



Global vision, local insight

Global network news

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Better Relationships = Better Business

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I recently reviewed a report entitled Better Relationships | Better Business, written by Dr David Fraser and published by BrightHR, which really caught my attention because it resonated so soundly with the way I approach business both as CEO of i2AN-member firm, Gerald Edelman, but also as a business adviser and non-executive director to a number of SMEs.

What follows below are the main points - extracted from Dr Fraser's report - which I believe should be embraced, to varying degrees, by all of us operating in today's business world.

Building Successful Client Relationships

Generally speaking, successful businesses cannot be built on

product and price alone. People buy people and the ability to initiate, develop and maintain trusting professional relationships with customers, suppliers, staff or other stakeholders is what will ultimately distinguish a basic business from a successful enterprise.

Human beings, however, are complex creatures and, regardless of whether they are working or personal, developing strong relationships requires effort and time.

At a fundamental level that means identifying with clients' aspirations and concerns, working to agreed methodologies and managing expectations on both sides - and, if possible, exceeding those expectations.

But how exactly do we do this?

Communication: The best way to communicate is face-to-face because so much of what goes on in a relationship is non-verbal. You will learn a lot from being able to see your client's facial expressions and body language, as they can give you an honest indication of what they are really thinking and feeling, even if what they're saying doesn't quite match up.

Added value: Provide unexpected value and you will become a trusted advisor more quickly; become a trusted advisor and you can provide unexpected value more easily. Concentrate your efforts on approaches that offer clients real value for money.



Connections: You could also consider facilitating a networking event. Bring your clients together in a relaxed roundtable setting where they can share their experiences and expertise, discuss industry trends, challenges and opportunities, bringing new ideas and solutions to the table.

Fail to prepare and prepare to fail: Preparation is key to planting the seed for a successful client relationship from the start.

Making Time to Focus on Clients

Getting to know your clients is good, but actually 'enjoying' the relationship is even better. To succeed, we must be ready and willing to give our clients time and if we don't have it, then we need to start freeing it up and doing whatever it takes to build up stronger relationships.

Even more importantly, you should recognise that communication is much more than being a skilful speaker – it is about being a good listener.

Become a trusted adviser

Becoming the client's 'trusted adviser' is what we should all be aiming towards as we invest in strengthening client relationships. But how can we become one?

Become a problem solver:

Ultimately, you need to become a problem solver, providing cost-effective and time-saving solutions to clients' challenges.

Extend your service offering:

There will be times when you are asked for advice outside of your specialist area and it will be accepted that it's not always possible for you to be an expert on all business matters

Don't miss out on marketing: The way in which business is conducted today has changed dramatically over the last couple of decades. There's no doubt that referrals from clients is the main source of new business.

Focus on relational sales: As is well-known, there are two kinds of sale. There is the transactional sale, where price is the key or even the only consideration, and the relational sale where price is only one of many considerations and frequently not the most important.

Conclusions

Relationships between people are ultimately what determine the outcome in any particular situation. In the words of management guru, Peter Drucker, 'Culture eats strategy for breakfast', meaning the nature of a community is a stronger force than any instruction given to it.

What this will lead to is a better working relationship between you and your clients, which will not only improve your retention rate and profitability, but help your client's business to prosper as you become more and more valuable to them. Remember, it's the things that work in your personal relationships that will work in your working relationships – communication, trust, tenacity honest and transparency – they are all key.

Of course, to demonstrate all this to a client you must make contact, build strong relationships and then be willing to deliver over and above the norm, every time.





How does the fact of having worked in various countries affect the retirement pension?

Ana Canillas, PLANARTUS www.plana-artus.com

If you have worked in several countries, it affects directly where and how to apply for the retirement pension, as well as the actions that must be done in order to obtain it. These actions are:

- Apply for the pension in your place of residence or in the place of your last job. If it is in Spain, the application would be presented at the National Institute of Social Security. This shall send and collect information from the relevant organizations in the countries where the person concerned has worked.

- In addition to the above, two calculations are always made to determine the amount the interested party is entitled to for retirement:

A) Firstly, each Member State evaluates whether, according to the years worked in the country in question, the interested party is entitled to a retirement pension. It is possible that you may be entitled to two or more retirement pensions.

B) Execution of the study by summation, which implies that when the certification of the rest of the countries where services are provided is received, the amount of the pension that would correspond to it is calculated if one takes into

account the sum of the periods quoted among all Countries where services have been provided.

