



INDEX



- BENEFITS FOR THE BLEACHING OF CAPITAL WITHIN THE COUNTRY OR ABROAD BY MEANS OF LAW 26,476 OF ARGENTINA
- COUNTRIES THAT HAVE ACCEPTED MEXICO'S SINGLE RATE BUSINESS TAX (IETU) AS PART OF THE TAX TREATIES SIGNED
- TRANSFER PRICES IN URUGUAY
- TAX REGULATIONS IN THE CANARY ISLANDS: AN APPROXIMATION
- GERMAN TRANSFER PRICING ASPECTS OF BUSINESS RESTRUCTURING
- WHY SHOULD YOU ESTABLISH A HOLDING COMPANY IN CYPRUS?
- TAXATION ON REAL ESTATE

Benefits for the bleaching of capital within the country or abroad by means of Law 26,476 of Argentina

On this occasion we thought it of interest to share with the readers of Business International, a special regime to induce externalization of funds in the country and abroad, adopted by the parliament last December by Law 26476, and which until today is pending of regulations by the Treasury.

The global economic and financial crisis today, accompanied by a home-grown domestic crisis, has led the national government to implement this exceptional tool, which plans to incorporate to the flow of economic activities in Argentina during 2009 US\$3,000m from resident holdings of funds, in the country or abroad, not reported to the Treasury. The benefit is the release of all taxes for periods not prescribed, which the origin and ownership of these funds had generated (income tax on personal property, ascribed to minimum gain, and so on), and their corresponding fines and replaced them by an special tax with extremely inferior rates.

1) Subjects of the regime

Those that can externalize funds or personal property, are the undivided inheritance and legal persons (usually capital companies) and also trusts.

2) What can be bleached?

Abroad:

Possession of foreign currency and foreign exchange that must have been deposited in a bank as at 31/12/07, and other property (whose scope will be defined by the regulation) also as at 31/12/07.

In the Country:

Possession of local, foreign and other currency, until 31/12/07.

3) Ways to carry out the externalization of funds or property

- a) By the statement of its deposit in foreign banks, within 6 calendar months after the publication of the regulation of the law in the Official Gazette;
- b) By means of a transfer to the country through a bank approved by Law 21,526 in the same period referred to in a);
- c) Submitting a statement for the other property which should be individualized, as prescribed by the regulations in the same period;
- d) The funds in the country must be deposited in a bank, referred to in b) in the same period.

4) Rates of the special tax

- a) Property located abroad and possession of foreign currency that is not transferred to the country: 8%

b) Property located in the country and possession of local or foreign currency in the country to which none of the destinations especially anticipated in the following points c),d) and e) is given): 6%.

c) Possession of foreign currency abroad, local or foreign currency in the country to be used to subscribe for new issuances of government securities issued by the National State: 3%, if sold before the 24 months shall be paid an additional 5%.

d) Possession of foreign currency abroad, local currency and/or foreign currency in the country which are destined for individuals to buy new properties in the country that were built since the law came into effect: 1% these investments must stay on behalf of the subject for 2 years.

e) Possession of foreign currency abroad, local currency and/or foreign currency in the country for the building of new properties, finishing of building works in progress, funding of building work of infrastructure, real estate, agropastoral, industrial, tourism or services investments in the country: 1% these

investments must remain on behalf of the holder for 2 years.

5) Characteristics of the deposits of bleached funds

The funds in local currency which would be externalized in the country, or those which would be transferred from abroad, without being in any of the destinations under subparagraphs c), d) e) above, shall be deposited on behalf of the holder for a period not less than 2 years from the date of transfer or deposit for outsourcing (bleaching). The deposit must be made in the Banco De La Nacion Argentina or in other banks that adhere to the application of these funds to special lines of credit to the productive sector.

Although the law does not mention it, we believe that the regulations will clarify whether the deposits paid any interest, and the possibility of forming deposits in dollars, even when the bleached currency was local.

6) Benefits

The subjects that carry out the exteriorization and enter the special tax, will not be forced to inform to the State

treasury the date of purchase of the declared possessions, nor the origin of the funds with which they were acquired, without prejudice of the the law being in force prevents money-laundering deriving from illicit activities, and the person responsible for bleaching it will have to declare under oath that the funds do not derive from any illicit activity.

On the other hand, the liberation of the following taxes on the possessions of funds and goods that are expressed, corresponding to non-prescribed and finalized fiscal periods until the 31/12/07: Tax on gains, the Transference of Buildings Added Value, Presumed Minimum Gain, Personal Goods, Credits and Debits in Banking Accounts.

Also, corresponding fines are freed, and all action that will be able to correspond by application of the Tributary Penal Law the 24,769 responsible for transgressions that are regularized under this regime.

Victor Luis Hernandez
vhernandez@bue.auren.com
 AUREN Buenos Aires

Countries that have accepted Mexico's single rate business tax (IETU) as part of the Tax Treaties signed

BACKGROUND

In year 2008 came into effect a new tax in México centred on a single rate business tax called "IETU". This new tax was a replacement for the asset-based tax ("IMPAC") and its intention is to ensure that all companies pay income tax or alternatively this kind of flat tax.

This new tax caused anxiety over the tax implications, principally if it might not qualify as an income tax under the tax treaties and therefore taxpayers would not be able

to receive a credit against their income tax for the IETU paid in Mexico (a classic case of double taxation).

In this article we will list the countries with which Mexico has a Tax Treaty and which have accepted this new tax as part of the income tax contained in said treaties, and therefore accept as a credit against the income tax the IETU paid in Mexico.

SINGLE RATE BUSINESS TAX (IETU) IN THE TAX TREATIES

The countries with which Mexico has signed a Tax Treaty in order to avoid double taxation and the prevention of fiscal evasion with respect to taxes on income

that have accepted the single rate business tax (IETU) as part of the aforementioned treaties are the following:

1. Germany	12. Finland	23. Netherlands
2. Australia	13. France	24. Poland
3. Belgium	14. Greece	25. Portugal
4. Brazil	15. Indonesia	26. United Kingdom
5. Canada	16. Ireland	27. Czech republic
6. Chile	17. Israel	28. Slovak republic
7. China	18. Italy	29. Romania
8. Korea	19. Japan	30. Russia
9. Denmark	20. Luxemburg	31. Singapore
10. Ecuador	21. Norway	32. Sweden
11. Spain	22. New Zealand	33. Switzerland

The United States of America through the Internal Revenue Service (IRS) has announced that American taxpayers will be able to credit against their income tax the single rate business tax (IETU) paid in México in the meantime while they analyze it. This credit will not be rejected by the American tax authorities after they finish the analysis.

In accordance with the aforementioned and with the Tax Treaties signed by Mexico, the single rate business tax (IETU) is a tax applied in said treaties for the persons resident in each country, and there is no

limitation for any exclusion, exemption, deduction or credit established in the present or the future.

Mexico has signed other tax treaties that already contemplate the IETU as part of the treaty. These treaties are those made with the followings countries:

1. Barbados
2. India
3. Iceland

*L.C. Luis A. Medina Castillo
luis.medina@auren.com.mx
AUREN Cancún, México*

Transfer Prices in Uruguay

1. INTRODUCTION

As from July 1st of the year 2007 the Law N° 18.083 became effective in our country (Tax Reform Law), the one which introduced great changes to our country's tax system in force.

One of the main changes introduced by the mentioned law was the new provisions that taxpayers will have to implement with

regards to Transfer Prices. In this way, Uruguay falls into line with the rest of the countries of the region, most of which had already incorporated in their respective legislations different methods in order to regulate said prices.

