Expatriate Services

A report exploring the tax and legal considerations involved in moving employees to different jurisdictions around the world

ALLIOTT GROUP

A Worldwide Alliance of Independent Accounting, Law and Consulting Firms

About Alliott Group

James Hickey
CEO, Alliott Group

The intricacies of doing business across borders demand attention and respect – even the largest companies and most successful investors can fail in a new market if the complexities and unknowns of the local business environment, including local culture, are underestimated.

Achieving the right advice and solutions that ensure success is no longer the sole preserve of large corporates and the wealthiest individuals. Through **Alliott Group**, the essential ingredients for successful market entry, such as local knowledge and connections, deep technical expertise, sector experience, speed to market, flexibility and economies of scale, are now accessible to ambitious small and medium sized businesses.

Founded in 1979, and with some 170 member firms in 70 countries, Alliott Group's aim is to be the alternative, 'go to' resource for businesses and private individuals focused on cross border business.

A company's success in setting up successfully and then achieving its expansion goals in a different marketplace will often depend on good professional advice at the outset from professional advisers who know the destination country like the back of their hand. The professional adviser members within Alliott Group's Expatriate Services Group offer a wealth of experience in helping employers and employees with the multi-faceted challenges of global mobility, whether related to tax, social security, payroll compliance, tax planning or related policy issues.

Our member firms work with over 3,000 international companies, often advising them on their employee assignments to their own host country, but also offering them globally coordinated expatriate related services through their Alliott Group membership, ensuring clients enjoy a single dedicated team to work with, regardless of location.

The Alliott Group advantage

Our member firms are single office firms that are owned by and employ local professionals who are experts in their own jurisdictions. Each firm has English speaking professional staff and is dedicated to Alliott Group service values that emphasise:

- Cost efficiency
- Responsiveness
- Shorter lines of communication and partner level involvement.

I invite you to experience the Alliott Group difference – go to **www.alliottgroup.net** to connect with one of our member firms directly, or contact me personally and I will be glad to help.

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Welcome

In today's business world, companies are operating increasingly across borders. Assigning the right person in the right location (and using the optimum conditions) is the cornerstone of a business' successful expansion abroad. To enhance a company's competitiveness in the war for talent, opportunities for employee mobility are crucial.

This report explores the tax and legal considerations applicable to professional mobility in 29 different jurisdictions worldwide. The objective of the report is to compile essential information related to mobile employees' immigration and individual tax issues.

The types of questions that are typically addressed by Alliott Group members include:

- As an employer, what are the mandatory formalities when assigning employees from one country to another?
- Is a work permit/visa required?
- What sort of benefits can be provided to employees and what are the costs?
- What is the impact of an international assignment and relocation on a social security scheme?
- Can employees enjoy a 'special tax regime' in the foreign jurisdiction?

Given the complexity of legal and tax issues, this report is intended only as a basic reference tool for a business' first entry into a foreign jurisdiction.

Alliott Group's local member firms, enrichened by the extensive resources of a leading international professional services alliance, will help you to navigate the various legal and tax issues, manage the mobility process, assess optimum remuneration packages as well as monitor cross border employment structures and company costs.

We hope that you will find the information in this report useful and we look forward to helping you to manage your mobile workforce.

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Australia

Expats who live and work in Australia can enjoy special tax status depending on the type of visa that they use to enter the country.

If they enter Australia on a temporary working visa, then they will be deemed 'temporary residents' under Australian tax laws.

A temporary resident is one who qualifies as a tax resident (typically living in Australia for more than six months), but has entered Australia on a temporary visa.

Temporary residents are taxed on Australian sourced income as if they were a resident (resident marginal tax rates), but are not taxed in Australia on foreign sourced income. Furthermore, they are treated as non-residents for the purpose of taxing capital gains - generally this means no tax unless the asset is Australian real property.

If the expat enters Australia on a permanent visa, then the temporary resident status will not apply and they will be treated the same as ordinary tax residents (subject to tax on worldwide income). The expat gains a cost base equal to the market value of any assets they owned on the date they migrate to Australia for the purpose of calculating any future capital gains tax on those assets. Therefore, Australia only gets to tax any growth in value post migration.

For more information on visa options for entering Australia, please visit: www.border.gov.au/Trav/Work/Empl/Visa-options-comparison-charts

For more information

For information on temporary residents with emphasis on New Zealand citizens living in Australia, please visit: www.hanrickcurran.com.au/tax-concession-still-available-for-nz-citizens

Continued over

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Migration and employment issues

Visas

Any foreign person who is not an Australian citizen (or not a permanent resident) is usually required to hold a valid visa to work in Australia. A number of visas are available depending upon the individual's circumstances.

Foreign business owners wishing to invest in or establish a business in Australia may apply for a business skills visa. Additionally, a foreign worker may apply for a temporary visa by way of being 'sponsored' by an employer.

The most common employer sponsored visa is the Subclass 457 Temporary Work (Skilled) visa. This visa allows a skilled worker to undertake an approved occupation from the Skilled Occupation Lists and work in Australia for an approved business sponsor (employer) for up to four years. A worker applying for a 457 visa may also apply for their spouse and dependent children to live in Australia with them during that time.

For more information on visa options for entering Australia, please visit: http://www.border.gov.au/Trav/Work/Empl/Visa-options-comparison-charts

Employment law

Foreign workers in Australia will enjoy many of the same rights and entitlements as ordinary Australian workers.

The National Employment Standards (NES) set out the minimum employee entitlements for all employees (which cannot be altered). For full-time employees, this includes 20 days paid annual leave, 10 days paid personal leave and a restriction on working more than 38 ordinary hours per week. Part-time employees are entitled to the same benefits on a pro-rata basis. Casual employees, however, are not entitled to paid leave.

Written employment contracts are mandatory for obtaining an employer sponsored (skilled) visa. An employment contract will specify the particular basis of employment and will set out the agreed terms and conditions that will apply to the position.

Most industries are also subject to modern awards which impose minimum employment conditions for that industry.

Superannuation contributions

Employers must make compulsory superannuation contributions to complying funds for their employees (including temporary residents) provided certain conditions are satisfied. The minimum contribution rate is presently 9.5% of wages until 30 June 2021 when it will increase to 10%. If a worker permanently leaves Australia, he/she may be able to claim early access to their Australian superannuation fund.

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Austria

Within the tax reforms of 2015-16, Austria has introduced a new flat rate professional expenses allowance for expatriates.

From 2016, expats can offset their professional expenses at a rate of 20% of their annual taxable income, but limited to €10,000 per year. The employer can take this lump sum into account directly in the monthly payroll, thereby compensating the expatriate for the increased expenditures that result from temporary employment in Austria.

The flat rate can be considered if:

- The expatriate works for a maximum five year period in Austria and has an employment contract with an Austrian employer (group company or permanent establishment for payroll purposes)
- The expatriate has not had a place of residence in Austria in the last 10 years
- The expatriate has retained his or her place of residence in the home country
- Austria has the right to taxation of the expatriate's income.

If the expatriate's professional expenses (moving expenses, double housing costs, rent, etc.) exceed the flat rate above, a tax declaration will need to be filed.

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Belgium

A special tax regime (the 'Regime') exists for foreign executives/specialists working in Belgium. The purpose of the Regime is to reduce employment costs with a view to attracting foreign investment into Belgium.

Qualifying requirements

1. The employment in Belgium must be of a temporary nature
2. The expatriate must:
   - Work in a Belgian entity which should be part of an international group of companies. Some research and development (R&D) centres can qualify
   - Be assigned, transferred or hired from abroad by the Belgian entity. Individuals who were already in Belgium at the time of recruitment are not covered
   - Be a foreign national
   - Keep the centre of his personal and economic interests abroad
   - Be an executive, specialist or a scientific researcher working in R&D centres.

Consequences of the regime

1. The qualified expatriate is considered a Belgian non-resident for income tax purposes
2. The expatriate is not taxed on his/her expatriate allowances nor salary from work performed outside Belgium. The 'expatriate allowances' designed to compensate the additional costs incurred by the expatriate as a result of the assignment to Belgium are not taxable within the limit of €11,250 or €29,750 for those working in a R&D centre or a coordination centre. One of the main advantages of the Regime is that the part of the salary corresponding to professional activity performed outside of Belgium is not considered for tax purposes
3. In the event that the tax-free allowances are computed using tax authority methods, only allowances up to the applicable ceiling (supra) will be exempt from Belgian social security contributions. Moreover, an extension (limited to €29,750) of the exemption is available to expatriates to whom the €11,250 limit applies and who undertake foreign business trips.
4. An annual non-resident income tax return needs to be filed.

Formalities

The employer must file a one-time request that includes the necessary information to the relevant tax authorities within six months of the expatriate's arrival in Belgium. In specific circumstances, a remedial solution is available when a late filing has occurred.

Source: Administrative Circular Ci. RH 624/325.294 of August 8, 1983.

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Tax Consult

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Legal considerations

1. Work permits

Foreign nationals who are not nationals of a European Economic Area member state or Switzerland, need to obtain a work permit before starting to work in Belgium.

The work permit is applied for by the employer (or the Belgian proxy holder if the worker is not established in Belgium) with the authorities of the region where the expatriate will carry out the work.

2. Social security status

The expatriate's employment must be registered with Belgian social security authorities and a 'Limosa declaration' filed prior to arrival in the country.

EU nationals may be exempted from Belgian social security in accordance with European regulations. Non EU nationals may be exempted from Belgian social security on the basis of bilateral treaties. In the event of an exemption, the expatriate will need a certificate of coverage issued by the homeland social security authorities.

3. Employment status

The parties' choice of foreign employment law is valid to the extent that these foreign laws are not in contradiction with Belgium's extensive set of employment laws. Special assignment documents must detail the particular employment conditions which apply during the assignment.

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Canada

In Canada, the income tax system is a self-assessment regime. Individuals and corporations are required to assess their tax liability by filing a tax return with the appropriate administration before a specified deadline. Both the federal and provincial governments can levy income taxes.

Residency and income tax

A number of factors have to be considered for a taxpayer to become subject to income taxes in Canada, one of which is residency. If a person is resident in Canada, he/she will be taxed on their worldwide income, however, to the extent that an expatriate does not have sufficient ties to Canada to constitute residency for tax purposes, that person may not be subject to Canadian income tax. The Canada Revenue Agency (CRA) considers many factors in determining whether a person would be considered resident in Canada for tax purposes, including significant social, economic and family ties such as a permanent home in Canada and whether one's spouse and children also reside in Canada. In addition, an expatriate can reside in Canada for less than 183 days without being subject to Canadian income tax, except on income earned in Canada.

