Tax Review/Taxation

Daily Alert Service

Huzaima & Ikram
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This special email service from Monday to Friday, part of subscription package, is aimed at keeping you informed about tax and fiscal matters. It contains news, legislative changes, case-law, in-depth articles and analyses covering all areas of taxes at domestic and international level. On every Saturday evening, we email weekly compilation of the entire material. Every month, ***Taxation*** in printed form, is sent through post and digital version of ***Tax Review International*** is made available for download at www.huzaimaikram.com.

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This issue contains:

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European Union

EU council agrees next int'l tax reform steps

At its December 6 meeting, the EU's Economic and Financial Affairs Council (ECOFIN) agreed a number of actions to improve international tax compliance.

Specifically, ECOFIN adopted a Directive granting access for tax authorities to information held by authorities responsible for the prevention of money laundering; achieved a broad consensus on a draft Directive aimed at closing down "hybrid mismatches" with the tax systems of third countries; and adopted resolutions on the relaunched common consolidated corporate tax base (CCCTB) proposal.

The Directive on the exchange of information on the beneficial ownership of companies is intended to support tax authorities in monitoring the proper application of tax rules, thereby helping to prevent tax evasion and tax fraud.

On the second point, after intensive discussions, the Council agreed to a stable text for most provisions of a draft directive on hybrid mismatches, leaving just two issues to resolve in the coming weeks: rules that would allow member states to apply limited exemptions and the date of implementation.

"This directive will prevent corporate taxpayers from exploiting disparities between tax jurisdictions in order to reduce their overall tax liability," said Peter Kazimir, Slovak Minister for Finance and President of the Council. "Such arrangements are widespread and result in a substantial erosion of the taxable bases of corporate taxpayers in the EU."

"Our work here proves that we are serious about fighting illicit tax practices at the EU as well as global levels, in coordination and cooperation with the G20 and OECD," he said.

Last, the Council adopted a list of recommendations concerning the European Commission's relaunched CCCTB project. This initiative would lead to the introduction of harmonized rules on the calculation of a company's tax base in all EU member states. After that, tax revenues would be collected and distributed among member states under a formulary apportionment approach, whereby revenues would be allocated based on factors such as turnover, sales, and employment levels.

The Council said that, as a start, EU member states should "concentrate their efforts on the rules for calculating the tax base and, in particular, on the new elements of the relaunched initiative."

It advised that member states should then focus "on the remaining elements of the common base." These include the proposals made by the Commission in 2011, which it said have already been extensively discussed, and the anti-avoidance proposals contained in the relaunched scheme.

The Council added that "tax consolidation should be examined without delay once the discussion on these elements has been successfully concluded." – *Courtesy tax-news.com*

China

China offers corporate debt restructuring incentives

In a notice issued on December 6, China's Ministry of Finance provided details of the preferential tax breaks to be given to companies engaged in debt-reducing corporate restructurings.

As approved by the State Council in October this year, companies going through bankruptcy, mergers and acquisitions, and/or liquidation will be able to defer corporate tax payments or pay tax in installments over five years. In addition, value-added tax will not be imposed on transfers of fixed assets and land-use rights.

The notice said that the tax policies are to be implemented in order to help lower the costs and create a favorable environment for corporate deleveraging, and particularly for the adoption of market-oriented debt-for-equity swaps or asset securitizations.

The State Council's guidelines had stressed that the Government would provide such incentives only to promising companies with short-term difficulties, and not to loss-making "zombie" companies. It would also not intervene in any company's restructuring process. – *Courtesy tax-news.com*

Australia

Think tank supports W Australia's iron ore tax plans

A AUD5 (USD3.72) per tonne iron ore levy in Western Australia would have a limited impact on employment in the Pilbara mining region, according to research by The Australia Institute.

In a new briefing, TAI said that the proposal put forward by the Western Australian National Party "should be supported as a pragmatic alternative to a resource rent tax."