Even though the Tax Reform Law became effective some months ago, several

important issues related to Transfer Prices were still without regulation, and that is why the system was not enforced until now.

Therefore, last 26/JAN/2009 the Resolution 56/009 was issued, whereby several concepts which the law had only mentioned in general terms were defined.

2. CONCEPT AND SUBJECTS INCLUDED

The rule's general principle is based on the fact that the operations that the passive subjects of the Income Tax to Economic Activities (ITEA) carry out with related persons or entities from abroad, shall be considered entered by independent parties, when their payment and conditions are adjusted to the common practices of the market between independent entities. In case that the mentioned operations do not adjust to the market practices (which shall have to be approved by the Administration), the same will have to be adjusted.

The system also includes those who carry out operations with entities established in countries with low or null tax systems, as

well as those operations carried out with entities that work on customs offices, including those settled in the national territory and are beneficiaries of a system of low or null tax system (free trade zone).

It is important to mention that it is compulsory for the subjects that appear in the previous paragraph to use the new system, whether there exists a relationship or not.

With regards to those countries with low or null tax systems, the resolution has a list of 33 (thirty three) countries or systems which are considered to be included in the said concept.

3. ADJUSTMENT METHODS

The adjustment methods established by law and resolution agree with the ones proposed by the Organization for Economic Cooperation and Development (OECD)

In order to establish the prices for operations it has been ordered that the contributor must use the most appropriate method according to the kind of transaction, which is defined by standard as comparable transactions. A transaction is considered comparable when it is analyzed by two linked companies, if there are no differences that affect the price, margin of profits or the amount of the price which the established methods refer to, or when those differences may be eliminated due to adjustments that allow such comparison.

Regarding these, the established methods are:

3.1. Comparable prices between independent parties

This method establishes what would have been the price agreed by the company if the transaction was carried out by an independent party, or what would have

been the price agreed by two companies which are independent parties for a transaction comparable to the one that is being carried out. The resolution establishes certain cases in which the mentioned method cannot be applied (for example, when the products are not similar, the markets are not comparable; there appear notorious differences in the volume of the transactions, etc.).

3.2. Resale prices fixed between independent parties

According to this method, the percentage of gross profit applied to the resale of a good, service or any other operation carried out by the company must be established when that transaction is carried out between independent parties. Once the gross profit percentage has been determined, it is subtracted from the price of resale and that is the price of market that the company must use. In order to determine the gross profit, the relationship between the gross profit and the net sales must be established.

3.3. Cost plus benefits

This method establishes the price of sale of a good, multiplying the cost of the goods, services or the operations whichever they are, by the result of adding to the unit the percentage of gross profit applied with or between independent parties in comparable transactions. Said percentage shall be determined by relating the gross profit with the cost of sales.

3.4. Division of profits

According to this method, firstly a global profit shall be determined by the addition of the profits assigned to each relating party, and later, said global profit shall be assigned to each of the relating parties in the proportion that arises from considering factors such as assets, costs and expenses of each of them, in relation to the transactions that would have been carried out between them.

3.5. Net margin of the transaction

By means of this method we try to determine what is the margin of profits applied to uncontrollable comparable transactions, or comparable transactions between independent parties. In order to establish said margin, profitability issues such as refunds of assets, sales, costs, expenses or flow of money may be considered.



4. IMPORT AND EXPORT OPERATIONS

When considering import and export operations between related subjects carried out by intermediaries (if they comply with certain conditions), and that they have as object primary farming products, and in general, goods with rates known in

transparent markets, in which an intermediary from abroad takes part, one who is not the effective receiver of the goods, the methods of comparable prices between independent parties shall be applied. As a result of this, it shall be

understood as such, the good's price value in the transparent market of the day of issuance of the merchandise's bill of lading, without taking into account the price agreed by the intermediary.

5. TAXPAYERS' LIABILITIES

Those taxpayers appointed by the Administration shall have to file special affidavits in the conditions determined by the said Administration. It may also request the presentation of the vouchers and supporting invoices of the transfer prices

used, as well as the comparison criteria used, in order to analyse the correct application of the prices, the amounts of the prices or the margins stated in the mentioned affidavits.

The Contributors shall have a period of no less than eight months, as from the date of closure of the considered fiscal year for the presentation of the affidavit.

6. OTHER CONSIDERATIONS

It is important to take into account that the new system provides that for the use of the new method, not only the comparative analysis but also the supporting analysis of the transfer prices, can be carried out indiscriminately over the situation of the local subject or the foreign one.

In case of choosing the second option, documented evidence certified in the country of origin shall be requested, carried out by independent auditor of good reputation, which shall have to be duly translated and legalized.

The provisions of the mentioned regulation shall be in force as from January 1st of the year 2009.

Alexandra Weisz
alexandra.weisz@mvd.auren.com
AUREN Montevideo

Tax Regulations in the Canary Islands: an approximation

Since the 15th Century, when the Canary Islands were incorporated into the Kingdom of Spain, the Islands have always held onto a series of peculiarities, in administrative affairs as well as economic and fiscal matters. That latter point is the focus our analysis here.



The Regulation supporting this system of taxation dates from 1972. Nonetheless, Spain's entry to the European Union gave rise to the necessary adjustment to the regulation, so that the Tax Arrangements Law (in Spanish, "Régimen Económico Fiscal") of 1994 of the Canary Islands brought about the naturalization of the set of rules which is in force today in this territory.

It is important to point out that this fiscal singularity is of a permanent nature, bearing

in mind that the European Union, and in particular Art.299 of the Union Treaty, recognizes the special difficulties which the remote, outlying regions face in pursuing their day-to-day activities and ultimately guarantees the adoption of specific means to overcome those hindrances, and above all among them, tax policies.

What follows is a schematic overview (given the limited space available) of some of these fiscal peculiarities.

In the first instance, it is worth pointing out that the tax system applicable in the rest of Spain is in force in the Canary Islands. That is to say, all direct taxes applicable here (Companies Tax, Income Tax, and so forth), albeit with reduced rates for certain types of activity and investments. As for indirect taxes, VAT ("IVA", in Spanish) is applicable in the Canaries although at a reduced general rate of 5% instead of the 16% which is applied in the rest of Spain.

Now we turn to the most attractive tax incentives, which apply to direct taxation of companies (corporations and physical persons):

1. The Reserve for Investments in the Canaries (RIC)

This incentive was designed with the intention of encouraging the acquisition of business assets paid for from proprietors' own funds. In this way, it was thought that the self-financing of businesses would be boosted, given the endemic lack of self-owned resources in Canarian businesses. In this sense, the RIC determines a 90% reduction in the taxable amount for Companies Tax provided that amount is invested in business assets located in the Canaries and all of it in the three following practices. Thus it is an especially powerful incentive for existing companies as well as for those that seek to gain profits. Duty

is exempt in exchange for investment in assets.

2. Special Canarian Zone ("ZEC" in Spanish)

This system is aimed at helping to diversify business activity in the Canaries, which is very much centred on the tourism and construction sectors. Hence, duty is established at a fixed rate of 4% for a period of 10 years for all start-up businesses which fulfill a series of requirements, which can be summarized as follows:

- Being a new activity carried out in the Canaries by the company (including its

partners), and that is included in a catalogue incorporated in the same. A particularly broad range of activities is included, specifically excluding tourism, construction, financial and insurance services, as well as coordination centres and inter-group operations.

- Creating at least 5 new jobs (reduced to 3 in certain cases), and keeping those jobs for the duration of the fiscal period.
- Investing at least €100,000 in business assets.
- Presenting a viability plan to the public regulator (ZEC Consortium), with financial information about the business to be set up.