It may also be possible to maintain permanent residency for immigration purposes without being considered a tax resident of Canada. Another important consideration in determining tax residency is whether the expat is considered a tax resident in a country with which Canada has a tax treaty.

Therefore, the question of residence in Canada is often an important consideration when working or doing business in Canada.

Tax planning opportunities

Canada's income tax system is based on the integration premise which states that an individual earning income directly should be in the same tax position as an individual earning his income through a corporation. While transferring a salary to a corporation is not advantageous in Canada, the incorporation of professional services or business income could lead to many tax planning opportunities such as income tax deferral, income splitting or payment of eligible non-deductible expenses with corporate funds. A significant benefit arising from incorporating a business is that the first (approx.) CAN $825,000 of capital gain on the sale of qualifying shares may be tax free under the life time capital gain exemption. The use of a discretionary family trust should also be considered.

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Deemed acquisition

It is also important to be aware that the expatriate is considered to have disposed of all of his assets (e.g. real or immovable property, shares of capital stock in a corporation, etc, other than taxable Canadian property) on the date he/she became a resident of Canada and to have immediately reacquired them at a cost equal to their fair market value. This is known as 'deemed acquisition'. The new Canadian taxpayer must keep a record of the fair market value of the assets on the date he/she arrived in Canada. The fair market value on this date will determine the tax liability when calculating the gain or loss from selling the assets in the future.

However, if a person resides in Canada for less than 60 months during the ten years prior to departure, property owned by such individual at the time of immigration is exempt from departure tax as is a gift or bequest of assets received during the period of Canadian residency.

Planning should be undertaken prior to establishing residency in Canada with respect to shares of foreign corporations, interests in non-resident trusts, and restructuring of offshore assets as Canadian residents are required to report ownership of foreign assets and trusts to the CRA.

China

Expatriates in China can enjoy individual income tax exemptions on the following:

1. Housing allowance, meals allowance and relocation expenses (in the form of non-cash or reimbursement according to the actual expenditure)
2. Laundry expenses
3. Allowances for reasonable domestic and overseas travel
4. Family reunion expenses (two trips a year to the expatriate's home country only)
5. Language training expenses
6. Children's education fees that are deemed reasonable and approved by local tax authorities
7. Dividends income received from foreign invested companies
8. Salary incomes that fall within one of the following foreign expert categories:

a. The foreign expert is directly qualified to work in China by the World Bank using its special loan agreement
b. The foreign expert is directly qualified to work in China by the United Nations Organization
c. The foreign expert is working in China for one of the United Nations' aid programmes
d. The foreign expert is qualified to work in China through a donor country's aid project
e. The cultural or educational expert is working in China via a signed cultural exchange program between the two countries within two years, with salary income being paid by their country's government or agencies
f. The foreign cultural and educational expert is working in China via a Chinese college or university international exchange program within two years, with salary income being paid by their country's government or agencies
g. The foreign expert is working in China via a non-governmental organization research agreement, with salary income being paid by their country's government or agencies.

Foreigners cannot work in China (excluding Hong Kong, Macau and Taiwan) unless they obtain official approvals from competent authorities. The process is set out as below:

1. A physical examination is undertaken at an authorised hospital
2. An application is made to the Labour Bureau for an employment licence
3. Application to Commerce Bureau for a visa invitation letter
4. Application in person for a visa at the China Embassy
5. Enter China again and apply to the Labour Bureau for a working permit
6. Apply to the Public Security Bureau for a residence permit.

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Applicants need to prepare various documents in advance:

1. The applicant's original diploma and degree certificate (this must be at least a bachelor degree and the individual must be graduated at least two years)
2. An original letter signed by a responsible authority that proves the applicant has over two years work experience
3. An original certificate indicating non-criminal status which has been notarised and authenticated by the China Embassy in the applicant's home country
4. An original certificate of cancellation of the work permit issued by the Chinese authorities (if the applicant applied previously for a work permit in China).

Tax fiscal year (same as the calendar year)

If an expatriate spends less than 183 days in China in a tax year, then he/she only needs to declare his source income from China to China's tax office. If an expatriate stays in China for more than 183 days in a tax year but for less than five tax years, then he/she only needs to declare their global salary and bonus income to China's tax office. If the expatriate stays in China for over five continuous years, then he/she is required to declare their global income tax to China's tax office, with all deducted items being evaluated in light of any double taxation agreements that may exist between China and the expatriate's home country.

If the expatriate remains outside of China for more than one continuous month, then the five year continuous tax year period is broken. If the expatriate remains outside of China for more than one continuous month and an accumulative 90 day period, then he/she is no longer liable to declare the income received from outside China to China tax's office.

Individual income tax (IIT) new rates table 2016

Scale	Scale including IIT (A)	Scale excluding IIT (B)	Rate %	Quick deduction
1	1,500	1,455	3%	0
2	1,500 to 4,500	1,455 to 4,155	10%	105
3	4,500 to 9,000	4,155 to 7,755	20%	555
5	9,000 to 35,000	7,755 to 27,255	25%	1,005
6	35,000 to 55,000	27,255 to 41,255	30%	2,755
7	55,000 to 80,000	41,255 to 57,505	35%	5,505
8	80,000+	57,505+	45%	13,505

Figures: Chinese Yuan

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Cyprus

This article outlines the tax advantages for expatriates coming to live and work in Cyprus for the first time, either as directors/employees of their own Cyprus companies or as employees of third parties.

Exemptions for physical persons

1. An employee who comes to work in Cyprus for the first time is entitled to an additional tax free amount of 20% of his/her remuneration or €8,550 (whichever is lower) for the first three years of employment, starting from the 1st January of the year that follows the year of employment. The standard annual tax free amount for local residents is €19,500
2. For highly paid employees, there is a tax exemption of 50% on remuneration exceeding €100,000. This is available for the first 10 years of employment, starting from the first year of employment.

Exemption from withholding tax on dividends

Persons who are working as employees of their own companies in Cyprus can withdraw dividends without any withholding taxes – this is known as special defence contribution in Cyprus. This exemption is available for 17 years. The withholding tax rate on dividends is currently at 17% for local residents.

Exemption from capital gains tax

A full exemption from capital gains tax will be granted for the sale of immoveable property acquired between 16/07/2015 and 31/12/2016. The exemption is available whenever the sale of the property is made. The standard capital gains tax rate in Cyprus is 20%.

Reduced VAT rate on acquisition of a house or an apartment

A reduced rate of 5% VAT (compared to the standard rate of 19%) applies to residential property that is acquired for the purpose of use by the beneficiary as his/her main residence (some conditions apply).

Cyprus citizenship

There are two schemes available: An individual scheme with a threshold of €5 million and a collective scheme with the threshold set at €2.5 million (conditions apply).

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France

France's expatriation scheme aims to attract senior executives and world class leaders to France by offering them partial exemption of a portion of their income tax and their submission to France's wealth tax.

Impatriation plan (Article 155B of France's tax code)

The following rules apply:

The impatriate must be:

- An employee or an assimilated, salaried company officer (President of the Board of Directors, a general manager or a minority manager in a limited company)
- Employed in a company established in France, whether it is a company linked to that for which he/she does business, or the impatriate has been recruited directly by another company based in France
- Resident for tax purposes outside France for at least five years before taking office
- Resident in France from the early years of its business in France.

Benefits of the plan

- Tax exemption up to a capped limit. This relates to salary supplements that are directly related to the expatriate's professional activity in France and is known as the 'impatriation bonus'. This premium must be provided prior to taking office in France and the amount must appear clearly in the employment contract of the person concerned or in a supplemental agreement. It is exempt from income tax up to the actual amount.
- Tax exemption for compensation related to activity the impatriate may have to exercise outside France
- Tax exemption for 50% of the amount of investment income
- Liability to wealth tax is limited to property situated in France.

These benefits cease five years after relocation to France (from December 31st).

Income tax exemption limits

Every year, the scope of income exemption is subject to two caps:

- **Overall cap:** exemption of expatriation bonus and compensation corresponding to the activity carried out abroad may not exceed 50% of earnings
- **Cap exemption of the remuneration from activity carried out abroad:** In this case, exemption from this part of the compensation may not exceed 20% of the impatriate's taxable income (the impatriation net pay bonus).

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Germany

In a nutshell, unlike some countries, Germany does not have a special tax regime for incoming expatriates who may also be liable for income taxes in their home country.

Key issues in navigating personal income tax in Germany are, inter alia, residential status (including potentially, special treatment of international commuters and certain preferential options for expatriates from EU/EEA countries), and the existence of a bilateral double taxation agreement and/or a social security agreement.

The German income tax regime and the related legal issues are rather complex, especially when the personal financial situation of an expatriate includes monetary incentive schemes and substantial international assets.

German residents are liable to income tax on their worldwide income whereas non-residents are subject to German income tax with respect to German source income. German gift and inheritance tax conditions should always be checked thoroughly when German residency is involved for any party and/or when German assets are relevant.

For salary income, the local employer generally withholds payroll tax and transfers this directly to the fiscal authorities. The same procedure is applied for the 'solidarity surcharge' which amounts to 5.5% of income tax, the church tax of 8 or 9 % of income tax (if applicable), and then the social security contributions. If the employer is non-resident in Germany and also has no permanent establishment, the employee has to pay income tax, church tax (if applicable) and the solidarity surcharge.

Benefits in kind that employers can offer to their employees must always be considered in estimating potential tax outcomes for all involved parties. All those who are subject to German income tax must file an annual income tax return. This enables them to claim refunds as there are certain expenses that may lower the tax burden (e.g. moving costs, application costs, professional travel expenses - alternatively a lump sum deduction may be applicable).

Married couples may also apply to file a joint tax return and may benefit from a so-called 'tax splitting rate' table (EU/EEA status offers certain benefits).

Double taxation agreements

The regulations of double taxation agreements must always be checked in detail. If a double taxation agreement is not in place, foreign income tax has to be taken into account when considering German income tax.

Social security agreements

Attention also needs to be paid to social security obligations (e.g. pension insurance, health insurance and unemployment insurance) which may differ substantially if a social security agreement exists or is not in place.

