www.pwc.com/its

International Tax News

Edition 68
October 2018

Welcome

Keeping up with the constant flow of international tax developments worldwide can be a real challenge for multinational companies. International Tax News is a monthly publication that offers updates and analysis on developments taking place around the world, authored by specialists in PwC's global international tax network.

We hope that you will find this publication helpful, and look forward to your comments.

Shi-Chieh 'Suchi' Lee
Global Leader International Tax Services Network
T: +1 646 471 5315
E: suchi.lee@pwc.com

pwc

In this issue

Legislation

Administrative

Judicial

EU/OECD

Treaties

Legislation
Australia

Australian hybrid mismatch rules effective January 1, 2019

Australia introduced new hybrid mismatch rules, effective January 1, 2019. The rules are based on OECD-proposed concepts, but they go much further and include a targeted integrity measure. There are no grandfathering or de minimis rules – thereby impacting existing funding arrangements.

In broad terms, the hybrid mismatch rules operate to neutralize a mismatch (entity, instrument or branch) by, for example, disallowing a deduction or including an amount in assessable income. The rules apply automatically, so an avoidance purpose is not required. They also include imported hybrid mismatch rules, which seek to reduce or eliminate tax deductions for payments made by an Australian company that directly or indirectly fund a hybrid mismatch outcome in any country that has not adopted OECD hybrid mismatch rules.

Also noteworthy is a new unilateral measure designed to override the hybrid mismatch rules. This measure imposes additional Australian tax on interest and derivative payments made to (whether directly or indirectly) foreign zero- or low-tax rate (10% or less) (**FIZLR**) lenders (such as tax haven jurisdictions) regardless of whether the arrangement involves a hybrid element.

PwC observation:
The new rules are complex, but exceptions are available in certain limited circumstances. There may also be opportunities to restructure funding arrangements in light of the FIZLR rule. Simply allowing the hybrid mismatch and FIZLR rules to apply to existing arrangements is not viable because the rules deny interest deductions while withholding tax rules continue to apply to interest payments and thin capitalization rules continue to apply to the non-deductible debt. Taxpayers will also need to consider legal, accounting, treasury and foreign tax issues.

Peter Collins
Melbourne
T: +61 0 438624700
E: peter.collins@pwc.com

David Earl
Melbourne
T: +61 3 8603 6856
E: david.earl@pwc.com

Australia

Australian government releases draft law on thin capitalization changes

The Australian government has released for comment draft legislation that proposes to implement several changes to Australia's thin capitalization rules that were announced in the 2018-19 Australian Federal Budget.

In summary, the package of proposed changes include new measures that will:

- require entities to align the value of their assets for thin capitalization purposes with the value included in their financial statements, effectively removing the previous ability of taxpayers to revalue certain intangible assets for thin capitalization purposes and
- ensure that foreign-controlled Australian consolidated entities and multiple-entry consolidated groups with foreign operations are treated as both outward and inward investing entities.

PwC observation:
The draft legislation includes transitional provisions, which provide that valuations made prior to 7:30PM (AEST) on May 8, 2018 may be relied on until the beginning of an entity's first income year commencing on or after July 1, 2019. Taxpayers should consider the potential impact of these changes, if enacted, on their thin capitalization calculation and safe harbor debt amount going forward.

Peter Collins
Melbourne
T: +61 0 438624700
E: peter.collins@pwc.com

David Earl
Melbourne
T: +61 3 8603 6856
E: david.earl@pwc.com

Bolivia

Tax debt settlement program in Bolivia

Law 1105, enacted on September 28, 2018 and published in the Bolivian Official Gazette on the same date, allows individuals and companies to settle their tax debts (VAT, transaction tax, income tax or withholding taxes) or customs debts in Bolivia without paying interest for late payment. The Law also provides for a reduction in penalty amounts. Such reduction depends on the date when the tax or customs debt is settled:

- 95% discount if the taxpayer settles the outstanding tax or customs debt by November 30, 2018
- 90% discount if the taxpayer settles the outstanding tax or customs debt by February 28, 2019, and
- 80% discount if the taxpayer settles the outstanding tax or customs debt as per a specific calendar which allows payment in separate installments during a five-year period (60 months).

The Law entered into force on its publication date in the Bolivian Official Gazette (i.e. September 28, 2018). Tax or customs debts generated prior to the publication date will be able to benefit from this program.

PwC observation:
Multinational enterprises with subsidiaries in Bolivia that have unpaid tax and customs debts should consider this program in order to reduce their penalties.

Eduardo Aramayo
Bolivia
T: +591 3 3444311
E: eduardo.armayo@bo.pwc.com

Guillermo Mullin
Bolivia
T: +591 3 3444311
E: guillermo.x.mullin@bo.pwc.com

China

China further increases the super deduction ratio of R&D expenses for CIT purposes

According to the China corporate income tax (CIT) law implemented in 2008, an enterprise with R&D expenses incurred in the course of carrying out R&D activities that have not been capitalized as intangible assets and deducted in the current year is allowed, in addition to a deduction for the actual R&D expenses incurred, an additional 50% deduction of the R&D expense when calculating its taxable income for that year. For R&D expenses that have been capitalized as intangible assets, the tax amortization shall be based on 150% of the cost of the intangible assets (referred to as 'super deduction'). In May 2017, the Ministry of Finance (MOF), the State Administration of Taxation (SAT) and the Ministry of Science and Technology (MOST) jointly issued Caishui [2017] No.34 to increase the percentage of the R&D expenses super deduction to 75% for small and medium-sized technological enterprises in China, during the eligible period of January 1, 2017 to December 31, 2019.

Recently, the MOF, SAT and MOST jointly issued *Caishui* [2018] No.99 to further expand the scope of this enhanced super deduction percentage to all enterprises. It also extended the eligible period from January 1, 2018 to December 31, 2020. An enterprise with:

- R&D expenses that have not formed intangible assets, may deduct an additional 75% of eligible R&D expenses when calculating the taxable income
- R&D expenses that have formed intangible assets, may amortize those assets based on 175% of their cost.

Matthew Mui
China
T: +86 10 6533 3028
E: matthew.mui@cn.pwc.com

PwC observation:
The R&D super deduction policies have helped to boost enterprise R&D activities in China. The increase in the R&D super deduction percentage will help promote industry restructuring, encourage innovations, and advance industry upgrading. In the meantime, taxpayers should be aware that the accurate identification of R&D activities are critical for claiming the R&D super deduction. To mitigate tax compliance risks, relevant technical personnel should understand the R&D super deduction provision, then use that knowledge to more accurately determine their R&D activities.

