident individuals on deposit accounts in financial institutions including building societies.

Nonresidents are subject to withholding tax at a rate of 20% on royalties.

Capital gains. Capital gains tax is not levied in Zambia. However, before property may be transferred, Property Transfer Tax (PTT) is levied at a rate of 5%, on the realizable value of property. For purposes of PTT, property consists of land in Zambia, which includes buildings, structures and other improvements, and shares issued by companies incorporated in Zambia. PTT at a rate of 10% is imposed on the sale or transfer of mining rights or interests in such rights. Also, PTT at a rate of 5% is imposed on the sale or transfer of shares in a company incorporated outside Zambia that owns directly or indirectly 10% of the shares in a Zambian-incorporated company. PTT is also imposed at a rate of 5% on the transfer of intellectual property, which includes patents, trademarks, copyrights and industrial designs.

Deductions

Personal exemption. Individuals are exempt from tax on the first ZMW39,600 of their annual income.

Business deductions. Expenses (except for capital expenses) incurred in earning taxable income are deductible.

Rates. The following income tax rates apply to individuals.

Taxable income		
Exceeding ZMW	Not exceeding ZMW	Rate %
0	39,600	0
39,600	49,200	25
49,200	74,400	30
74,400	—	37.5

Relief for losses. Losses may be carried forward for up to five years and deducted from income from a similar source.

B. Estate and gift taxes

Zambia does not impose estate or gift tax.

C. Social security

All employees must contribute 5% of their gross salary to the National Pensions Scheme Authority. Employers must match the employee contributions.

D. Tax filing and payment procedures

The tax year-end is 31 December. Returns must be filed by 21 June following the tax year-end.

Employers must withhold taxes from remuneration under the Pay-As-You-Earn (PAYE) system and remit the taxes monthly to the Zambia Revenue Authority (ZRA) by the 10th day of each month.

Individuals with business or self-employment income must pay estimated taxes in quarterly installments by the following dates:

- First quarter: 10 April
- Second quarter: 10 July
- Third quarter: 10 October
- Fourth quarter: 10 January

Penalties are imposed for late filing and late payment of taxes.

E. Tax treaties

Zambia has entered into double tax treaties with the following jurisdictions.

Belgium	Ireland	Romania
Canada	Italy	South Africa
China	Japan	Sweden
Denmark	Kenya	Switzerland
Finland	Mauritius	Tanzania
France	Netherlands	Uganda
Germany	Norway	United Kingdom
India		

F. Temporary visas

Foreign nationals must possess visas to enter Zambia unless they are nationals of certain British Commonwealth countries or countries with which Zambia has signed visa-waiver agreements. Although certain categories of visitors are automatically granted entry visas at ports of entry, others must obtain visas prior to their arrival in Zambia. Transit, tourist/business, re-entry and other short-term visas are available for foreign nationals visiting Zambia.

Transit visas are granted to foreign nationals wishing to travel through Zambia en route to destinations outside the country. To obtain transit visas, foreign nationals must prove that they will be admitted to their destination outside the country and must be in possession of tickets to such destination. A transit visa is valid for a maximum period of seven days.

Tourist and business visas are issued to foreign nationals intending to visit Zambia for recreational purposes or to do business in the country without taking up employment. A tourist visa is valid for a cumulative total of 90 days in a 12-month calendar period. A business visa is valid for a cumulative total of 30 days in a 12-month rolling period. Foreign nationals who exhaust these validity periods and who still have unfinished business in Zambia may obtain temporary permits for a prescribed fee.

Entry visas may be single or multiple entry. Visitors wishing to leave Zambia and then return must obtain re-entry visas.

Visas generally are issued upon payment of a certain specified fee. Details of fees and a list of countries whose citizens are subject to these fees are available at Zambian diplomatic missions.

Zambia does not grant permanent visitor permits or permanent work permits.

G. Work and investors' permits

Work permits. Foreign nationals must possess work permits to engage in paid employment with a Zambian employer. Zambia does not have quotas limiting the number of foreign nationals who may be engaged by employers.

According to the Zambia Department of Immigration, the permit is issued to foreigners who enter the country to take up employment for a period exceeding 6 months and can be extended for a further period or periods to a maximum of 10 years from the date of its issuance. All applicants should remain outside Zambia until the permit is approved.