- After completing the above calculations and to conclude, the State pays the interested party the highest amount of the two previous assumptions, except in: Canada, Morocco, Chile, Mexico, Philippines, United States, Venezuela, where it can only be taken the option of the study by summation when the is no right to collect the national pension.





German Valuation Guidelines – Optimizing the value for tax purposes

Werner Schulze and Dr. Benjamin S. Cortez, Schlecht und Partner, Munich / Stuttgart

The German Tax Provisions set forth various occasions and events that require the determination of a value of shares for tax purposes. Such instances can arise in the course of company transactions and corporate restructurings requiring the determination of the value of the transferred shares as well as the disposal of shares by means of gift or inheritance. The German Valuation Tax Act (Bewertungsgesetz, BewG) sets out that companies traded on the stock exchange are valued at their market price. All other companies are valued at the value of the company as determined by the commercial method. The commercial method derives the value based on market transactions. This however is in practice seldom applicable. The valuation can be derived by the application of the simplified capitalized earning value method, which is based on the assumption that the future income will correspond to past outcomes. With the simplified capitalized earning value method („Vereinfachtes Ertragswertverfahren“) the German Valuation Code sets forth a simple and cheap method for the computation of “reliable” company values.

In the simplified capitalized earning value method the fair market value of the business assets § 200 Sec. 1 BewG results from the multiplication of the sustainably achievable annual profit with a determined factor of capitalization.

Example: Simplified capitalized earning value method

Average Profit prior 3 years (§ 202 BewG):	100.000,-- €
Prime Lending Rate (§ 203 Abs. 2 BewG):	1,1 %
Sum of Standard interest rate and surcharge = 1,1 % + 4,5 %	5,6 %
Factor of Capitalization = $1/5,6$ %	17,8571*
Capitalized Earning Value = $100.000 \text{ €} \times 17,8571$	1.785.710 €

Note: based on reason stipulated changes in the German Valuation Code the Factor of Capitalization is to be capped at 13,75

The theoretical basis for the valuation is the sustainably achievable annual profit, which is derived from the average operating profit of the last three financial years prior to the valuation event. By multiplying the resulting sustainably achievable annual profit with a capitalization factor, which is computed from the sum of the prime lending rate and a defined surcharge of 4,5 %, the capitalized earning value is determined.

In addition to the simplified capitalized earning value method, the German Value Code authorizes the application of other recognized, in ordinary course of business for non-tax purposes applicable valuation methods. By way of this provision, the application of valuation methods that may result in a favorable value is granted. Most relevant valuation alternative in this respect is the valuation based on IDW S1, a capitalized earnings method defined by the guidelines of the German Auditors Association. The IDW S 1 is the main standard

for business valuation for tax, legal and accounting purposes. It defines relevant terms and explains the main aspects in relation to company valuations.

Empiric evidence shows that the value obtained with the simplified income method in recent year is, due to the high factor of capitalization, on average above the corporate value as per IDW S 1. To this background, it is advisable to the clients with valuation event in Germany to conduct an alternative valuation based on IDW S1 to potentially achieve a favorable value below the values based on the simplified capitalized earning value method.

Because of this, every fiscal valuation should in our opinion include at least an indicative determination of commercial value so as to ensure that no excessive taxation occurs. We highly recommend to verify the value used for tax purposes to ensure an optimized taxation.



Localization of production

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The strategic area of localization of production in Russia has existed since the early 2000s, but it has received a very strong impetus for development, and one may say that it has taken aggressive forms, after the recent deterioration of relations with Western countries, members of NATO and the introduction of reciprocal economic sanctions.

The localization program pursues the obvious goals of creating jobs in the country, increasing local tax payments, and improving the economic security of the country, and is in line with international practice. At different times and in different countries, numerous industrial projects and complex programs for production localization were implemented.

The current Russian leadership has set the reduction of imports from 88% to 40% by 2020 as a target for a number of industries, such as machine building and light industry. In Russia, localization programs are comprehensive and large-scale in nature, and the state takes a very active role which determines the rules of the game. Government measures and initiatives are designed either to stimulate economically or, often, to force international manufacturers to set up local production under the threat of losing the market. As a result of systematic pressure, assembly plants of many car manufacturers, such as Ford, Audi, Volkswagen, Renault, Toyota

and others, are present in Russia.

Negative incentives include stricter requirements for conducting public procurement, when only suppliers with a locally produced product can participate. The pharmaceutical industry is an example of the effective application of this incentive due to the significant volume of public procurement, which amounts to up to 25% of the total market.