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Greece

In Greece, the expatriate can enjoy special tax status, but with various conditions.

Qualifying requirements

Everything depends on the number of days the expatriate stays in Greece over the whole year.

a) If less than 183 days, the expatriate is not subject to tax in Greece

b) If more than 183 days, the expatriate is subject to a tax system that uses the following scale:

Annual Income (€)	Tax %	Tax Scale (€)	Total Income (€)	Tax (€)
25,000	22%	5,500	25,000	5,500
Additional 17,000	32%	5,440	42,000	10,940
Over 42,000	42%			

An employee can enjoy a tax deduction benefit of €2,100 on their annual income up to €21,000, but if annual income exceeds €21,000, the discount will reduce - for each additional €1,000 of income, the tax discount will reduce by €100.

For example, an employee with €23,000 annual income will have a total tax discount of €1,900.

An expatriate does not have the right to the tax discount unless he or she maintains their tax residence in other EU country and fulfils one of the terms below:

a) Their annual income that is obtained in Greece is at least 90% of their global income

b) It can be proven that that their taxable income is very low so that they would have been entitled to the tax discount if they were taxed according to the applicable laws of the State of their Residence.

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Guernsey

Tax residence and a significant tax advantage

An individual who is resident, but not solely or principally resident in Guernsey, can elect to be taxed on Guernsey source income only, subject to a minimum charge of £30,000. In this instance, any additional income earned outside Guernsey will not be taxed in Guernsey.

Alternatively, an individual who is resident, but not solely or principally resident in Guernsey, can elect to be taxed on his or her worldwide income.

Special provisions are available for those who are resident in Guernsey solely for employment purposes.

Tax residence definitions

- An individual resident in Guernsey for 182 days or more is considered 'principally resident' and will be taxed on their worldwide income
- An individual resident in Guernsey for 91 days or more will be considered 'resident only' and is taxable on Guernsey source income only, with the exception of interest arising on bank deposits in Guernsey and income remitted to Guernsey
- An individual resident in Guernsey for 91 days or more per year and not resident in any other place in a year for more than 91 days is considered 'solely resident' in Guernsey and is taxable on worldwide income.

An individual in Guernsey for less than 91 days will not be considered resident in Guernsey.

Precise definitions and current tax rates and allowances are available from Dixcart on request.

Attractive tax cap for individuals

Guernsey offers favourable tax allowances and those with high incomes can 'cap' their liability.

- An individual with both Guernsey and non-Guernsey source income can either:

1. Pay 20% tax on Guernsey source income and cap the liability relating to non-Guernsey source income at a maximum £110,000, OR
2. Cap the liability on worldwide income at a maximum £220,000.

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DIXCART

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• An individual with only Guernsey source income can either:

1. Pay 20% income tax on his or her income, OR
2. Elect to cap his or her liability at a maximum £220,000.

• An individual with only non-Guernsey source income can either:

1. Pay 20% income tax on his or her income, OR
2. Elect to cap his or her liability at £110,000.

Inheritance tax

The jurisdiction of Guernsey does not levy inheritance tax.

A tax efficient jurisdiction for companies as well as individuals

The general rate of tax payable by Guernsey companies is zero*. There is no capital gains tax, value added tax or withholding tax.

* There are limited exceptions.

Hong Kong

In Hong Kong, Salaries Tax (a type of income tax) is chargeable only on income 'arising in or derived from Hong Kong' from any office or employment. If no service is rendered in Hong Kong during the year of assessment (from 1 April to 31 March of the following year), then there is no tax liability. If services are rendered in Hong Kong during the year, the tax payable depends on:

1. Hong Kong employment

- Exists where the employer is resident in Hong Kong
- If visits to Hong Kong are less than 60 days, the entire income will be exempted
- If visits to Hong Kong exceed 60 days, the entire income is taxable with partial exemption for overseas tax paid to an overseas tax authority for services rendered outside Hong Kong.

2. Non-Hong Kong employment

- Exists if the contract of employment is negotiated, entered into and enforceable outside Hong Kong with an employer who is resident outside Hong Kong
- If visits to Hong Kong are less than 60 days, the entire income will be exempted
- If visits to Hong Kong exceed 60 days, only the amount of income derived from services rendered in Hong Kong is chargeable. The total income, including leave pay, will be apportioned on a time-in time-out basis.

Other benefits

- There is no 'Pay as you earn' system. Income only needs to be reported once a year
- Many allowances and deductions
- No tax on benefits in kind such as a company car or preferential loan
- Taxable value of housing benefit is only deemed as 4% - 10% of income
- Gains on investment in properties or securities are tax free
- Dividend income and interest income from bank deposits are tax free
- Exemption from joining the Mandatory Provident Fund scheme for employment that is shorter than 13 months in duration or covered by overseas retirement schemes
- Income after allowances and deductions is taxed at progressive rates as below:

Income (HK$)	Tax (HK$)
1st 40,000 at 2%	Tax payable: 800
Next 40,000 at 7%	Tax payable: 2,800
Next 40,000 at 12%	Tax payable: 4,800
Thereafter taxed at 17%	

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Hungary

There are no specific rules which apply only to expatriates working in Hungary. Foreigners' taxation is subject to general tax legislation.

General rules of taxation

When considering the income of non-resident individuals that has been generated in Hungary, it first must be established whether Hungary has a treaty for the avoidance of double taxation with the expatriate's home country. If it does, then the provisions of the treaty have to be applied in the first instance. If it does not, Hungary's tax legislation applies.

Hungary has concluded double taxation treaties with approximately 70 countries, including almost all countries in Europe.

When there is a treaty in place for the avoidance of double taxation, the main rules apply as below:

- Income from non-independent activities (from employment) can be taxed only in the country of the individual's tax residence, except when the individual performs the work in the other country
- Income from independent activities (self employment) can be taxed in the country of the tax residence of the individual who generates the income. An exception to the rule occurs when the individual having tax residence in one country has premises or an active base in the other country
- Remuneration of members of Boards of Directors or Supervisory Boards can be taxed in the enterprise's country of tax residence.

Double tax treaties

Hungary's treaties are based on the sample treaty recommended by the OECD, but almost every treaty has its own specific provisions. That is why every case has to be examined individually from the aspect of taxation.

Personal income tax rate

At present, the personal income tax rate in Hungary is a uniform 15%. The rate is linear and applies uniformly to income of all types including income generated from employment, self employment and equities.

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India

Most expatriates working in India receive a range of benefits that goes significantly beyond the benefits received by other employees. These benefits reflect the special position enjoyed by expatriates in India and often include the following:

- Relocation benefits
- Accommodation benefits
- Language training
- Expatriate family benefits
- Expatriate training and counselling

Expatriates working in India

- If the expatriates renders services in India, the remuneration received by him/her is deemed to be earned in India as per the provisions of Section 9(1) (2) of the Income Tax Act 1961 and is assessable under the head salaries
- Since the assessment year 2000-2001 onwards, income for the leave period which is preceded and succeeded by services rendered in India and forms part of the service contract, shall also be regarded as income earned in India
- Hence, irrespective of the residential status of the expatriate employee, the amount received by him as salary for services rendered in India shall be taxable in India regardless of the location where the salary is actually received.

The above will not be insisted upon under the following circumstances:

(a) The remuneration of an employee of a foreign enterprise is exempt from tax if his stay is less than 90 days in aggregate during the financial year. This is subject to further relaxation under the provisions of a double taxation avoidance agreement

(b) The remuneration received by a foreign expatriate working as an official of an embassy, high commission or consulate or as a trade representative of a foreign state is exempt on a reciprocal basis [Sec.10(6)(ii)]

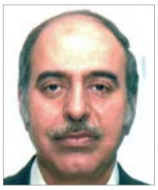
(c) The remuneration is from employment on a foreign ship provided the stay of the employee does not exceed 90 days in the financial year [Sec. 10(6)(viii)]

(d) Training stipends received from a foreign government (Sec.10(6)(xi))

(e) The remuneration is being paid by means of a co-operative technical assistance programme or technical assistance grants agreements.

Continued over

For tax advice in Delhi, Mumbai, Kolkata, Hyderabad and Jaipur, please contact



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Grossing up of income and expatriate taxation

The system of grossing up income provides huge relief for expatriates. The agreements related to expatriates are formed in such a way that the tax burden is not on the expatriate but on the country to which he/she is sent.

Special exemptions

Exemptions are also available to non-resident expatriates if remuneration is received from:

- A foreign government or a foreign body in return for undertaking research in India under an approved scheme
- A foreign government during training with the Indian government or in an Indian government undertaking
- The filming of motion pictures by non-resident producers.

Double taxation avoidance agreement

India's Central Government, acting under the authority of Law (Sec. 90), has entered into DTAAs with more than 60 countries. As per section 90(2), the provisions of the Act shall apply only to the extent that they are more beneficial to the assesse. The provisions of these DTAAs prevail over the statutory provisions.

Income tax clearance certificate

To prevent the continuous presence in India exceeding 120 days, before leaving India, the expatriate must obtain a tax clearance certificate stating that he does not have any outstanding tax liability.

Legal considerations

Employment visa general conditions:

India offers expatriates a multiple entry 'Employment Visa' which is generally granted for a period of up to two years and is specifically for use by highly skilled and/or qualified professionals and not by those carrying out routine or secretarial jobs.

As a general rule, the expatriate must draw a salary of US$ 25,000 or more per annum.

If the location of the expatriate's employment in India is somewhere other than the employer company's registered office, this location should be specifically endorsed on the visa to ensure smooth Foreigners Regional Registration Officer (FRRO) registration (see below).

Continued over

Documents required for an employment visa include a copy or proof of:

- Employment contract with clearly specified terms and conditions
- Educational qualifications and professional expertise
- Employer's registration as a company etc.

Additional registration conditions and matters related to the issue of a residential permit

If the visa (a) is for more than 180 days or (b) is for a period less than 180 days (but there is special endorsement requiring registration), then registration with the respective jurisdictional FRRO or Foreigners Registration Officer (FRO) is required ordinarily within 14 days of arrival.

Documents required for the registration include a copy or proof of:

- Passport page bearing arrival stamp from Indian Immigration
- Residence, as stipulated
- Application for, or the Permanent Account Number (PAN) itself, granted by the Indian Income Tax Department (IRS)
- Request letter and undertaking letter of the respective employer company with prescribed details and supporting document.