Requirements for issuance. The following are the requirements for issuance:

- Cover letter from the employer addressed to the Director General of Immigration
- Application for an Employment Permit (Form 23)
- Employment contract or letter of offer
- Police clearance from country of residence
- Curriculum vitae
- Registration certificate from the relevant professional body in Zambia (if required)
- Certified copy of qualifications (academic and professional)
- Copy of marriage and birth certificates (if available)
- Certified copy of valid passport particulars (bio data and last endorsement stamp for Zambia)
- Certified certificate of share capital and list of directors
- Two recent passport-size photographs
- Prescribed fee

Requirements for renewal or extension. The following are the requirements for the renewal or extension of a work permit:

- Application Form 11
- Cover letter to the Director General of Immigration from the concerned employer
- Extended contract
- Original permit
- Prescribed fee
- Certified copy of valid passport
- Requirements for variation for addition of children and/or spouse
- Application Form 9
- Cover letter to the Director General of Immigration from the applicant
- Certified copies of marriage and birth certificates (as appropriate)
- Certified copy of valid passport (bio data and last endorsement stamp for Zambia)
- Two recent passport-size photographs
- Prescribed fee

Requirements for variation by change of occupation. The following are the requirements for variation by change of occupation:

- Application Form 9
- Cover letter to the Director General of Immigration from the "employer" or "concerned employer" (in this context, "employer" means a person with whom an employee has an employment contract, while "concerned employer" means a person to whom another person reports who has binding obligations to the other person even though there is no direct employment contract and who has the authority to give directives to the other person [the other person may be an independent contractor])
- Letter of appointment for new occupation
- Original permit

- Certified copies of professional certificates
- Prescribed fee

Requirements for variation by change of employer. The following are the requirements for variation by change of employer.
- Application Form 9
- Cover letter to the Director General of Immigration from the concerned employer
- Letter of appointment or offer or contract
- Original permit
- Letter of release from previous employer
- Prescribed fee

The application for a work permit is processed and issued while the applicant is outside Zambia. All applicants must submit prescribed forms and fees before consideration by the Zambia authorities.

As a result of the varying levels of investment, size and mechanization of different companies, as well as the varying periods required for the transfer of certain skills, especially of a technical nature, the validity period of employment permits is determined on a case-by-case basis.

Holders of work permits do not need to obtain separate residence permits.

Investors' permits. An investor's permit is issued to a foreigner intending to establish a business or invest in Zambia or who has established or invested in a business in Zambia. The permit allows the holder and his/her spouse and minor children to enter, re-enter and remain in Zambia until it expires. These permits may be obtained through the submission of the following documents listed below to the Director General of Immigration:

Requirements for issuance. The following are the requirements for issuance of investors' permits:
- Cover letter addressed to the Director General of Immigration.
- Duly completed Application for an Investor's Permit (Form 27).
- Certificate of incorporation.
- Certificate of share capital (if required).
- Certificate of minimum capital.
- Investment license from Zambia Development Agency (ZDA) (not mandatory).
- List of directors.
- Proof of personal investment (bank statement, money transfer, ZRA Form CE20 and bill of lading from ZRA). If an investor is forming his or her own company, he or she should bring in at least USD250,000. If he or she is joining an existing company, it should be at least USD150,000.
- Proof of ownership or lease agreement in Zambia.
- Certified copy of valid passport (bio data and last endorsement stamp for Zambia).
- Two recent passport-size photographs.
- Prescribed fee.

Requirements for renewal or extension. The following are the requirements for the renewal or extension of investors' permits:
- Application Form 11
- Cover letter to the Director General of Immigration

- Original permit
- Inspection report by the Zambia Department of Immigration
- Value-added tax (VAT)/ZRA receipts
- Audit report from a recognized firm registered with the Zambia Institute of Chartered Accountants (ZICA)
- Lease agreement (if applicable)
- Current bank statement
- Certified copy of passport
- Prescribed fee

Requirements for variation by inclusion of another company. The following are the requirements for variation by inclusion of another company:
- Cover letter addressed to the Director General of Immigration
- Duly completed Form 9
- Certificate of incorporation
- Certificate of share capital
- Certificate of minimum capital
- Investment license from ZDA (not mandatory)
- List of directors
- Proof of personal investment (bank statement, money transfer, ZRA Form CE20 and bill of lading from ZRA)
- Proof of ownership or lease agreement in Zambia
- Certified copy of valid passport (bio data and last endorsement stamp for Zambia)
- Original permit
- Prescribed fee

Requirements for variation by change of nature of business or addition of nature of business. The following are the requirements for variation by change of nature of business or addition of nature of business:
- Application Form 9
- Cover letter to the Director General of Immigration
- Original permit
- Certified copies of certificate of incorporation
- Appropriate license
- List of directors
- List of share capital
- Certificate of registration of business name (if applicable)
- Investment license (if any)
- Proof of ownership of land or lease agreement (if applicable)
- Prescribed fee