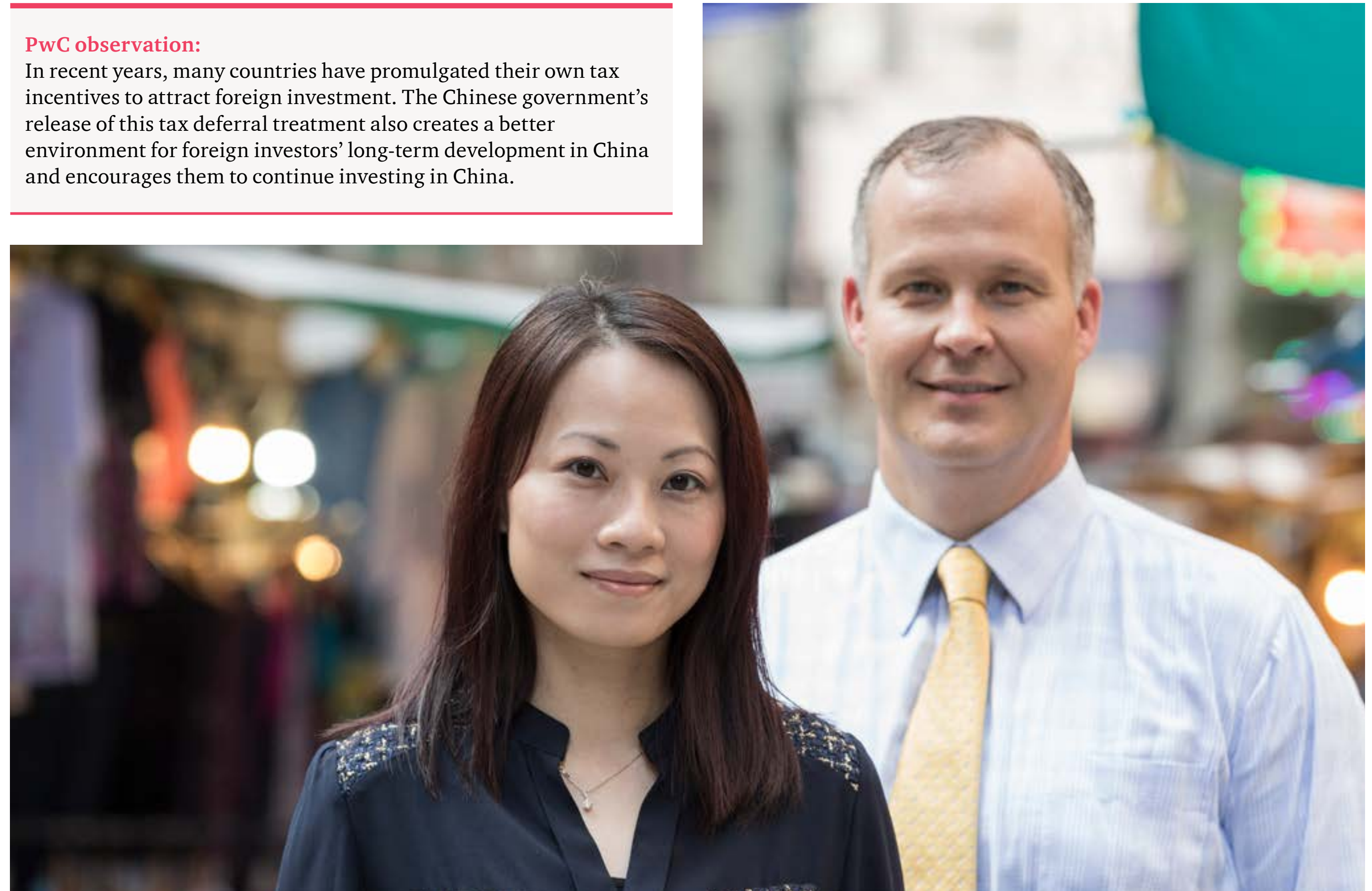
China

China further expands deferral treatment for withholding taxes on foreign direct re-investment

Under the current China corporate income tax (CIT) law, dividends derived by a non-tax resident enterprise (TRE) from China are subject to a 10% WHT at the source in China, unless a more favorable treaty benefit applies. In December 2017, the MOF, SAT, National Development and Reform Commission and Ministry of Commerce jointly unveiled Caishui [2017] No.88 to allow foreign investors to enjoy WHT deferral treatment on the direct re-investment of profits distributed from Chinese TREs into China's 'encouraged projects'.

To further encourage foreign investment in China, the MOF and the other three ministries jointly issued *Caishui* [2018] No.102 to expand the scope of investment eligible for WHT deferral treatment on direct re-investment by foreign investors using profits distributed by TREs from 'encouraged projects' to all 'non-prohibited projects.' Dividends received by foreign investors on or after January 1, 2018, are eligible for tax deferral treatment provided they meet all other criteria (such as the direct payment method). The foreign investors may apply for a refund for any tax already paid.

PwC observation:
In recent years, many countries have promulgated their own tax incentives to attract foreign investment. The Chinese government's release of this tax deferral treatment also creates a better environment for foreign investors' long-term development in China and encourages them to continue investing in China.



Matthew Mui
China
T: +86 10 6533 3028
E: matthew.mui@cn.pwc.com

Netherlands

Updated proposed tax measures in budget day 2018

Rather than abolishing the Dutch dividend withholding tax, the Dutch government made a final decision on October 15, 2018, to stimulate the Dutch business environment through alternative means. New measures have been proposed and a number of measures announced on budget day have been amended. These measures will be part of the Tax Plan 2019 Package. A brief overview is below.

- The statutory corporate income tax rate will be further reduced: the rate up to taxable income of EUR 200,000 (now 20%) will be further reduced to 15% by 2021, the rate applicable to taxable income above EUR 200,000 (now 25%) will be further lowered to 20.5% by 2021.
- The retroactive effect of the emergency repair measures for fiscal unities for corporate income tax purposes is limited. To recap, the emergency repair measures followed an EU Court of Justice decision on the Dutch fiscal unity regime (which seemed to provide for a per-element approach). The emergency repair measures apply with retroactive effect from January 1, 2018, instead of October 25, 2017 as announced before.
- A grandfathering rule will be introduced for existing 30% rulings that would – as a result of the new regime announced on budget day – end in 2019 or 2020. For this group, the 30% ruling will be extended by a maximum of two years, and the 30% ruling will end (at the latest) by 2021.
- The proposed measure to disallow fiscal investment institutions (FCBs) from directly investing in Dutch real estate will be cancelled. The problem identified with the redistribution facility (set-off of foreign withholding tax) will also disappear by maintaining the dividend withholding tax.
- The government will increase the percentage of the second tranche of the R&D remittance reduction in 2020 by two percent points, from 14% to 16%. This will give innovative businesses a larger reduction in the taxable amount calculation.

PwC observation:
The Dutch government's focus remains on the attractiveness of the Netherlands' business climate. The additional corporate income tax rate reduction, the higher R&D remittance reduction, the more relaxed transitional rules for the 30% expat rulings, and the limited retroactive effect of the emergency repair measures for fiscal unities underline the Dutch policy goals.

Jeroen Schmitz
Amsterdam
T: +31 88 792 53 72
E: jeroen.schmitz@pwc.com

Pieter Ruige
Amsterdam
T: +316 13 69 12 55
E: pieter.ruige@pwc.com

Tim Theunis
Amsterdam
T: +316 30 96 45 08
E: tim.s.theunis@pwc.com

Peru

Peru enacts major tax changes

The Peruvian executive issued several legislative decrees on September 13 that modify provisions in the Peruvian tax code, income tax law, and the VAT law. The key international tax amendments to the Peruvian tax system include:

- *Definition of permanent establishment* - For Peruvian income tax purposes, a permanent establishment (PE) is considered a separate legal entity that must comply with the same formal and substantial tax obligations as any other Peruvian company. The legislative decree broadens the narrow PE definition to conform to the new definition contained in the 2017 OECD Model Tax Treaty. The new definition applies as of January 1, 2019.
- *General anti-avoidance rule (GAAR)* - Published in the Peruvian Official Gazette on September 13, 2018, Legislative decree No. 1422 offers additional guidance on application of the Peruvian GAAR (the so-called 'provision XVI'), which has been suspended since its introduction in 2012. The GAAR allows the Peruvian tax authorities to determine the true nature of any transaction and recharacterize it if deemed necessary. The legislative decree entered into force on September 14, 2018. The GAAR remains suspended until the enactment of a supreme decree, which is expected in the near future.
- *Thin capitalization rules* - The thin capitalization rule will be replaced by an interest-capping rule after December 31, 2020. Under the new rule, interest expense will not be tax deductible to the extent it exceeds 30% of the taxpayer's previous year's earnings before interest, taxes, depreciation, and amortization (EBITDA).
- *Indirect transfer of Peruvian shares* - Legislative decree No. 1424 introduces additional instances in which an indirect transfer of Peruvian shares triggers a Peruvian capital gains tax. As a result, capital gains realized by a non-resident entity from the indirect transfer of Peruvian shares are subject to tax in Peru if the value of the Peruvian shares is at least 40,000 tax units (approximately USD 50M), regardless of whether the existing two thresholds are met.