A residential permit is issued at the time of registration, its validity being the period of stay specified in the visa.

Extension of employment visa: This can be undertaken by the concerned FRRO/FRO on a year to year basis for a total period of five years from the date of the original visa. Proof required includes evidence of the filing of Indian tax returns and the deposit of social security contributions ('Provident fund'). Expatriates are treated as 'International Workers' for the purposes of provident fund contributions and prescribed deductions from the worker's salary are required unless an exemption is present within India's social security agreement with the expatriate's country of residence.

The conversion of an employment visa and/or a change of employer is not permitted ordinarily.

Notifications of any change in address must be received including any proposed absence from the expatriate's registered address for a continuous period of eight weeks or more.

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Isle of Man

The Isle of Man (IOM) offers a number of attractive tax benefits to individuals considering moving to the jurisdiction:

Wealth preservation

- The standard rate of income tax for individuals is 10%, with a higher rate of 20%. It is possible for annual personal income tax to be capped at £125,000 for a period of 5 years for IOM tax resident individuals
- No capital gains tax
- No inheritance tax
- No residency fees or stamp duty
- 'Key man concessions' giving the island the ability to attract the brightest and the best key workers. This can lead to a tax-free income for three years
- Zero rated corporation tax (except for banking business which is taxed at 10%, and land and property in the IOM which is taxed at 20%).

The Isle of Man and British citizenship

One of the key advantages that immigration to the IOM can offer is that it entitles the successful applicant and his family to receive British citizenship if all of the relevant conditions are met. Subsequently, an application can be made for a British passport. This is often of particular interest to non-EU nationals.

Key Employee Concession Programme

This concession is designed for individuals who are or will be new residents in the Isle of Man and who are essential to the implementation and operation of new business on the island.

Only the individual's IOM remuneration from employment, benefits in kind and rent arising from property on the island will be subject to Manx income tax. Any other sources of Manx income or income from outside the island will not be liable to income tax, even if brought to the island.

Dixcart Management (IOM) Limited is licensed by the Isle of Man Financial Services Authority

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Italy

Italian tax law does not provide any special status for the foreign employee. Instead and as a general rule, foreign employees working in Italy can be considered, for tax purposes, residents or non-residents (Article 2 of Italian Consolidated Income Tax Text or T.U.I.R.). This distinction is of fundamental importance since resident employees pay taxes in Italy for every source of income they receive regardless of the country the incomes derives from.

On the other hand, non-residents are subject to taxation in Italy only for specific types of income as listed in Article 23 of T.U.I.R.

In the case of foreign employees who are considered non-residents in Italy, Article 23 expressly states that incomes from employment are taxable in Italy. This rule appears to be perfectly compliant with those in the OECD model (Article 15).

According to this article, remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State. However, if the recipient is present in the State for less than 183 days in any 12 month period, and his remuneration is paid by an employer not resident in such State, and the remuneration is not borne by a permanent establishment which the employer has in such State, then his remuneration is taxable in the State where he resides.

In the same way as it is for residents in Italy, the amount of non-resident tax liability is determined by applying the tax rate to the total income reduced by specific deductions. This amount is then reduced through certain expenses to finally determine the tax due. However, for non-residents the list of deductions and expenses is quite limited in terms of scope and quality unless the circumstances listed in Law 161/2014 occur simultaneously. If that is the case, the foreign employee can enjoy the same tax benefits as residents in Italy.

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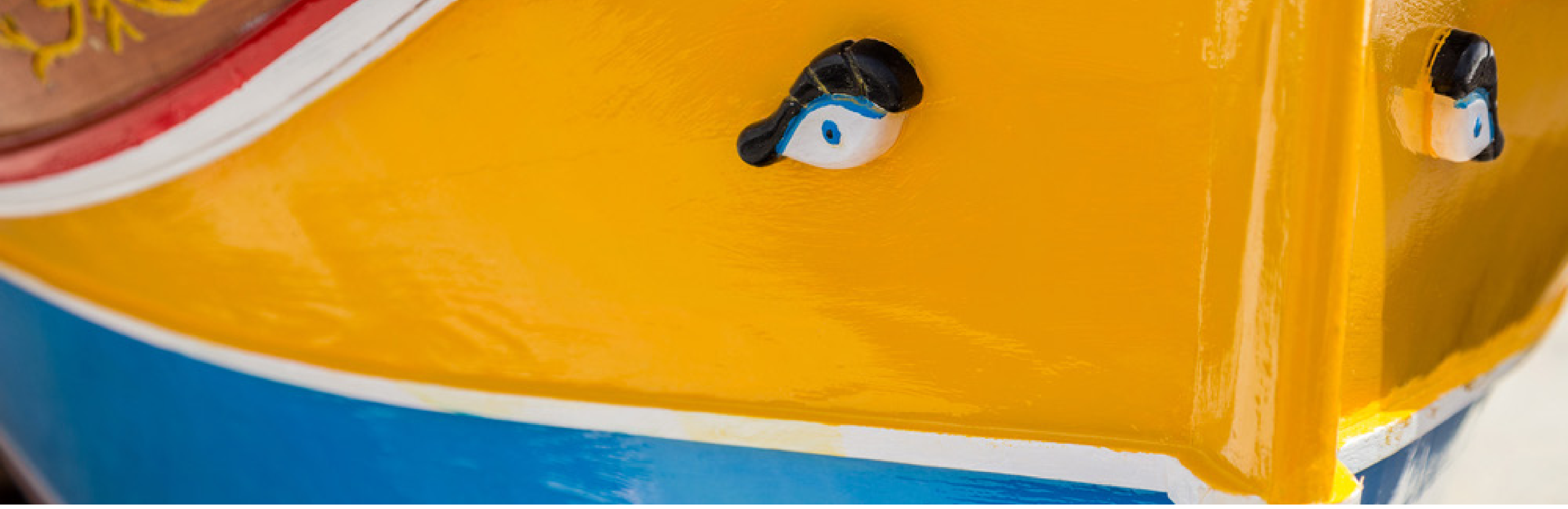

Malta

The jurisdiction of Malta offers a number of residence schemes with a variety of different tax incentives for 'expatriates'. The criteria that need to be met for each of the schemes described below varies.

The Residence and Visa Permit Programme

Individuals are taxed on Malta source income and certain gains arising in Malta. They are not taxed on non-Malta source income not remitted to Malta. In addition, they are not taxed on capital gains even if these gains are remitted to Malta.

The Global Residence Programme

A flat rate of 15% tax is charged on foreign income remitted to Malta, with a minimum amount of €15,000 tax payable per annum (income arising in Malta is taxed at a flat rate of 35%). This applies to income from the applicant, his/her spouse and any dependants jointly.

Foreign source income not remitted to Malta is not taxed in Malta.

Individuals may also be able to claim double taxation relief under the regime.

The Highly Qualified Persons Scheme

Income tax is set at a flat rate of 15% for qualifying individuals (instead of paying income tax on an ascending scale with a current maximum top rate of 35%).

No tax is payable on income earned over €5,000,000 relating to an employment contract for any one individual.

The Retirement Programme

An attractive flat rate of 15% tax is charged on a pension remitted to Malta. The minimum amount of tax payable is €7,500 per annum for the beneficiary and €500 per annum for each dependant. Income that arises in Malta is taxed at a flat rate of 35%.

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Mexico

If the expatriate is considered a Mexican non-resident for local tax purposes, special conditions can apply.

Tax residency

Mexican tax residents are taxed on their worldwide income. Tax residency in Mexico is acquired by foreign people when establishing their permanent home in Mexico. An individual's centre of vital interests is the most common criteria used to determine tax residency with most commuters keeping their permanent home abroad.

Income tax benefits (Article 154 of Mexican Income Tax Law)

1. Foreign residents working in Mexico enjoy a favourable tax rate depending on their level of income as below:
   - Full exemption on the first MEX $125,900 (approx. €6,380)
   - 15% favourable tax rate on income between MEX $125,900 -1,000,000 (approx. €6,380 - 50,670)
   - 30% tax rate on income over MEX $1,000,000 (approx. €50,670)*.

*The Mexican tax rate for individuals (residents) is 34% when the amount exceeds MEX $1,000,000. The maximum rate of tax is 35% when total income exceeds MEX $3,000,000 within a fiscal year.

2. There is a tax exemption for expatriates working in Mexico for a term that does not exceed 182 days in a 12 month period. This scheme is commonly used for those commuters who work in Mexico´s border cities but live in U.S. southern cities (e.g. San Diego – Tijuana, El Paso – Ciudad Juarez, McAllen - Reynosa).

Tax benefits: requirements

To access the above tax exemptions, payroll payments must be effected by a foreign resident who does not have permanent establishment in Mexico.

Other considerations

- Expatriates are subject to labor law and social security rules when rendering services in Mexico and when paid by a Mexican company
- Shadow/mirror payroll methods may help to lessen the tax burden for the employer in Mexico for labor and social security issues
- Mexico has signed Totalization Agreements with Spain and Canada that enable employees to continue to receive the benefits of their pension programme.
- Mexican non residents are not required to file a tax return in Mexico and therefore should pay their taxes via monthly tax payments considered definitive.

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Villegas & Villegas

Netherlands

Expatriates who are assigned to work in the Netherlands may qualify for a special tax ruling: the 30% ruling.

In general, the 30% ruling provides three benefits:

The employer may pay the employee a tax free allowance up to 30% of current employment income

The employer may pay the employee a tax free allowance to cover the fees for certain international schools

If the employee becomes a tax resident of the Netherlands, he/she may, upon

request, be considered as a Netherlands non resident taxpayer for certain items of income.

The following conditions apply for the 30% ruling:

- The employee must be recruited or assigned from abroad to the Netherlands
- Prior to employment in the Netherlands, the employee must have spent more than 16 months out of the last 24 months at a distance of over 150 km from the Dutch border
- The expatriate's employment income will be subject to Dutch wage withholding tax
- In (an appendix to) the employment contract, the employer and employee are obliged to agree that a tax free allowance up to 30% is included in the compensation package
- The employee must have a minimum taxable salary of €36,889 (2016 figures). For employees under the age of 30 and holding a masters degree, the minimum required taxable salary is €28,041.

The maximum 30% period is eight years. This period starts on the expatriate's first working day in the Netherlands. The duration of the ruling is further reduced if an employee has worked or stayed in the Netherlands for a period of time in the past.