TAI Executive Director Ben Oquist said: "The iron ore mines that would pay the proposed fee have very low costs of production, with costs ranging from USD15-20 per tonne. With the price outlook at USD47-54 through to 2020, a AUD5 per tonne levy is very reasonable, affordable, and fair."

The Nationals – the junior party in the state's ruling Liberal-National Coalition – has proposed an increase to the production rental in the State Agreements with Rio Tinto Ore and BHBP Iron Ore from 25 cents to AUD5 per tonne. Western Australia will hold state elections in March 2017.

According TAI, the levy would raise around AUD2.8bn a year. Had it been imposed on relevant production over the last five years, it would have raised AUD11.5bn, TAI said.

TAI estimated that were this additional revenue spent on the construction of new infrastructure, it could support 4,600 jobs.

TAI argued that "the mines affected by the levy will not have any incentive to change their behavior as their costs are much lower than the prices they receive for their iron ore." It added that the increased levy would "give no incentive to reduce production," and is therefore "unlikely to lead to any reduction of employment in Pilbara mining." – *Courtesy tax-news.com*

United States

IRS launches 'balance due' online tool

The Internal Revenue Service (IRS) has announced the launch of an online application that will assist US taxpayers with tax account balance inquiries.

The new and secure tool, available on the IRS website, allows taxpayers to view their IRS account balance, which will include the amount they owe in tax, penalties, and interest. Taxpayers can take advantage of the various online payment options available.

"This new tool is part of the IRS's commitment to improve and expand taxpayer services by providing additional online taxpayer options," said IRS Commissioner John Koskinen. "The new 'balance due' feature, paired with the existing online payment options, will increase the availability of self-service interactions with the IRS. This will give taxpayers another way to take care of their tax obligations in a fast and secure manner."

Before accessing the tool, taxpayers must authenticate their identities through the Secure Access process. This is a two-step authentication process, which means returning users must have their credentials (username and password), plus a security code sent as a text to their mobile phones. – *Courtesy tax-news.com*

Australia - Indonesia

Australia pushing for Indonesian FTA in 2017

Australian Trade Minister Steven Ciobo has said that he is visiting Indonesia to advance negotiations on a Comprehensive Economic Partnership Agreement.

Ciobo said his trip "builds momentum to concluding the agreement in 2017."

According to Ciobo, "this agreement will create the framework for an era of closer economic engagement between our countries, creating new opportunities and markets for Australian exporters."

He added that the agreement will "help Australian exporters supply the growing needs of Indonesian consumers," and "create opportunities for Australian and Indonesian businesses to work together to tap into the burgeoning opportunities to our north."

In Jakarta, Ciobo will meet senior Indonesian ministers and Indonesian and Australian business leaders. – *Courtesy tax-news.com*

Sweden

Sweden mulls new aviation tax

A commission appointed by the Swedish Government to explore options for taxing air travel has recommended the introduction of a three-tier flight tax based on distance traveled.

The commission proposed in its recently published report that airlines should pay a per passenger tax of SEK80 (USD8.77) for domestic and European flights. This would rise to SEK280 for flights to destinations beyond this zone, up to 6,000km from Stockholm. A SEK430 charge would apply to fares for destinations farther than 6,000km away.

The tax is intended to offset the environmental impact of the aviation industry's carbon emissions, and was recommended by the commission following an analysis of similar levies in other European countries. It is expected to raise between SEK1.75bn and SEK1.85bn per year in revenue.

The commission proposed that the tax be introduced on January 1, 2018. – *Courtesy tax-news.com*

Pakistan & China signs Third Protocol to the Avoidance of Double Taxation Agreement

The Third Protocol to the Avoidance of Double Taxation Agreement between Pakistan and China was signed on December 8, 2016 at a ceremony held in the FBR Headquarters at Islamabad. Mr. Nisar Muhammad, Chairman Federal Board of Revenue and Mr. Wang Jun, Commissioner State Administration of Taxation (SAT), China signed the Third Protocol on behalf of Pakistan and China respectively. The signing of the Protocol was overseen by Mr. Haroon Akhtar Khan, Special Advisor to the Prime Minister on Revenue.