Requirements for variation by addition of children and/or spouse. The following are the requirements for variation by addition of children and/or spouse.
- Application Form 9
- Cover letter to the Director General of Immigration from the applicant
- Original permit
- Certified copies of marriage or birth certificates (as appropriate)
- Certified copy of valid passport (bio data and last endorsement stamp for Zambia)
- Two recent passport-size photographs
- Prescribed fee

H. Residence permits

The residence permit confers permanent residence to the holder and is issued to the following:
- Persons who have been ordinarily and lawfully residents in Zambia
- Children of residence permit holders and Zambians
- Holders of employment or investor's permits for at least 10 and 3 years, respectively
- Holders of spouse permits for at least five years
- Retirees

Applicants aged between 7 and 15 years. The following are the requirements for applicants aged between 7 and 15 years:
- Duly completed application form (Form 5) in duplicate
- Cover letter to Director General of Immigration
- Certified photocopy of the applicant's valid passport
- Certified copy of birth certificate of the applicant
- Certified copy of parents' status
- Original permit (if applicable)
- Two recent passport-size photographs
- Adoption certificate (in the case of adopted children)
- Proof of enrollment at an educational institution (for students)
- Payment of prescribed fee

Applicants 16 years and above. The following are the requirements for applicants 16 years and above:
- Duly completed application form (Form 4) in duplicate
- Cover letter to the Director General of Immigration
- Aliens Registration Card
- Certified copy of birth certificate of the applicant
- Certified copy of marriage certificate
- Two testimonials as to the character from persons of good standing who have known the applicant for a minimum period of not less than three years
- Certified photocopy of the applicant's valid passport
- Certified copy of host's status
- Two recent passport-size photographs
- Surrender of original permit (if applicable)
- Adoption certificate (in the case of adopted children)
- Proof of enrollment at an educational institution (for students)
- Payment of prescribed fee

Holders of investor's permit. The following are the requirements for holders of an investor's permit:
- Duly completed application form (Form 4) in duplicate
- Cover letter to the Director General of Immigration
- Aliens Registration Card
- Original permit
- VAT/ZRA receipts
- Current bank statement
- Audited financial report from a ZICA-recognized firm
- Title of ownership or lease agreement (if applicable)
- Certified photocopies of current passport (bio data and last endorsement stamp for Zambia)
- Two recent passport-size photographs
- Inspection report by the Zambia Department of Immigration
- Payment of prescribed fee

Holders of employment permit (including government). The following are the requirements for holders of an employment permit (including government):

- Duly completed application form (Form 4) in duplicate
- Cover letter to the Director General of Immigration
- Certified copy of Aliens Registration Card
- Original permit
- Two reference letters
- Certified photocopies of current passport
- Two recent passport-size photographs
- Contract of employment
- Certified documentary proof of professional or other qualifications
- Payment of prescribed fee

Long-term entry permits (residence permits) issued for periods exceeding three years are available for certain categories of persons, including foreign investors holding investors' permits (see Section G). A long-term entry permit allows the holder to remain in Zambia indefinitely, as long as the holder continues to meet the conditions specified by the permit.

Foreign nationals who hold long-term entry permits may apply for Zambian citizenship after residence in Zambia for 10 years.

I. Family and personal considerations

Family members. The spouses of holders of work, self-employment and entry permits, as well as their children under 18 years of age, enjoy the same status as the principal permit holders. They do not need to apply for separate visas.

Marital property regime. Zambia does not have a community property or similar marital property regime and does not enforce community property claims brought between couples who establish a marital domicile in Zambia.

Forced heirship. Zambia applies a type of forced heirship rule at the discretion of the court if the deceased does not provide adequately for his or her surviving spouse, parent or child or dies intestate.

Driver's permits. Foreign nationals may drive legally with their home country driver's licenses for the first 90 days after their arrival in Zambia. On expiration of the 90-day period, they must apply for a Zambian driver's license. To obtain a Zambian driver's license, the applicant must take a driving test.

Zimbabwe

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Effective from 24 June 2019, the official currency in Zimbabwe is the Zimbabwe dollar.

A. Income tax

Who is liable. All individuals are subject to income tax on income accrued, or deemed to accrue, from a source in Zimbabwe. Compensation for services rendered in Zimbabwe is deemed to be derived from a Zimbabwean source, regardless of where the payment is made or where the payer resides.

The terms "resident" and "ordinarily resident" are not legislatively defined. Residential status depends on the facts and circumstances indicating a degree of presence. For example, a person living and working temporarily in Zimbabwe is considered resident but not ordinarily resident, while a transient visitor is considered neither ordinarily resident nor resident.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Tax is levied on salary, wages and the value of employment benefits.

