ALLIANCE OF INDEPENDENT FIRMS

INTERNATIONAL NEWSLETTER

MARCH 2012

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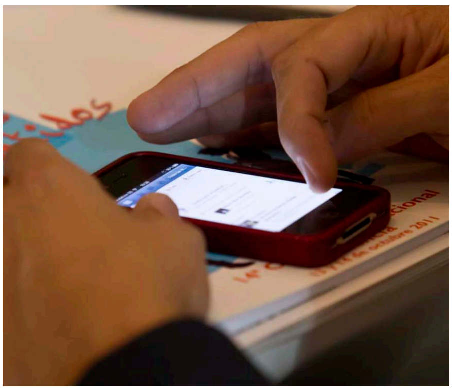
Project for the reform of the Income Tax Law, aspects of interest for the foreign investor

ARGENTINA

In this opportunity, we found of great interest to summarize and analyze a reform bill of the Income Tax law, which has become public a few days ago, in late January.

The importance lies on the high impact of the changes that would be introduced in the Income tax. Taking into account that the authorship of the project apparently corresponds to the Tax Administration, it is the government



itself who would be boosting the project, and since the government has its own quorum in Congress and parliamentary majority, the project should progress without major obstacles.

In this article we will focus on those aspects of the project that have an impact on foreign investors' interests in financial assets in Argentina, and on foreign companies that have business dealings or perform service benefits to Argentine companies.

A) Elimination of the exemption on the results forstock trading to foreign residents

At present, subjects who live abroad, whether they are natural or legal persons, benefit from an exemption on the income tax on the results from operations for the sale of shares, bonds and other securities, granted by Art. 78 Of the Decree 2284/2001.

The project raises the elimination of the above-mentioned article 78 of this decree, and therefore, in becoming law this project, the treatment of this kind of results would be as well:

Shares (with or without listing on stock exchanges or markets): the result by the sale obtained from the subject resident abroad is reached by the income tax.

Titles of sovereign debt of Argentina: by application of the art. 36 Bis of the Law 23.576, the results for the sale, as well as the interest paid by the title, will remain exempt from an abroad resident (natural or legal person).

Negotiable Obligations listing on stock exchanges or markets: by application of the same article 36 Bis, mentioned in the previous case, the title interests and results by sale,are considered exempt for a foreigner resident.
Negotiable Obligations without quotation: taxable interests, and the result of the sale on the income tax in the case of foreigner residents.

Trust Debt Securities placed by public offering in exchange stocks or markets:

individuals living abroad are exempt from the interests and the result for the sale by application of the art. 83 Of the Law 24.441.

Trust Debt Securities placed without a public offering: taxed the interest paid and result by sale at the case of foreigner residents.

The way in which the taxable fact in the tax is generated for the individuals living abroad, is at the time of payment by a resident of the country, whomust act as a withholding agent, and retain the tax as final and definitive payment. Under this, after the validity of the proposed reform, the operations' payments made by residents that would be taxed, will be reached by withholding income tax.

B) Operations with companies residing in tax havens

The project aims to completely eliminate the operations carried out with players in the so-called "tax havens", constituted by states, territories or special tax regimes that allow the low or zero taxation of the corporate income tax by operations carried out outside its territory.

We recall that there are numerous examples in the practice of business in which operations are performed with subjects located in such territories, genuinely independent unresponsive to tax avoidance strategies. As an example we quote the import and export of goods to and from Hong Kong, which is a very important place for international trade with Asia, and yet it is within the list of "tax havens" for the purposes of Argentine income tax.

To date, the transactions with these individuals should be compulsorily tested through a transfer pricing study, to determine whether the agreed benefits have been established respecting the "arm's length rule". If the study revealed that there are differences between what has been agreed and the resulting value of operations or margins between comparable independent parties, there should be an adjustment. This obligation logically is on the company residing in Argentina.

The project achieves the virtual elimination of these operations for the purchase of goods, services and intangible made to these individuals, through two provisions:

1) It eliminates the deductibility to companies residing in Argentina, in income tax, costs or expenses represented by amounts paid to individuals or entities located in tax havens, whatever their nature or type of operation that gives them origin.

