JPA INTERNATIONAL
Audit, Accounting, Tax, Consultancy
A Worldwide Network of Independent Firms

28 March 2019
Issue #11

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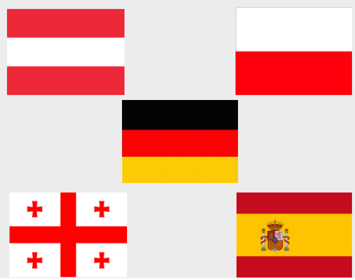
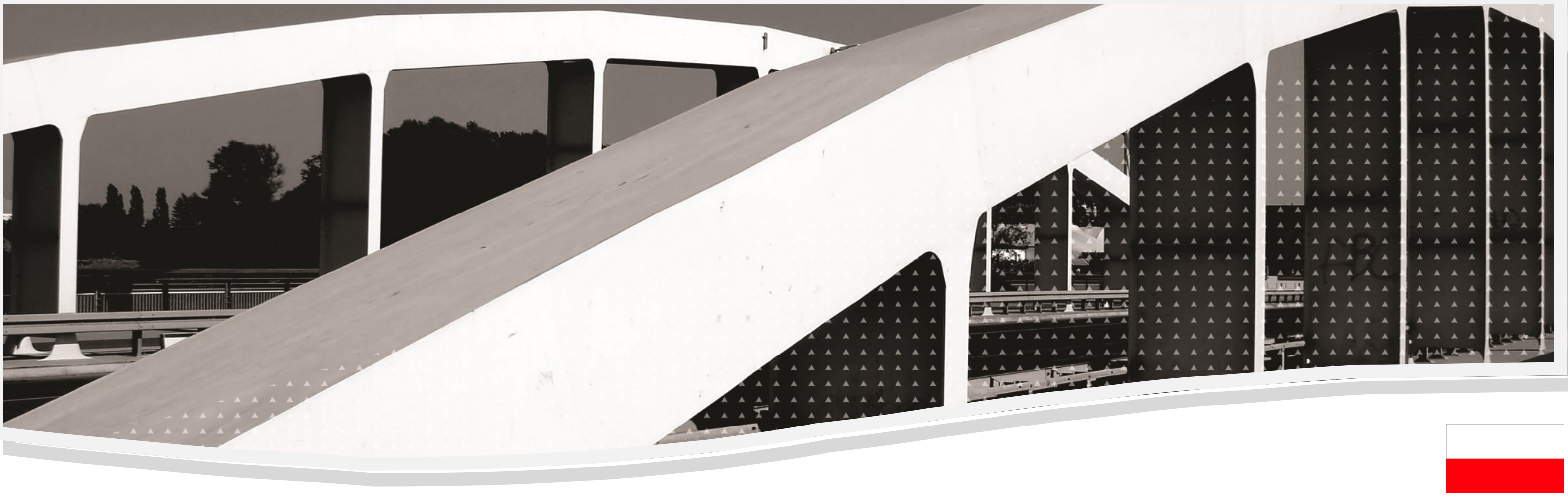
Spring 2019

The International Tax Newsletter





« The split payment mechanism only applies to settlements between VAT taxable persons »

Split Payment Mechanism in Poland

Since **1 July 2018** new Polish VAT provisions implementing a mechanism called **split payment** came into force.

I. Split Payment Concept

The mechanism of split payment is based on the fact that the payment made by the buyer to the seller for the purchased services or goods is not done in one gross amount as it was so far, but in two amounts, separately on two accounts of the seller, i.e. :

⇒ the amount of net receivables – to any account specified by the seller,

⇒ tax amount – to a dedicated account intended for the purposes of tax settlement (VAT account), while access to funds accumulated on this account will be limited.

The freedom to dispose of funds accumulated on the VAT account is limited. By assumption, a taxable person who has certain resources there will use them to pay his tax liability for VAT. In the case that his tax liability is lower than the amount accumulated on the VAT account, he is able to apply to the head of the tax office for a refund of the whole or a part of this amount to a regular/business account with the bank. The tax authority has 60 days to issue a decision on the consent for such refund and he is able to decline the refund in justified cases. It is possible to appeal from the decision mentioned above, as it is possible to appeal from any decision made by the tax authority.

The split payment mechanism **only applies to settlements between VAT taxable persons**. Moreover, it is worth noting that the mechanism of **split payment can be used only in settlements carried out by transfers in PLN**, regardless of the amount due. It can not be used for cash payments and foreign currencies.

The application of the split payment mechanism is **voluntary**. The decision on the application of the split payment mechanism may be taken by the purchaser of goods and services and it results in specific advantages for the purchaser, e.g. VAT penalties as well as the liability for outstanding VAT of the seller will be excluded. Since the split payment mechanism is used voluntarily it means that it is at the purchaser's discretion to choose which invoices to settle with the use of this mechanism (i.e. split payments may be used selectively).

II. VAT Account

In order to enable settlements through the split payment mechanism, the new regulations impose on banks a new obligation to open and run a dedicated VAT account for each operational bank account run for entrepreneurs in PLN.

In general, **entrepreneurs are not charged any additional fees for opening and running these dedicated VAT accounts**. Nonetheless, banks may charge bank transfer fees for split payment settlements. Bank transfer fees for a split payment settlement have to be set at the same level as the fee for a traditional bank transfer.

Funds deposited in the VAT account belong to the taxable person. However, disposing of these funds is restricted, and the taxable person is entitled to dispose of these funds only for strictly defined purposes including the payment of VAT liabilities to a tax office or the payment of input VAT charged by the taxpayer's supplier in the sale invoice.

Money collected in the VAT account attract interest on condition that it is provided for in the bank account agreement concluded by a given taxpayer with a bank.

III. VAT refunds

The new regulations also introduce new deadlines for VAT refunds depending on the type of a bank account to which the VAT refund is to be made, as follows:

25 days after submitting the VAT return together with the taxable person's application for the refund of excess of input VAT over output VAT to the taxable person's dedicated VAT account. Each taxable person is entitled to request the refund of such excess within this deadline regardless of the settlement of input VAT from purchase invoices with the split payment mechanism,

60 days after submitting the application for transferring the money collected in the dedicated VAT account to the taxable person's operational bank account. Such money transfers will allow the taxable person to freely dispose of the taxable person's funds. The taxpayer is obliged to indicate in the application filed to the tax office the exact amount of funds to be transferred from the dedicated VAT account to the taxable person's operational account.

JPA INTERNATIONAL CONSULTING IN **POLAND**

KPFK Dr Piotr Rojek sp. Z.o.o. has been acting as an audit and advisory company since 1990. We are support for our clients in areas of accounting, finance and tax law. KPFK has widely educated team of employees. We develop steadily having today more than 60 employees (also having ACCA qulifications—Association of Chartered Certified Accountant), inluding statutory auditors and tax advisors. Qualifications, knowledge and experience of our team are guarantee of high quality of performed work.

Our mission is to perform services in most professional way for the success of our clients respecting economical turnover security.