The application for the 30% ruling has to be filed with the Dutch tax authorities within four months of the start of employment to be able to be applied retrospectively to the start of the employment.

To make use of the 30% ruling, a joint request from the employer and employee must be filed with the Dutch tax authorities.

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Continued over

Legal formalities for foreign nationals working in the Netherlands

1. Immigration procedures

EU/EEA/Swiss nationals

All EU/EEA/Swiss citizens, with the exception of Croatians, can work in the Netherlands without restrictions. Currently, there are work restrictions for Croatian citizens who may only work in the Netherlands if the employer has a work permit for the employee.

Non EU/EEA/Swiss nationals.

Those from outside the EU/EEA/Switzerland will usually only be able to work in the Netherlands if an employer has obtained a work permit in their name. An exception applies to Japanese citizens who do not need a work permit to work in the Netherlands. They are only required to obtain a residence permit for a long term stay. In the Netherlands, there are different types of permits, with the most common explored below:

I) Highly Skilled Migrant

The quickest way to receive a residence permit that will allow the employee to work in the Netherlands is via the Highly Skilled Migrant procedure. For this type of permit, the employee needs an employment contract or assignment with an employer recognised by the Dutch immigration authorities, and earn above a certain level of income

II) Regular work permit

Companies that are NOT registered as recognised sponsors or that have employees who do not meet the salary threshold may be able to apply for a permit via the regular procedures. Depending on the type of work (specialist, trainee, etc.), different requirements apply. Processing times are longer than with the Highly Skilled Migrant procedure.

2. Dutch Health Insurance

For employees living and/or working in the Netherlands, it is required by law to take out Dutch health insurance, unless the employee (based on EU or social security Treaty regulations) remains subject to a foreign social security system while working in the Netherlands.

3. Registration at the Town Hall

In the Netherlands, the employee needs a Citizen Service Number (Burgerservicenummer or BSN) in order to work. This can be obtained by registering on the Town Hall's (municipality) Personal Records Database where the employee will be living.

New Zealand

1. Income that a non-resident person derives from performing personal or professional services in New Zealand during a visit is exempt income if:
   - The visit is for 92 or fewer days in an income year
   - The services are performed for or on behalf of a non-resident employer, and
   - The amount derived is chargeable in the country in which the person is resident with a tax that is substantially the same as income tax imposed in New Zealand.

2. Certain work-related relocation payments an employer pays to or on behalf of an employee in connection with the reimbursement of the employee's expenses are exempt income of the employee. This includes:
   - The cost of a seven day familiarisation trip to New Zealand immediately prior to relocation
   - Assistance with immigration applications and engaging a relocation consultant,
   - Travel to New Zealand including meals and accommodation en route
   - Removal costs of household effects, pets, vehicles and boats to New Zealand
   - The hire costs of a replacement vehicle while awaiting immigration clearance of the employee's vehicle
   - Accommodation for three months
   - Assistance with selling an existing home and acquiring a new dwelling.

3. New Zealand has a four year transitional residents' exemption for new migrants to New Zealand or persons who have been non-resident for 10 years or more. The exemption covers all foreign sourced income other than income from personal or professional services performed while a transitional resident.

4. Income a non-resident crew member aboard a pleasure craft derives from performing services in New Zealand is exempt income provided the pleasure craft is not owned, wholly or partly or directly or indirectly, by a resident of New Zealand or a New Zealand controlled foreign company, and provided further the person is not present in New Zealand on more than 365 days in any two year period.

5. In many of New Zealand's tax treaties, relief from tax is provided for non-resident employees who are in New Zealand for less than 183 days in a 12 month period where the employer is a non-resident with no permanent establishment or fixed base in New Zealand.

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Poland

General taxation rules

Expats do not enjoy special tax status in Poland, however they can generally benefit from regulations intended for tax residents.

Most types of income are taxed using a tax scale, with two tax brackets: income up to 85,528 PLN (approx. €20,000) is taxed at 18%, and income above this amount is taxed at 32%. Specific types of income are taxed using the lump sum income tax rate (19% or 20%) or the flat tax rate (19%).

For example, a non-resident's income from personally performed activities, such as being a management board or supervisory board member, can be taxed at 20%. Self employed income is taxed at 19%.

An annual sum decreasing tax by 556.02 PLN (approx. €120) is available to all individuals who have a taxable presence in Poland.

The taxable amount can be reduced by deducting the amount of obligatory social security contributions provided that they were paid or withheld at the expense of the taxpayer in Poland or in another country.

Healthcare contributions paid or withheld from the salary can be deducted from the tax payable in Poland up to the equivalent of 7.75% of the amount subject to healthcare contributions.

Taxation of bonuses connected to derivatives

The regulations provide for favourable taxation of income connected to derivatives. Such income is taxed at 19%. The bonuses connected with derivatives are an accessible way to minimise top executives' tax burden.

Tax reliefs

Joint taxation with one's spouse is also possible. In this case, the tax payable is assessed in the name of both spouses and is based on the joint amount of tax that is calculated on half their joint income.

Similar tax rules are available for those who single-handedly raise children.

Source: The Act of 26 July 1991 on personal income tax (consolidated text published in J.L. of 2012, item 361, as amended).

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Portugal

To encourage individuals to live or work in the country, the Portuguese Government approved the Tax Regime for Non-Habitual Residents in 2009.

As per this legislation, income from employment and self employment activities carried out in Portugal considered 'high value added activities' are subject to a special withholding tax of 20% regardless of the amount of the earnings. These high value activities include:

- Architects, engineers and similar
- Visual artists, actors and musicians
- Auditors and consultants
- Doctors and dentists
- University lecturers
- Psychologists
- Liberal professionals, technicians and similar
- High level company professionals, investors, managers and company directors.

However, pension income sourced overseas is exempt from taxation in Portugal as long as it is taxed in the source jurisdiction in accordance with the relevant double tax treaty (DTT), or if under Portuguese legislation it is not deemed to be earned in Portugal. In practical terms, it means that pensions are usually exempt from taxation both in Portugal and in the originating jurisdiction, with the result that many retired individuals choose Portugal as their tax residence.

In addition, employment income sourced abroad is also exempt from Portuguese taxation if it is taxed in the source country[1]. With regard to other foreign income such as self employment income from high added value activities, royalties, interests, dividends, rental income and capital gains, theses earnings are also exempt from Portuguese taxation if taxed in the source country.[2]

To become a non-habitual resident, an individual needs to either spend more than 183 days in Portugal during the tax year or have a dwelling in Portugal in conditions that suggest the intention to maintain it as the habitual residence (usually a lease contract or the purchase of a property). Please note that the applicant can not have been a Portuguese tax resident in the previous five years.

The NHR statute is valid for a period of 10 years.

Apart from the NHR regime, it should be noted that gifts and inheritances to spouses, including non-marital partnership, descendants or ascendants are exempt from tax in Portugal . Furthermore, there is no wealth tax.

1 According to the applicable DTT or in the absence of a DTT if it is taxed in the country of origin and not considered obtained in Portugal under Portuguese tax rules.

2 According to the applicable DTT or in the absence of a DTT, under the OOCD DTT model, if the source country is not included on the Portuguese 'black list' and the income is not considered obtained in Portugal under Portuguese tax rules.

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Puerto Rico

In Puerto Rico there are no concessions for expatriates, however the Puerto Rico Tax Code and the U.S. Internal Revenue Code provide certain rules that avoid double taxation.

Furthermore, other interesting incentives have been created under Puerto Rican Law to attract foreign investors. The general guidelines are explained below:

- Income from expatriates that is subject to Puerto Rico income tax will be determined based on the residency status
- Anyone who is present in Puerto Rico for a period of 183 days or more during the calendar year is deemed to be considered a resident of Puerto Rico
- As a general rule, Puerto Rico residents have an obligation to report and pay taxes on their worldwide income
- On the other hand, if the taxpayer is considered to be a non-resident of Puerto Rico, at the end of the year, he/she will only be taxed in Puerto Rico for Puerto Rico source income
- In addition to the period of residence, when determining the residency status of the expatriate, it is very important to consider the intention of the taxpayer in terms of the length and the nature of their assignment
- Other benefits received by an individual considered to be an expatriate, such as housing and allowances during an assignment in Puerto Rico, are most likely to be considered income for Puerto Rico tax purposes
- If the expatriate is considered to be a resident of Puerto Rico at the end of the year, a foreign tax credit may be claimed for the taxes paid to the U.S. and/or any other foreign countries on income that is also being taxed in Puerto Rico
- The U.S. Internal Revenue Code has also established rules to determine whether an expatriate is a resident of Puerto Rico for U.S. tax purposes in section 937
- To be considered a bona fide resident of Puerto Rico, the expatriate must be in Puerto Rico for a minimum of 183 days during the taxable year and must not show closer connection to the U.S. or any other foreign country
- If the expatriate is considered to be a Puerto Rico resident and has income from U.S. sources (wages, interests, etc.), the income from Puerto Rico sources will be excluded under IRC Sec. 933 and would only be taxed for the U.S. source income.

Furthermore, an expatriate who was not a Puerto Rico resident in the six year period prior to the tax year and becomes a bona fide individual resident investor in Puerto Rico, will likely be able to benefit from significant tax incentives under newly established Puerto Rico Law 22.

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Romania

Romania does not have a special taxation regime for expatriates.

However, several tax issues are of particular interest and benefit:

• Income tax is set at a flat rate of 16% (regardless of the amount of income)

Tax incentives

• The income of IT specialists is exempt from income tax

• An employee's relocation costs are tax exempt if made for business purposes

• Employees can benefit from vacation vouchers and these are taxed at 16%. This benefit in kind is taxable using social contributions only if the value of the voucher exceeds six minimum gross salary payments (equivalent to approximately €1600)

Assignment of foreigners from a foreign company to a company operating in Romania

The following points should be noted:

• The assignment of an EU citizen can be made for a period of 24 months

• For non-EU citizens, the maximum period allowed for an assignment is 12 months with the exception of high skilled workers in which case the period is extended to a maximum 24 months

• The income of an EU citizen assigned to a company in Romania is taxed at 16% and the tax is paid in Romania. However, the expatriate will not pay tax in the form of social contributions in Romania if in possession of the A1 portable document that shows he/she is under the social security law of the home country

• The income of a non EU citizen assigned to a company in Romania is taxed at 16% and social contributions will be due. These are payable in Romania. However, an agreement or a convention on social security will prevails if such an agreement has been concluded between Romania and the non-EU country.