2) Creates the legal presumption, that does not support evidence to the contrary, that the payments that a resident company in Argentina, perform a subject based or located in "tax havens", or even a subject which, not being based in them, receive the funds in a bank account of a financial institution based in a "tax haven", originate net profit of source argentina for 100% of the gross amount paid. And are subject to withholding tax the amount of the payment at the head of the payer at the rate of 35 %, i.e. that for each U$S 100.- paid, must be retained U$S 35.- Then turn the net U$S 65. -. If the payment with the subject of the outside has been agreed upon argentines tax-free, the effective retention that will fall on the payer resident in the country, will be of 54 %, that is to say that for every U$S 100 net that you transfer to the foreigner resident (in a tax haven), there must be borne by entering the Treasury U$S 54.-

By as currently drafted, the project would seem to leave out of this presumption in imports of goods, leaving covered the rest of the import transactions in services, interests, intangibles etc.-

As we can see, these provisions, to be approved, implies in practical terms that make it impractical for a resident company in Argentina, operate with a subject based in a "tax haven".

The list of "tax havens" is exhaustively and is content in the Regulatory Decree of income tax. The reform project empowers to the A. F. I. P. to updating of this list, excluding those states that sign with the Republic of Argentina a convention for the avoidance of double taxation with clause for the exchange of information, or an agreement for exchange of information in tax matters, while it is effectively enforced.

Finally, it is our hope that, during the parliamentary treatment, is imbued with a common sense and corrected in something the folly of this project, which will accentuate the lack of confidence of foreign investors in our legal system, and will break the trade relations with the outside world.

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New amendments to Bulgaria's Tax System

BULGARIA

The Bulgarian parliament voted on December 7 2011 for amendments to several tax laws related to VAT, excise duties and warehouses tax, which are effective from January 1 2012.

VAT

The main amendments are related to payment of VAT under transactions with immovable property.

To start with, the tax base for transactions with regulated plots of land and new buildings (including the adjacent terrain) will no longer be adjusted for VAT purposes when the selling price is lower than the acquisition price (or the current market price). Previously, taxpayers were required to charge 20% VAT on the acquisition price (or current market price) if the selling price was lower.

As for the transactions between related parties, the taxable base for VAT purposes will be the market price only in certain cases, the majority of which related to the situations in which the supplier is not entitled to full VAT refund. Previously, the tax basis for all transactions between related parties was the market price.

Moreover, VAT for supplies of the construction right will not be subject to the VAT rules only up to the moment of issuance of the construction permit (previously, up to the completion of the construction works).

Two amendments are related to the provision of tourist services. The first one is a clarification of the scope of application of the reduced 9% VAT rate. Provision of lodging services which falls under the reduced VAT rate encompasses hotels and similar establishments, as well as recreational complexes and rental of

place in camping sites. The second amendment concerns the special arrangements for taxing the margin for tourist services – they will not be applicable for deliveries between tour operators or supplies from a travel agent.

Traders of second-hand goods, with the exception of works of art, collectors' items and/or antiques, will be able to request deduction of the paid import VAT under the common rules without the requirement for subsequent supply.

Legal entities with VAT registration will have to submit their VAT declarations, as well as their sales and/or purchase ledgers electronically any case when there are more than five records.

Excise duties and warehouse taxes

New definitions of the terms "customs suspension procedure or arrangement" and "import of excise goods" are introduced. As "customs suspension procedure" is considered as any one of the special arrangements provided for in Regulation (EEC) N° 2913/92 of the Council of October 12 1992 establishing the Community Customs Code on Customs supervision, which applies to non-Community goods upon their entry into the customs territory of the EU, temporary warehousing, free zones or free warehouses, as well as each of the modes of art. 84, paragraph 1, letter "a" of the regulation". As for the import of excise goods, this is every entry of excise goods within the Union, unless their entry is done under customs suspension procedure/ arrangement, as well as their release from this procedure/ arrangement.

Higher excise duty rates on kerosene and gasoline are introduced along with an excise duty for natural gas used for commercial purposes.

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Cyprus in 2012 – An exception to the global trends?

CYPRUS

Now, when all Christmas presents have already been opened and the memories of New Year celebrations are fading away, it is time to have a look at the year that has just begun. Will the world come to an end in 2012 and together with it all our worries and problems, including tax ones? Will we see at least some light at the end of the tunnel so-called "global crisis"? Do we just need to keep a low profile and hope that we will "manage" through the next 12 months or should we stand up and start actively preparing for the days to come?