Please see our PwC Insight for more information.

PwC observation:
Multinational enterprises with Peruvian subsidiaries should review how the new measures may affect their investments in Peru. This includes assisting boards to define the company's tax strategy and instituting the process for approving transactions that are part of a tax planning strategy.

Arturo Tuesta
Peru
T: +51 1 211 6500
E: arturo.tuesta@pe.pwc.com

Jose Leiman
United States
T: +1 305 381 7616
E: jose.leiman@pwc.com

Ramón Mullerat
Europe
T: +34 91 568 5534
E: ramon.mullerat@pwc.com

Portugal

Portugal publishes guidance on the Central Registry of Beneficial Ownership

In August 2018, further regulations were published in Portugal with respect to the Central Registry of Beneficial Ownership. The regime, foreseen in EU Directive (EU) 2015/849 of the European Parliament and of the Council of May 20, 2015, on preventing use of the financial system for money laundering or terrorist financing, was transposed into Portuguese law in 2017.

Among other items, Portuguese entities are required to report the following:

a. Regarding direct shareholders (with 5% or more of the share capital and voting rights)
   1. If the direct shareholder is a legal entity (not applicable for listed companies):
   - Tax number (or equivalent); name; legal form; place of registered office; activity code (if applicable / available); legal entity identifier (if applicable); and official e-mail address.
   2. If the direct shareholder is a natural person:
   - Full name; date and place of birth, nationality(ies); complete address of permanent residence (including country); data of the identification document; and e-mail address (if available).

b. Regarding beneficial owners (natural persons)
   - Full name; date and place of birth: nationality(ies); complete address of permanent residence (including country); data of the identification document; and e-mail address (if available).

Beneficial ownership of a legal entity is defined as:

a. Any natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership of a sufficient percentage of the shares, voting rights or ownership interest in that legal entity:
   - Direct ownership: ownership of more than 25% of the share capital.
   - Indirect ownership: ownership of more than 25% of the share capital through (i) a corporate entity which is under the control of a natural person(s), or (ii) by multiple corporate entities which are under the control of the same natural person(s).
   - Existence of any other control indicators and other circumstances that may imply control via other means.

b. Any natural person(s) who controls that legal entity via other means.

c. Any natural person(s) who holds a senior managing official position, if, after having exhausted all possible means and provided there are no grounds for suspicion:
   - It was not possible to identify any person under items a) and b) above and
   - There is doubt that the person(s) identified is the beneficial owner(s).

Failure to comply with the obligation to report or reporting inaccurate information may result in the Portuguese entity being disallowed from (among other prohibitions):

- distributing the year's profits or making advance payments on account of the year's profits
- applying for public tenders
- being a party in any transaction whose object is the transfer of ownership of real estate (or related rights, including guarentees)
- applying an exemption from withholding tax on the payments of dividends to foreign shareholders.

Lack of compliance or inaccurate reporting may result in criminal and civil liability.

The first communication for existing entities is due on April 30, 2019.

PwC observation:
Portugal is complying with the implementation of EU rules on anti-money laundering. The new legislation reinforces tax transparency, as it requires corporations and other legal entities to disclose beneficial ownership, among other information. Failure to comply results in limits on exercising rights embedded in share ownership, as well as other rights.

Jorge Figueiredo
Washington
T: +00 35 121 359 9618
E: jorge.figueiredo@pwc.com

Spain

Spain 2019 draft budget includes significant corporate tax changes

The Spanish government announced some of the main building blocks of the 2019 draft budget on October 11, 2018. The 50-page document proposes numerous and significant tax measures. These include the introduction of a 15% minimum tax for large corporations, changes to the participation exemption regime, and the creation of both a digital services tax and a financial transaction tax.

The announcement will be translated into a legislative proposal and sent to Parliament. Since the government does not have a majority in either house of Parliament, it will need support from several other political groups in order to secure passage of the 2019 budget. Some of the proposed measures could therefore be dropped or substantially modified during the legislative process.

Please see our PwC Insight for more information.

PwC observation:
If the tax measures proposed in the budget agreement are enacted, they could have a significant impact on both Spanish companies and multinational groups with operations in Spain or using Spain as an investment hub.

Although no draft legislation has been published yet, multinationals with operations or holding companies in Spain should start assessing the potential impact of these proposals on their business and prepare to respond accordingly.

Carlos Concha
United States
T: +1 212 671 8470
E: carlos.concha@pwc.com

Ramón Mullerat
Spain
T: +34 915 685 534
E: ramon.mullerat@pwc.com

Luis Antonio González
Spain
T: +34 915 685 228
E: luis_antonio.gonzalez.gonzalez@pwc.com

Switzerland

Swiss parliament approves tax reform

The Swiss parliament concluded its discussions on tax reform on September 28, 2018 and approved a new bill (known as Tax Proposal 17, or TP 17) in a final vote with a clear majority.

If no referendum is called until mid-January 2019, the bill as approved by the Swiss Parliament will enter into force presumably effective January 1, 2020. Should a referendum be called, a popular vote would still likely be held in May 2019. The entry into force in case of an affirmative vote likely would still be January 1, 2020.

TP 17 abolishes the current special tax regimes (such as the mixed company, holding company or principal company regimes) while introducing transitional rules for the abolished regimes. In addition, Switzerland will also introduce new measures like a patent box, a research and development (R&D) super deduction, and asset and goodwill step-up possibilities for tax purposes in order to redomicile to Switzerland. Furthermore, in many cantons, we expect a reduction of the headline tax rates to a combined effective tax rate of 12-14%. Companies that currently benefit from a special tax regime should analyze a tax efficient transition into the new system.

Please see the 'Overview of the most important developments regarding tax proposal 17' for more information.

PwC observation:
The administration's goal with TP 17 is to eliminate the current special tax regimes and build an internationally sustainable, yet attractive tax environment.

The current tax regimes would still apply in the short term (currently effective until the end of 2019). However, companies that currently benefit from a special tax regime (such as the mixed company or principal company regimes) should compare the nuances of the two transitional rules (Model 1 vs. Model 2) to ensure a tax efficient transition into the new system.

Overall, TP 17 would allow Switzerland to remain an attractive and competitive business location with a combined effective income tax rate of 12-14% in many cantons. In certain situations, the rate could be lower than 10% because of the above-described measures.

Martina Walt
Zurich
T: +41 58 792 6884
E: martina.walt@ch.pwc.com

Stefan Schmid
Zurich
T: +41 58 792 4482
E: stefan.schmid@ch.pwc.com

Uruguay

New regulations for the Free Zones Law

The Uruguayan Ministry of Economy and Finance published Decree 309/018 in the Official Gazette on October 5, 2018, providing regulations on the improvements and amendments introduced to the Uruguayan Free Zones (FZ) regime at the end of 2017.

The updated FZ legal framework, which has been in force since March 8, 2018, was inspired by OECD recommendations and is aligned with international commitments to the European Union. The new provisions, however, do not affect the rights acquired by those already operating under this regime.

The approved regulations keep existing FZ tax exemptions and benefits essentially unchanged, subject to mandatory substance requirements. Nonetheless, they may affect FZ users' activities related to services, intellectual property (IP) rights and other intangibles, as well as activities involving counterparts located in non-FZ Uruguayan territory.