It is important to bear in mind that with regard to this kind of incentive, and

while the investment group is a non-resident in Spain, the investment must be planned carefully, so as to watch out for capital being liable for international double taxation, for the distribution of dividends or for the issuance of shares.

3. Special register of vessels.

A rebate of 90% of Companies Tax is due for vessels and ship-owning firms which fulfill certain requirements, principle among which are:

- Control of the company from within the Canaries.

- At least 50% of the crew must be holders of a European Union passport.

Other applicable rules link this incentive to Social Security payments and to

Income Tax duties of crew-members who are resident in Spain.

4. Rebate of Companies Tax in respect of productive activities of corporate goods.

The “Industrial” sector has been and remains particularly reduced in the archipelago, and this is due to logistical factors which are clearly evident. So as to alleviate this limitation, a reduction of 50% in the Companies Tax duty is accrued for production companies of corporate goods, with no other requirement than the self-same activity carried out.

We have drawn your attention to some of the tax incentives in the direct duty relating to business activity. Nevertheless, a carefully detailed analysis would bring us to mention, also, the peculiarities of Indirect

Taxation (VAT –“IVA”, in Spanish– business transfers customs duties, and such like). In all these cases, tax liability in the Canaries has notable reductions in comparison with the rest of Spain.

All in all, the Canary Islands as an remote, outlying territory, has always enjoyed tax incentives which compensate its distance from the mainland and its solitude. And this fact is sanctioned by the very Constitution of Spain, and in successive legislation passed by the EU on such matters.

Francisco Fernández de Pedro
francisco.fernandez@jpa.auren.es
AUREN Canarias

German Transfer Pricing Aspects of Business Restructuring

OECD Discussion

Since several years the OECD deals with the topic of transfer pricing aspects of business restructurings. In January 2005 there was a conference on this topic in Paris. On 19 September 2008 the Committee on Fiscal Affairs (CFA) released a discussion draft on transfer pricing aspects of business restructurings for public comments. Comments are expected to be sent to the CFA before 19 February 2009.

Most of the OECD member states and some other countries have already adopted the transfer pricing regulations for current business relations among related parties recommended by OECD in their national laws. Since recent years countries also comprise business restructurings under these regulations and the OECD starts to reflect on this topic.

FUNCTION TRANSFER

In Germany there is a new legal regulation dealing with this topic effective from 1 January 2008. According to this the price of transferred business functions within a multinational enterprise including chances, risks and assets has to be determined by a business valuation. That means that the possible or likely profits embedded in the transferred business functions have to be determined. These transferred profits have to be capitalized by an interest rate adequate to the importance of the function and to its extent of risk.

German fiscal authority requires a very extensive analysis of such transfers by the multinational enterprise and a full documentation of the facts and their evaluations.

Starting with an overview over the organizational structure of the group and its economical background (products, suppliers, customers) a description of the business lines and its market situation has to be added. Furthermore an analysis of the functions and the risks of the different units within the group has to be prepared. Especially the effects of the transaction have to be evaluated.

The main evaluation method is the dealing at arm's length method. However, in most cases this method will not be applicable. Therefore in general the transfer of functions has to be evaluated by capitalizing the potential enduring profits of the function.

Examples for the transfer of functions :

1. A supplier for car industry is forced by their main customer to lower prices. This is only possible by producing in a low-wage country. Therefore they set up a company in Hungary, reduce the production in Germany and replace it by a production in Hungary. The production function has partly been transferred to the new company in Hungary. German fiscal authority calls this type of function transfer "function sharing".
2. A winery in Germany (M) has a subsidiary in Spain (D). M buys wine in tanks and bottles it in Germany. D also has a bottling department where the wines sold to the Spanish market are bottled. Due to lower costs in Spain M decides to buy the wines from D after being bottled by D. They stop bottling in Germany. The bottling function is completely transferred from M to D.
3. Facts like in case 2: M's bottling capacity in Germany is fully exploited. D has free bottling capacity. M's wine distribution is increasing over its bottling capacity. Therefore, in the extent of the sales exceeding their bottling capacity, they buy bottled wines from D. According to fiscal authorities in Germany this is also a kind of function transfer provided that within 5 years after changing to this system the bottling function in Germany is reduced (so called function doubling).

CAPITALIZATION RATE

By law the interest rate for capitalization is determined only in general terms. The basis for the interest rate is the rate for risk free investments considering the tax burden. This base rate has to be increased by a supplement adequate to the risk of the transferred function. The capitalization has to be made under the assumption of indefinite time except the group can prove that the function transfer will be effective a shorter time.



In the new heritage tax law in Germany effective 1 January 2009 the interest rate for capitalization purposes for business evaluations is determined much more exactly. The basic rate (tax burden included) is published periodically by the fiscal authorities (currently 3.61 %) and the supplement for business risk is fixed by law at 4.5 %. Therefore at the moment, the interest rate for capitalization purposes according to the heritage tax law amounts to 8.11 %. Probably this rate also has to be applied in case of function transfers.

In my opinion this interest rate for capitalization purposes is extremely too low. It means a capitalization factor of 12.33. In most industrial sectors the capitalization factor used for company sales is significantly lower, consequently the interest rate for capitalization purposes should be much higher.

In cases of the transfer of functions the evaluation has to be made for the transferring party and for the receiving party. For the transferring party ("seller") the lowest possible price has to be found. For the receiving party ("buyer") the highest possible price has to be evaluated. The area between both prices is the agreement area. Mostly the transfer price will be the middle between the lowest possible seller's price and the highest possible buyer's price.

TRANSFER PRICE ADAPTION

If the actual profits of the transferred functions differ significantly from the profits having been applied in the primary evaluation and additionally are outside the range of the agreement area the transfer price has to be adapted. This adaption can be done if the significant difference in profits occurs within 10 years after the function transfer.

PUNISHMENTS ON MISSING OR WEAK DOCUMENTATION

There are severe punishments in case of the documentation is missing or is unusable or is made too late. In case of missing or unusable documentation there will be made a supplement to the transfer price of between 5 to 10 %, at least 5,000 €. In case that the documentation is presented too late to the fiscal authorities the supplement to the transfer price can be made up to 1,000,000 €. The time limit for presenting the documentation to the fiscal authority is 60 days after fiscal authorities have required it.

Karl-Heinz Maier
 karl-heinz.maier@muc-auren.de
 Klaus Weber
 klaus.weber@muc-auren.de
 AUREN Munich

Why should you establish a holding company in Cyprus?

Cyprus is a prime venue for the worldwide operations of multinational corporations, particularly through the use of Cyprus holding companies. The corporate structure involves the ownership of a foreign subsidiary by a resident Cyprus holding company which is in turn owned by a parent corporation. The Cyprus holding company is considered a major vehicle for international tax planning for the following reasons:

✓ **Incoming dividends** remitted by the subsidiary to the Cyprus holding company are subject to **low or no withholding tax, in the country where the subsidiary is based**. This is due to the very beneficial double taxation agreements between Cyprus and many countries in the world, the effect of which is a reduction of withholding taxes on dividends remitted or total exemption from withholding taxes. Cyprus has signed 34 **double taxation treaties** covering over 40 countries. These treaties cover an array of countries from the Americas to Central and Eastern Europe as well as Asia.

✓ Additionally, as a member of the EU, Cyprus is governed by the provisions of

the EU's **Parent Subsidiary directive**, whose effect is that in case where a Cyprus holding company controls at least 15% of the shares of an EU subsidiary for a minimum period of 24 months, any dividends remitted by the EU subsidiary to the Cyprus holding company are free of any withholding taxes in the other EU country. Where the provisions of this directive do not apply (or where anti-avoidance provisions are in place), Cyprus holding companies can rely on the extensive network of double taxation treaties.