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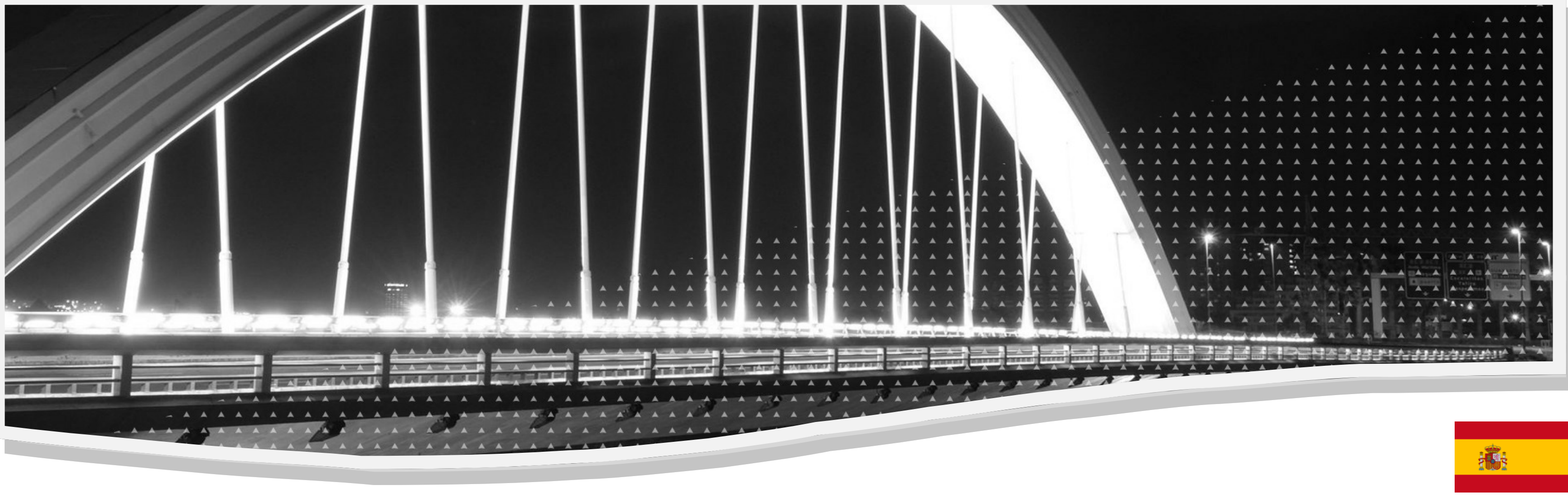


« The approved Quick Fixes will have an important impact on those companies involved in the international trade of goods and services as they will give certainty and harmonization to the VAT treatment applicable to certain intracommunity transactions »

The Future of VAT: the quick fixes and towards a definitive VAT destination principle

I. The Quick Fixes

Past October 2nd 2018, the ECOFIN reached a final agreement on our four adjustments, the so-called, « Quick fixes », to the EU Common VAT system.

The approved "Quick Fixes", will have an important impact on those companies involved in the international trade of goods and services as they will give certainty and harmonization to the VAT treatment applicable to certain intracommunity transactions.

The agreed Quick Fixes, which should be in force since January 1st 2020, are the following.

⇒ **Call-off stock arrangements**

The proposed measure provides a simplified and uniform treatment for call-off stock arrangements, where a vendor transfers stock to a warehouse at the disposal of a known acquirer in another Member State.

Under the simplification proposed, the vendor will avoid its registration for VAT in the country where the goods are sent. The final consumer, as long as it is properly identified since the moment the transport starts, will be the one declaring an acquisition of goods done directly to its vendor. This will allow to ignore the previous deemed EU acquisition carried out by the vendor in the country of destination.

This simplification measure will not apply to consignment stock but only to call-off stock arrangements.

⇒ **The VAT identification number**

To be able to benefit from a VAT exemption in an Intra-EU supply of goods, the VAT identification number of the customer will become an additional condition.

Having a VAT Identification number is not currently a substantial requirement to be able to zero-rate an Intra EU supply of goods as long as other proofs are provided such as an evidence of the transport of the goods and a proof that the companies are acting with a business purpose.

Since 2020 having a VAT number, identified in the VIES system, will be mandatary for carrying out exempt Intra EU supplies of goods.

⇒ **Chain transactions**

To enhance legal certainty in determining the VAT treatment of chain transactions, the proposed measure establish uniform criteria.

Where the same goods are supplied successively and those goods are dispatched or transported from one Member State to another Member State directly from the first supplier to the last customer in the chain, as a general rule, the dispatch or transport shall be ascribed only to the supply made to the intermediary operator. This means that the EU supply, exempt from VAT, will be the supply done to the intermediary operator.

If the intermediary operator is identified for VAT in the country of dispatch of the goods, then, the transport must be ascribed to the second supply. Thus, this second supply will qualify as an Intra EU supply of goods.

⇒ **Proof of intra-EU supplies**

A common guideline is proposed for the documentary evidence required to claim a VAT exemption for intra-EU supplies.

To benefit from the above simplifications, the requirement to count on the status of Certified Taxable Person will not be needed.

II. Towards a definitive vat system: the destination principle

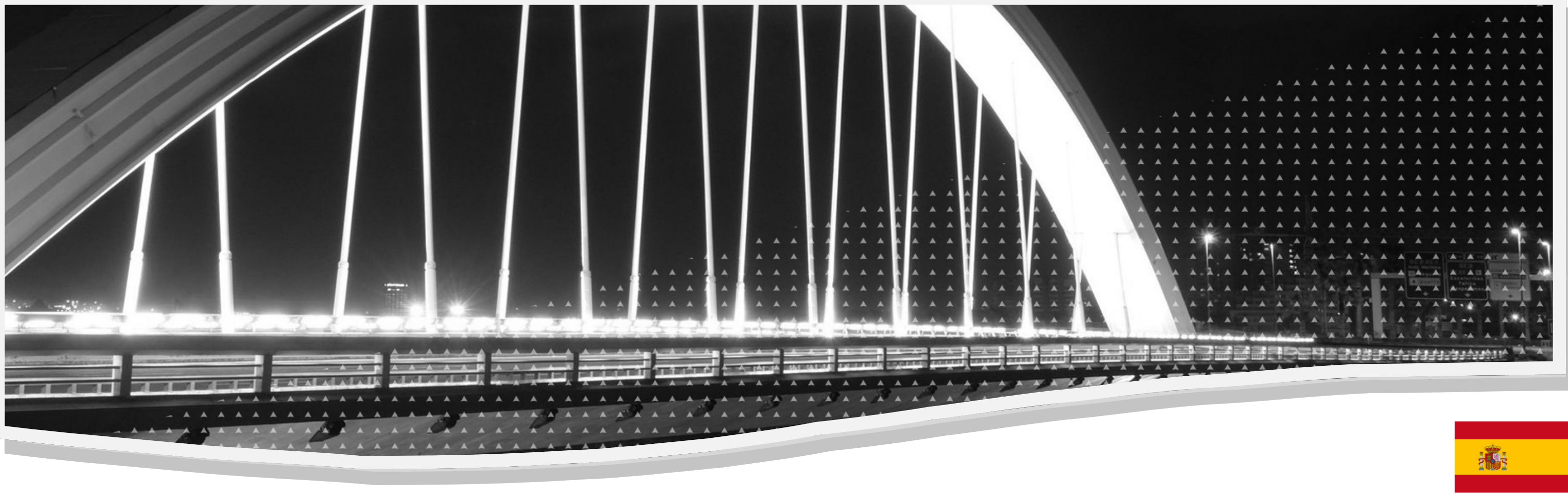
On 4 October 2017 the European Commission released a proposal for a "definitive VAT system" for cross-border B2B supplies of goods based on the destination principle. An additional proposal with technical details was also released in May 2018.