Those questions undeniably contain a great share of philosophy in them, but they are also practically oriented. For professionals dealing with taxation, it is evident that ever since the G20 summit in April 2009, the issue of preventing tax evasion due to loopholes in national legislation and/or Treaties for Avoidance of Double Taxation has been high in the agenda of both politicians and businessmen. The level of scrutiny by national tax authorities is rising; cooperation between tax officials of different jurisdictions is improving. A significant number of multinationals have experienced a rise in audits and/or in the cost of tax compliance. Most businesses feel that the exposure of their tax planning activity has a detrimental impact of their reputation.

Is Cyprus an exception to the global trends? A set of austerity measures has been approved by the Parliament just before the end of 2011 in order for the country to financially recover and respond to the Eurozone crisis. The logic of the treasury is clear - it is all about money – and taxes. More interesting seems to be the position of the taxpayers - residents and especially non-resident investors.

Currently, Cyprus holds 40th place[1] out of 183 countries in the classification of the World Bank of the ease of doing business – substantial improvement since 49th place in 2010, largely due to its reforms in the area of investor protection. Having extensive business presence in the Balkans, we have witnessed the developments in FYR Macedonia as one of the economies with most improvement in the ease of doing business over the last year, not to forget mentioning the reforms in the insolvency regimes of Bulgaria, Romania, Serbia and Montenegro.

Back to Cyprus, we could fairly accurately predict that the country will keep its high ranking and even hope for more advanced position. Starting and operating business in Cyprus will remain as easy as before, the nominal annual fee of 350 EUR payable to the Registrar of Companies being no impediment for foreign investors. Some companies lacking substance, i.e. real economic presence in the country, could be subjected to deregistration, but this will actually have a positive effect on the general business climate in the country. It is a high time for investors to realize that tax planning is not a simple registration of a company anymore, that efforts should be made to keep the company "alive" and "substantial" in order to enjoy the tax benefits available under the national tax law of Cyprus and/or the DTTs, to which the country is a party.

The island country has attracted in the past decades many foreigners searching for stable political and economic environment, warm cli-

1 http://www.doingbusiness.org/rankings

mate and high level of services and facilities. The majority of them have acquired property as an investment, but not lesser is the number of those who chose to move to Cyprus. The statistics from the Department of Lands and Surveys shows clearly a substantial decline in the volume of property transactions. The prognosis for 2012 does not seem any brighter for the realtors. The bad news for the professionals in this sector is good news for the home-buyers. Lowering prices gives a host of new opportunities for the foreign investors who do not depend on the tightening loan facilities of the national banks. Coupled with the new measures adopted by the Parliament just before the year-end, namely repealing the estate transfer taxes for 6 months (the period should be definitely prolonged to at least 2 years) and the reduction of the VAT from 15% to 5% on the acquisition or construction of first residence, equally applicable to Cypriot and European citizens, we could expect to see a slight increase in the demand from foreign investors towards the end of 2012. The increase in the immovable property tax should not discourage future owners since the assessment will continue to be based on 1980 values.

The agreement for a €2.5 billion loan extended to Cyprus from the Russian Federation will further strengthen the long-term political and especially economic relations between the two countries. Although some new destinations such as the Seychelles, Singapore and Hong Kong are gaining increasing popularity among Russian investors, they do not constitute a real threat – yet. As a result of the recent amendments in the DTT with Russia, Luxembourg is emerging as the competitor which Cyprus should consider carefully. Active measures should be taken by the Government to find new ways to attract investors in the economy where service sectors accounts for more than 80% of the GDP. Voices are heard that Cyprus is "over-exploited". Russian investors fear the entry into force of the Protocol to the Russia-Cyprus DTT, especially the provisions on the exchange of information between the tax authorities of both countries. Apart from the boom of publications and events around the time of signature of the Protocol highlighting its benefits, no efforts are made on behalf of investment authorities in the country to address those fears. In addition, the new measures adopted in the legislation such as the provisions in the Cyprus Penal Code on usury, increase of the Special Defence Contribution due on dividend and interest income, are feeding fears of all, not only Russian, investors from abroad.

Although tax professionals, being in constant contact with their clients, are doing their best to address their concerns, the impact of such messages is quite weak and sporadic. Proactive, well-founded campaign to attract investors beyond "traditional" destinations is necessary. Public events where the benefits of Cyprus tax regime are explained should be organized by the representatives of the country abroad, both governmental and private. New information materials containing detailed information on the investment opportunities in the country explained in an understandable way is necessary. Substantial resources should be invested in improving the quality and access to information on the web-sites of governmental bodies. The texts of legal acts regulating investment incentives should be duly translated and made available to the general public.