Tax residency

Non-resident individuals who meet the conditions of residence, namely:

• Their centre of vital interests is located in Romania

• Are present in Romania for a period or periods exceeding in total 183 days during a period of 12 consecutive months, ending in the fiscal year concerned

Continued over

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…will be subject to income tax for income from all sources (both from Romania and from abroad) as of **January 1 of the calendar year following the year in which they are resident in Romania.**

During the non-resident individual's calendar year, except for those who can prove they are residents of countries with which Romania has concluded agreements on avoiding double taxation, the conditions of residence are that tax is only payable on income earned in Romania

An individual's resident or non-resident status is determined based on the full calendar year, without allowing for a change of residence during the respective calendar year.

Non-residents are also exempt from income tax for income that derives from participation in 'games of chance' held in another country but whose funds and earnings also originate from Romania.

Singapore

Despite being recently ranked as the '10th Most Expensive City in Asia by expatriates' in a survey conducted by ECA International in 2016, Singapore continues to be a choice location to live and work for many foreigners. High quality living conditions and a robust economic infrastructure are cited as some of the reasons for their fondness for Singapore.

Whether the foreign person is working in Singapore for the first time or is a seasoned expatriate, it is important to understand his or her tax obligations in the country. In general, all working expatriates are liable to pay income tax, with the tax liabilities of any individual being dependent on his or her tax residency status. In general, an individual is regarded as a tax resident if he or she stays or works in Singapore for a minimum of 183 days either in a calendar year or for a continuous period over a two year minimum. As such, an expatriate on a minimum one year working pass will be automatically regarded as a tax resident.

The income of tax residents in Singapore is taxed at progressive resident rates starting from as low as 2% for an annual wage of S$30,000, and capped at 20% for salaries exceeding S$320,000 per year. They are also taxed on income derived from outside Singapore and received in Singapore.

Non tax residents are taxed at either a 15% flat rate or on the tax resident's progressive rate, whichever is higher. They are taxed only on income that has been derived from or accrued in Singapore, and are exempt from tax if they have worked in Singapore for 60 days or less within a calendar year.

Expatriates and all individuals who are qualified tax residents can enjoy certain general reliefs on components such as earned income with the claimable amount dependent upon on the age of the tax resident, fees for courses/seminars attended to upgrade personal skills and enhance employability, life insurance, allowable employment expenses and approved charitable donations etc.

From time to time, general relief components such as those above may be amended or new ones introduced as the Singapore government targets the accomplishment of specific social and economic objectives.

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Spain

Spanish personal income tax legislation offers an attractive regime for personnel assigned to Spain by international enterprises. This special tax regime improves the tax treatment of expatriates and allows individuals who become tax resident in Spain as a result of their assignment to choose to be taxed either under Spain's personal income tax rules or under the country's non-resident income tax rules during the tax period in which their tax residence changes and for the next five tax periods.

Impatriate tax regime

Spain's inward expatriate or 'impatriate (impatriado) tax regime' provides for taxation as a non-resident taxpayer rather than as a resident taxpayer.

The impatriate tax regime applies to the tax year during which the taxpayer acquires his or her tax residence in Spain and to the following five year period.

Individuals who come to work to Spain and who become resident in Spain (spending more than 183 days a year in the country) can apply within six months of their arrival in Spain to be taxed as non-residents if the following requirements are met:

- The individual must not have been tax resident in Spain during the last 10 tax periods (not 'years')
- It is not required that the work be carried out in Spain
- The assignment to Spain must be the result of a local employment contract or assignment to another entity of the Group, or should be related to the acquisition of the condition of member of the Board of Directors of a company, always observing some requirements.

Individuals who have elected to be subject to this special regime must file certain formalities before the Spanish tax authorities.

These individuals will only be taxed on their Spanish source income, and tax rates for non-tax resident will be applied with certain special rules:

- Under the regime, individuals are only taxed in Spain on Spanish income at a rate of 24% up to €600,000. Over this amount, the rate is 45% in 2016 (47% in 2015)
- All work income obtained by the taxpayer during the application of the special tax regime will be considered as obtained in Spain
- Capital gains, interest and dividends obtained in Spain will be taxed at a rate of 19% up to €6,000, 21% from €6,000 to €50,000 and 23% above €50,000.

This regime does not apply to professional athletes.

Continued over

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CONSULTORES

For expatriates spending less than 183 days in Spain, under Spain's income tax laws (Impuesto sobre la Renta de las Personas Fisicas – IRPF), their centre of vital interests will be considered as located in their home country and they are therefore viewed as a tax residents of their home country and non-residents in Spain. Being non-resident involves paying tax at a rate of 24% on Spanish source income obtained within the period.

Switzerland

As part of a strategy to attract foreign companies to the country, Switzerland offers various tax advantages to expatriates.

The law

Ordinance 642.118.3 ('Ordonnance concernant les expatriés, Oexpa') of October 2000 (revised in 2015), is a law passed by the Swiss Federal authorities that relates to expatriate deductions.

Criteria to obtain expatriate status

1. Employment in Switzerland must be of a temporary nature

The expatriate must:

2. Be a posted worker sent by a foreign company for a limited assignment in Switzerland (for a maximum duration of five years)

3. Have a leadership position or be a specialist professional expert.

Expat deductions

Expats can benefit from one of the two following deduction types if they are not met by the Company:

• **Standard deductions for individual expatriates**

1. A lump sum deduction of CHF 18,000 (deduction of CHF 1,500 per month)

OR

• **Effective costs**

1. Reasonable accommodation costs in Switzerland. Proof of the house rental payment must be provided

2. School fees for education in the child's native language (international school fees can be deducted)

3. The costs related to moving to Switzerland and back to the home country at the beginning and at the end of the contract. The travel expenses of the expatriate and his family are included.

Many cantons (states) prefer to apply the lump sum rather than the effective costs.

Continued over

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GUGGENHEIMASSOCIÉS

Tax regime in Switzerland

The tax regime will differ depending on where in Switzerland the expat's family lives.

If the family lives in Switzerland

Unlimited tax liability related to art. 3 (LIFD) – if it is considered that the expat's centre of personal and economic interests is in Switzerland, then the expat's tax liabilities are as below:

1. Income tax on Swiss source revenue
2. Wealth tax on worldwide movable assets
3. Wealth tax on real estate in Switzerland
4. Annual tax return (the same as any Swiss resident).

OR

If the family stays abroad

Limited tax liability regarding art. 5 (LIFD) – If it is considered that the expat's centre of personal and economic interest remains abroad, then the expat's tax liabilities are as below:

1. Income tax on Swiss source revenue via monthly withholding tax

In terms of tax liability in the country of residence, reference should be made to the double tax treaty signed with Switzerland if such an agreement exists.

Turkey

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INTERNATIONAL CONSULTANCY SERVICES

Taxation of expatriates in Turkey

Overall, the taxation of an expatriate in Turkey will depend on his or her residency status and the types of income earned.

As a resident, an individual will be taxable on his or her worldwide income in the same manner as any person living in Turkey. On the other hand, a non-resident is, generally, only subject to taxation on income that is 'sourced' in Turkey.

Residence test

Individuals who meet either of the criteria below will be treated as tax residents in Turkey:

a) Have a permanent residence in Turkey, or

b) Stay in Turkey continuously for more than six months in a calendar year (temporary absences do not affect the term of the stay in Turkey)

All other individuals are non-residents.

Tax status

An important concept in the taxation of personal income in Turkey is what is known as full tax liability versus limited tax liability. Full tax liability applies to tax residents in Turkey and these individuals are legally required to declare and pay taxes on their worldwide income.

Taxpayers have limited tax liability if they are non-resident. They are only liable for taxes on income generated or received from services rendered in Turkey.

Turkey has a unitary tax system under which income derived from different sources is aggregated and tax due is computed on the total aggregate income. Under the unitary system, withholding taxes are considered advance payments of the tax and are credited against the tax due in the annual tax return. Tax is imposed on a calendar year basis.

Further, income derived in Turkey by residents and non-residents is categorised into seven types:

- Commercial income
- Agricultural income
- Wages and salaries (remuneration)
- Self-employment earnings
- Real estate income (including royalties)

Continued over

• Income derived from financial securities (i.e. interest and dividends)

• Other earnings and capital gains.

Just as significant as the type of income is where the income is generated, i.e., inside or outside Turkey.

Foreigners who have full tax liability status in Turkey are taxed on their income derived both inside and outside Turkey.

Legal considerations

Visa requirements

Foreigners must obtain a visa from the Turkish authorities in order to enter Turkey. Entry without a visa is only allowed with permission from the Police Department.

Mutual agreements, however, may be concluded with foreign countries on the exemption of the visa requirement or visa fee. The Turkish Government can also waive unilaterally the visa requirement for citizens from foreign states.

Work visa

Work visa applications should be made through the Turkish Consulate in the country of origin at least six weeks in advance.

Applicants should submit their applications prior to departing for Turkey and have the appropriate visa affixed to their passports. Applicants who enter Turkey without a visa are not allowed to work. Work visa applications have to be submitted before coming to Turkey.

If a spouse and/or children will be accompanying the expatriate, their applications must be submitted at the same time as the principal applicant. The application should be submitted to the Turkish Consulate in the country of origin.

The expatriate will need to submit the visa fee and his/her original passport after the Consulate informs him/her of the outcome of the application. All properly completed applications are processed as soon as possible and forwarded to Turkey to be reviewed. Within 30 days of arrival, all applicants must apply to the local Police Department for a residence permit card (ikamet tezkeresi).

Requirements for a work visa application

Applicants will need:

1. A copy of the first page of the passport (and if the passport number is not shown on this page, a copy of the page showing the passport number)
2. A completed visa application form
3. An employment contract

Continued over

4. One passport size photograph
5. A work permit letter issued by the Undersecretariat of the Treasury, General Directorate of Foreign Investment.