The main aspects regulated by the Decree are the following:

i. Free Zone Users (FZU) will be able to provide within the FZ many services that are not restricted by the law, and in particular:
   - to other FZU settled in other FZ
   - from FZ to third countries. In addition, these services can be rendered to taxpayers taxed by IRAE
   - activities of international trading of goods or merchandise located abroad or in transit through national territory.

ii. Set of maximum terms for the FZU agreements.

iii. The FZ Area can revoke the authorization of the FZU agreement when the user does not fulfill the requirements and commitments of the investment project.

iv. Income derived from the exploitation of intellectual property rights and other intangible assets will be exempt, subject to certain conditions.

v. FZU may carry out activities in non-FZ national territory, such as collection of defaulting portfolio and goods exhibition in Montevideo and other supplementary activities, under certain conditions.

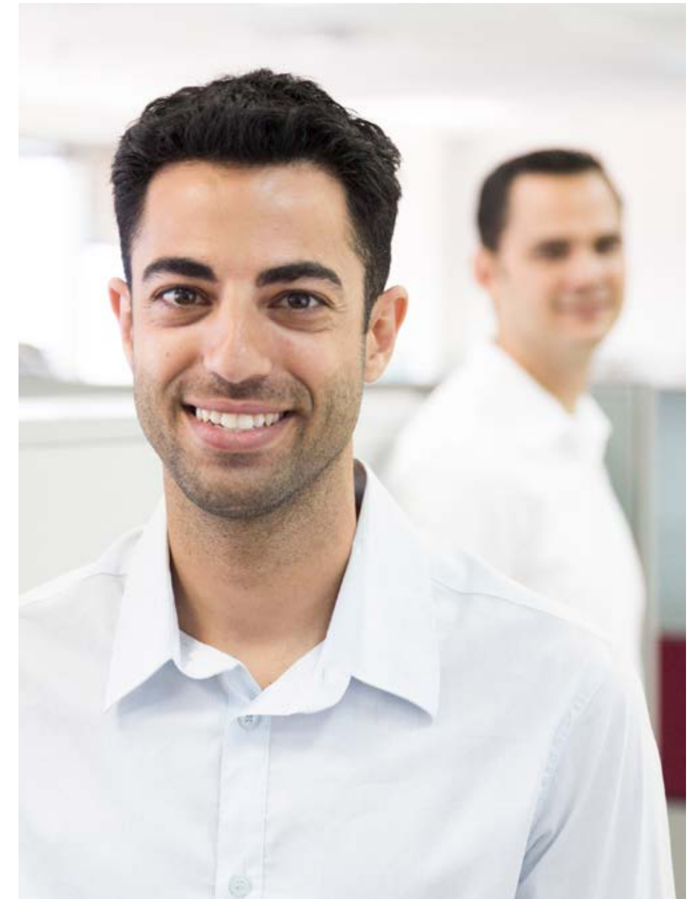
vi. Every two years the FZU have to file a sworn statement to the FZ Area, informing about their operations and the fulfilment of the investment project.

Please see our PwC Insight for more information.

PwC observation:
Companies operating as FZ users in Uruguay should carefully analyze the potential effect these regulations may have on their activities.

Transactions with non-FZ Uruguayan territory should also be analyzed.

Taxpayers should review the new filing obligations and monitor due dates, especially those applicable to existing FZ users.



Daniel Garcia
Uruguay
T: +598 2916 04 63
E: garcia.daniel@uy.pwc.com

Eliana Sartori
Uruguay
T: +598 2916 04 63
E: eliana.sartori@uy.pwc.com

Carolina Techera
Uruguay
T: +598 2916 04 63
E: carolina.techera@uy.pwc.com

Venezuela

Venezuela increases several taxes

Through Presidential and Constituent decrees, the Venezuelan government and National Constituent Assembly recently enacted changes to Venezuela's principal taxes. Most of the decrees, which were approved in August, came into force on September 1.

The most important changes include (1) an increase in the Large Financial Transaction Tax (LFTT) rate from 0.75% to 1%; (2) an increase in the general Value Added Tax (VAT) rate from 12% to 16% and certain amendments to the VAT Law; (3) a new advance payment regime for VAT and income tax for special taxpayers; and (4) an income tax exemption to Petróleos de Venezuela, S.A. (PDVSA), the State-owned oil company, its subsidiaries, and joint venture oil corporations (*empresas mixtas*) for hydrocarbon production activities.

Please see our PwC Insight for more information.

PwC observation:
Multinational enterprises with current or future operations in Venezuela should evaluate how these changes will affect their business operations. Specifically, a joint venture oil company should review the relation between the tax exemption and the Special Advantage, as the manner in which the Special Advantage is determined may cause it to lose the tax exemption benefit.

José Javier García
Venezuela
T: +58 212 700-6083
E: jose.j.garcia@ve.pwc.com

Jose Leiman
United States
T: +1 305 381 7616
E: jose.leiman@pwc.com

Ramón Mullerat
Uruguay
T: +34 91 568 5534
E: ramon.mullerat@es.pwc.com

Administrative
Australia

ATO issues draft determinations addressing application of thin capitalization rules

The Australian Taxation Office (ATO) has issued two draft tax determinations that address certain aspects of the application of the thin capitalization rules. Each draft determination highlights perceived risks identified by the ATO in relation to cross-border debt financing.

In summary, the guidance addresses the following aspects of the thin capitalization rules' application:

- Draft tax determination 2018/D4 sets out how an entity must value its 'debt capital' for thin capitalization purposes. According to the draft determination, an entity's debt capital must be valued in its entirety in the manner required by the accounting standards.
- Draft tax determination 2018/D5 identifies the type of costs that the ATO views as 'debt deductions' within the scope of the income tax law. The draft tax determination confirms that all deductible costs of raising finance through debt capital, incurred directly in relation to the debt capital, and all deductible costs directly incurred in maintaining the financial benefit received in association with the debt capital, are debt deductions.

PwC observation:
Both tax determinations adopt a position that would generally result in a reduction of the thin capitalization safe harbor for affected taxpayers. Taken together, the guidance once again highlights the ATO's continued focus on all aspects of cross-border financing. This focus is expected to continue. Therefore, taxpayers should be prepared to explain and defend their positions with respect to all cross-border related party debt to the ATO.

Peter Collins
Melbourne
T: +61 0 438624700
E: peter.collins@pwc.com

David Earl
Melbourne
T: +61 3 8603 6856
E: david.earl@pwc.com

Brazil

Brazilian tax authorities confirm that off-the-shelf software acquired for own use should not be subject to withholding tax

On September 12, 2018, the Federal Brazilian Tax Authorities (RFB) published Solução de Consulta 6,014/2018 (dated August 17, 2018) confirming their position that withholding tax should not apply to payments abroad for off-the-shelf software acquired for own use and does not relate to commercialization for third parties.

SC 6,014/2018 is linked to a series of recent decisions concerning the treatment of payments made abroad to distribute and commercialize off-the-shelf software, including Declaratory Interpretative Act 7/2017, *Solução de Divergência* 18/2017 and *Solução de Consulta* 154/2016. These confirm the application of withholding tax in situations where payments abroad relate to the right to distribute or commercialize software.

In the particular case, the off-the-shelf software acquired via download from the internet for the taxpayer's own use – more specifically, for students to have contact with educational instruments in foreign language, and did not relate to commercialization or distributing the software to third parties. It was not produced specifically for the particular educational facility but rather for any educational facility in the world.

Brazilian tax authorities concluded that payments, credits or remittances to a non-resident in consideration for off-the-shelf software for own use should not be classified within the concept of royalty and therefore subject to income withholding tax.

The decision distinguished the treatment between three types of contracts related to rights over computer programs, being:

- contracts for the license to use programs in Brazil
- contracts for the license of the right to commercialize programs originated abroad
- contracts for the transfer of technology (generally considered transfer of the 'source code').