One might say that now is not the time. The economic crisis is everywhere; we should limit ourselves to everyday survival, both and postpone any future-oriented steps for better times. Well, I disagree with that. Stepping on the long-standing investment attractiveness of Cyprus, we should face the challenges of increasing tax-compliance costs, the increased competence of national fiscal authorities to analyze complex tax schemes, the improved cooperation in tax matters between various jurisdictions. The world of taxes seems to become increasingly predictable. Few professionals are bold enough to test innovative tax structures posing difficulty for tax inspectors to trace and crack down. Most tax-avoidance cases have "traditional" factual background and simply escape from the scope of tax inspections. With the increasing body of national tax anti-avoidance provisions and the accumulation of substantial administrative and court practice (see the recent cases "North Kuzbass"[2] and the "Danish Case"[3]) more efforts should be put in exploiting the legal, officially-allowed ways to save on taxes.

Two major events will put Cyprus in the spotlight of the international arena in the 2012 – the presidency of the EU Council and the natural-gas discovery in the exclusive economic zone of the country. The first is a chance to prove that the country is not only de jure, but also de facto member of the most influential political and economic union – up to its standards, with modern vision, open to any novelties which would be beneficial to increase its business popularity. And if this aspect is more related to projecting the "external" image of the country, a great responsibility lies on the government how they will handle all the process related to gas discovery. Being a prominent way to secure the future of the country, it is equally easy to jeopardize it from the very beginning. Not all that starts well ends well, but in our fast-developing and highly-competitive world it is difficult to compensate for any opportunities missed.

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[2] http://www.taxand.com/news/Abrupt_Change_in_Application_of_Thin_Capitalisation_Rules
[3] http://www.bechbruun.com/en/Knowledge+centre

There is no doubt about the huge steps that OECD has made in order to halt tax evasion among member countries and non-member countries . One of the latest measures was the signature on May, 2010, of the amendments to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (CMA). México has signed the Protocol of such amendments last November 17th, 2011.

Is Bank Secrecy Over?

MEXICO

Briefly, the main aspects covered by the mutual assistance convention are:

1. Exchange of information, including, simultaneous tax examinations of a taxpayer by both tax authorities; or, previous request, the requested State may allow representatives of the other tax authority to be present on the tax examination on the taxpayer (as long as the tax topic may concern).

2. Assistance on recovery tax claims made for one State to the other State "as if they were its own tax claims".

3. Service of documents, and this may include those to relating judicial decisions.

Meanwhile, and according with this trend, on March, 2010 President Obama paved the way for the implementation of the Foreign Account Tax Compliance Act (FATCA) which has led to a lot of hated discussions in banking and insurance sectors and that is narrowly connected with the Exchange of Tax Information Agreements.

FATCA pretends to avoid tax evasion from US citizens and US tax residents and even as FATCA will be in force until 2013, Foreign Financial Institutions (FFI´s) are highly concerned because the scope of FFI´s definition it is not clear enough.

In order to accomplish with its main goal, FATCA pretends that FFI´s identify and report all the payments received by a US citizen or US tax resident. Obviously, some Mexican FFI´s (and many others all over the world) are within the range of those regulations because no country was set aside.

First strong doubt arise from the complexity of understanding which FFI are included; secondly, it is not clear the extent of the regulation because FFI´s must identify income received from both, individuals and entities, and, to do so, must imply to identify millions of accounts.

FATCA regulations are not enforced under Mexican Juridical System, but if a Mexican FFI fails in provide the requested documentation or information (because it previously failed in collecting it from an "uncooperative customer"), a 30% withholding rule may apply.