Along with negative incentives, the government uses a set of positive measures to stimulate the localization of production, the most effective of which are Special Investment Contracts. Under these contracts, investors in the local manufacturing industry are provided with long-term benefits and preferences, significant tax benefits, and access to public supplies. The mechanism of SICs is complex and is only now beginning to have an effect.

Several important market factors facilitate the localization of production, including the low cost

of skilled labor due to the fall of the ruble, as well as active the development of industrial parks, of which there are now over 90. The low cost of labor naturally makes local production more competitive, even compared to recognized leaders such as China and Southeast Asia, and the presence of technology parks with ready infrastructure tremendously simplifies the entry of manufacturing companies into the Russian market. An example of successful localization due to the set of measures and the use of technology parks as a base is the manufacture of home appliances; Samsung's product localization is 50% and provides 1,500 jobs.

The impact of government policies on the localization of production is a determining factor in the development of the Russian economy at the moment and it will remain so in the long run; this factor should be taken into account and considered in the strategies of companies entering the Russian market and operating on it.





China is about to exchange financial information with 101 countries from 2017

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It is almost one of the biggest news to foreign communities in China. The State Administration of Taxation (SAT) has released the Discussion Draft on the Administrative Measures on the Due Diligence Procedures for Non-residents' Financial Account Information in Tax matters (The Discussion Draft) for public opinion on 14 October 2016. The discussion draft provides details on the implementation of the Common Reporting Standard (CRS) in China from 2017.

What is CRS?

CRS is a common standard introduced by the OECD to crack down cross border tax avoidance and evasion activities. The standard is different to the exchange of information articles contained in the tax treaties as CRS can allow tax authorities to exchange financial information automatically rather than going through the treaty procedure of the exchange of information.

What information will be automatically exchanged under CRS?

- Personal details such as name, current address, tax residency, tax file number of the residency country, birth place, date of birth
- Financial account information
- Year-end balance of all financial accounts

- Saving account details and its total interest earnings
- Managed financial account, interest earnings, total dividend earned and other income earned
- Other accounts and its total yearly earnings
- Other information required by the tax administration

What do foreign expats need to know?

Understand your tax residence is crucial now. If you work in China, are you also resident in China for tax purposes? Generally, if you have lived and worked in China for more than 1 year, you are very likely a Chinese tax resident already. If you are Chinese tax resident, your foreign financial information will be sent to China's tax administration and your global income will be taxed in China. If you are non-tax resident in China, all your Chinese financial information will be sent to your resident tax country for you to be taxed in your home residence country.

Contact us today to understand your residence status, filing requirements and available tax exemptions.

What do Chinese nationals need to know?

If you are Chinese national (Chinese tax resident) and have global investments and income, you need to report all your foreign income to Chinese tax administration. As mentioned above, all your foreign financial information will be sent China's tax administration under the CRS. Moreover, China's central bank has also implemented new rules for new account opening from 1 December 2016. The new bank change will also be a key preparation for the future implementation of CRS.





Offshore jurisdictions in UAE

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Offshore structure in UAE are becoming one of the most desired structure for entrepreneurs in UAE. It will be able to hide the identity of the shareholders (not completely), and will reduce the liability of the shareholders. The benefits of the offshore can be summarized as follows:

Legal Protection

Taxation

Financial Protection

Asset Protection

There are many offshore in UAE, which are Jabal Ali Freezone Authority (JAFZA Offshore), Ras Al Khaima Offshore (RAK Offshore), Umm Al Quwain Offshore (UAQ Offshore) and Ajman Offshore.

However most widely desired offshore jurisdictions by entrepreneurs are JAFZA and RAK Offshore. The reasons for that JAFZA Offshore is the only offshore jurisdiction that allows the offshore companies to own assets in Dubai. Others offshore are not allowed to own any assets in Dubai.

RAK offshore, is second widely used for international business, since it has simple requirements and cost efficient. The other offshore jurisdictions are relatively new and still in the process of expansions and still not most of the entrepreneurs heard about it.



JAFZA Offshore

They have common requirements as the rest offshore jurisdictions, however one of the different requirements that it requires two individual directors, and corporate directors are not allowed. This requirement might not fit all the entrepreneurs JAFZA offshore widely used for international and local business.

RAK Offshore

They have similar requirements as rest of the offshore jurisdictions which passports, bank reference and utility bills, and is widely used for international business.

MAZ is registered agent in all the UAE offshore jurisdictions, and assist most of international and local organisations in their corporate structure.