In the present case, SC 6,014 considered that the payment for off-the-shelf software exclusively for own use and not for commercialization should not be classified as remuneration for ownership rights (royalties), and therefore should not be subject to withholding tax. Further, the decision confirmed that the incidence of withholding tax does not depend on the media in which the off-the-shelf software is provided and licensed (such as disks, tapes, or downloads).

PwC observation:
While a *Solução de Consulta* does not represent law or a legal precedent, it does provide further support and guidance for Brazilian entities in relation to how the RFB treats such arrangements. Taxpayers with transactions abroad relating to software should consider how the decision may impact their present arrangements and continue to monitor RFB guidance.

Fernando Giacobbo
São Paulo
T: +55 11 3674 2582
E: fernando.giacobbo@pwc.com

Mark Conomy
São Paulo
T: +55 11 3674-2519
E: conomy.mark@pwc.com

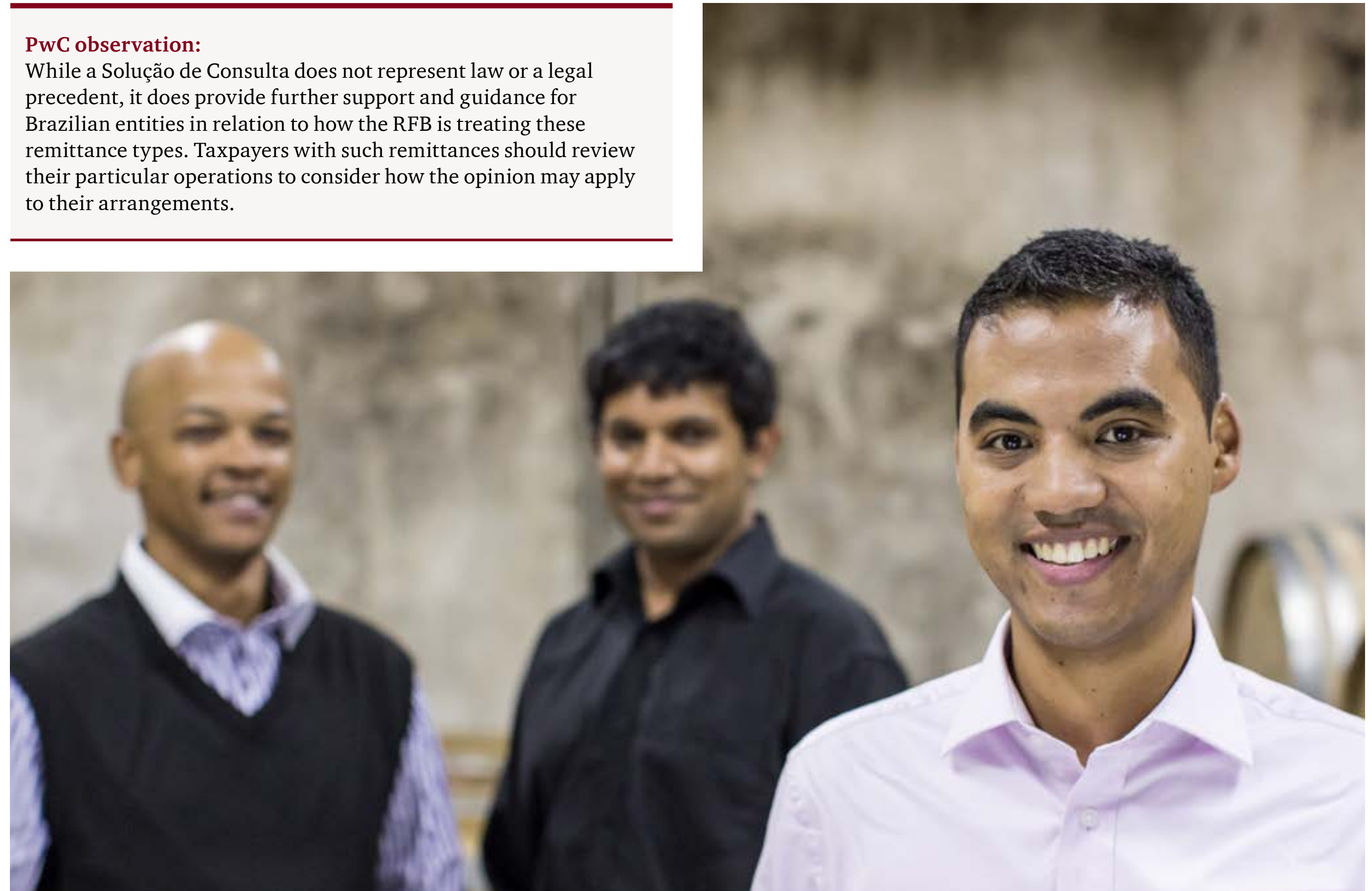
Brazil

Brazilian tax authorities confirm that payments for the right to use trademark and know-how to French entity should be subject to income withholding tax and CIDE

On October 2, 2018, the Federal Brazilian Tax Authorities (RFB) published Solução de Consulta – Cosit 180/2018 (dated September 28, 2018) confirming that remittances abroad in relation to the right to use trademark and know-how should be classified within the meaning of Art. 12 of the Convention to avoid double taxation and prevention of tax evasion in relation to income taxes between Brazil and France (DTT) and therefore subject to withholding tax at a rate of 15%. Further, they determined that the payment should be subject to Contribution for the Intervention in the Economic Domain (CIDE) at a rate of 10%.

The opinion confirms the RFB's understanding of the operation of the application of the DTT in relation to royalty payments related to the right to use trademark and know-how. More specifically, it confirms that such remittances should be subject to an income withholding tax rate of 15% under the catch all paragraph of the royalty article - Art. 12(2)(c). Similarly, the decision confirmed the application of the CIDE rules on the remittances of such royalties abroad.

PwC observation:
While a Solução de Consulta does not represent law or a legal precedent, it does provide further support and guidance for Brazilian entities in relation to how the RFB is treating these remittance types. Taxpayers with such remittances should review their particular operations to consider how the opinion may apply to their arrangements.



Fernando Giacobbo
São Paulo
T: +55 11 3674 2582
E: fernando.giacobbo@pwc.com

Mark Conomy
São Paulo
T: +55 11 3674 2519
E: conomy.mark@pwc.com

Colombia

Colombia issues tax guidance on reorganizations, dividends from portfolio investments

The Colombian tax authorities in September issued two separate rulings providing guidance on (1) the tax-free reorganization provisions related to the disposal of Colombian assets during mergers or de-mergers by non-resident entities (the 20% test), and (2) the taxation of dividend distributions from portfolio investments in Colombia. Other issues remain after this guidance.

Please see our PwC Insight for more information.

PwC observation:
Although Ruling 24422 provides guidance with respect to some particular issues, applying the same interpretation and rationale may raise other issues that lack guidance.

For example, the ruling is silent on how the withholding agent should factor in the section 245 5% dividend tax to the overall 14% withholding tax rate for non-resident portfolio investors (section 18-1). The ruling also does not address whether the local distributing entity or the fund's manager must withhold and remit the section 245 dividend tax.

Carlos Miguel Chaparro
Colombia
T: +57 1 634 0555
E: carlos.chaparro@co.pwc.com

Jose Leiman
United States
T: +1 305 381 7616
E: jose.leiman@pwc.com

Ramón Mullerat
Europe
T: +34 91 568 5534
E: ramon.mullerat@es.pwc.com

United States

IRS provides additional Section 965 toll charge guidance

The IRS on October 1 issued Notice 2018-78, which provides that the final Section 965 regulations will extend the time period by which taxpayers falling under a transition rule must make certain basis adjustments with respect to each deferred foreign income corporation (DFIC) or E&P deficit foreign corporation under Prop. Treas. Reg. sec. 1.965-1(f)(2). Such elections will be revocable if made prior to the issuance of final regulations, and for up to 90 days after the date the final regulations are published.