Work permit

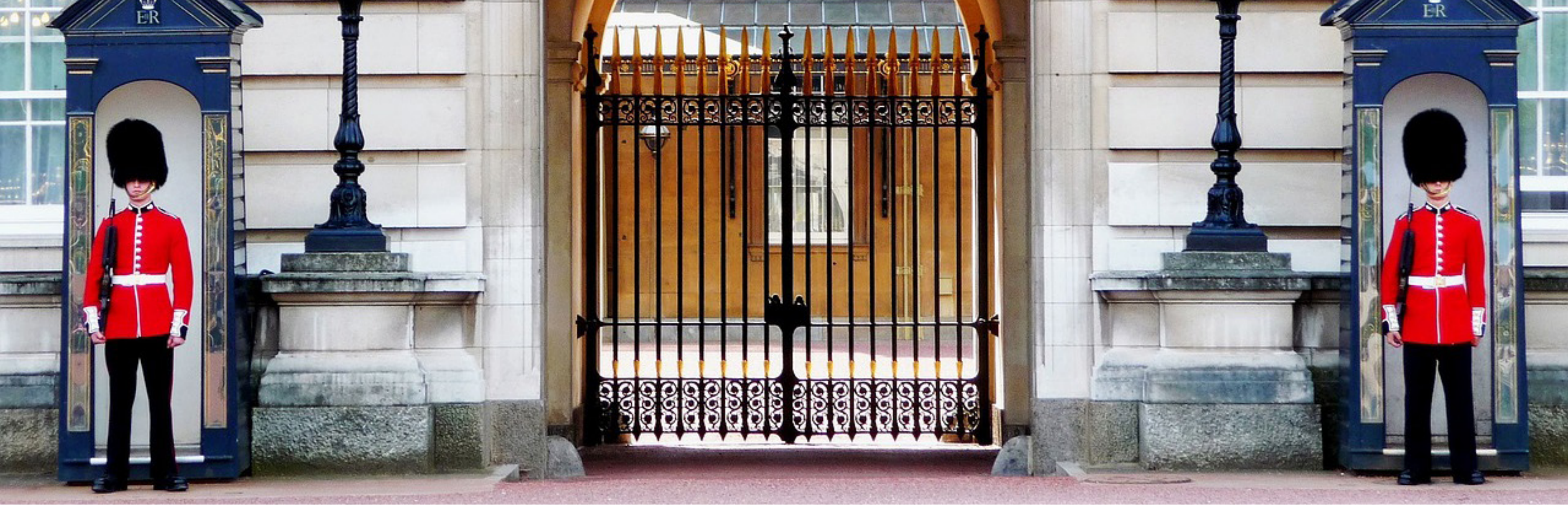
Foreigners holding the status of key personnel to be employed in special direct foreign investments, may apply abroad for their work permit at the representations of the Republic of Turkey in the country of their nationality or their permanent residence.

The representations shall send these applications directly to the Ministry along with their probable assessments related to the request for a work permit.

Occupations prohibited for expatriates

Only Turkish citizens may work as state employees in Turkey. The practice of certain other professions is also prohibited for expatriates. These include law, medicine, dentistry, nursing, pharmacy, and working as a public notary. However, under Law No. 3359 of May 1987, permission to work in Turkey may be granted to foreign doctors.

It is also possible for foreign professors and teachers to work as instructors at universities and high schools. The introduction of the Law on Work Permits for Foreigners in 2003 has given the Turkish work permit system a more simplified, understandable and dynamic outlook.



UK

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The UK currently offers a favourable regime which allows visitors (non UK domiciles) to live and work in the UK and pay UK tax only on the income and gains arising here or brought into the country.

This is known as the remittance basis and ensures that non UK domiciled individuals are not obliged to declare and pay tax on their worldwide income and gains to HMRC.

Individuals are able to enjoy this tax status for seven years without any charge. Once an individual has been resident in the UK for seven out of the previous nine years, a charge of £30,000 is levied if they wish to continue to be taxed on the remittance basis. This charge increases to £60,000 after 12 years and then an individual can no longer claim the remittance basis of tax after being resident for 15 out of the previous 20 years. This time clock is re-set if the individual then remains non UK resident for a further six years.

UK residence

The UK has a Statutory Residence Test which determines whether an individual is resident in the UK for tax purposes.

An individual is UK resident if:

- Their only home (or all their homes if they have more than one) is in the UK and they visit it on more than 30 days per year
- They spend 183 days or more in the UK in the tax year
- They work full time in the UK.

There are additional tests which may also make an individual UK resident. If they are coming to the UK for the first time, residence status will be determined by the following table:

Days in UK in tax year	Residence status
Fewer than 46	Always non-resident
46 - 90 days	Resident if 4 UK ties (otherwise not resident)
91 - 120 days	Resident if 3 or more UK ties (otherwise not resident)
121 - 182 days	Resident if 2 or more UK ties (otherwise not resident)
183 days or more	Always resident

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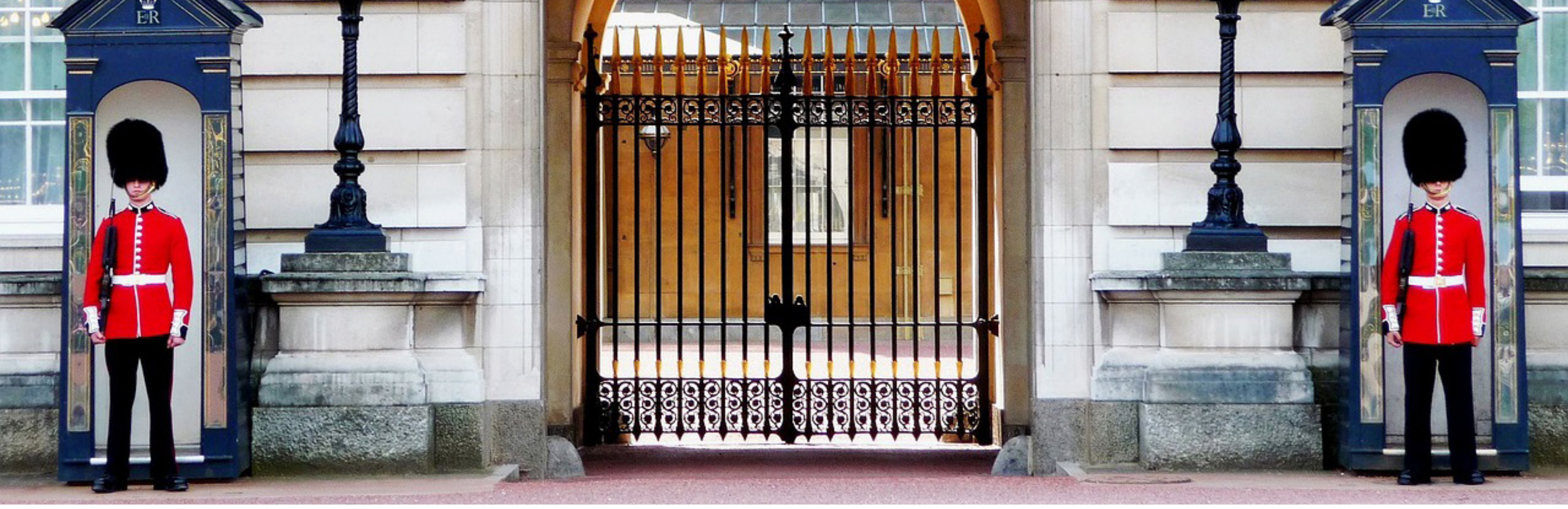

The ‘UK ties’ which count are:

• Family - if your immediate family (wife/civil partner and/or children) are resident in the UK

• Accommodation - if you have accommodation available to you in the UK. The accommodation does not have to be owned by you. If you spend one night in accommodation which is available to you for at least 91 days during the tax year, that will count

• Substantive work in the UK - if you work in the UK on 40 or more days in the tax year. You will be treated as working in the UK on a day if you do more than three hours work in the UK on that day

• UK presence in previous years - if you spent more than 90 days in the UK in either of the two previous tax years.

What counts as a ‘day’?

You will be treated as being in the UK on any day on which you are in the UK at midnight.

Split year treatment

If, during a year, an individual comes to the UK to live or work, then the tax year may be split into two parts if circumstances meet specific conditions:

1. Part of the year before arrival is treated as non UK resident

2. The remainder of the year after arrival is treated as UK tax resident.

The conditions are detailed and test the number of days in the UK and outside of the UK from the date of arrival. It is however often possible to obtain split year treatment from the date of arrival in the UK to take up full time employment.

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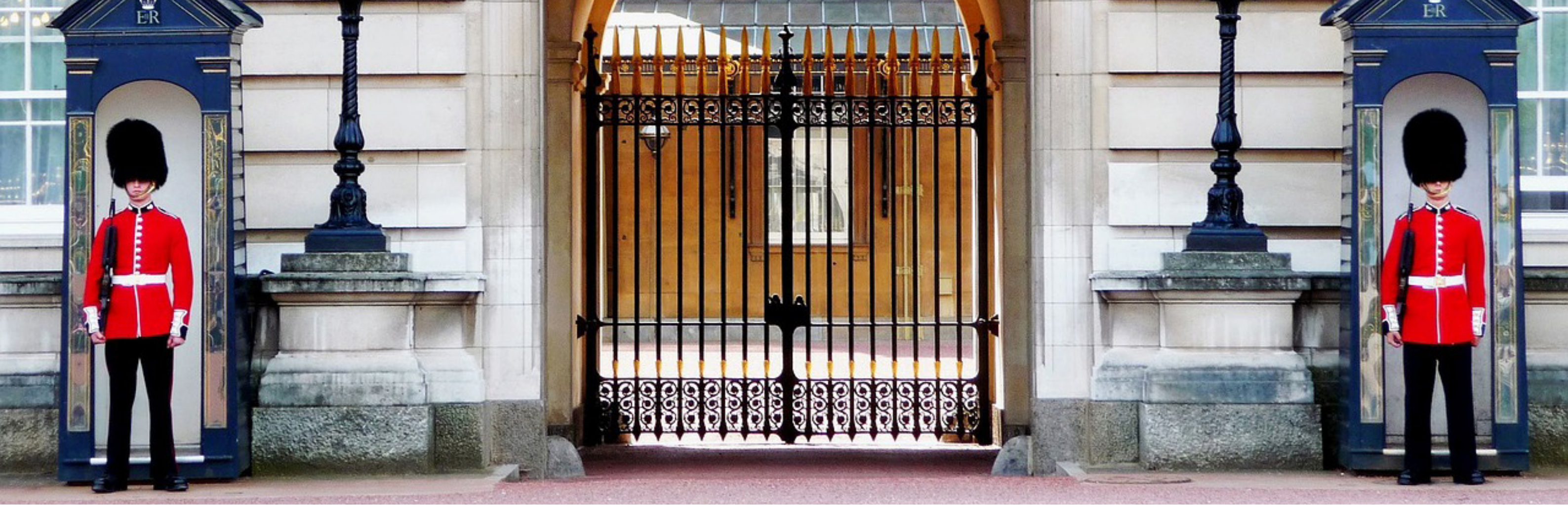

Legal considerations when investing in UK property

As a potential overseas investor in UK real estate, you will need to consider:

The type of property you want to invest in and whether rental income or capital growth is the priority

- Overseas investors tend to invest in new build flats as developers often host exhibitions overseas for potential investors, but buyers may want to consider a 'second hand' property. New build properties are often sold at a higher price than an equivalent or larger second-hand property
- Flats in new buildings can be harder to rent quickly as so many are on the rental market at the same time
- Ensure the location is desirable and is close to existing transport links and other amenities.