It is proposed that the current "dual" VAT system which splits intra-Community transactions of goods into two taxable supplies: an intra-Community supply of goods that is zero rated in the country of departure and an intra-Community acquisition that is subject to VAT in the country of arrival will be replaced by a definitive regime in which intra-Community supplies of goods will be known known as "intra-Union supplies" and will be located and taxed for VAT in the Member State of destination. The supplier must charge the VAT at the rate applicable in the destination Member State and declare it in the Member State where it is established through a one-stop-shop scheme.

By way of derogation, when the taxable person receiving the goods is a Certified Taxable Person, the reverse charge mechanism will apply. In this case, the supplier will not be obliged to charge any VAT and the acquirer will self-account for the VAT directly in its Member State.

The Certified Taxable Person status is regarded as one of the pillars of the above- described definitive VAT system. The concept of Certified Taxable Person should be implemented within the European Union in a uniform and standardized manner. Granting this status includes several control measures such us verifying the solvency and reliability of the taxable person. The measure is now designed in a very ambiguous and, to some extent, incoherent manner for which it cannot be ruled out that the idea will be abandoned due to the strong opposition against it from certain Member States. The same may happen with the definitive system.

Fernando Matesanz



« It applies to those successions that present a cross-border or international element… »

Successions: Civil and Tax perspective

From a civil point of view, it is applicable the Regulation of the European Parliament and of the Council Nº 650/2012 (Brussels IV), of July 4th, 2012, applicable from August 17th, 2015. This Regulation comes to change the classic rule stated by article 9 of the Spanish Civil Code, which stablished that the inheritance is ruled by the personal law of the deceased determined by his/her nationality.

I. Application

⇒ It applies to those successions that present **a cross-border or international element**, that is:

- When the deceased has a residence in Spain but is national of another country (European -whether or not signatory of this Regulation, such as Denmark, United Kingdom and Ireland- or even a non-European country) and has assets in Spain;
- When the deceased has Spanish nationality or even not being Spanish, is resident in Spain, as long as he/she has assets or interests in another State;
- When there is a patrimony consisting of properties, companies or other special categories of goods that leads to the lex rei sitae.

It is important to clarify that it does not apply to tax, customs and administrative matters.

⇒ **Principle of universal application**: the Regulation can determine the application of the law of the State that knows the succession (lex fori), the law of another signatory state of the Regulation or even the law of a third country.

⇒ **Principle of ex officio application**: the courts and authorities must apply ex officio the rules of the European Regulation and check what was their last habitual residence or, if applicable, if there was a choice of applicable law.

⇒ **Principle of universality of inheritance**: the law is unique for all assets of the inheritance, whether movable or immovable. Although the universality of the succession was already present in our law, for example, it did not rule in French law where it distinguished between movable property (national law of the deceased) and immovable property (law of the place where they were).

II. Applicable Law

In general, **the rule applicable to the succession is the law of the State in which the deceased had his habitual residence at the time of death** (whether it is a Member State or a third country), unless, **exceptionally**, it clearly results of all the circumstances of the case that, at the time of death, the deceased **was manifestly more closely connected with a State other** than the State whose law would be applicable in accordance with the foregoing. In this case, the law applicable to the inheritance will be that of that other State.

Likewise, any person may choose (in disposition mortis causa, expressly or tacitly) the law applicable to the inheritance (professio iuris), designating the law of their nationality at the time of making the election or of his death. Therefore, it can be chosen a real or future nationality, a Member State a third State. So:

International succession

(Deceased foreigner residing in Spain, Spanish deceased residing abroad, non-resident foreigner with real estate in Spain, etc.)

→ The deceased has chosen for the law of his nationality to be applied to his inheritance at the time of granting a testament (profession iuris, which may be express or tacit).

→ He has not chosen any law → The law corresponding to the habitual residence of the deceased will apply to the inheritance at the time of his death (if it is Spain it will be applied the CCo or the foral law of habitual residence at the time of death).

→ The deceased has chosen to apply the law of his nationality to his inheritance at the time of his death (profession iuris, which may be express or tacit).

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III. Jurisdiction

⇒ **General jurisdiction**: Courts of the Member State in which the deceased had his habitual residence at the time of death.

⇒ **Choice of court**: when the law chosen by the deceased to govern his inheritance is the law of an EM, the parties concerned may agree that the courts of that State have exclusive jurisdiction to hear on any cause in matters of inheritance.

⇒ **Subsidiary jurisdiction**: if the deceased does not have habitual residence in a Member State, the Courts of the Member State where the assets of the inheritance are located will have jurisdiction to rule the inheritance as a whole in so far as the deceased had the nationality of that Member State at the time of death or failing that, in the previous 5 years, he had had his habitual residence. If neither of these two requirements is met, it may decide only on the assets that are in its jurisdiction.

⇒ **Forum necessitatis**: if none of the above rules is applicable, exceptionally, the rule of the greatest link will be used (forum necessitatis).

⇒ **Limitation of proceedings**: when the inheritance of the deceased comprises assets located in a third State, the court in charge of ruling the inheritance may decide, at the request of one of the parties, not to rule on them if it may be expected that its decision will not be recognized nor executed in this third country.

IV. Recognition, enforceability and execution of resolutions

⇒ Automatic recognition between Member States.

⇒ Enforceability: the resolutions will deploy their executive force in the Member State of the domicile of the executed, at the request of any party concerned, and following a procedure.

V. European Certificate of Succession

Issued by the competent Member State to know the inheritance, to be used in another Member State. Although its use is not mandatory, it may be used by heirs, legatees and executors who need to invoke and exercise their rights in a Member State.

From a tax perspective, in Spanish law, the State Law 29/1987, as well as Law 22/2009, on the Transfer of Taxes, are applicable. However, since January 1th, 2015, the internal law was adapted to the judgment of the TJUE of September 3th, 2014.

This CJEU declares contrary to the original law of the EU the tax regime established in the Spanish ISD. In particular, it considers it contrary to the principle of free movement of capital, in violation of arts. 63 TFEU and 40 AEEA. In particular, the ruling declares contrary to the principle of free movement of capital "differences in the tax treatment of donations and successions between the successors in title and the grantees resident and non-resident in Spain, between residents and non-residents in Spain and between donations and similar provisions of real estate located in Spanish territory and outside it".

VI. Tax rate and Scale

The Inheritance Tax is assigned to the regions in Spain (Autonomous Communities). In general, each region has its own regulations and tax scale.

The central tax scale is applicable when the region has not approved the tax scale or when the central law is applicable.

Tax charge = (taxable base) x (tax scale). To finally obtain the amount payable, some tax discounts are applicable (regulated by each region).