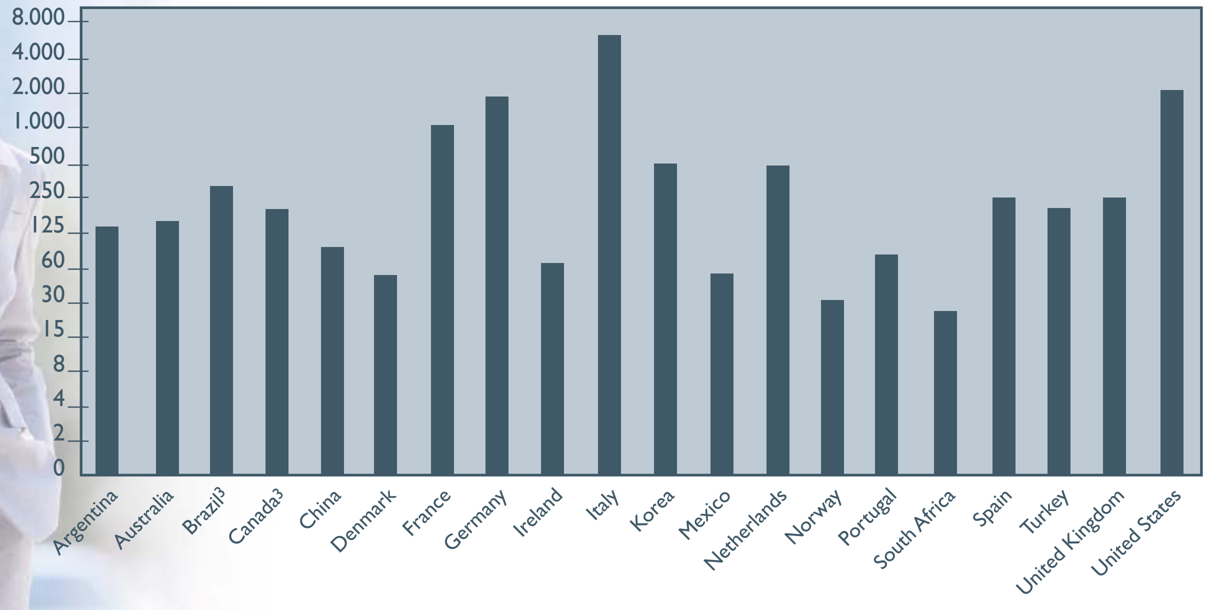
On the other hand but linked with this topic, last January 2011, US Treasury Department issued bid 146097-09 to reform US Code of Federal Regulations that aims to obligate US financial system to inform over the interest payments made to any client resident abroad. Moreover, the financial institution must prepare a statement informing its client that such information will be notified to the IRS and that "probably" it will be notified to the proper authority in its residence country.

With this kind of tax exposure it is no hard to foresee a lot of questions from taxpayers in the near future and, thus, since now, it is very important to assess the impact of the FATCA regulations and the bid 146097-09 in the next months on a country by country bases. FFI´s and individuals must act very fast and we may face a big chance for doing business helping them.

We would ask again. Does it mean that bank secrecy is over?

The revenue yield from recent offshore compliance initiatives.

Graphic 1



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Vodafone wins $2.2 Billion tax battle in Supreme Court of India

INDIA

In January 2012 the Supreme Court of India issued a landmark judgment in the much-awaited Vodafone case. The judgement has for now settled the issue of Indian Revenue Authorities' (IRA) jurisdiction on overseas transfers with an underlying asset in India.

Background of the case:

Vodafone International BV, Netherlands ('Vodafone') entered in to an agreement with Hutchison Telecommunication International Limited, Cayman Islands ('HTIL') to acquire 100% share capital of CGP Investments Holding Ltd , Cayman Islands ('CGP') held by HTIL.

CGP directly and indirectly held 52% controlling stake in Hutchison Essar Ltd. ('HEL'). It also held 15% stake through various contractual agreements with various companies in India. The combined controlling interest acquired by Vodafone amounted to 67% of HEL.

The IRA sought to tax the transaction between Vodafone and HTIL on the ground that the though the transaction of sale of shares was between two overseas bodies the underlying asset was in India and hence capital gains were made in India. Vodafone, however challenged the view of the Indian Revenue authorities saying share transfer was carried outside India and IRA have no jurisdiction over the transaction.

Decision:

The matter after being fought at various levels finally reached Supreme Court of India and the Court has decided the case in favour of Vodafone. While giving the decision the Court has laid down following important principles which will have long term implications.

1. The court ruled that it is important for both the tax administration and the courts to look at the legal nature of the transaction in its entirety and holistically; a dissecting approach should not be adopted. The 'look-through' approach is permissible only in instances where it can be established on the basis of facts and circumstances that the transaction is a sham or is for the purposes of tax avoidance. This is in line with the "the cardinal principle" used in English Courts.

2. It has also reaffirmed the earlier settled principle that "taxpayer can legitimately arrange its affairs to minimize its taxes so long as it does not violate particular laws or legislation". Thus it has clarified the issue of tax avoidance and tax evasion.

3. Though the case didn't deal with India Mauritius Treaty, the Supreme Court dealt with it and laid down that India Mauritius Treat should be respected unless Mauritius Company was formed with a view to avoid tax.