✓ **Dividend income** received by the Cyprus holding company from the

subsidiary is subject to **no corporation tax in Cyprus**.

✓ Equally, **dividend income** is **exempt from defence tax** provided that a **holding of at least 1%** in the share capital of the subsidiary can be established. This exemption may not be allowed and a 15% tax may be imposed where both:

- a) the paying company derives more than 50% of its profits from investment activities (passive foreign income); and
- b) the income of the paying company is taxed at a substantially lower rate than the Cypriot corporate tax rate (substantially lower being a rate of under 5%).



✓ Additionally, **Cyprus legislation does not encompass any provisions with regard to the optional holding period requirement**, as provided under the Parent Subsidiary Directive, for either local or overseas subsidiaries. Consequently, it may be concluded that further to Cyprus choice to opt the non-restriction of the Directive’s application, both dividends received from as well as dividends paid to other Member State Companies are transferred within the EU without being subject to withholding tax.

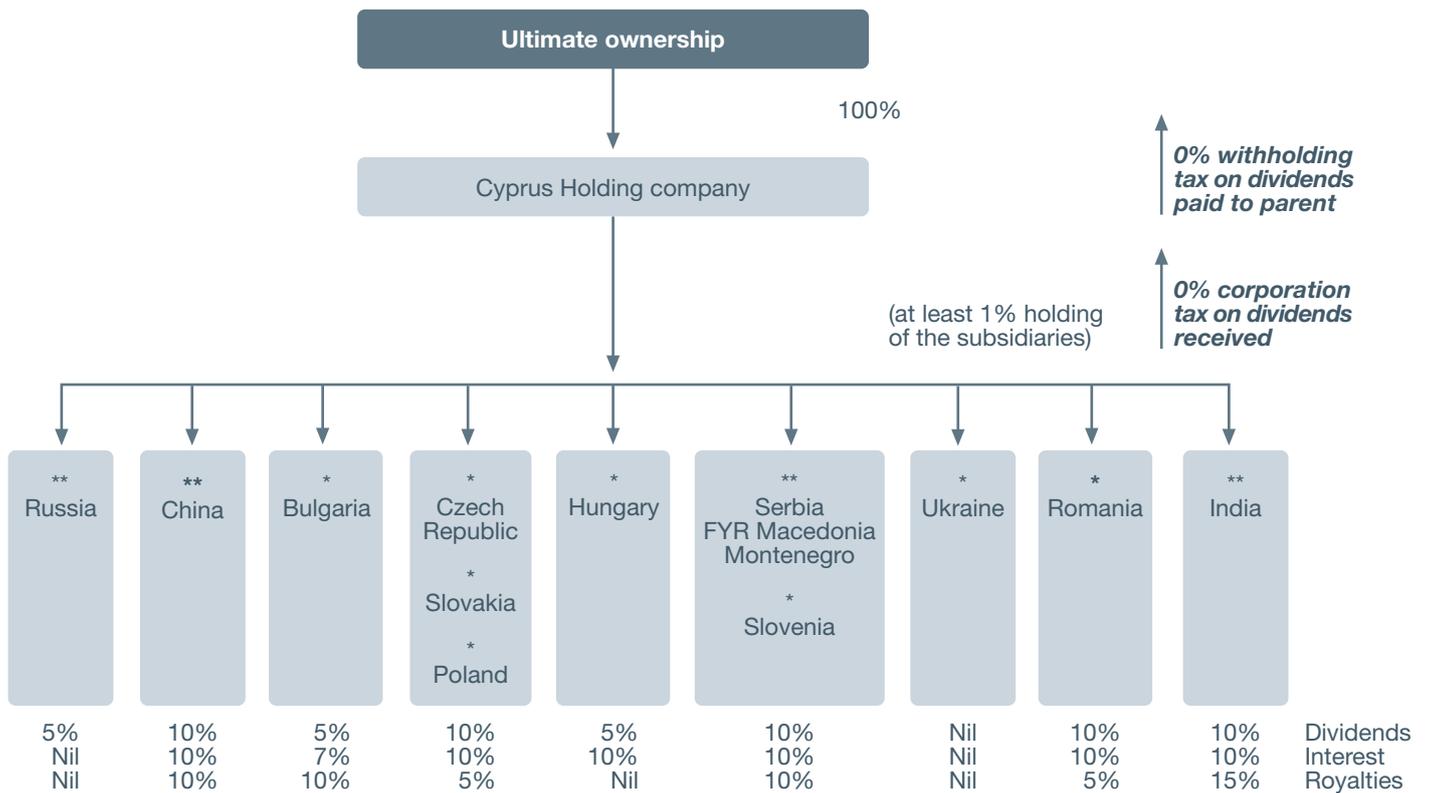
✓ The **EU Interest and Royalties Directive also has full application** in the Republic of Cyprus. It provides for the elimination

of withholding tax obstacles within the EU on interest and royalty payments among companies which are tax residents in an EU Member State or liable to pay corporate tax in an EU Member State.

✓ Profits realized by the Cyprus holding company from the sale of shares of the subsidiary or from the **sale of any shares, are exempt from Cyprus corporation tax**. This also encourages the set up in Cyprus of collective investment schemes as well.

✓ **Outgoing dividends** paid by the Cyprus holding company to the ultimate non-resident parent company **are exempt from**

any withholding taxes irrespective of the existence of any double taxation treaties and irrespective of the applicability of the EU Parent Subsidiary directive. Unlike Cyprus, other holding company regimes only reduce or exempt withholding taxes on outgoing dividends where there is a double taxation treaty in force between the holding company jurisdiction and the ultimate parent company jurisdiction or, where both the holding company and the parent corporation are resident in the EU.



* Dividends remitted by an EU subsidiary to Cyprus holding company (or any EU parent company) are subject to no withholding taxes provided that the Cyprus holding company (or any EU parent company) controls at least 15% (as at 01/01/2007) of the shares of an EU subsidiary for a minimum period of 24 months.

**These dividend, interest, and royalty withholding tax rates are provided for in the respective Double Tax Treaties with Cyprus. Dividend income received by the Cyprus holding company from the subsidiary is subject to no corporation tax in Cyprus provided the Cyprus holding company holds at least 1% of the share capital of the subsidiary.

✓ The profits of all Cyprus companies are taxed at a rate of **10%** which is the **lowest corporation tax in the EU**.

✓ The Cyprus legislation conforms fully to EU law, EU Code of Conduct of business and abides to the Organisation for Economic Co-operation and Development (OECD) standards.

✓ Companies established in the EU have the automatic right and privilege to **freedom of establishment** in Cyprus. In the **Centros case (1999)**, the European Court of Justice sanctioned the principle that a corporate body established in the Community has the right of establishment throughout the entire EU and even to conduct all its business outside the state of its origin. This means that any EU company or corporation can without any restrictions establish a holding company in Cyprus.

✓ The Cyprus law **conforms to the relevant EU Directives** thus enabling reorganizations, mergers, acquisitions and amalgamations of companies without any implications.

✓ There are **no time restrictions on the carrying forward of losses to be set off against future taxable profits** i.e. a company incurring losses in the first three years of operations may carry these losses forward for a set-off in the years with taxable profits in the future.

✓ There is **group relief for the utilization of tax losses**. Therefore a diversified group of companies belonging to a Cyprus holding company can set-off the taxable profits of the best performing subsidiaries against the losses of its loss making companies and arrive at an aggregate taxable profit.