Scale in Catalonia (in euros):

Taxable income until	Tax Charge	Rest taxable income	Tax rate
0,00	0,00	50,000	7%
50,000	3,500	150,000	11%
150,000	14,500	400,000	17%
400,000	57,000	800,000	24%
800,000	153,000	Above	32%

Central Scale (in euros):

Taxable income until	Tax Charge	Rest taxable income	Tax rate
0,00	0,00	7,993.46	7.65%
7,993.46	611.50	7,987.45	8.50%
15,980.91	1,290.43	7,987.45	9.35%
23,968.36	2,037.26	7,987.45	10.20%
31,955.81	2,851.98	7,987.45	11.05%
39,943.26	3,734.59	7,987.45	11.90%
47,930.72	4,685.10	7,987.45	12.75%
55,918.17	5,703.50	7,987.45	13.60%
63,905.62	6,789.79	7,987.45	14.45%
71,893.07	7,943.98	7,987.45	15.30%
79,880.52	9,166.06	39,877.15	16.15%
119,757.67	15,606.22	39,877.16	18.70%
159,634.83	23,063.25	79,754.30	21.25%
239,389.13	40,011.04	159,388.41	25.50%
398,777.54	80,655.08	398,777.54	29.75%
797,555.08	199,291.40	Above	34.00%

VI. Connection Points

Deceased non-resident in Spain, but resident in EU

With assets in Spain

- Taxpayer: Resident, non resident but yes in EU, non resident neither in the EU
- Tax Office & Law: Central Tax Office. Law of the region of higher value of the assets in Spain.

Without assets in Spain

- If the taxpayer is non-resident in Spain, it is not subject.
- If the taxpayer is resident in Spain: Central Tax Office. Law of the region where each taxpayer resides.

Deceased non-resident in Spain, neither in EU

With assets in Spain

- Taxpayer: Resident, non resident but yes in EU, non resident neither in the EU
- Tax Office & Law: Central Tax Office & Central Law.

Without assets in Spain

- If the taxpayer is non-resident in Spain, it is not subject.
- If the taxpayer is resident in Spain: Central Tax Office & Central Law.

Deceased resident in Spain

With assets in Spain

- If the taxpayer is non-resident, but yes in EU: Central Tax Office. Law of the region where the deceased had the residence.
- If the taxpayer is non-resident, neither in EU: Central Tax Office and Central Law.
- If the taxpayer is resident, Tax Office and law of the region where the deceased had the residence.

Without assets in Spain

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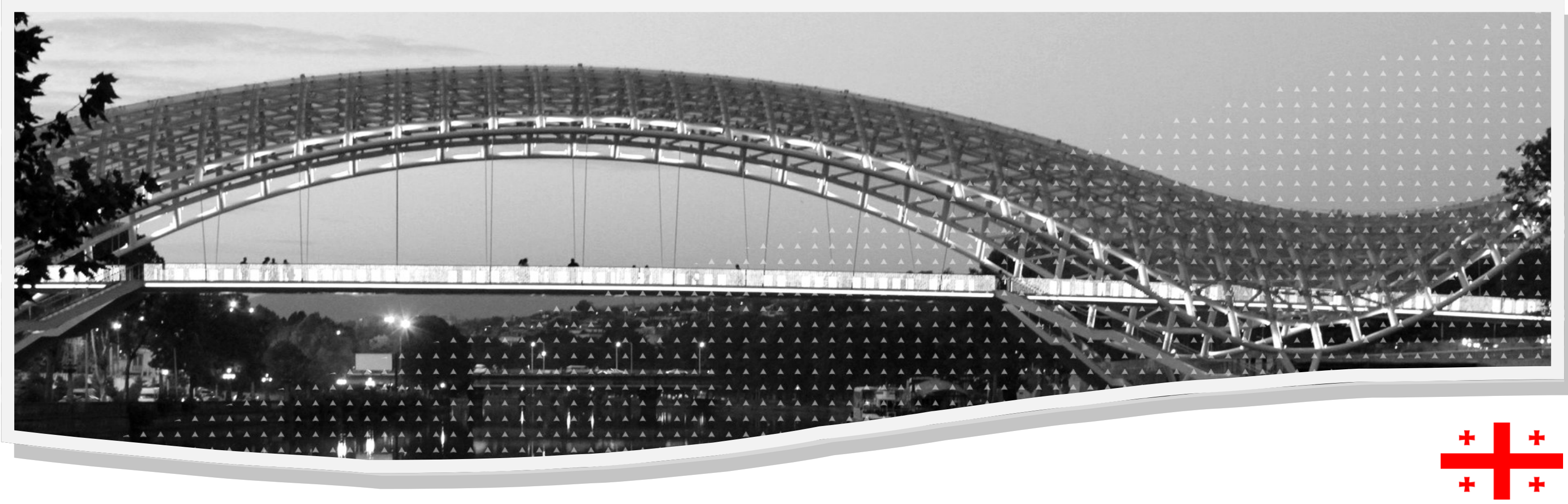
- If the taxpayer is resident in Spain: Tax Office & law of the region where the deceased had the residence.



« *The new tax system which made the profit tax at 0% rate keeping dividends at 5% seems to be paradise for the tax payers* »

The Estonian Tax Model in the Georgian Tax System

In Georgia before the new tax model was adopted the profit tax was 15% and the tax on distributed dividends was 5%, making a sum up of 19.25%. Compare to this, the physical person's income tax is 20%, so sometimes the owners of the businesses used these two tax models interchangeably whether to make the profit and distribute it as dividends or to expense it via different employment benefits, such as salary or other, as the accumulated tax impact was almost the same.

The new tax system which made the profit tax at 0% rate keeping dividends at 5% seems to be paradise for the tax payers, but only in one case if they "do the right things" or they don't distribute the profit in the form of dividends at all, which is hardly possible in the real life conditions.

To do the right things in new life conditions means the following for the businesses:

1) The businesses shall not distribute the dividends and any payments whatsoever to the shareholders being it temporary payments for purchase reasons, for example, or loans are deemed to be considered as the distribution of the profit in advance and therefore it's taxed in accordance to the new regime.

2) The businesses incur only conditional expenses such as recognized in accordance to the IFRS for the economic activity purposes and all other potential expenses which might be involved in the business activities are not recognized as the economically justified expenses simply because they don't exist.

3) The businesses don't have any charities or donations in kind and whatever they sell they exchange for cash or cash-equivalent compensation at the fair market price. This concept actually kills the charities activity by businesses and also increase doubt about the businesses activities. Still some charity activities are not taxed when they use the relation with the governmental agencies, but mostly this is increase in the taxation of the donations and charities activities of the businesses.

4) The representation expenses are not exceeding the allowable level of 1% of turnover (either revenue or cost side) which is also very hard to be maintained by businesses in real life conditions.

If any condition from above "4" is not met, then the profit tax is levied.

Finally the new regimen taxes the costs side instead of the revenues and costs difference as usual. The tax formulae first mark ups the costs by dividing it by 85% and then taxes it by 15% (X/0.85*15%), finally receiving the tax rate equal to 17.64% instead of 15%, which is definite increase in the tax costs to the businesses. ***Ceteris paribus*** in old regimen these costs, increasing the difference between the revenue and costs sides would be taxed just by 15%, so there is increase of the profit tax by 2.64%.

For example if the heating costs of the business were 100 GEL and they can't anymore be recognized as conditional expenses rendered for the ordinary business activity in accordance to IFRS, you need to tax it by 17.64 GEL instead of just 15 GEL (15%).