BREXIT AND TAXES

Jordi Plana, PLANARTUS www.plana-artus.com

The exit of Britain from the European Union will have negative tax implications for British citizens with property in Spain.

Attention! See how Personal Income Tax for Nonresidents and Inheritance and Donation Tax may be applicable:

- Personal Income Tax for Non-Residents: After Brexit, when British citizens are no longer Residents in the European Union, instead of taxing 19% they will be taxed 24% (according to the current rates), since Residents outside the European Union do not have the lower tax rate for being European citizens.

- Inheritance and Donations Tax: Residents of the European Union are taxed according to Regional regulations (Autonomias). However, those outside the European Union are taxed according to State regulations, in some cases with a higher taxation.

One measure to reduce such future taxation would be to make an Advanced Donation. If a British resident is thinking of donating a property located in Spain to a child, it is advisable to do it before Brexit.

A) The child would tax by Donation according to the Regional regulations where the property is located (usually lower than the State).

B) The British resident would be taxed on the Personal Income Tax for Non-Residents at a tax rate of 19% of the capital gain generated, and not the 24% tax rate that would apply if he were resident outside the European Union.

The fact of making an Advanced Donation may also reduce taxation on future inheritance produced after the Brexit, as this property would not be included. However, it is recommended to make calculations since the savings can vary greatly depending on the Region where the property is located.



19%

26%



France will progressively reduce its CIT rate

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Less than a year before presidential elections in April-May 2017, and while corporation tax rates are under scrutiny throughout Europe, the French Draft Finance Bill for 2017 includes a provision which cuts the corporate tax rate from 33.33 percent to 28 percent.

However, this measure should apply progressively and benefit to all companies only as from 2020. Precisely, the reduction of the tax rate should be achieved after the followings steps:

- For fiscal years (FYs) starting on or after 1 January 2017, the 28% CIT rate would apply to small and medium enterprises (SMEs) on the first €75,000 of taxable income;
- For FYs starting on or after 1 January 2018, the 28% rate would

apply to all entities on the first €500,000 of taxable income;

- For FYs starting on or after 1 January 2019, the 28% rate would apply on the taxable profits of all companies whose turnover does not exceed € 1 billion and on the first €500,000 of taxable income for the companies whose turnover exceed €1 billion;
- For FYs starting on or after 1 January 2020, all companies would benefit from the new rate of 28%.

Even though this cut in the tax rate is clearly good news for boosting competitiveness of French companies, the rate of 28% will remain higher than the average corporate income tax rate of the EU Member States which is currently between 20-24 percent.

In comparison, the Luxembourg government is considering a decrease of the corporate income tax rate from 21% to 19% in 2017 and 18% in 2018, and Britain has rate of 20%, which is set to fall to 17% by 2020.

At EU level, there is no room for tax harmonization on corporate income tax rates since these remain an area of national sovereignty. Declining rates is therefore a process which should still be used in the future for tax competition, to attract inward flows of capital, even in the context of the Common Consolidated Corporate Tax Base (CCCTB) at EU level. Indeed, with the CCCTB, tax rates would be the only remaining.



Top Tips for Global Immigration Compliance

Antonia Torr, Howard Kennedy

i2an is glad to include in this edition of its newsletter this exceptional contribution by Antonia Torr, member of Howard Kennedy law firm who works closely with Richard Kleiner.

If you were a Global Mobility Director or a HR Director, then perhaps the greatest source of anxiety in your job is the fear of receiving ‘that phone call’ – the one where your executive gets turned away at an airport because the Immigration Officer believed that the executive required a work permit (or because the executive said the ‘wrong thing’ to the Immigration Officer). Due to the increasing number of international business transactions, business lawyers are now also encountering circumstances where their client (or someone who works for their client) is the subject of action by foreign immigration authorities.

Governments are developing ever increasingly sophisticated methods in tracking business travellers so as to ensure that immigration laws are met and complied with by such visitors. Failure to comply with immigration requirements can result in refusal of entry, revocation of visas, automatic bans as well as substantial financial penalties.

With this in mind, this fact sheet is designed to highlight some of the frequent issues experienced so that your clients (regardless of the jurisdiction) can stay on the right side of the immigration system.

1. Ensure that your clients have a system of tracking business travel for its key staff.

It may not surprise you to hear that most jurisdictions will have a limit on how long a business visitor can stay in their country. In some jurisdictions the limit is expressed in terms of the number of days in any 12 month period whilst in others it is a limit on the maximum duration of any one visit. The most common reason that business travellers are questioned at any border is due to the frequency of their visits and the most common reason why entry is refused is due to an inability to answer basic questions (such as when was your last visit to this country and for how long did you stay). For some frequent travellers, the trips can all blur into each other and so being able to access a record of those dates can be critical to ensuring that you are granted entry. Such record systems can also make it easier to deal with foreign tax authorities who may query a business traveller’s potential tax liability.