✓ The **capital requirements** to set up a Cyprus holding company as well as the **management and administration costs are very reasonable**. Professional services are among the less costly in the EU and

at the same time the services offered by Cypriot professionals are of the highest quality.

Conclusions

Multinational corporations and international businesses active in cross-border investment activities can increase considerably their return on investment by using the Cyprus holding company structure in their international tax planning. Cyprus encourages foreign investment and is committed to creating conditions favourable to both offshore entities and those seeking an operational base in a low-cost, low-tax area. The strategic location of the island, its modern and efficient legal, professional and banking services, the business infrastructure and environment, combined with the tax incentives and concessions available to foreign investors, are the most important factors attracting international companies to operate in and through Cyprus, which has thus been established as a reputable international business centre.

Eurofast Global Limited
Tax and

Zoe Kokoni
zoe.kokoni@eurofastglobal.eu
Member of:



TAXATION ON REAL ESTATE

Argentina	INDIVIDUALS	COMPANIES
 Transfer Tax	<p>■ Tax base: Selling price</p> <p>■ Reductions: N/A (Non-applicable)</p> <p>■ Tax rate: It is of 1.5% calculated on tax base</p> <p>■ Specialities: It only applies for a natural person who is considered as a “non-regular buyer” of real estate. In order to be considered a “non-regular buyer”, an agent must request from the government the pertinent Income Tax exclusion.</p>	<p>■ Tax base: Non-applicable</p> <p>■ Reductions: Non-applicable</p> <p>■ Tax rate: Non-applicable</p> <p>■ Specialities:</p>
Income Tax on Own use	<p>■ Tax base: N/A (Non-applicable)</p> <p>■ Reductions: N/A (Non-applicable)</p> <p>■ Tax rate: N/A (Non-applicable)</p> <p>■ Specialities: Personal Property Tax; It has a 1.25% rate, calculated on real estate price/value. The payment is due annually.</p>	<p>■ Tax base: N/A (Non-applicable)</p> <p>■ Reductions: N/A (Non-applicable)</p> <p>■ Tax rate: N/A (Non-applicable)</p> <p>■ Specialities: Personal Property Tax; It has a 2.5% rate, calculated on real estate price/value. The payment is due annually.</p>
Income Tax on Profit (RENT)	<p>■ Tax base: 60 % calculated on either rent value or the gross profit after expenses needed for obtaining, maintenance and conservation of those revenues as well as other legal reductions. It is a taxpayer’s option.</p> <p>■ Reductions: Those mentioned above.</p> <p>■ Tax rate: It has a 35% rate calculated on tax base.</p> <p>■ Specialities: In addition, taxpayers will have to pay 1% of the real estate price/value for estimated minimum income tax. The payment is due annually.</p>	<p>■ Tax base: 60% calculated on either rent value or the gross profit after expenses needed for obtaining, maintenance and conservation of those revenues as well as other legal reductions. It is a taxpayer’s option.</p> <p>■ Reductions: Those mentioned above.</p> <p>■ Tax rate: It has a 35% rate calculated on tax base.</p> <p>■ Specialities: In addition, taxpayers will have to pay 1% of the real estate price/value for estimated minimum income tax. The payment is due annually.</p>
Income Tax on Capital Gain	<p>■ Tax base: 50% of the Selling price</p> <p>■ Reductions: N/A (Non applicable)</p> <p>■ Tax rate: It has a 35% rate calculated on tax base.</p> <p>■ Specialities: It only applies for a natural person who is considered a “regular buyer” of real estate.</p>	<p>■ Tax base: 50% calculated on either rent value or gross profit after expenses reductions needed for obtaining, maintenance and conservation of those revenues as well as further law reductions. It is a taxpayer’s option.</p> <p>■ Reductions: Those mentioned above.</p> <p>■ Tax rate: It has a 35% rate calculated on tax base.</p> <p>■ Specialities:</p>

TAXATION ON REAL ESTATE

Austria																												
Transfer Tax	NO DIFFERENTIATION BETWEEN INDIVIDUALS OR COMPANIES																											
	<div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <p>■ Tax base: Value of consideration (determined by purchase price or exchange benefit). If the amount of the consideration is not determinable, the tax base equates the assessed value multiplied by three. The assessed value is determined by the tax authorities and usually far below the fair market value.</p> </div> <div style="width: 48%;"> <p>■ Reductions: For acquisitions with close relatives (Husband or wife, parents or children).</p> <p>■ Tax rate: Normal tax rate 3,5%; Reduced tax rate 2%. Additionally compulsory charge of 1% for entry in the land registers.</p> </div> </div>																											
Income Tax on Own use	NO INCOME TAX FOR OWN USE!																											
	<div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <p>There is a municipal rate for the ownership of real estate (real estate tax) which has to be paid for estates which are used for own purposes as well as for other purposes.</p> <p>■ Tax base: The assessed value of the estate.</p> </div> <div style="width: 48%;"> <p>■ Tax rate: Depends on the municipal rate fixed by the municipality. Usually about 1% of the assessed value of the estate.</p> <p>■ Specialities: There are temporary exemptions for buildings which are used for residential purposes (hence only for individuals).</p> </div> </div>																											
Income Tax on Profit (RENT)	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #d9e1f2;"> <th style="width: 15%;"></th> <th style="width: 35%;">Individual</th> <th style="width: 50%;">Company</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Tax base</td> <td>Earnings - expenditures (depreciation, repairs and maintenance expenses)</td> <td>Earnings -expenditures (depreciation, repairs and maintenance expenses)</td> </tr> <tr> <td style="text-align: left;">Depreciation rates:</td> <td>1,5%</td> <td> ■ 3% for buildings used directly for industrial, commercial or agricultural purposes ■ 2% for other (office) buildings ■ 2,5% for buildings used </td> </tr> <tr> <td style="text-align: left;">Tax Rate:</td> <td>See below</td> <td>Limited Liability Companies (GmbH) and Public Limited Companies (AG) are liable to Corporate Income Tax. Flat tax rate of 25%.</td> </tr> </tbody> </table> <p>■ Tax rate for individuals:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #d9e1f2;"> <th style="width: 30%;">at an annual income of (€)</th> <th style="width: 30%;">average tax rate</th> <th style="width: 40%;">Less €</th> </tr> </thead> <tbody> <tr> <td>0 to 10.000</td> <td>0%</td> <td>0</td> </tr> <tr> <td>10.000 – 25.000</td> <td>38,33%</td> <td>3833</td> </tr> <tr> <td>25.000 – 51.000</td> <td>43,6%</td> <td>5150,5</td> </tr> <tr> <td>51.000 and beyond</td> <td>50%</td> <td>8414,5</td> </tr> </tbody> </table> <p>There will be a slight adjustment of the taxrate for the benefit of the individual taxpayers in 2009.</p> <p>■ Specialities: Accelerated depreciation of revitalization costs for individuals.</p>		Individual	Company	Tax base	Earnings - expenditures (depreciation, repairs and maintenance expenses)	Earnings -expenditures (depreciation, repairs and maintenance expenses)	Depreciation rates:	1,5%	■ 3% for buildings used directly for industrial, commercial or agricultural purposes ■ 2% for other (office) buildings ■ 2,5% for buildings used	Tax Rate:	See below	Limited Liability Companies (GmbH) and Public Limited Companies (AG) are liable to Corporate Income Tax. Flat tax rate of 25%.	at an annual income of (€)	average tax rate	Less €	0 to 10.000	0%	0	10.000 – 25.000	38,33%	3833	25.000 – 51.000	43,6%	5150,5	51.000 and beyond	50%	8414,5
	Individual	Company																										
Tax base	Earnings - expenditures (depreciation, repairs and maintenance expenses)	Earnings -expenditures (depreciation, repairs and maintenance expenses)																										
Depreciation rates:	1,5%	■ 3% for buildings used directly for industrial, commercial or agricultural purposes ■ 2% for other (office) buildings ■ 2,5% for buildings used																										
Tax Rate:	See below	Limited Liability Companies (GmbH) and Public Limited Companies (AG) are liable to Corporate Income Tax. Flat tax rate of 25%.																										
at an annual income of (€)	average tax rate	Less €																										
0 to 10.000	0%	0																										
10.000 – 25.000	38,33%	3833																										
25.000 – 51.000	43,6%	5150,5																										
51.000 and beyond	50%	8414,5																										
Income Tax on Capital Gain	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #d9e1f2;"> <th style="width: 15%;"></th> <th style="width: 40%;">Individual</th> <th style="width: 45%;">Companies</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Tax Base:</td> <td colspan="2">Capital gain or loss is the difference between the sales price of an asset and the cost basis remaining at time of sale after deducting depreciation and other write-downs.</td> </tr> <tr> <td style="text-align: left;">Reductions:</td> <td>After a holding period > 10 years, capital gains are free of tax.</td> <td>None</td> </tr> <tr> <td style="text-align: left;">Tax rate:</td> <td>See under Profit (Rent)</td> <td>See under Profit (Rent)</td> </tr> </tbody> </table> <p>■ Specialities: For individuals there is reduced holding periods for estates which are used for own residential purposes.</p>		Individual	Companies	Tax Base:	Capital gain or loss is the difference between the sales price of an asset and the cost basis remaining at time of sale after deducting depreciation and other write-downs.		Reductions:	After a holding period > 10 years, capital gains are free of tax.	None	Tax rate:	See under Profit (Rent)	See under Profit (Rent)															
	Individual	Companies																										
Tax Base:	Capital gain or loss is the difference between the sales price of an asset and the cost basis remaining at time of sale after deducting depreciation and other write-downs.																											
Reductions:	After a holding period > 10 years, capital gains are free of tax.	None																										
Tax rate:	See under Profit (Rent)	See under Profit (Rent)																										
Other Considerations	<p>■ Value added tax. Rental income of flats: 10% VAT Rental income for business purposes: 0% VAT or 20% VAT (option). If you choose the 0% option, input VAT for intermediate inputs is not deductible.</p>	<p>Written rental agreements are subject to fee.</p> <p>With August 1. 2008, the inheritance tax and gift tax in Austria were disestablished.</p>																										