The capacity in which the property will be owned

- Take advice from a tax lawyer or accountant on the most tax-efficient way of buying and owning the property
- If not domiciled in the UK (a 'non-dom'), then the buyer will face higher rates of tax than a UK resident.

Ongoing management/rental of the property

- Consider appointing a managing agent to handle rentals
- If the property will be for personal use, consider use of property management specialists who can help with checking the property at regular intervals (as required by most insurance companies), preparing the property for a visit and dealing with any post and/or bills.

Immigration status

- Buyers may need a visa or residence permit. A specialist immigration lawyer in London will be needed to advise on what is required and how to obtain a suitable visa/permit.

Continued over

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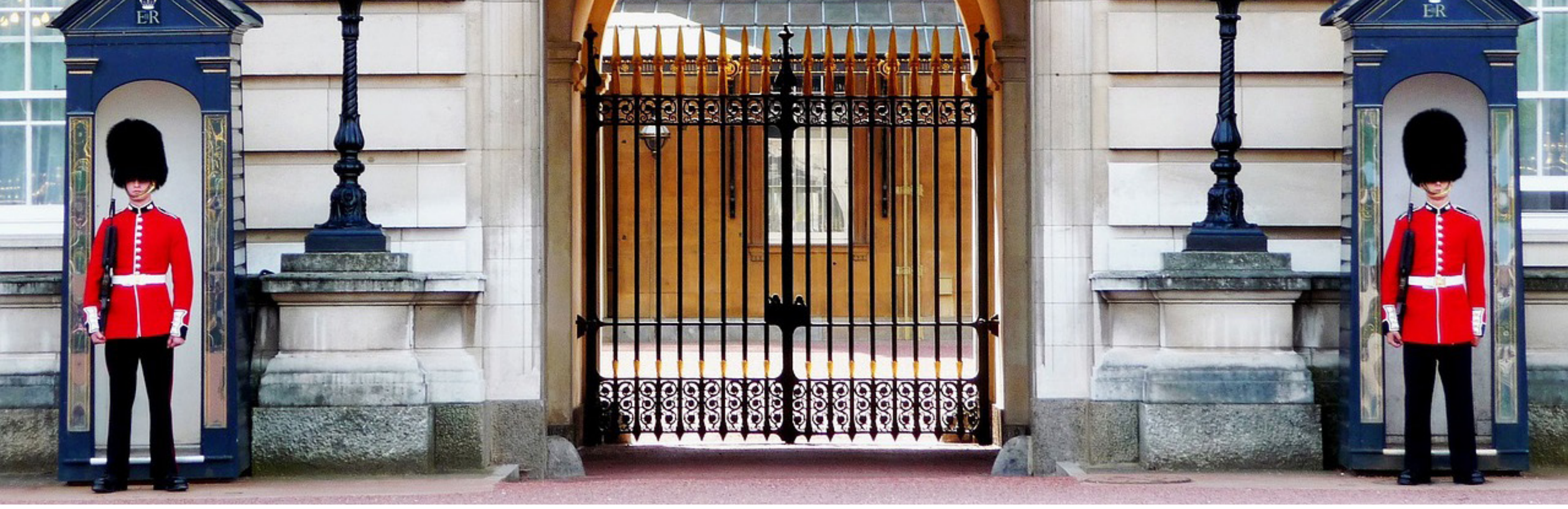

Estate planning

- Estate planning is a key ingredient which should be factored into any acquisition to ensure that the property is properly managed and that thought is given to succession planning on death
- At present, an international estate (one where assets are situated in more than one country) can be governed by several countries' legal rules. Estates are often dealt with in a piecemeal basis between jurisdictions where issues of domicile, residence and nationality overlap. This can be a costly and time consuming process for executors of international estates
- On 17 August 2015, a European regulation known as Brussels IV came into effect in the EU aiming to unify European succession law by allowing individuals to elect the law (based on their habitual residence or nationality) which will apply to their Will. In the absence of any election, the deceased's habitual residence will be the governing jurisdiction in succession matters
- Although the UK has not opted into Brussels IV for practical reasons, that does not necessarily mean that Brussels IV will be irrelevant for UK testators leaving property in mainland Europe. It should be possible for a UK testator to elect for English law to apply to their Will, circumventing forced heirship rules that are often found in mainland Europe. This is new territory where there is uncertainty as to whether England is a member state or a third state (under the definition of Brussels IV and rules which deal with the conflict of international laws)
- UK residents with assets outside the UK and those who are entering the UK market from overseas should review their existing Wills to ensure that they are compliant with the new rules.

USA

The importance of understanding the definition of Permanent Establishment

When services are performed in the U.S. by a resident of a country with whom the U.S. has a tax treaty, profits from such services are not taxable in the U.S. provided they are not attributable to a permanent establishment' ('PE') in the U.S.

Under Article 5 of the 2014 Model Treaty published by the Organization for Economic Cooperation and Development, a PE is generally defined as a 'fixed place of business through which the business of an enterprise is wholly or partly carried on.' The term PE includes a place of management, a branch, an office, and a factory.

A foreign entity may also create a PE in the U.S. if one of its employees habitually exercises authority to conclude contracts in the U.S on the entity's behalf. One way to avoid this is to transact business in the U.S. through an independent agent, contractor, or broker.

Non-resident individuals and U.S. income tax

A non-resident individual who is self-employed and does not have a PE in the U.S. will be exempt from U.S. taxation on income from services performed in the U.S. The exemption ceases when a non-resident individual is present in the U.S. for 183 days or more in a 12 month period. At this point, the non-resident becomes taxable as a U.S. resident for that year under the 'substantial presence test'.

The key to taking advantage of the treaty provisions described above is to properly plan the activities to be conducted in the U.S. so as not to create a permanent establishment. Considerations should include location of service performance, length of time spent in location and degree of control over access to location.

How to claim tax treaty benefits and exemptions

To claim tax treaty benefits and an exemption from the withholding of U.S. tax, an entity would file a Form W-8BEN-E (Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities)), with the payer of the income.

To claim tax treaty benefits and an exemption from the withholding of U.S. tax, an individual performing services in the U.S. would generally file IRS Form 8233 (Exemption from Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual) with the payer of the income.

A taxpayer who takes the position under a treaty that service income otherwise taxable under U.S. law is exempt from tax is required to report that position by filing a U.S. income tax return and attaching a fully completed Form 8833 (Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b)).

Continued over

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Immigration considerations

Foreign nationals planning to work in the United States will need to obtain a visa that provides the ability to be employed during their stay. Many multinational organisations choose to transfer one or more trusted employees to handle the United States operation. There are various immigration options that provide employment authorization for foreigners under United States law; the ones that are most often used are as follows:

L-1 Visa – Intra-company transferee

This is used when setting up some types of business operation in the United States such as a branch or subsidiary. The person transferred must be an executive or manager and/or an employee with specialised knowledge who, over the past three years, has worked for the parent/branch/affiliate/sister company for at least one year. The person is initially allowed to live and work in the United States for three years (one year for new companies).

Managers and executives may be granted two year extensions up to a maximum of seven years, and employees with specialised knowledge may be permitted to stay up to a maximum of five years.

E-1 Visa (Treaty Trader) and E-2 Visa (Treaty Investor)

This visa requires substantial trade or investment in the U.S. It is reserved for individuals who are nationals of a treaty country looking to buy or start a business enterprise and must include an ownership stake of 51% (50-50 joint venture) or more and active management of the business. Individuals who receive this visa are allowed to live and work in the U.S. as long as the trade or investment is maintained.

H-1 B Visa – Aliens of distinguished merit and ability

A person coming to the U.S. to work in a specialty occupation requiring a baccalaureate (or its equivalent) or fashion models may apply for the H-1 B visa. This allows for a temporary U.S. stay of an initial three years, with a possible three year extension for a total of six years. The application requires original licenses, certificates and diplomas (for example a Bachelor or a Master’s Degree, an MBA, a Ph.D and letters of experience). In order to apply for this visa, the foreign national must have a U.S. job offer.

Continued over

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ARHMF | Avila Rodriguez Hernandez Mena & Ferri LLP

U.S. citizens who live abroad are taxed in the U.S. on their worldwide income. The United States Income Tax Code offers several useful exclusions/credits to expatriates to offset this double taxation. The 'Foreign Earned Income Exclusion' is the exclusion that is used most often.

The Foreign Earned Income Exclusion, if the expatriate qualifies, can exclude an amount of your foreign earned income from taxable income. This amount is adjusted for inflation annually. For 2015 the exclusion is $100,800.

Bona fide residency

In general, to claim this credit you must have foreign earned income (such as wages), your tax home must be in a foreign country and you must be a U.S. citizen who meets a bona fide residency test or a physical presence test. You meet the bona fide residency test if you are a resident of a foreign country for an uninterrupted period that includes an entire year.

The physical presence test is met if you are physically present in a foreign country 330 full days during a period of 12 consecutive months. For example, assume you are a U.S. citizen living in Germany for the entire year and earn German wages of $60,000. On your U.S. income tax return, you would report the $60,000 in wages. The Foreign Earned Income Exclusion would be $60,000. The result would be U.S. taxable income of zero. Although you have no taxable income, you are still required to file a U.S. income tax return.

As can be seen, the Foreign Earned Income Exclusion can be beneficial in reducing the expatriate's U.S. income taxes. Before using the exclusion, you should always check the detail requirements and qualifications and consult with a qualified tax preparer.

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A Worldwide Alliance of Independent
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