How was the Status of draft Legislation from the beginning amid transition issues of treatment of tax payments already made when distributions occur?

Effective date to introduce the new legislation was 1 July 2016, but it then changed to 1 January 2017 in order to give companies more time to prepare, plan and train for the new tax system and to give the Government also the time to consult and develop internal systems of control.

Main idea of the new Tax model is that moment of taxation is moved from the moment when profits are earned to the moment when profits are distributed. The model currently excludes financial institutions as it's not applicable for them. So the financial institutions keep the old model.

Annual profit tax calculations will no longer be needed because it will be substituted by monthly tax returns instead.

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Main idea of the new Tax model is that moment of taxation is moved from the moment when profits are earned to the moment when profits are distributed. The model currently excludes financial institutions as it's not applicable for them. So the financial institutions keep the old model (Profit Tax remains 15% and withholding tax on dividends is 5%).

Annual profit tax calculations will no longer be needed because it will be substituted by monthly tax returns instead.

Monthly tax returns will expand and will include the following categories to be taxed:

- Salaries;
- Dividends;
- Non-allowable expenses;
- Non arms – length transactions;
- Loans to non-resident entities and to individuals (interest rates for above 24% per annum).

Therefore monthly reporting will require more attention on a regular basis to avoid costly mistakes.

For tax purposes Accounting Complications are:

- No need to calculate depreciation;
- Little need to keep accounts solely for tax declaration;
- Revenue calculations are easier;
- Accumulated tax losses will be lost and not available for utilization;
- Deferred tax assets and liabilities will disappear;
- Timing of recognition of profit tax on distribution or on payment as recognition of tax payments already made are an asset.

Benefits of the new system are in the Reduced Compliance Costs, because hours needed for tax declarations in a year (World Bank's "Ease of Doing Business 2015") for Georgia in compare to the other countries was as follows:

Estonia - 81

Ireland – 82

Norway – 83

Lithuania – 171

Georgia – 362

By the reforms it's forecasted that Georgia should become more like Estonia for example in accounting time needed for profit tax calculations, because in the same time by Study of the Doing Business the World Bank ranked Georgia now as the 6th easiest place in the world for doing business in 2018.

Lower compliance should also mean fewer areas for disputes with Revenue Service. Therefore, greater predictability and higher comparability of the financial assets, which will allow the audit reports to be used by the Revenue Service for the businesses inspections and checks as the financial profit will equal to the tax profit (this is close to Dutch Horizontal Monitoring concept in tax).

The Model is definitely Pro-growth which is based on the formulae short-term pain vs. long term gain to encourage reinvestment of retained earnings and to help to generate pro-business 'buzz' about Georgia.

Still there are some concerns regarding the costs/issues to be considered, which are the following:

The reform will be making the short-term loss to the state budget and increase in the state budget deficit will be by max 3-5% due to reduced profit tax revenues. But this can be remedied if the income tax is increased by 1 % and VAT is raised by 1.25 %. In order to achieve the new tax equilibrium the government shall avoid increasing state expenses within at least 2-3 years;

The profit tax had substantial role in the country's tax revenues and its average size during the last decade was 11% of all tax revenues. In Georgia the overall tax burden (correlation of all tax payments to the budget to the GDP) is 24-25%, this is a bit higher than Rahn model (improved Laffer curve) recommendation of 21%, when according to Krugman in this region of the world the tax burden shall not exceed 14%. Reduction in Overall Tax Burden is anticipated as profit will not be taxed until disbursed and cash based of accounting will be used in such a case.

We see in below table the profit taxes revenues in absolute figures and as percentage to the total budget tax revenues:

According to the study by USAID G4G aiming to study the neo-classical general equilibrium growth model application in Georgia after the new tax system introduction impact, it was concluded its positive effects on Georgian economy the results of which will be feasible in 1.5 years period, in particular:

- The reform has positive impact on stimulus on investments as the capital stock market in 1.5 years shall increase by 3.23% because the reform will cause the net investment growth. Economical agents will invest more in the economy;
- In about 1.5 years the real GDP will grow by 1.44%;
- Overall private consumption will increase by 0,85 % in 1.5 years;
- The deficit of the current accounts will be reduced due to the fact of not withholding the dividends from the businesses.

Challenges in transition are need to changes to accounting processes and legislation drafting becomes concern because if the drafting is done badly then it can create confusion, for example as in Moldova.

The Estonian Experience will help Georgian tax system to operate in the way that the Georgian Tax System in compare to neighbor countries will become more liberal. It will be support of successful businesses, making Growth of GDP in mid-term and will have expected Positive impact on national currency exchange rate.

It will be good future development because right now Georgia is the safest country in Europe and the 3rd safest country in the world, it has Safe and rapid clearance of property which takes only 15 minutes; with No property tax for individuals.

Georgia has Visa – free regime for more than 100 counties. It is one of the most ecologically clear places on the planet with E-taxation and absence of corruption.

JPA INTERNATIONAL CONSULTING IN **GEORGIA**

"ARG Group" LLC was founded in 2008. Since then our company is one of the leading company in Georgian Audit, Accounting and Consulting.

Our company provides counseling to foreign investors interested in Georgia. We provide the information about the local market requirements and specifications. Our Company also conducts marketing research. If necessary we ensure their communication with the state authorities as well as with the local representatives of the business segment.

Our priority is to put clients first – to understand their situation and provide a unique service tailored to their specific needs. Our objective is to always maintain a high level of professional integrity.

Accountancy is something which most businesses preserve most carefully. That's why our starting principle is: to handle all personal and business information entrusted to us with extreme confidentiality.

We apply modern accounting practices and use up-to-date communication techniques in audit, accounting, tax, legal services. As well as in educational programs and management consultations. We always want to know what our clients think about us, we communicate with them regularly to gain their frank feedback.

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Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Corporation Tax (in mln of GEL)	82	101	162	210	341	555	592	518	576	832	851	807	829	1025
Contribution in the fiscal revenue	8%	8%	8%	9%	11%	13%	12%	12%	12%	14%	13%	12%	11%	13%

Source: The Ministry of Finance of Georgia

« Most of the tax advantages in the R&D field are based upon a higher deductibility of the R&D expenses »

JPA World Tax Game Stage 10—Finding the best place for a Research and Development department

Choosing the right place for developing new products is a very important economic decision for a company.

The product to be developed in our case is a fire protection item for electric vehicles and it is not sure that the product will reach market maturity.

So management does not ask for a country with the lowest tax rate for later earnings but for a place with the highest R&D tax advantages to lower the risk in the developing phase.

And as you will see, in this case, it is not a country with the lowest corporation tax rate to win but a country with a high tax rate. Why?

Most of the tax advantages in the R&D field are based upon a higher deductibility of the R&D expenses. For example: 150% of the expenses can be deducted instead of 100%.

In this case, the condition is that the company has enough positive income in this country in order to be able to save taxes: the higher is the tax rate, the higher are the tax savings.

In few countries there is a premium as tax advantage. There are also countries where the premium is not only deducted from corporation tax but even refunded in case of a loss situation.