To calculate income tax liability, the following steps must be followed:

Step I: Calculate the income tax on the taxable income according to the tax rate structure set out below.
Step II: Calculate the tax credit entitlement discussed in *Personal credits*.
Step III: Deduct the amount in Step II from the amount in Step I to determine the income tax payable.
Step IV: Add the 3% AIDS levy to the amount computed in Step III to determine the total amount payable.

Education allowances provided by employers to their employees' children 18 years of age and younger and all allowances or benefits accruing to employees are taxable for income tax purposes,

but not for social security purposes. Social security contributions are calculated on basic salaries.

Nonresidents are taxed on their employment income in Zimbabwe at the rates described in *Rates*.

Self-employment and business income. Partners are individually subject to tax on their share of business profits.

Income tax is levied on all income (other than capital gains) received or accrued from a Zimbabwean or deemed Zimbabwean source, less non-capital expenditures incurred in the production of income or for business purposes. Certain specific types of income are exempt from tax.

Income from sources other than employment is generally subject to tax at a rate of 25.75%.

Registered taxpayers and government and statutory bodies must withhold and remit to the Commissioner General 10% of all payments for goods and services unless the payee provides a certificate of clearance from the Zimbabwe Revenue Authority. Amounts withheld are refundable on assessment.

Tax is withheld from payments to nonresident artists or entertainers performing in Zimbabwe at a rate of 15%.

Tax at a rate of 20% must be withheld from gross fees paid to nonworking directors and from gross payments to freelance insurance agents, insurance brokers and property negotiators. Amounts withheld can be offset against income tax due on quarterly dates or on assessment.

Nonresidents are taxed on business income at a rate of 25.75%. Withholding tax is imposed on nonresidents at a rate of 15% on fees for technical, managerial, administrative and consulting services. The withholding tax is allowed as a credit against tax assessed at the normal rates. The amount of the credit is limited to the lesser of the tax assessed or the withholding tax.

Directors' fees. Fees paid to working directors are taxed with other employment income at the rates described in *Rates*.

Fees paid to nonworking directors are included in business income and taxed at a rate of 25.75%. Tax at a rate of 20% that is withheld from payments of the gross fees can be offset against income tax payable on quarterly dates or on assessment.

Investment income. Individuals are subject to a final withholding tax at a rate of 10% on dividends derived from companies listed on the Zimbabwe Stock Exchange, and to a 15% final withholding tax on all other domestic dividends.

Interest paid on deposits with local building societies, banks and other financial institutions is exempt from income tax, but it is subject to a final withholding tax at a rate of 15%. The tax rate is reduced to 5% or 0% for interest on fixed-term deposits for at least 90 days or 1 year, respectively. Individuals aged 55 and older are exempt from withholding tax on the first ZWL3,000 of such income in each year.

Income from treasury bills and discounted instruments traded by financial institutions is exempt from income tax, but it is subject

to a final withholding tax at a rate of 15% at the time of disposal or maturity of the instrument. Individuals aged 55 and older are exempt from withholding tax on the first ZWL3,000 of such income in each year.

Other interest is not subject to withholding tax. However, Zimbabwean-source interest may be included in business income and taxed at a rate of 25.75%.

Foreign-source dividends and interest paid to individuals who are ordinarily resident are deemed to be from a Zimbabwean source. Foreign-source dividends are subject to income tax at a rate of 20% of gross dividends. Foreign-source interest may be included in business income and taxed at a rate of 25.75%. Credits may be granted for foreign tax withheld on interest income and dividends, limited to the amount of Zimbabwe tax on the foreign-source income.

Net rental income is taxed at a rate of 25.75%. Individuals aged 55 and older are exempt from tax on the first ZWL3,000 of such income in each year.

Nonresidents are taxed on investment income from Zimbabwe sources, other than dividends, at a flat tax rate of 25.75%. For nonresidents, withholding tax is imposed at a rate of 15% on fees and royalties. This withholding tax is allowed as credit against tax assessed at the normal rates. The amount of the credit is limited to the lesser of the Zimbabwe tax assessed or the withholding tax.

Dividends paid to nonresidents on listed and unlisted marketable securities are subject to a final withholding tax at rates of 10% and 15%, respectively.

Taxation of employer-provided stock options. Employer-provided options to acquire stock at below the stock's market value are subject to tax as a benefit on the date the options may first be exercised. The benefit is included in remuneration from employment on the exercise date and subject to the Pay-As-You-Earn (PAYE) system at the rates set forth below.

For options granted before and exercised after 1 February 2009, the value of the benefit is the market value of the shares at the date the option is exercised. The benefit is subject to the PAYE system at a rate of 5% plus the 3% AIDS levy.