TAXATION ON REAL ESTATE

	chile	
Taxes on Property Transfers	No taxes are applied to transfers of real estate property	
Tax on Income from Property of Personal Use	INDIVIDUALS	CORPORATE ENTITIES
	<p>Real Estate Property used by the owner and/or his family is not liable to any Income Tax, except plots of land and property not used by the owner and/or his family, in which case an estimated income is determined for the equivalent of 7% of the legal evaluation of the property. This value is taxed directly with Personal Tax in the case of residents (<i>Impuesto Global Complementario</i>) IGC, on a progressive scale ranging from 0% to 40%. This type of taxation is personal and is not liable to any Reductions.</p>	<p>When real estate property is owned by corporations but used by owners, spouses or still dependent descendants, a presumed distribution of profits is taxed at a rate of 11% of the legal value stated for the property. The Global Personal Tax (<i>Impuesto Global Complementario</i>) (IGC) is applied when the corporation is constituted as an association of individuals (SRL). Instead, if the corporation is constituted as a stock company the estimated tax is of 35%. In the case of real estate property owned by companies and destined directly to activities of same, no tax is applied for ownership of said properties.</p>
Income Tax applied to Profits	INDIVIDUALS AND CORPORATIONS	
	<p>Profit generated by individuals or corporations is liable to First Category Tax at a rate of 17%. When said profits are withdrawn from corporations, they are liable to Personal Tax (IGC) at a rate ranging from 0% to 40% applied to the amount of profit distributed. For non-residents, Additional Tax</p>	<p>(<i>Impuesto Adicional - IA</i>) at a rate of 35% is applied. First Category Tax has the benefit of a credit equal to Real Estate Tax (CBR) paid during the respective business year. Personal Tax (IGC or IA) has the benefit of a credit at the rate of 17% paid by the Corporation.</p>
Income Tax on Capital Gains	Not Liable to Tax on Effective Income according to Complete Accounting Records, whether Individuals or Corporations	Liable to Effective Income Tax according to Complete Accounting Records
	<p>In general, profits from sale/transfer of Real Estate property is not liable to tax but this group is obliged, however, to comply with the following terms:</p> <ul style="list-style-type: none"> I) Time elapsed between the date of purchase and sale of property must exceed one year; II) Sale/Purchase must not occur between a related person or corporation; III) In the case of sub-divided land, whether urban or rural, the sale must be closed after four years have elapsed counted from the date the property was purchased, and IV) In the case of property consisting of floors or apartments in buildings, the sale must take place once four years have elapsed counted from the date construction works were completed. <p>Noncompliance with terms and conditions hereabove implies profits to be liable to taxation. That is, First Category Tax at a rate of 17% and Personal Tax (IGC) at a rate from 0% to 40% is applied for residents, or the Additional Tax (IA) at a rate of 35% is applied for non-residents. In both cases these Personal Taxes have the benefit of a reduction as credit at a rate of 17%.</p>	<p>Those obliged to keep complete accounting records of profits obtained from capital gains are liable to First Category Tax at a rate of 17%. This tax has the benefit of an advance on Personal Taxes (IGC) or (IA) when applied as a result of profit distributions.</p> <p>When profits are actually distributed, Personal Taxes are applied at rates ranging from 0% to 40% for residents (IGC), or a rate of 35% as Personal Tax for non-residents (IA). In both cases, First Category Tax of 17% is applied as credit in favour of Personal Taxes.</p>