Here are the results of our Stage 10 international tax game:

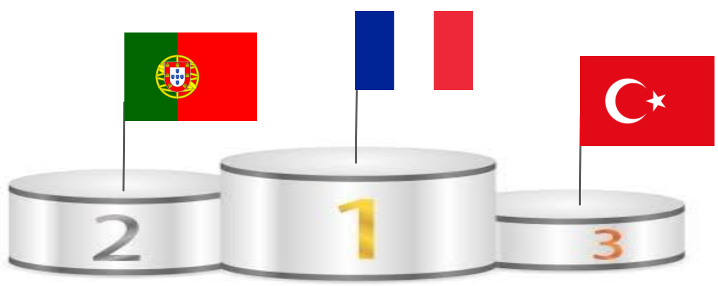
	2018	2019	2020	2021	2022	Total
Expenses R&D	**4,000,000**	**4,000,000**	**4,000,000**	**4,000,00**	**4,000,000**	**20,000,000**
Austria						
Tax benefit (14% Premium)	560,000	560,000	560,000	560,000	560,000	**2,800,000**
Brazil						
60%, 80% or 100% additional deduction of expenses depending the nature of the investment in R&D.						
China						
75% additional deduction	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	
Tax benefit (25% CT)	750,000	750,000	750,000	750,000	750,000	**3,750,000**
France						
Mainland territory: 30% tax benefit	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	**6,000,000**
Overseas territory: 50% tax benefit	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	**10,000,000**
Germany & Lebanon						
No tax benefit						
Poland						
Tax advantages on special items such as 50% of wages and social contribution to be deducted from corporate profit.						

	2018	2019	2020	2021	2022	Total
Expenses R&D	**4,000,000**	**4,000,000**	**4,000,000**	**4,000,00**	**4,000,000**	**20,000,000**
Portugal						
Tax benefit (32.5% of the investment of	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	
Tax benefit (50% of the increase compared to the average of the two previous	1,500,000	1,000,000	0	0	0	**9,000,000**
Romania						
50% additional deduction	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	
Tax benefit (16% CT)	320,000	320,000	320,000	320,000	320,000	**1,600,000**
Spain						
Additional deduction	1,680,000	1,000,000	1,000,000	1,000,000	1,000,000	
Tax benefit (25% CT)	420,000	250,000	250,000	250,000	250,000	**1,420,000**
Turkey						
Additional deduction	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	
Tax benefit (22% CT)	880,000	880,000	880,000	880,000	880,000	**4,400,000**
United Kingdom						
Tax benefit	387,600	388,800	392,400	393,600	393,600	**1,956,000**

As in some countries tax benefits on Research and Development expenses are based on the type of expenses, we cannot get a tax benefit figure for them and so it makes the determination of winner more difficult.
Therefore, our ranking will be based only on the countries with a tax benefit figure.

The overseas territories of France seem to be the most attractive land to research on, with a tax benefit of 50% of the R&D expenses, followed by Portugal and Turkey. In Portugal, the tax benefit is high on the first two years (70% R&D expenses) and lower after this initial period (32.5% R&D expenses).

Finally, in Turkey, the tax benefit is based on 50% of R&D expenses and is calculated at corporation tax rate which is 22%.



« Autumn 2018 winners of the tax game on R&D tax benefits»

JPA INTERNATIONAL CONSULTING IN **GERMANY**

RENTROP & PARTNER is one of the founding members of JPA INTERNATIONAL starting from its head office in Bonn to expand the network all over Germany where at present six different member firms are situated in eight different cities. Nearly all German members have joined JPA Audit AG, a company for common purposes and especially common audit work.

RENTROP & PARTNER, a medium sized company of about 30 people, 10 of them professionals, is serving its clients for more than 50 years with a focus on tax services, consulting and auditing. Hans Ronneberger Wirtschaftsprüfer and Steuerberater, the leading Senior partner, chairman of JPA Audit AG, started his career in PWC as auditor for airline businesses. He is very much engaged now with his team of different professionals to find the right way for medium sized clients in a world of accelerating globalization.

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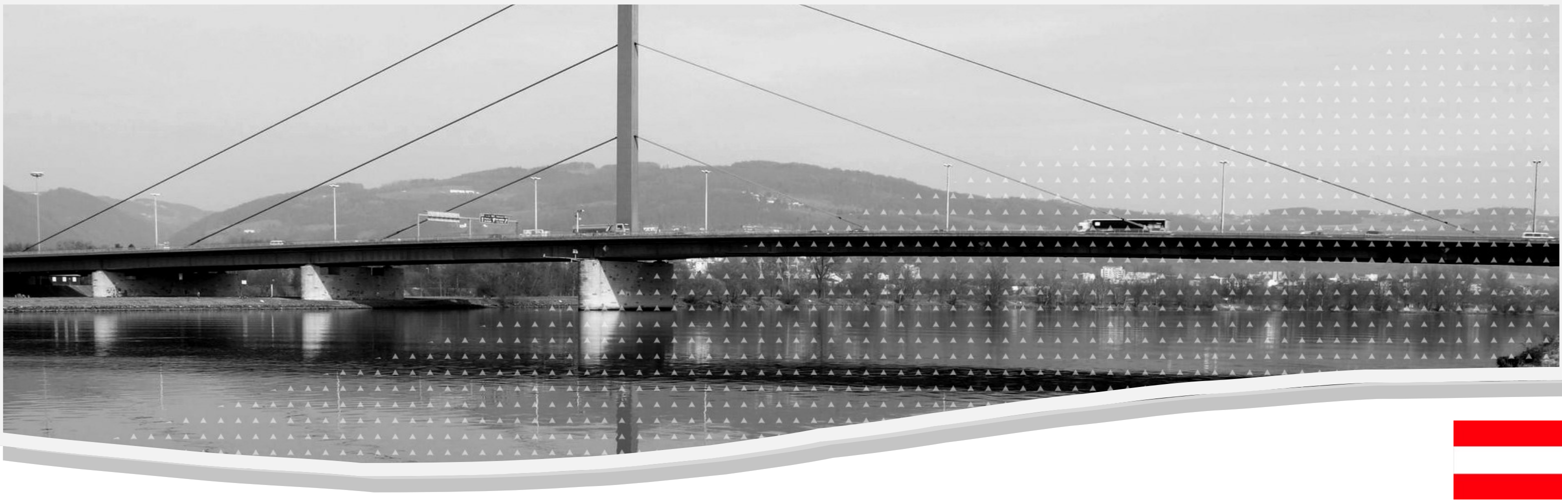

« As a first step the Council adopted new rules making it easier for online businesses (B2C) to comply with VAT obligations. »

(M)OSS and the EU VAT reform

In April 2016 the EU Commission published the so called "Action plan on VAT". The common VAT system is a core element of the European Single Market. The present VAT system, which is in place since 1993, has been unable to keep pace with the challenges of today's global, digital and mobile economy. VAT fraud for distance sales in the EU is estimated at € 5 billion per year. The following measures (amongst others) should help to raise the tax revenue.

As a first step the Council adopted new rules making it easier for online businesses (B2C) to comply with VAT obligations.

I. MOSS till 31st December 2018

Since 1st January 2015, **telecommunication services, television and radio broadcasting services and electronically supplied services** are taxable in general at the location of the recipient of the service, regardless of whether these services are B2B (Reverse Charge) or **B2C** services.

Concerning the determination of the location of the recipient some presumptions are applicable for fixed phone lines, internet coffee shops, the mobile telephone system country code of the SIM card, decoder or satellite card. In all other cases you need two not conflicting pieces of evidence (e.g. invoice address, IP-address, bank account data).