For options granted after 1 February 2009, the value of the benefit is the market value of the shares on the date the option to acquire them is exercised, less the option price paid by the employee.

The benefit is subject to the PAYE system at the normal rates set forth in *Rates*.

For taxation on the disposal of shares, see *Capital gains and losses*.

Capital gains and losses. Capital gains derived from sales of specified assets comprising marketable securities listed on the Zimbabwe Stock Exchange; unlisted securities; real property; rights in residential, commercial or industrial stands; membership interests in condominiums; and transfers of tangible or

intangible property requiring registration in terms of specified legislation are subject to capital gains tax. Disposals of all specified assets purchased before 1 February 2009 are taxed at a rate of 5% of the gross sale proceeds. Disposals of listed marketable securities after that date are taxed at a rate of 1% of the gross sale proceeds. This 1% tax became a final tax, effective from 1 August 2009. Disposals of other specified assets purchased after 1 February 2009 are taxed at a rate of 20% of the capital gain after deduction of an inflationary allowance of 2.5% per year on the cost from the acquisition date to the disposal date.

The capital gains withholding tax is imposed at the following rates:

- 15% of the gross proceeds from disposals of immovable property
- 1% of the gross proceeds from disposals of listed marketable securities
- 5% for disposals of unlisted marketable securities

The above taxes are credited against the capital gains tax, except for the 1% tax, which became a final tax, effective from 1 August 2009.

Individuals aged 55 and older are exempt from tax on the sale of their principal private residence and on the first ZWL1,800 of total proceeds received during the year from the sale of listed and unlisted marketable securities.

Rollover relief is available for disposal of immovable property if individuals or companies sell business premises and purchase replacement premises or if individuals sell business premises to a company under their control, subject to the condition in both cases that the business continues to be carried on in the new premises.

Rollover relief is also available for the sale and replacement of a principal private residence and compensation received for damage or destruction of a specified asset.

Capital losses may be carried forward indefinitely.

Deductions

Deductible expenses. Pension contributions, up to a maximum annual amount of ZWL5,400, may be deducted from taxable income. If both pension and retirement fund contributions are made, the maximum combined deduction is ZWL5,400.

Personal credits. The following tax credits are deductible from basic income tax payable.

Type of credit	Amount
Taxpayers over 55 years of age	ZWL900 per year
Blind or disabled person	ZWL900 per year
Medical expenses, cost of invalid appliances and contributions to medical aid societies	50% of amount

Business deductions. A deduction of 25% of cost is granted for additions to fixed assets, other than land and certain buildings, in the first year of use, and a deduction of 25% of cost is allowed in

each of the succeeding three years. Allowable deductions are subject to recapture on the sale or other disposal of such assets.

Rates. The following tax rates apply to employment income for the year ending 31 December 2019.

Annual taxable income Exceeding ZWL	Not exceeding ZWL	Tax rate %
0	4,200	0
4,200	18,000	20
18,000	60,000	25
60,000	120,000	30
120,000	180,000	35
180,000	240,000	40
240,000	—	45

A 3% AIDS levy is imposed on the cumulative tax due.

Relief for losses. Losses may be carried forward for six years. Mining losses derived from specific mining locations may be carried forward indefinitely. However, they are not deductible from income from other mining locations or from non-mining income. Losses from business or investment activities are not deductible from employment income.

B. Other taxes

Estate and gift taxes. Estate tax is levied on the estates of all deceased persons with assets located in Zimbabwe or with foreign assets arising from Zimbabwean sources. The family home and a family vehicle are not included in the dutiable value of the estate. The first ZWL50,000 of the dutiable value is tax free. The rate of the estate tax on the balance of the dutiable value is 5%.

Zimbabwe does not levy gift tax. However, the market value of a donation of marketable securities or real property is subject to capital gains tax (see Section A).

Presumptive tax. Presumptive tax at various rates is imposed on informal traders, cross-border traders, small-scale miners, hairdressers and operators of commercial waterborne vessels and fishing rigs, taxicabs, omnibuses, specified goods' vehicles, driving schools, licensed and unlicensed bottle stores and restaurants, as well as on cottage industries (cottage industries are trades or industries involved in furniture making and upholstery or metal fabrication and other industries prescribed in statutory instruments). Presumptive tax paid is allowed as a credit against income tax due on assessment.

C. Social security

Monthly contributions payable by the employee, which are 3.5% of the first ZWL700 of an employee's monthly basic monetary earnings, are withheld by employers and paid to the National Social Security Authority monthly, together with an equal amount contributed by the employer.

D. Tax filing and payment procedures

Employers withhold tax under the PAYE system.