2. Ensure that your clients know the limits of their immigration status.

A frequent area in which business travellers encounter difficulty is when they are questioned by immigration officers as to the purpose of their trip – in an attempt to seem helpful, sometimes too much detail can be provided or indeed information is provided in an unclear manner. For example, a business visitor is often not entitled to undertake employment when on such a visa but may be entitled to attend business meetings. When questioned on the purpose of their visit, an answer such as ‘I am working’ could provoke concern on the part of the immigration officer. Precision in language is key. It is equally important that business travellers understand any restrictions that may exist when it comes to access to healthcare (be it for emergency or non-emergency treatment), bringing or taking out cash and general permitted activities.

3. Access advice early on when you are aware that your client is a frequent traveller or where they send staff around the world.

There is a general global trend in the form of governments paying greater attention to travellers and their activities - this has been partly fuelled by the increasing issue of global terror plots and threats but also because of the increasing complexity of international business deals. A further common theme in immigration law across many jurisdictions is the frequency with which such law changes and so it is always important to ensure that your clients have the most up to date information possible when it comes to immigration status. Whether your client is permanently relocating, establishing a business or just visiting – seek advice. A negative immigration decision or an ill-fitting retrospective immigration solution can have long term effects on a client's business prospects.

4. Don't forget family members and dependents

Some jurisdictions have very strict rules on who qualifies as a family member – if the couple are not married, there may be a minimum cohabitation period. If there are children, the employee may not wish to move until the beginning of the next academic year. Regardless of the scenario, great care should be given to ensure that the family members are as much a part of the process as the original business traveller or employee.



5. Timing , timing , timing

Most jurisdictions have some form of premium or priority service but more often than not, patience is required. In most jurisdictions, the visa process simply has to run its course therefore you must ensure that your clients are planning well in advance and are allowing sufficient time for their visa application to be reviewed, granted and then issued to them.

The world is becoming an increasingly small place and the transfer of talent between jurisdictions is now a very common occurrence. The need for immigration advice can pop in some unlikely places – so be on guard to ensure that your client's position is protected.



2an Tax Group

We are happy to announce that i2an Tax Group is officially launched and held a preliminary meeting in Paris on December 14. The group will hold its first meeting on March 29 and will keep you updated on their work.





Transfer pricing file is mandatory in Romania starting with 2016

Mihaela Mitache, Quark Consulting, Romania

Starting with 2016, the companies which are large taxpayers, (the large taxpayers are annually established by order of the National Agency for Fiscal Administration), and performs transactions with affiliates with a total annual value, calculated by adding the value of transactions with all related parties, excluding VAT, is higher or equal with the values set out in this paragraph, will prepare the annual transfer pricing documentation file. The deadline for preparation of the file transfer pricing is established legal deadline for filing annual tax for each fiscal year (which is actually 25 of March).

The level of materiality value for large taxpayers previously mentioned, depending on the type of transaction carried out is:

- **200,000 euro for interest received / paid for financial services;**
- **250,000 euro for services received / provided;**
- **350,000 euro for purchases / sales of tangible and intangible assets;**

The large taxpayers companies which do not reach the criteria established under above mentioned paragraph and small and medium companies, which are performing transactions with affiliates with a total annual value, calculated by adding the value of transactions with all related parties, excluding VAT, less than the values mentioned in the above paragraph, will prepare and present the transfer pricing file only at

the request of the tax authority in connection with a tax audit.

The level of materiality value for large taxpayers that do not meet the criteria, and for small and medium taxpayers categories, depending on the type of transaction carried out is:

- **50,000 euro, for interest received / paid for financial services;**
- **50,000 euro for services received / provided;**
- **100,000 euro for purchases / sales of tangible and intangible assets ;**

The amounts are calculated at the exchange rate of the National Bank of Romania for the last day of the fiscal year.

The taxpayers which are conducting transactions with affiliates with a total annual value, calculated by adding the value of transactions with all related parties, excluding VAT, under the mentioned values will document the principle of market value during a tax audit, according to general rules laid down by the accounting and tax regulations in force. The deadline for submission of the file will be between 30 and 60 days and be extended once, upon written request of the companies with a maximum of 30 days.



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