The Notice also indicates that the final regulations will revise certain rules for determining the aggregate foreign cash position by treating all members of a consolidated group that are Section 958(a) US shareholders of a specified foreign corporation as a single Section 958(a) US shareholder.

Finally, the Notice also provides some relief to taxpayers affected by Hurricane Florence if they need to make elections with respect to Section 965 or file transfer agreements under the proposed regulations by granting them additional time.

Please see our PwC Insight for more information.

PwC observation:
Notice 2018-78 provides relief with respect to certain rules under Section 965 and its accompanying regulations. The relief includes (1) additional time for making certain basis adjustment elections allowed under the proposed regulations, and (2) additional rules to prevent the overstatement of a taxpayer's aggregate foreign cash position. These changes indicated that Treasury and the IRS welcomed submission of additional comments with respect to the proposed regulations by the October 9, 2018 deadline.

David Sotos
United States
T: +408 808 2966
E: david.sotos@pwc.com

Elizabeth Nelson
United States
T: +202 312 7562
E: elizabeth.nelson@pwc.com

Rebecca Lee
United States
T: +202 414 4604
E: rebecca.e.lee@pwc.com

United States

IRS issues proposed rules on global low-taxed intangible income (GILTI)

Treasury and the IRS released proposed regulations under Section 951A (the Proposed Regulations), relating to a US shareholder's 'global intangible low-taxed income' (GILTI). That provision requires a US shareholder to pay a minimum aggregate US and foreign tax on its share of the earnings of its controlled foreign corporation (CFC). The Proposed Regulations, released September 13, are the first administrative guidance under the new GILTI regime that was enacted by the 2017 tax reform legislation (the Act). The Proposed Regulations provide needed guidance related to the mechanics of determining a US shareholder's GILTI inclusion, including for CFCs held through partnerships. Rules for determining GILTI inclusion on a consolidated basis also are provided.

A new rule is included for adjusting the basis of the CFC stock based on the tested losses generated by the CFC. Taxpayers need to be prepared to track GILTI attributes in CFC stock, adding complexity to complying with an already complex new GILTI regime. The Proposed Regulations also add anti-abuse rules related to determining pro rata share, as well as for determining the tested income or loss and qualified business asset investment (QBAI) of a CFC.

The Proposed Regulations do not include rules relating to foreign tax credits (FTCs), the Section 250 deduction, or the interaction of a GILTI inclusion with Sections 163(j), 245A, and 267A. The preamble notes that these issues will be addressed in future guidance and will include rules for assigning the Section 78 gross-up attributable to Section 960(d) deemed paid foreign taxes to the Section 904(d)(1)(A) separate category.

Please see our PwC Insight for more information.

PwC observation:
The Proposed Regulations provide some much-needed guidance for computing a US shareholder's GILTI inclusion, including the mechanics for determining pro rata share depending on the type of entity directly invested in the CFC stock. However, the Proposed Regulations also include some new and unexpected rules that taxpayers should review. Taxpayers will need to set up a mechanism for tracking tested income and tested loss of each CFC for purposes of making basis adjustments as well as determining the pro rata share each year. Complying with these rules may be administratively burdensome for some US shareholders.

Mike DiFronzo
United States
T: +202 312 7613
E: michael.a.difronzo@pwc.com

Ninee Dewar
United States
T: +646 471 5187
E: ninee.dewar@pwc.com

Nicole Hinton
United States
T: +646 471 4382
E: nicole.j.hinton@pwc.com

United States

IRS proposes to remove the Section 385 documentation regulations

On September 21, 2018, Treasury and the IRS issued proposed regulations that would revoke the documentation rules under the Section 385 regulations. The notice states that Treasury and the IRS will continue to study the issues addressed by the documentation regulations. When that study is complete, Treasury and the IRS may propose a modified version of the documentation regulations. Any such regulations would be substantially simplified and streamlined to reduce the burden on US corporations and yet would still require sufficient documentation and other information for tax administration purposes.

The proposed removal of Treas. Reg. sec. 1.385-2 and conforming modifications are proposed to be applicable as of the date of publication in the Federal Register of a Treasury decision adopting these proposed regulations as final regulations. However, taxpayers may rely on these proposed regulations, in their entirety, until the date a Treasury decision adopting these regulations as final is published in the Federal Register.

Treasury originally released proposed Section 385 regulations on April 4, 2016, and then final regulations on October 21, 2016, with the documentation rules applying to interests issued on or after January 1, 2018. On July 28, 2017, the IRS issued Notice 2017-36, which delayed application of documentation rules to interests issued on or after January 1, 2019. Later that year, on October 4, 2017, Treasury announced that it planned to withdraw the anti-inversion documentation rules under Treas. Reg. sec. 1.385-2, and replace them with streamlined documentation rules. These new proposed regulations withdraw Treas. Reg. sec. 1.385-2.

PwC observation:
Note that Treas. Reg. sec. 1.385-3 is still in effect and has been modified to reflect the removal of Treas. Reg. sec. 1.385-2.

Michael DiFronzo
United States
T: +202 312 7613
E: michael.a.difronzo@pwc.com

Bernard
United States
T: +703 362 7644
E: Moensbernard.moens@pwc.com

Oren Penn
United States
T: +202 414 4393
E: oren.penn@pwc.com

Judicial
Netherlands

AG opinion on whether Dutch dividend withholding tax is in line with EU law

On October 8, 2018, the Dutch Advocate General (AG) published an additional Opinion related to the cases pending at the Court of Justice of the European Union ('ECJ'), Köln-Aktienfonds Deka (C-156) and X Fund (C157/17). This additional Opinion relates to the question posed by the ECJ to the Dutch Supreme Court on whether the Dutch Supreme Court wished to maintain the preliminary questions referred to the ECJ in the above-mentioned cases, given the ECJ's June 21, 2018 decision in the Danish Fidelity Funds case.

Relevance of the Fidelity Funds case for the Netherlands

The Köln-Aktienfonds Deka and X Fund cases relate to the issue of whether the Netherlands can deny a refund of Dutch dividend withholding tax to non-resident investment funds on the basis that non-resident investment funds are not obligated to withhold Dutch dividend withholding tax.

In Fidelity Funds, the ECJ ruled that the Danish legislation in question was contrary to the free movement of capital. The legislation provides a refund of Danish input dividend withholding tax to Danish Undertakings for Collective Investment in Transferable Securities (UCITS) funds (provided that the fund makes a minimum distribution to its investors). However, the legislation subjects non-resident UCITS funds to a final non-refundable Danish dividend withholding tax.

With its question to the Dutch Supreme Court on whether it wished to maintain its preliminary questions, the ECJ could seem to suggest that the preliminary questions no longer need answering and that the Dutch Supreme Court may have sufficient clarity to decide the cases. The reason may be that the Dutch Supreme Court referred to the Danish case of Fidelity Funds when sending its request for a preliminary ruling to the ECJ.

AG's opinion

The Dutch AG is of the view that the Fidelity Funds judgment is incorrect but also clear enough not to require asking the ECJ questions about its interpretation.

In the AG's view, the Dutch system is internally consistent and therefore neutral to the internal market, as the Netherlands provides a refund of both Dutch and foreign input withholding tax to resident funds. This is different from the Danish system, where resident funds could only obtain a refund of Danish input dividend withholding tax. In other words: according to the Dutch AG, the issue would disappear if all European Member States would apply the Dutch system.

However, the AG notes that what the ECJ desires from the Fidelity Funds case is clear: a non-resident fund should, under the condition that it pays the same amount of tax at the output level as resident funds, have the opportunity to voluntarily opt for a withholding tax obligation in order the obtain an exemption from input withholding tax.