Individuals employed by a single employer for a full fiscal year are taxed under the Final Deduction System and are not required to file returns unless they receive taxable income from another source.

The tax year in Zimbabwe is the calendar year. Tax returns are issued in March and must be filed within one month after the date of issuance. Late returns may incur penalties.

All taxpayers are required to complete and file annual self-assessment returns before 30 April. Late returns may incur penalties.

Nonresidents are generally subject to the same filing requirements as those applicable to residents, but are usually allowed 90 days to file returns.

Tax must be paid within one month after assessment. The following are the cumulative quarterly provisional tax payments that must be made during the tax year and the percentages of the estimated annual tax payable:
- 10% by 25 March
- 35% by 25 June
- 65% by 25 September
- 100% by 20 December

Married persons are taxed separately on all types of income.

E. Double tax relief and tax treaties

A credit is available for foreign taxes paid, limited to Zimbabwe taxes payable on the underlying foreign-source income.

Zimbabwe has entered into double tax treaties with the following countries.

Botswana	France	Netherlands
Bulgaria	Germany	Norway
Canada	Iran*	Poland
China	Kuwait*	South Africa
Congo (Democratic Republic of)*	Malaysia	Sweden
	Mauritius	United Kingdom
	Namibia*	

* This treaty has not yet entered into force.

F. Temporary entry permits

Entry visas are required for all foreign nationals. The government of Zimbabwe issues single- and multiple-entry visas. Certain categories of visitors (specified by the immigration authorities) are automatically granted entry at the port of entry. Others are required to obtain visas before reaching the port of entry.

Visitors' entry certificates. Visitors' entry certificates are valid for up to six months and may be obtained on entry. This type of permit does not allow the holder to engage in any work, occupation or activity for gain, unless prior authority is given.

Student and scholars' permits. A student permit may be issued for the purpose of attending any educational institution other than a school. This type of permit is valid for one year from the date of issue and may be extended for additional periods.

A scholar's permit authorizes a foreign national to attend any school approved by the Chief Immigration Officer. This type of permit remains valid for a period of one school term from the date of issue and may be extended for further study. The permit remains valid automatically if the scholar remains at the same school for which the scholar's permit is issued.

The holder of a student or a scholar's permit may not engage in any gainful occupation except during school holidays.

Business visitors' permits. Visitors to Zimbabwe on business must enter under business visitors' permits. This type of permit is valid for six weeks and may be extended by the Chief Immigration Officer.

G. Work permits

The assistance of expatriate experts for a relatively short period is welcome if their skills are not available locally and if the employer trains a local substitute.

Any person who wishes to engage in an occupation (including work for gain or in the interests of any business undertaking) in Zimbabwe must obtain a valid temporary employment permit (TEP). TEP holders must train Zimbabweans to develop the skills for which the foreign nationals were admitted. Applications for temporary residence permits (see Section H) must be submitted in conjunction with TEP applications.

A TEP may be issued for a maximum period of three years and may be extended for a maximum period of five years if approved by the Chief Immigration Officer.

A TEP is subject to the following conditions:
- The permit holder may not engage in any occupation other than the occupation specified.
- If the permit is issued on application by a particular employer, the holder may not take up employment with any other employer.
- The holder and all the persons authorized to enter with him or her must leave Zimbabwe on or before the expiration of the period stated in the permit.
- The permit must be surrendered to an immigration officer before leaving Zimbabwe.

To recruit staff from outside the country, an employer in Zimbabwe must comply with the following procedures:
- Obtain TEP application forms and temporary residence permit application forms from the Department of Immigration Control.
- Submit the completed TEP application to the Chief Immigration Officer together with an offer of employment to the prospective employee. This offer should indicate the salary and conditions of service.
- Submit an application for a temporary residence permit completed by the prospective employee.

It is government policy to give Zimbabweans precedence over foreign workers; therefore, the employer must justify the employment of an expatriate rather than a Zimbabwean by submitting copies of the following documents:
- Press advertisements of the position in question

- Letters from employment agencies indicating that no suitable Zimbabwean is available to fill the position
- Application letters and résumés received
- List of all applicants
- A cover letter from the employer indicating why none of the Zimbabwean applicants is suitable for the position

All applicants for TEPs are referred by the Department of Immigration to the Ministry of Public Service, Labour and Social Welfare for approval.

After submission of the application to the Department of Immigration Control, the applicant should receive a letter confirming that the documents are in order and are being processed. Delays of one month or more may be expected in processing applications, depending on the volume of work in the ministries concerned. Prospective employees must remain outside Zimbabwe while applications are being considered.