Mr. Haroon Akhtar Khan, Special Advisor to the Prime Minister on Revenue, in his address to the participants shared his experiences in China and appreciated the way China has developed in such a short span of time. He welcomed the Chinese delegation to FBR and hoped that the two tax authorities will continue mutual cooperation in the area of taxation.

Earlier, in his opening remarks, Mr. Nisar Muhammad, Chairman FBR, welcomed the Chinese delegation to FBR and underscored the significance of the CPEC for the people of both the countries. He emphasized that the Tax Administrations of both the countries should cooperate in various international commitments like Multilateral Convention on Mutual Administrative Assistance in Tax Matters, Base Erosion and Profit Shifting (BEPS) Framework and other international and OECD initiatives.

Mr. Wang Jun, Commissioner State Administration of Taxation (SAT), China highlighted various aspects of Pakistan-China friendship and appreciated the efforts of FBR and SAT to arrive at agreement on the Third Protocol to the Avoidance of Double Taxation Agreement. He was also of the view that FBR and SAT must open new vista for mutual cooperation in various areas, including capacity building of the human resource. – *Courtesy www.fbr.gov.pk*

SRB-3-4/24/2016, Karachi, the 8th December, 2016.– In exercise of the powers conferred by sub-section (1) of section 34 of the Sindh Sales Tax on Services Act, 2011 (Sindh Act No. XII of 2011), read with sections 35 and 36 thereof, the Board is pleased to direct that the following amendment shall be made in its notification No. SRB-3-4/22/2016 dated 1st December, 2016:–

In the said Notification, in the Table, after S.No. 10 in column (1) and the entries relating thereto in columns (2), (3) and (4), the following shall be inserted, namely:–

“ 10A	Mr. Hamad Ali Jagirani	Assistant Commissioner	Unit-8 ”

C.No.4(99)IT-Budget/2016 Islamabad, the 7th December, 2016

INCOME TAX CIRCULAR NO. 18/2016

Subject: **Explanation regarding Section 236W of the Income Tax Ordinance, 2001 inserted through the Income Tax (Amendment) Act, 2016.**

Section 236W inserted through the Income Tax (Amendment) Act, 2016 mandates that every person responsible for registering or attesting transfer of any immovable property, shall, at the time of registering or attesting the transfer collect from the purchaser or transferee an advance tax at the rate of 3% of the amount representing the differential between the value of immovable property notified by the Board and the value recorded by the authority registering or attesting the transfer, provided that the value of immovable property notified by the FBR is greater than the value recorded by the authority registering or attesting the transfer. The tax collected under section 236W shall not be adjustable in the hands of the purchaser. It is also clarified that collection of tax under section 236W of the Ordinance is in addition to collection of tax under section 236C and 236K of the Ordinance.

For the sake of clarity, illustrations/examples regarding computation of tax to be collected under section 236W is as under:–

Example I (taxpayer is a filer)

(a)	Amount at which Seller and Purchaser have agreed (in the Agreement to Sell etc)	Rs. 5 million
(b)	District Collector Rate	Rs. 7 million
(c)	Amount at which the property is to be Registered [higher of (a) or (b)] i.e. Registered Value	Rs. 7 million

(d)	FBR Rate	Rs. 10 million
(e)	Taxes u/s 236C (1% of Rs. 10 million)	Rs. 100,000/-
(f)	Tax u/s 236K (2% of Rs. 10 million)	Rs. 200,000/-
(g)	Tax u/s 236W [3% of Rs. 3 million (d-c)]	Rs. 90,000/-

Example 2 (taxpayer is a fifer)