According to the Dutch AG, it therefore follows from Fidelity Funds that the Netherlands should allow non-resident funds to voluntarily withhold Dutch dividend withholding tax on distributions in order to receive the desired refund (until 2008) or remittance reduction (from 2008) to which domestic funds are entitled. Considering that domestic funds need to meet the specific requirements of the Fiscal Investment Institution regime ('fiscale beleggingsinstelling', or 'FII'), including mandatory distribution, non-resident funds should also adhere to these requirements.

The AG questions whether a legal basis would be required to provide the opportunity to subject non-resident funds to a voluntary withholding tax liability, since in his view it is a voluntary withholding tax obligation. If, however, such legal basis would be required, then the Netherlands may amend the law with retroactive effect, according to the Dutch AG.

Therefore, the AG is of the opinion that the Supreme Court may withdraw its preliminary questions, but also considers that the Supreme Court may maintain the questions if it wishes to ask the ECJ about the differences between the Dutch and the Danish systems.

PwC observation:

The AG seems to suggest that non-resident funds have little to gain from a system where they would voluntarily opt for a withholding tax obligation in relation to Dutch dividends. From the perspective of non-resident fund investors, it may however be beneficial, considering that such a system may allow the investor to credit the Dutch dividend withholding tax withheld on fund distributions against their personal income tax liability under a pass-through of credit mechanism. Currently, the Dutch dividend withholding tax withheld at source from non-resident investment fund would not be creditable by the end-investor. Therefore, this puts non-resident funds in a less favorable position compared to resident funds.

The fact that several thousand requests for a Dutch dividend withholding tax refund have been submitted by non-resident funds and are currently pending with the Dutch tax authorities or are before the Dutch courts illustrates the significance of the Fidelity Funds case and the pending Köln-Aktienfonds Deka case.

It is therefore questionable whether the Supreme Court will follow the AG's Opinion to withdraw its preliminary questions. The Dutch State Secretary of Finance, as well as the interested parties, are of the view that the Supreme Court should maintain its preliminary questions so that the ECJ may provide explicit clarity on the compatibility of the Dutch system with EU law and the relevance of the specific requirements of the Dutch FII regime.

Jeroen Schmitz
Amsterdam
T: +31 88 792 73 52
E: jeroen.schmitz@pwc.com

Hein Vermeulen
Amsterdam
T: +316 20 94 10 31
E: hein.vermeulen@pwc.com

Pauline Jonker
Amsterdam
T: +316 83 60 83 33
E: pauline.jonker@pwc.com

EU/OECD
France

Finance Bill for 2019: introduction of ATAD and BEPS provisions

The French government published the draft finance law for 2019 in September. It notably includes measures derived from the 2016/164 anti-tax-avoidance directive (ATAD) related to the limitation of interest tax deductibility and general anti-abuse rules. If adopted, the law would repeal the 25% haircut limitation, the anti-abuse 'Carrez' rules on expenses related to the acquisition of shares, and current French thin capitalization rules.

Conversely, the draft Finance law provides that the deductibility of net financial expenses would be limited to the higher of EUR 3M or 30% of the tax EBITDA, with a broad definition of financial expenses. The new test should apply at the level of each company but would apply at the level of the French tax group, should there be one.

An additional deduction of 75% of the interest non-deductible pursuant to the first test could be available for companies that are part of a group consolidation (e.g., IFRS). Where the equity/debt ratio would be lower than 1/1.5, the main test (such as EUR 3M or tax EBITDA) would be replaced by EUR 1M or 10% of the tax EBIDTA without additional deduction.

Furthermore, the draft budget would amend the French tax group regime and align it with EU law, increasing the general 95% exemption to 99% for dividends distributions received by a company that is not a member of a French tax group from an EU company provided the latter would fulfill the conditions to be a member of a French tax group if it were established in France. Subsidies and debt waivers granted between members of a French tax group no longer would be neutralized.

The participation exemption would be increased from 88% to 95% of the long-term capital gains, but the lump sum subject to CIT no longer would be neutralized within a tax group.

Finally, the French government intends to reform the French patent box regime, reducing the scope of the 15% CIT rate. This regime would evolve towards a Nexus approach to comply with OECD recommendations (BEPS Action 5) ensuring that taxpayers can benefit from a preferential tax regime only if they are engaged in R&D activities.

Please see our PwC Insight for more information.

PwC observation:
MNEs operating in France should consider the draft budget's impact with respect to their international financing flows, IP nexus, and future cash repatriation. The French Parliament will now start to review, debate and amend the entire draft budget. This legislative phase will last several weeks before they vote on and enact a final budget. Enactment of such proposed provisions could occur by the end of December 2018. These provisions, if adopted, would apply for fiscal years beginning on or after January 2019.

Renaud Jouffroy
Paris
T: +33 01 56 57 42 29
E: renaud.jouffroy@pwcavocats.com

Guillaume Glon
Paris
T: +33 0 1 56 57 40 72
E: guillaume.glon@pwcavocats.com

Ireland

Irish Budget 2019 announcements

Following the recently published 'Corporation Tax Roadmap' in September, the Irish government's budget 2019 announcements on October 9, 2018 confirmed the messages within the roadmap and outlined the significant legislative changes companies can expect to see in the upcoming finance bill.

The government's aim in budget 2019 was to provide certainty to companies in a rapidly evolving international tax landscape. An early confirmation in the Budget speech by the Minister of Finance was that the *"longstanding 12.5% rate will not be changing"*.

The 'Corporation Tax Roadmap' signposted the major changes that will be made to the corporation tax regime in Ireland over the next number of years. The Minister alluded to this when he stated that *"Ireland's Corporation Tax Roadmap takes stock of the changing international tax environment"* and that it *"outlines the actions Ireland has taken to date and the further actions to be taken"*.

The implementation of the EU ATAD measures will mean fundamental change to Irish domestic law. These changes have been well flagged and the government has been keen to engage with the business community and other stakeholders to ensure a smooth introduction of the directive. One measure that the Minister's speech dealt with was ATAD's exit tax provisions, which took effect from midnight of the budget speech. Broadly, the ATAD exit tax regime is designed to ensure that, where a corporate taxpayer moves assets or migrates its tax residence from Ireland, any gains that have built up in Ireland will be subject to an exit tax. The Minister confirmed that the applicable rate for this exit tax will be 12.5%.

As the roadmap had outlined intent to align Ireland's exit tax regime with the ATAD no later than January 1, 2020, this accelerated timing was not anticipated. However, it is clear that the Minister has listened to the consultation process with the business community by aligning the exit rate with the Irish trading tax rate of 12.5%.

The Minister also confirmed that new legislation for CFC rules will be included in the upcoming finance bill and will be effective for companies for accounting periods beginning on or after January 1, 2019. While additional consultation is ongoing, it is anticipated that the full legislative provisions will be delivered in the finance bill.

The Minister also reiterated his commitment to updating Ireland's transfer pricing rules. He has committed to a review and update of Ireland's these provisions, in line with international best practice, during 2019.

With the above changes and a rapidly expanding economy, the smooth operation of the Irish tax system becomes even more vital. In this regard, the Minister signaled his intention to increase resources for the Tax Appeal Commissioners. This should help the Commissioners deal with cases in a more timely manner.

PwC observation:
The Minister, in an ever-changing international tax environment, seems to be reinforcing Ireland's commitment to international best practice, striving to provide certainty and ensure that Ireland remains competitive. This is best summarized by the Minister's statement, "My focus is on maintaining a competitive, outward-facing business environment, while ensuring our tax regime is transparent, sustainable and legitimate".

Denis Harrington
PwC Ireland
T: +353 1 792 862
E: denis.harrington@pwc.com

Peter Hopkins
PwC Ireland
T: +353 1 792 5512
E: peter.hopkins@pwc.com

Italy

Italy implements ATAD

In August 2018 Italy's Minister of Finance published the draft of the Decree implementing the EU Directive 2010/1164 (ATAD) against tax avoidance practices generally starting from FY 2019. The main changes are highlighted below.