On approval of the permit, the prospective employee is sent a letter confirming the application for a TEP, which must be presented to the appropriate offices of the Department of Immigration Control at least 14 days after entering the country to obtain the permit. The employee must present the following documents with the letter:
- Passport
- Valid radiological certificate of freedom from active pulmonary tuberculosis

All TEP applicants must submit the following items together with the permit application:
- Two full-face photographs of the applicant, the spouse and each child younger than 18 years of age, if the spouse and children are accompanying the applicant or joining him or her later
- A certified copy of the birth certificate of the applicant and, if applicable, of the spouse and children
- One certified copy of the marriage certificate, if married
- Documentary evidence, in English, of qualifications and experience in the proposed occupation of the applicant

H. Residence permits

Permission to reside in the country permanently is very difficult to obtain. A residence permit for an indefinite period may be issued to any individual who meets any of the following conditions:
- He or she is a dependent of a resident who will support the person (dependents may be any close relatives).
- He or she possesses substantial financial means and will invest in a business venture in Zimbabwe. The following are the investment thresholds in this category:
  - ZWL100,000 if the foreign national is a professional or technical person who is involved in a joint venture with a bona fide Zimbabwean partner.
  - ZWL300,000 if the foreign national wants to introduce a single venture.
  - ZWL1 million if the foreign national wants an unrestricted or indefinite permit for an investment project.
- He or she holds a TEP and has been resident in Zimbabwe for a continuous period of at least five years.

I. Personal and family considerations

Family members. An applicant's spouse and children younger than 18 years of age may be included under a TEP, but a separate work permit must be obtained for a working spouse.

Children younger than 18 years of age may attend school in Zimbabwe if they are included under a parent's TEP.

Marital property regime. The default marital property regime in Zimbabwe is a separate property system. However, couples may elect into a community property regime. Zimbabwe enforces community property claims brought between spouses married outside Zimbabwe.

Driver's permits. Most foreign driver's licenses may be used in Zimbabwe for up to one year after the date of entry into Zimbabwe. After the expiration of this period, a Zimbabwean license must be obtained. The validity of the foreign license is extended to three years for expatriates entering Zimbabwe on government-to-government contracts.

If no driver's license reciprocity exists between Zimbabwe and the country that issued the foreign license, an international driver's license is necessary. An international driver's license is valid for two years after the date of entry into Zimbabwe.

To obtain a local Zimbabwean driver's license, an applicant must first obtain a provisional driver's license. The provisional license, which is valid for one year, entitles a person to drive a car with learner license plates if he or she is accompanied by a qualified driver. Possession of a foreign driver's license provides exemption from the requirement to drive with a qualified driver if the Zimbabwean provisional license is obtained within the first year of residence in Zimbabwe.

A competence test taken during the period of validity of the provisional license must be passed to obtain a driver's license.

Contacts for other jurisdictions

For information regarding services in other jurisdictions that are not covered in this book, please contact the EY professionals listed below.

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Foreign currencies

The following list sets forth the names and codes for the currencies of jurisdictions discussed in this book.

Jurisdiction	Currency	Code
Albania	Lek	ALL
Algeria	Dinar	DZD
Angola	Kwanza	AOA
Argentina	Peso	ARS
Armenia	Dram	AMD
Aruba	Florin	AWG
Australia	Dollar	AUD
Austria	Euro	EUR
Azerbaijan	Manat	AZN
Bahamas	Dollar	BSD
Bahrain	Dinar	BHD
Barbados	Dollar	BBD
Belarus	Ruble	BYR
Belgium	Euro	EUR
Bermuda	Dollar	BMD
Bolivia	Boliviano	BOB
Bonaire, St. Eustatius and Saba (BES-Islands)	US Dollar	USD
Botswana	Pula	BWP
Brazil	Real	BRL
British Virgin Islands	US Dollar	USD
Brunei Darussalam	Dollar	BND
Bulgaria	Lev	BGN
Cambodia	Khmer Riel	KHR
Cameroon	CFA Franc BEAC	XAF
Canada	Dollar	CAD
Cape Verde	Escudo	CVE
Cayman Islands	Dollar	KYD
Chad	CFA Franc BEAC	XAF
Chile	Peso	CLP
China Mainland	Yuan Renminbi	CNY
Colombia	Peso	COP
Congo, Democratic Republic of	Franc	CDF
Congo, Republic of	CFA Franc BEAC	XAF
Costa Rica	Colon	CRC
Côte d'Ivoire	CFA Franc BCEAO	XOF