The respective tax rate of the member state of the place of supply has to be applied and the VAT has to be paid in that state. This would regularly lead to an obligation for registration for VAT purposes in the respective state(s).

To reduce the entrepreneur's costs of registering in up to 28 EU-countries, a **mini-one-stop-shop** (so-called "**MOSS**") can be used. MOSS offers the opportunity to avoid that obligation and allows the entrepreneur to **register in only one member state** (in the member state of identification - MSI).

MSI according the **EU**-scheme:

Example for an "Austrian" entrepreneur:

- If the entrepreneur has established his business in Austria, then Austria is the member state of identification.
- Does the entrepreneur run his company in a non-EU-country

  -> and does he have a permanent establishment in Austria, but no other one within the EU, Austria is the member state of identification again.

  -> If that non-EU-entrepreneur does have another permanent establishment within the EU, he can choose one of the member states where the permanent establishments are located as member state of identification.

MSI according **Non-EU**-scheme:

*A non-EU taxable person **can register** to use the Mini One Stop Shop if he:*

- has not established his business in the EU and
- has no permanent establishment in the EU and
- is not (by obligation or voluntarily) registered for VAT purposes in the EU (besides VAT refund).

That taxable person can **choose any member state** to be the member state of identification. That member state will allocate an individual VAT identification number to the taxable person (using the format EUxxxyyyyyz).

Only services that are supplied within the EU member states, where the entrepreneur neither does run his company, nor has a permanent establishment, can be recorded via MOSS. In countries where the supplier runs his company or has a permanent establishment, the local turnovers have to be reported via regular VAT returns. **Input VAT** cannot be refunded via MOSS - the regular VAT refund procedure has to be applied.

II. Cross-border e-service threshold as of 2019

As of 1st January 2019 a **cross-border e-service threshold** is introduced. As a result VAT on cross-border supplies of e-services under **EUR 10.000** per year will be handled according to the rules of the member state of the supplier (place of supply = location of the entrepreneur). It is possible to waive the threshold. This could be recommended e.g., if an entrepreneur supplied e-services already in 2018 and does not want to change his invoicing system (again after 2015).

The **invoicing** will always have to comply with the rules of the member state, where the entrepreneur has established his business or his permanent establishment.

In the future **one piece of evidence** is enough to "locate" your customer, if your turnover for e-services does not exceed **EUR 100.000** per year.

III. Cross-border threshold as of 2021 (e-service & distance sales—B2C)

At the moment entrepreneurs, who sell goods to customers (B2C) in EU member states have to observe, if they exceed the **threshold for distance sale of goods** in **each EU member state**. After exceeding for example the Austrian threshold of EUR 35.000 the supply of goods is taxed, where the goods are located when the dispatch or transport to the customer ends. So the EU entrepreneur has to:

- register for VAT purposes in Austria,
- file monthly/quarterly & annual VAT return,
- invoice AT-VAT (20%),
- pay the collected VAT to the Austrian tax authority.

As of 1st January 2021 the current system with different thresholds per each member states will be eliminated. Instead one **cross-border threshold for e-service & distance sales** of goods will be introduced: **EUR 10.000** for the sum of all (B2C) supplies of goods and services into the EU. If the cross-border EU turnover of EUR 10.000 is **not exceeded** the place of supply is, where the goods are located when the dispatch or transport to the customer begins. If the cross-border turnover **exceeds** the threshold of EUR 10.000 the supply is taxed at the location of the recipient of the service respectively, where the goods are located when the dispatch or transport to the customer ends.

The entrepreneur has two options to file the VAT return:

1. VAT registration in each member state, where the goods arrive/the recipient is located (as up to now) or
2. one-stop-shop (OSS) via the online portal of the member state of identification

   a. This option can only be chosen, if the goods are dispatched from one central warehouse. The transfer of the goods between EU member states is an intracommunity transfer and leads to an obligatory VAT registration in the member state of arrival.

   b. The deadline for filing the (M)OSS return electronically and paying the VAT is extended from 20th to **30th day** of the month **following the declaration period** (=the calendar quarter).

JPA INTERNATIONAL CONSULTING IN **AUSTRIA**

Fiebich & PartnerInnen is a successful medium-sized firm of chartered accountants, auditors and consultants with many years of experience in the field of tax consultancy, accounting, payroll accounting and other consulting services related to industry and business.

Our strengths lie in the high-quality service as well as in our extensive counselling and coaching oriented towards our clients' needs. We serve small- and medium-sized companies in different areas of business, group-structures, individuals, associations and public sector entities. The majority of our clients are part of the service industry and professional persons.

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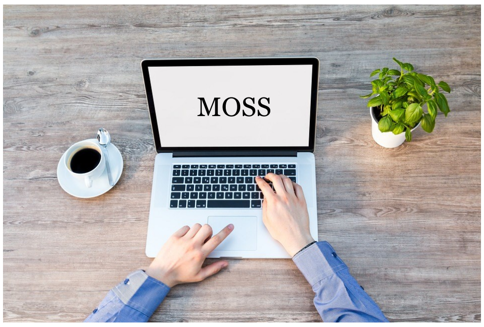
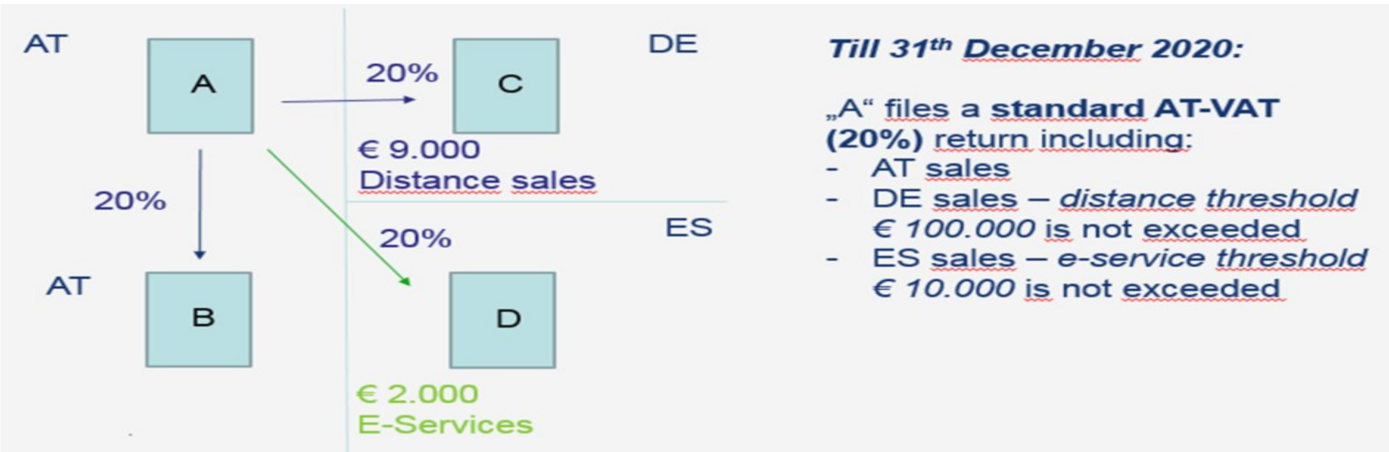
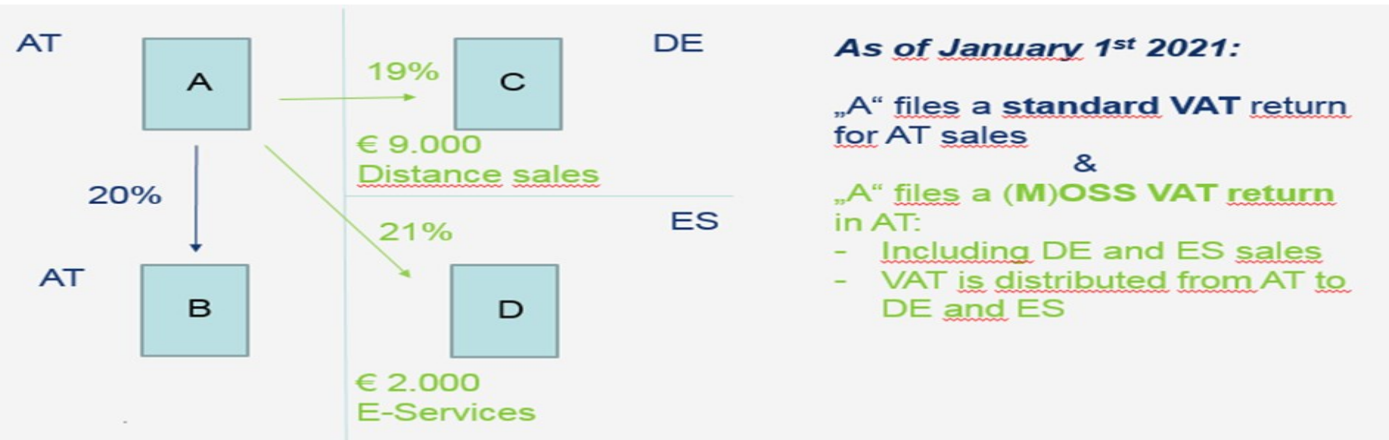