Interest-capping rule
Tax EBITDA should be determined by taking into account the relevant tax adjustments (for example, patent box exempted-income reduces EBITDA). Amounts exceeding 30% EBITDA will be carried forward up to five tax periods; interest income exceeding interest expense will be carried forward with no time limits.

Hybrid mismatches
EU Directive 2017/952 on hybrid mismatches will be implemented starting from FY2020 (FY2022 for reverse hybrid mismatches).

CFC regime
Foreign entities directly and indirectly controlled by Italian taxpayers (including more than 50% profit right) qualify as a CFC if:

i. the effective tax rate is lower than 50% of the Italian one and
ii. more than 1/3 of the revenues derives from passive income and/or low/nil added value intragroup transactions (goods/services).

The CFC regime may be disregarded for CFCs that conduct substantive economic activity supported by staff, equipment, assets and premises.

For dividends and capital gain taxation, the nominal tax rate will be relevant to identify related (non-controlled) entities with privileged tax regime.

Exit tax
Deferred taxation no longer will be available. If the country of destination is an EU/EEA State, the exit tax may be paid in five (instead of six) yearly installments.

PwC observation:
ATAD mainly will impact the interest deductibility and CFC rules.

Franco Boga
Milan, Italy
T: +33 01 56 57 42 29
E: franco.boga@pwc.com

Alessandro Di Stefano
Milan, Italy
T: +39 0291605401
E: alessandro.di.stefano@pwc.com

Alessandro Campione
Milan, Italy
T: +39 0291605405
E: alessandro.campione@pwc.com

Treaties
Brazil

Amendments to Protocol to the Brazil and Argentina Tax Treaty enacted

Decree 9.482 was published on August 28, 2018, enacting the amendments to the Protocol to the Convention between Brazil and Argentina to avoid double taxation and prevent tax evasion. The Decree was signed on July 21, 2017.

In addition to the country specific changes, the amendments reflect the current trend in Brazilian treaties toward the inclusion of the OECD's BEPS Action items, particularly related to the insertion of a preamble and introduction of a limitation of benefits (LOB) clause.

Some of the amendment's key aspects include:

- inclusion of a BEPS-style preamble to guide the way in which the tax treaty should be interpreted.
- expansion of the scope of the taxes covered to comprise taxes on capital as well as income.
- certain amendments and clarifications to the PE definition, including for example:
  - express exclusion of situations involving a fixed installation for the sole purpose of developing an auxiliary and preparatory activity;
  - express inclusion of the concept of a service entity PE.
- inclusion of an LOB clause, providing that benefits will not be granted in situations, where, based on all of the relevant facts and circumstances, obtaining this benefit constituted one of the principal objectives of the resulting operation - unless the granting of the benefit would be in accordance with the object and purpose of the provisions. The LOB also includes an anti-conduit clause to further reduce the potential for abusive treaty shopping practices.
- inclusion of express withholding tax rate limits for dividends, interest and royalties.
- removal of the previous exemptions, including those relating to dividends received in Brazil from Argentina and the application of a blanket tax credit system in relation to income and capital previously subject to tax in the other country.
- amendment of the existing Protocol concerning technical services and assistance within the royalty article, including a broad definition and clarifying how the new withholding tax limitations within the royalty article should be applied in the context of income generated from the use or license of software or rendering of technical services or assistance.

For the amendments to enter into force, Brazil and Argentina must notify each other that the local procedures to enact the amendments have been completed. Congress must approve in the case of Argentina. Following the exchange of notifications, the amendments will enter into force 30 days after the date of the final notification and will generally be effective January 1 of the subsequent calendar year for tax years beginning on or after this date, where applicable.

PwC observation:
Taxpayers in Argentina and Brazil should consider how the changes may impact their business and continue to monitor the development of the amendments as they approach the final stages for becoming effective.

Fernando Giacobbo
São Paulo
T: +55 11 3674 2582
E: fernando.giacobbo@pwc.com

Mark Conomy
São Paulo
T: +55 11 3674 2519
E: conomy.mark@pwc.com

China

China and Gabon sign tax treaty and accompanying protocol

China and Gabon on September 1, 2018 entered into a tax treaty. It will enter into force on the 30th day following the day when the latter notification of the contracting parties is received. The treaty between China and Gabon includes the following key features:

- The threshold time for a construction PE is six months, while the threshold time for a Service PE is 183 days within any 12 month period.
- For passive income, withholding tax rates on dividends, interests and royalties paid to qualified beneficial owners will be restricted to 5%, 10% and 7.5% respectively. Royalties paid as a consideration of studies, technical, financial, accounting or tax support shall not exceed 5%.
- Capital gains arising from the transfer of property-rich shares may be taxed in the source state. In other cases of share transfers, the taxing right lies with the residence state.

PwC observation:
The China-Gabon tax treaty indicates China's intent to boost cross-border investment into African countries. It also indicates China's intent to put it on par with other tax treaties concluded or re-negotiated by China in recent years.

Matthew Mui
China
T: +86 10 6533 3028
E: matthew.mui@cn.pwc.com

China

China and Congo sign tax treaty and accompanying protocol

China and Congo entered into a tax treaty on September 5, 2018. It will enter into force on the 30th day following the day when the latter notification of the contracting parties is received. The treaty between China and Congo includes the following key features:

- The time threshold for a construction PE is six months. There is no service PE provision in the treaty.
- For passive income, withholding tax rates on dividends, interests and royalties paid to qualified beneficial owners will be restricted to 5%, 10% and 5%, respectively.
- Capital gains arising from the transfer of property-rich shares may be taxed in the source state. In other cases of share transfers, the taxing right lies with the residence state.

PwC observation:
taxing right allocation for capital gains arising from the disposal of non-property rich shares also demonstrates the protection of the capital-exporting country.

Matthew Mui
China
T: +86 10 6533 3028
E: matthew.mui@cn.pwc.com

Glossary

Acronym	Definition
Act	2017 tax reform reconciliation act
AG	Dutch Advocate General's
ATAD	Anti-tax Avoidance Directive
ATO	Australian Tax Office
BEAT	base erosion and anti-abuse tax
BEPS	Base Erosion and Profit Shifting
CFC	controlled foreign corporation
CIT	corporate income tax
CJEU	Court of Justice of the European Union
DFIC	deferred foreign income corporation
DTT	Double Tax Treaty
E&P	earnings and profits
EBITDA	Earnings before interest, tax, depreciation and amortization
EC	European Commission
EU	European Union
EU	European Union
FTC	foreign tax credit
FZ	Uruguayan Free Zones
FZU	Free Zone Users

Acronym	Definition
GAAR	general anti-avoidance rule
GILTI	global intangible low-taxed income
IRS	Internal Revenue Service
LFTT	Large Financial Transaction Tax
MAP	mutual agreement porcedures
MOF	Ministry of Finance
MOST	Ministry of Science and Technology
MNEs	Multinational enterprises
NOL	net operating loss
OECD	Organisation for Economic Co-operation and Development
PE	permanent establishment
QBAI	qualified business asset investment
R&D	research and development
RFB	Federal Brazilian Tax Authorities
SAT	State administration of taxation
TP	Transfer Pricing
VAT	value added tax
WHT	withholding tax

Contact us

For your global contact and more information on PwC's international tax services, please contact:

Shi-Chieh 'Suchi' Lee
Global Leader International Tax Services Network

T: +1 646 471 5315
E: suchi.lee@pwc.com

Geoff Jacobi
International Tax Services

T: +1 202 414 1390
E: geoff.jacobi@pwc.com

www.pwc.com/its

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 236,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2018 PwC. All rights reserved. "PwC" refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Design Services 31656 (10/18).