Jurisdiction	Currency	Code
Croatia	Kuna	HRK
Curaçao	Antillean Guilder	ANG
Cyprus	Euro	EUR
Czech Republic	Koruna	CZK
Denmark	Krone	DKK
Dominican Republic	Peso	DOP
Ecuador	US Dollar	USD
Egypt	Pound	EGP
El Salvador	Colon	SVC
Equatorial Guinea	CFA Franc BEAC	XAF
Estonia	Euro	EUR
Eswatini	Lilangeni	SZL
European Monetary Union	Euro	EUR
Fiji	Dollar	FJD
Finland	Euro	EUR
France	Euro	EUR
Gabon	CFA Franc BEAC	XAF
Georgia	Lari	GEL
Germany	Euro	EUR
Ghana	Cedi	GHS
Gibraltar	Pound	GIP
Greece	Euro	EUR
Guam	US Dollar	USD
Guatemala	Quetzal	GTQ
Guernsey	Pound	GBP
Guinea	Guinea Franc	GNF
Guyana	Dollar	GYD
Honduras	Lempira	HNL
Hong Kong	Dollar	HKD
Hungary	Forint	HUF
Iceland	Krona	ISK
India	Rupee	INR
Indonesia	Rupiah	IDR
Iraq	Dinar	IQD
Ireland	Euro	EUR
Isle of Man	Pound	GBP
Israel	New Shekel	ILS
Italy	Euro	EUR
Jamaica	Dollar	JMD
Japan	Yen	JPY
Jersey	Pound	GBP
Jordan	Dinar	JOD
Kazakhstan	Tenge	KZT

Jurisdiction	Currency	Code
Kenya	Shilling	KES
Korea (South)	Won	KRW
Kosovo	Euro	EUR
Kuwait	Dinar	KWD
Laos	Kip	LAK
Latvia	Euro	EUR
Lebanon	Pound	LBP
Lesotho	Loti	LSL
Libya	Dinar	LYD
Liechtenstein	Swiss Franc	CHF
Lithuania	Euro	EUR
Luxembourg	Euro	EUR
Macau	Pataca	MOP
Madagascar	Ariary	MGA
Malawi	Kwacha	MWK
Malaysia	Ringgit	MYR
Maldives	Rufiyaa	MVR
Malta	Euro	EUR
Mauritania	New Ouguiya	MRU
Mauritius	Rupee	MUR
Mexico	Peso	MXN
Moldova	Leu	MDL
Monaco	Euro	EUR
Mongolia	Tugrik	MNT
Montenegro	Euro	EUR
Morocco	Dirham	MAD
Mozambique	Metical	MZN
Myanmar	Kyat	MMK
Namibia	Dollar	NAD
Netherlands	Euro	EUR
New Caledonia	CFP Franc	XPF
New Zealand	Dollar	NZD
Nicaragua	Córdoba Oro	NIO
Nigeria	Naira	NGN
North Macedonia	Denar	MKD
Northern Mariana Islands	US Dollar	USD
Norway	Krone	NOK
Oman	Rial	OMR
Pakistan	Rupee	PKR
Palestinian Authority	None	—
Panama	Balboa	PAB
Papua New Guinea	Kina	PGK
Paraguay	Guarani	PYG

Jurisdiction	Currency	Code
Peru	Nuevo Sol	PEN
Philippines	Peso	PHP
Poland	Zloty	PLN
Portugal	Euro	EUR
Puerto Rico	US Dollar	USD
Qatar	Rial	QAR
Romania	Leu	RON
Russian Federation	Ruble	RUB
Rwanda	Franc	RWF
St. Lucia	Dollar	XCD
São Tomé and Príncipe	Dobra	STD
Saudi Arabia	Riyal	SAR
Senegal	CFA Franc BCEAO	XOF
Serbia	Dinar	RSD
Singapore	Dollar	SGD
Sint Maarten	Antillean Guilder	ANG
Slovak Republic	Euro	EUR
Slovenia	Euro	EUR
South Africa	Rand	ZAR
South Sudan	Pound	SSP
Spain	Euro	EUR
Sri Lanka	Rupee	LKR
Suriname	Dollar	SRD
Sweden	Krona	SEK
Switzerland	Franc	CHF
Taiwan	Dollar	TWD
Tanzania	Shilling	TZS
Thailand	Baht	THB
Trinidad and Tobago	Dollar	TTD
Tunisia	Dinar	TND
Turkey	Lira	TRY
Uganda	Shilling	UGX
Ukraine	Hryvnia	UAH
United Arab Emirates	Dirham	AED
United Kingdom	Pound	GBP
United States	Dollar	USD
US Virgin Islands	US Dollar	USD
Uruguay	Peso	UYU
Uzbekistan	Sum	UZS
Venezuela	Bolivar	VES
Vietnam	Dong	VND
Zambia	Kwacha	ZMW
Zimbabwe	Dollar	ZWL

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