Illustrated summary





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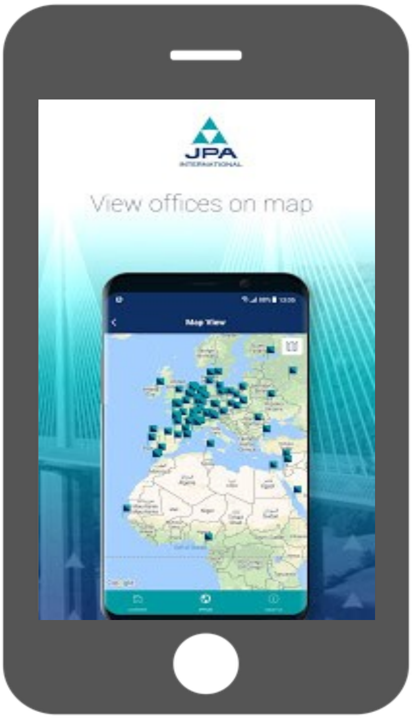

DO YOU REMEMBER

… being face to face with a new business partner for two hours in a restaurant **without any conversation topics** ?

… standing in meetings with your potential clients while they all look at you embarrassed because of an **unintended hasty action** of yours ?

… explaining your point of view about a cross border project and having **no idea of the regulatory consequences** of your choices ?

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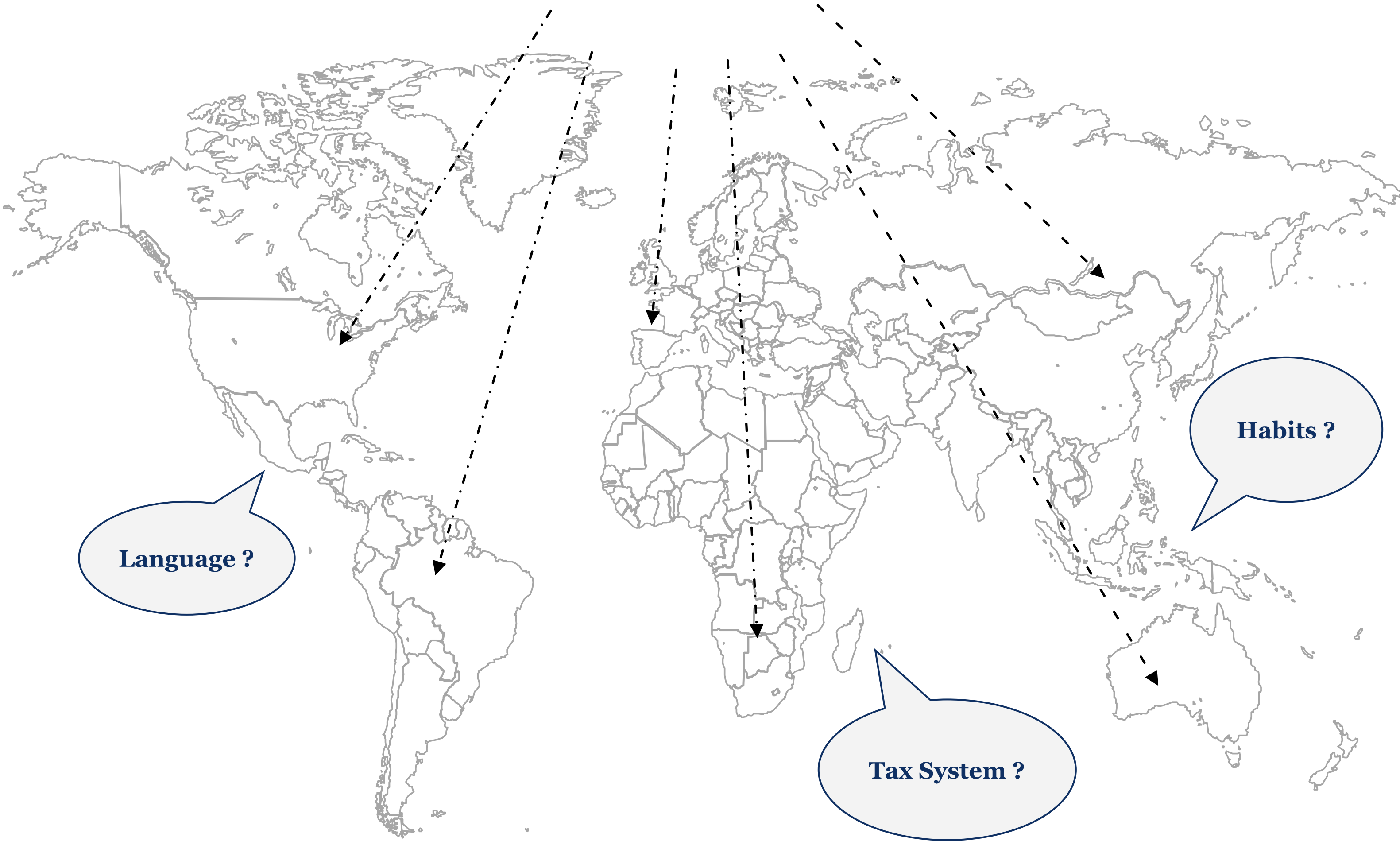

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