TAXATION ON REAL ESTATE

 Cyprus																										
Transfer Tax	<p>The real estate transfer tax is imposed on the sale price or the current market value of the real estate as estimated by the Land Registry department. The applicable tax rates vary from 3 – 8%.</p> <p>Transfer fees paid when transferring property to a group company may be refunded after 5 years if the company remains in possession of the property and the shareholders of the company remain the same.</p> <p>In cases of a transfer of immovable property from family owned companies to shareholders, or a transfer of immovable</p>	<p>property as a gift between spouses, from parent to child or between relatives up to the third degree, transfer fees are calculated based on the value of the property appearing on the title deed of the property, as follows:</p> <table border="1" style="width: 100%;"> <tr> <td>Transfer to a spouse and/or relative up to the third degree</td> <td style="text-align: center;">8%</td> </tr> <tr> <td>Transfer to a child</td> <td style="text-align: center;">4%</td> </tr> </table> <p>No transfer taxes apply in cases of transfers between companies in the process of reorganisation.</p>	Transfer to a spouse and/or relative up to the third degree	8%	Transfer to a child	4%																				
Transfer to a spouse and/or relative up to the third degree	8%																									
Transfer to a child	4%																									
Income Tax on Own use	<p>No income tax is imposed on the own use of real estate.</p> <p>Immovable property tax is imposed annually on the market value of the property as at 01/01/1980, on any immovable property held on 1 January of each year. The applicable rates range from 0 – 0.40%.</p>	<p>An exemption is granted to religious buildings, public cemeteries, schools, public hospitals, property owned by foreign embassies, consulates, or the Republic, property in depressed areas, agricultural land used by a farmer for agricultural purposes, buildings owned by charitable organisations or buildings under preservation, etc.</p>																								
Income Tax on Profit (RENT)	<p>Rental income is subject to both corporate income tax as well as special contribution to the defence tax. The applicable rates are as follows:</p> <p>Individuals are entitled to a deduction of 20% of rental income received from income tax, which is allowed as an expense for rental income deriving from buildings.</p>	<table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">Corporate income tax – individuals</td> <td style="text-align: center;">Taxable income</td> <td style="text-align: center;">Tax rate</td> </tr> <tr> <td></td> <td style="text-align: center;">0 – 19,500</td> <td style="text-align: center;">0%</td> </tr> <tr> <td></td> <td style="text-align: center;">19,501 – 28,000</td> <td style="text-align: center;">20%</td> </tr> <tr> <td></td> <td style="text-align: center;">28,000 – 36,300</td> <td style="text-align: center;">25%</td> </tr> <tr> <td></td> <td style="text-align: center;">Over 36,301</td> <td style="text-align: center;">30%</td> </tr> <tr> <td style="text-align: center;">Corporate income tax – companies</td> <td></td> <td style="text-align: center;">10%</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">3%</td> </tr> <tr> <td style="text-align: center;">Special Contribution to the defence fund (applicable both to companies and individuals)</td> <td colspan="2" style="text-align: center;">on 75% of the rental income</td> </tr> </table>	Corporate income tax – individuals	Taxable income	Tax rate		0 – 19,500	0%		19,501 – 28,000	20%		28,000 – 36,300	25%		Over 36,301	30%	Corporate income tax – companies		10%			3%	Special Contribution to the defence fund (applicable both to companies and individuals)	on 75% of the rental income	
Corporate income tax – individuals	Taxable income	Tax rate																								
	0 – 19,500	0%																								
	19,501 – 28,000	20%																								
	28,000 – 36,300	25%																								
	Over 36,301	30%																								
Corporate income tax – companies		10%																								
		3%																								
Special Contribution to the defence fund (applicable both to companies and individuals)	on 75% of the rental income																									
Income Tax on Capital Gain	<p>Capital Gains Tax, at the rate of 20%, is imposed on gains (difference between the sale proceeds and the original cost of the property, adjusted for inflation) from the disposal of immovable property situated in Cyprus, or from the disposal of shares in companies the assets of which mainly consist of immovable property in Cyprus.</p> <p>Individuals may be granted lifetime exemptions as follows:</p> <table border="1" style="width: 100%;"> <tr> <td>Sale of private residence (limitations apply)</td> <td style="text-align: right;">€ 85,430.07</td> </tr> <tr> <td>Sale of land used by a farmer for agricultural purposes</td> <td style="text-align: right;">€ 25,629.02</td> </tr> <tr> <td>Other sales</td> <td style="text-align: right;">€ 17,086.01</td> </tr> </table>	Sale of private residence (limitations apply)	€ 85,430.07	Sale of land used by a farmer for agricultural purposes	€ 25,629.02	Other sales	€ 17,086.01	<p>Exempted transactions include, among others, the following:</p> <ul style="list-style-type: none"> ■ transfer of immovable property due to death; ■ gifts among relatives up to the third degree; ■ gifts to companies by members of the family of the shareholders (relationship is present for at least 5 years); ■ gift by a family owned company to its members, given that certain requirements are fulfilled; ■ certain charity donations; ■ profit on the sale of shares listed on the Stock Exchange; ■ profit deriving from company reorganisations. 																		
Sale of private residence (limitations apply)	€ 85,430.07																									
Sale of land used by a farmer for agricultural purposes	€ 25,629.02																									
Other sales	€ 17,086.01																									
Other Considerations	<p>VAT: VAT is imposed on the sale of immovable property at the rate of 15%. An individual may be awarded a partial refund if the property will be used for residential purposes for the first time, subject to the fulfilment of certain conditions.</p> <p>In the case of a VAT registered company, VAT paid on the acquisition of premises for business purposes, may subsequently be claimed at the time of preparation of the VAT returns</p> <p>Stamp Duty: Stamp duty is a tax imposed on documents referring to assets or activities in Cyprus irrespective of the place of signing of</p>	<p>the documents. In the absence of such contracts, no stamp duty arises.</p> <table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">Contract value (EUR)</td> <td style="text-align: center;">Stamp Duty</td> </tr> <tr> <td style="text-align: center;">Up to 170,860.14</td> <td style="text-align: center;">0.15%</td> </tr> <tr> <td style="text-align: center;">From 170,860.14 to 8,543,007.21 million</td> <td style="text-align: center;">0.2%</td> </tr> <tr> <td style="text-align: center;">Over 8,543,007.21 million</td> <td style="text-align: center;">€17,860.14 fixed stamp duty</td> </tr> </table> <p>No stamp duty is imposed in cases of company reorganisations.</p>	Contract value (EUR)	Stamp Duty	Up to 170,860.14	0.15%	From 170,860.14 to 8,543,007.21 million	0.2%	Over 8,543,007.21 million	€17,860.14 fixed stamp duty																
Contract value (EUR)	Stamp Duty																									
Up to 170,860.14	0.15%																									
From 170,860.14 to 8,543,007.21 million	0.2%																									
Over 8,543,007.21 million	€17,860.14 fixed stamp duty																									

TAXATION ON REAL ESTATE

 Germany	
Transfer Tax	<p>Property transfer tax is levied on the purchase price of real estate. The transfer tax rate is 3.5 %.</p> <ul style="list-style-type: none"> ■ acquisitions from former husband and wife after a divorce. ■ acquisitions from direct relatives. <p>Exempted from property transfer tax are amongst others</p> <ul style="list-style-type: none"> ■ acquisitions of real estate when the taxable base is less than 2,500 EUR. ■ real estate that is inherited or donated. ■ acquisitions from husband and wife. <p>If real estate is transferred from a partnership to a participator or the other way around, transfer tax is only levied partly. That means transfer tax is not levied on that part of the real estate, on which the participator is already participating.</p>
Income Tax on Own use	There is no income tax on the own use of real estate.
Income Tax on Profit (RENT)	<p>Rental income is taxed with the individual tax rate. Taxable income is the rental income less income-related expenses.</p> <p>If real estate is rented by a company, the rental income is also subject to trade tax.</p>
Income Tax on Capital Gain	<p>The sale of real estate by individuals is only taxable, when the transaction takes place within 10 years after the acquisition.</p> <p>In that case the capital gain (sales price less purchase price and acquisition costs) is taxable with the individual tax rate.</p> <p>The purchase price has to be reduced by depreciations that have been deducted as rental income-related expenses.</p> <p>If the real estate was only used for own residential purposes or if it was used for own residential purposes within the last 2 years before the sale, the capital gain is exempted from income tax.</p> <p>The sale of real estate by companies is always taxable, no matter how long the real estate was part of the business assets. Capital gain is the sales price less the book value of the real estate.</p>
Other Considerations	Nothing to mention.