(a)	Amount at which Seller and Purchaser have agreed (in the Agreement to Sell etc)	Rs. 1 million
(b)	District Collector Rate	Rs. 2 million
(c)	Amount at which the property is to be Registered [higher of (a) or (b)] i.e. Registered Value	Rs. 2 million
(d)	FBR Rate	Rs. 3 million
(e)	Taxes u/s 236C (1% of Rs. 3 million)	Rs. 30,000/-
(f)	Tax u/s 236K (Not applicable as less than Rs 4 m)	N.A
(g)	Tax u/s 236W [3% of Rs. 1 million (d-c)]	Rs. 30,000/-

Example 3 (where taxpayer is a non-filer)

(a)	Amount at which Seller and Purchaser have agreed (in the Agreement to Sell etc)	Rs. 5 million
(b)	District Collector Rate	Rs. 7 million
(c)	Amount at which the property is to be Registered [higher of (a) or (b)] i.e, Registered Value	Rs. 7 million
(d)	FBR Rate	Rs. 10 million
(e)	Taxes u/s 236C (2% of Rs. 10 million)	Rs. 200,000/-
(f)	Tax u/s 236K (4% of Rs. 10 million)	Rs. 400,000/-
(g)	Tax u/s 236W [3% of Rs. 3 million (d-c)]	Rs. 90,000/-

Example 4 (taxpayer is a filer)

(a)	Amount at which Seller and Purchaser have agreed (in the Agreement to Sell etc)	Rs. 12 million
(b)	District Collector Rate	Rs. 7 million
(c)	Amount at which the property is to be Registered [higher of (a) or (b)] i.e. Registered Value	Rs. 12 million
(e)	FBR Rate	Rs. 10 million

(f)	Taxes u/s 236C (1% of Rs. 10 million)	Rs. 100,000/-
(g)	Tax u/s 236K (2% of Rs. 10 million)	Rs. 200,000/-
(h)	Tax u/s 236W (Since FBR Value is less than the Registered value)	Not Applicable

Example 5 (taxpayer is a filer)

(a)	Amount at which Seller and Purchaser have agreed (in the Agreement to Sell etc)	Rs. 7 million
(b)	District Collector Rate	Rs. 5 million
(c)	Amount at which the property is to be Registered [higher of (a) or (b)) i.e. Registered Value	Rs. 7 million
(d)	FBR Rate	Rs. 9 million
(e)	Taxes u/s 236C (1% of Rs. 9 million)	Rs. 90,000/-
(f)	Tax u/s 236K (2% of Rs. 9 million)	Rs. 180, 000/-
(g)	Tax u/s 236W [3% of Rs. 2 million (d-c)]	Rs. 60, 000/-

Example 6 (taxpayer is a filer)

(a)	Amount at which Seller and Purchaser have agreed (in the Agreement to Sell etc)	Rs. 4 million
(b)	District Collector Rate	Rs. 6 million
(c)	Amount at which the property is to be Registered [higher of (a) or (b)] i.e. Registered Value	Rs. 6 million
(d)	FBR Rate	Rs. 6 million
(e)	Taxes u/s 236C (1% of Rs. 6 million)	Rs. 60,000/-
(f)	Tax u/s 236K (2% of Rs. 6 million)	Rs. 120,000/-
(g)	Tax u/s 236W [3% of Rs. 0 million (d-c)]	Rs. 0/-

Example 7 (taxpayer is a filer)

(a)	Amount at which Seller and Purchaser have agreed (in the Agreement to Sell etc)	Rs. 4 million
(b)	District Collector Rate	Rs. 6 million
(c)	Amount at which the property is to be Registered [higher of (a) or (b)] i.e. Registered Value	Rs. 6 million

(d)	FBR Rate	Rs. 6 million
(e)	Taxes u/s 236C (Seller dependent of Shaheed)	Rs. 0/-
(f)	Tax u/s 236K (2% of Rs. 6 million)	Rs.120,000/-
(g)	Tax u/s 236W [3% of Rs. 0 million (d-c)]	Rs. 0/-