TAXATION ON REAL ESTATE

 Mexico	INDIVIDUAL	COMPANIES
Transfer Tax	<ul style="list-style-type: none"> ■ Tax base: Mexican residents: gain Foreign residents: income ■ Reductions: acquisition cost ■ Tax rate: Mexican residents: Progressive tax rate (28% as a highest rate) Foreign residents: 25% on the total income ■ Specialities: Sales of dwelling are exempt for 1,500,000 investments units (around \$428,500.00 US dollars). This exemption only applies to the first sale in the year. 	<ul style="list-style-type: none"> ■ Tax base: Mexican residents: Gain Foreign residents: Income ■ Reductions: For Mexican residents: Acquisition cost ■ Tax rate: Mexican residents: 28% on the gain Foreign residents: 25% on the total income f ■ Specialities: Foreign residents who have a representative in Mexico may elect to pay the tax as a Mexican resident does applying a progressive tax rate (28% as a highest rate) on the gain obtained instead by a withholding of the total income.
Income Tax on Profit (RENT)	<ul style="list-style-type: none"> ■ Tax base: Mexican residents: gain Foreign residents: income ■ Reductions: Mexican residents: some expenses ■ Tax rate: Mexican residents: Progressive tax rate (28% as a highest rate) Foreign residents: 25% on the total income ■ Specialities: 	<ul style="list-style-type: none"> ■ Tax base: Mexican residents: gain Foreign residents: income ■ Reductions: Mexican residents: some expenses ■ Tax rate: Mexican residents: 28% on the gain Foreign residents: 25% on the total income ■ Specialities:
Income Tax on Capital Gain	<ul style="list-style-type: none"> ■ Tax base: Mexican residents: gain Foreign residents: income ■ Reductions: Mexican residents: acquisition cost. ■ Tax rate: Mexican residents: Progressive tax rate (28% as a highest rate) Foreign residents: 25% on the total income ■ Specialities: Foreign residents who have a representative in Mexico may elect to pay the tax as a Mexican resident does applying a progressive tax rate (28% as a highest rate) on the gain obtained instead by a withholding on the total income, however they must file a report prepared by a public accountant authorized by the tax authorities. 	<ul style="list-style-type: none"> ■ Tax base: Mexican residents: gain Foreign residents: income ■ Reductions: Mexican residents: acquisition cost. ■ Tax rate: Mexican residents: Progressive tax rate (28% as a highest rate) f Foreign resident: 25% on the total income ■ Specialities: Foreign residents who have a representative in Mexico may elect to pay the tax as a Mexican resident does applying a progressive tax rate (28% as a highest rate) on the gain obtained instead by a withholding on the total income, however they must file a report prepared by a public accountant authorized by the tax authorities
Other Considerations	There is not an income tax on own use, there is local tax on the property which each city established, so this is not a federal tax but a city tax and the tax base and rate depends of each city.	

TAXATION ON REAL ESTATE

 Spain		
Transfer Tax	NON-RESIDENT INDIVIDUALS AND COMPANIES	
	<p>■ Tax base: Real Value of the property (normally Transfer Price).</p> <p>■ Reductions: Do not apply.</p>	<p>■ Tax rate: - New Property: VAT at 7% houses or 16% offices and others. - Second-hand Property: Transfer Tax: 6%.</p>
Income Tax on Own use	NON-RESIDENT INDIVIDUALS	NON-RESIDENT COMPANIES
	<p>■ Tax base: In general, 2% of the Assessed Value of the property ("valor catastral" as shown in the bill of Property Tax; IBI) In the case of properties when the assessed value has been revised or modified after 1 January 1994, the percentage will be 1.1%</p> <p>■ Reductions: Do not apply.</p> <p>■ Tax rate: 24%</p>	<p>Special Tax on Real Estate Owned by Non-resident Organizations</p> <p>■ Tax base: The assessed value of the property (valor catastral) of the real estate assets.</p> <p>■ Tax rate: 3%</p> <p>■ Specialities: Deductibility of the tax; The charge arising from the Special Tax will be regarded as a deductible expense when determining the taxable base for regular non-resident income tax.</p>
Income Tax on Profit (RENT)	NON-RESIDENT INDIVIDUALS AND COMPANIES	
	<p>■ Tax base: The amount to declare is the gross income received from the tenant, without deducting any expenses.</p>	<p>■ Reductions: Do not apply.</p> <p>■ Tax rate: 24%</p>
Income Tax on Capital Gain	NON-RESIDENT INDIVIDUALS AND COMPANIES	
	<p>■ Tax base: The amount of the capital gain is determined by the difference between the transfer and the acquisition values of the property. ACQUISITION VALUE is the real cost price of the asset involved, plus all expenses and taxes inherent to the acquisition, excluding interest, paid by the transferor. Depending on the year of acquisition, this value is corrected by the application of an updating coefficient which is established annually in accordance with the General State Budget Act. TRANSFER VALUE is the real amount for which the disposal was made, reduced by the amount of expenses and taxes related to the transfer paid by the seller.</p> <p>■ Reductions: In the case of individuals if the real estate was acquired before the 31 December 1994 the capital gain may be reduced.</p>	<p>■ Tax rate: 18%</p> <p>■ Specialities: The person acquiring their property, whether resident or not, is obliged to withhold and deposit 3% of the agreed price in the Public Treasury for purchases made from 01/01/2007. The seller can deduct this withholding from the tax to be paid as a result of the tax return including the capital gain.</p>

TAXATION ON REAL ESTATE

 Uruguay		
Transfer Tax Capital Wealth Transfer Tax (CWTT)	<ul style="list-style-type: none"> ■ Tax base: The tax encumbers among others, the transfers and transfer promises of real estate. The tax base is the real value fixed by the National Property Registration Office, in force at the moment in which it is levied upon. 	<ul style="list-style-type: none"> ■ Reductions: There are no tax reductions. ■ Tax rate: The tax rate is 4% (2% for the buyer and 2% for the seller).
Income Tax on Own use	Own use is not encumbered in our country by any income tax.	
Income Tax on Profit (Rent) Income Tax to Economic Activities (ITEA)	NATURAL PERSONS	LEGAL ENTITIES
<ul style="list-style-type: none"> ■ Tax base: The difference between the sales price, minus the CWTT which corresponds to the buyer, minus the fiscal value of the good involved. As for the case of real estate purchased before 01/JUL/2007, there exists the option of applying the previous criterion or determining the calculated rent as 15% of the sales price. ■ Reductions: There are no reductions to this tax. ■ Tax rate: In every case, the aliquot shall be 12% and it is applied proportionally to the whole rent, without tax base. 	<ul style="list-style-type: none"> Tax base: the tax base is determined as the difference between the sales price and the cost value or the good's revalued cost minus the corresponding redemptions. As for the case of rural real estate sales affected to agricultural activities purchased before 01/JAN/07, it is possible to determine the rent according to the general system detailed above, or apply 6% over the purchase price. Reductions: There are no reductions to this tax. Tax rate: The tax rate is of 25%. 	
Income Tax on Capital Gain	There is no income tax levied upon real estate value increase.	
Other Considerations	VALUE ADDED TAX (IVA)	CAPITAL WEALTH TAX (CWT)
<ul style="list-style-type: none"> ■ The value added in the construction of real estate is encumbered by VAT, at a 22% rate provided that the construction is hired under certain circumstances, and provided that the real estate is not affected to activities carried out which generate profit encumbered by VAT, ITEA or by the Agricultural Goods Sales Tax by the owner of the construction. ■ The first real estate transfer carried out by building companies is encumbered by VAT at a 10% rate. They are included in the concept the transfers that said companies carry out on real estate which have undergone significant restorations or recycling works. 	<ul style="list-style-type: none"> ■ Natural persons: Real estate ownership is encumbered by the tax provided that the whole encumbered assets exceed a certain amount. ■ Legal entities: Real estate ownership is encumbered by CWT at a 1.5% rate over the fiscal value of the same. 	



ANDORRA
ANGOLA
ARGENTINE
AUSTRIA
BULGARIA
COLOMBIA
CYPRUS
CHILE
ECUADOR
EL SALVADOR
GREECE
GERMANY
GUATEMALA
HONDURAS
LUXEMBOURG
MALTA
MEXICO
NETHERLANDS
PERU
PORTUGAL
ROMANIA
SERBIA
SPAIN
SWITZERLAND
URUGUAY
USA