4. The IRA does not have jurisdiction to tax overseas transfers even though the underlying asset is in India under the current legislative provisions.

Way Forward:

The current Indian Laws does not have General and Specific Anti Avoidance Rules (GAAR). However, the Direct Tax Code Bill, 2010 (DTC) which will be made Law in the near future have such Anti Avoidance Rules.

DTC envisages creation of an economically efficient, effective direct tax system, proposing GAAR. GAAR intends to prevent tax avoidance, what is inequitable and undesirable. Clause 5(4)(g) provides that the income from transfer, outside India of a share in a foreign company shall be deemed to arise in if the fair market value of assets India owned by the foreign company is at least 50% of its total assets.

If this provision comes into effect, any person buying or selling a company (anywhere in the world) which holds Indian assets would have to carefully examine the extent of such assets located in India and consequential tax implications.

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Money laundering prevention in Spain

SPAIN

The prosecution of the so-called "laundering" of the money obtained from illicit activities constitutes one politic and economic challenge of unquestionable complexity and significance for all the legal systems of the current global world. Within the Spanish legal system it has taken place through regulations of repressive nature with criminal implications, and also through preventive regulations affecting to certain organizations and bodies.

From December 1993 onwards laws have been enacted in our country which in accordance with the EU Directive 2001/97 have introduced important changes in our legislation, both criminal and administrative, in order to get the prevention of money laundering, and laundering of assets or products obtained from criminal activities to be more efficacious.

These changes have been the result of an increase of the social public awareness not only against the crime but also against the benefit or product generated and which insertion within the economy causes serious damages both to economy itself and to society in general.

What is *Money Laundering*?

Section 2 of Article 1 of Law 19/1993, dated 28th of December, concerning specific measures to prevent money laundering, says: "For the purposes of this Law, "money laundering" shall be understood to mean the acquisition, use, conversion or transfer of assets derived from any of the criminal activities enumerated in the preceding paragraph or from participating in such activities, for the purpose of concealing or disguising its origin or helping a person involved in the criminal activity to evade the legal consequences of his acts, as well as the concealment or disguise of its true nature, source, location, disposition, movement or of ownership or rights with respect to it, even if the activities that generate the property are carried out in the territory of another State."

Section I of the aforementioned article says: "This law regulates the obligations, measures and procedures for forestalling and preventing the utilization of the financial system, together with other sectors of economic activity, for the laundering of money derived from any type of criminal participation in the performance of a crime punished with imprisonment superior to three years."

Simplifying, we could understand money laundering as the measures or procedures through which the illicit benefits obtained from criminal activities are introduced in the financial circuit.

The process of laundering in three phases: a) Placement, b) Layering and c) Integration.

The **Placement** consists on getting rid materially of important amounts of money in cash, without concealing the holders' identity. In order to do this great amounts of money are placed by means of financial institutions, resorting to retail economies or moving them to a foreign country. Generally it is carried out by depositing the money in bank accounts, changing this money into a different currency or higher notes, purchasing objects of a great value easily transferable (gold, jewellery, etc.) or transporting it in cash to a different country.

The **Layering** consists on hiding the origin of the illicit products by carrying out numerous financial transfers that accumulate making difficult to find the origin of assets. The most important method is the electronic transfer of funds, a system that moves daily thousands of millions of dollars and that, due to its immediate character, makes difficult its control. Also financial instruments, purchased in the first phase are transformed in other instruments such as travel checks, payments orders, bonuses and shares with the aim of transferring them out of the country without being detected, or depositing them in different bank accounts.

The **Integration** consists on the introduction of the assets obtained from illegal activities within the legal economy providing them an appearance of legality. The methods used are from real estate transactions to the constitution of shell corporations in tax havens and the grant of sham loans to these corporations.

Obliged Entities

Regulations distinguish those obliged in two different regimens: The General Regime and the Special Regime with certain distinctions in their obligations.

General Regime:

- Credit Institutions.
- Insurance entities authorised to operate in the life assurance.
- Insurance Brokers.
- Brokering companies and Brokerage houses.
- Collective Investment Undertakings.
- Collective Investment Undertakings an Pension Fund management companies.
- Portfolio management companies.
- Companies issuing credit cards.
- Individuals or corporate bodies that engage in the exchange of currency, whether or not as principal activity.

Special Regime

- Gambling Casinos.
- Activities of Real Estate promotion, agency, commission or brokerage in the sale-purchase of properties.
- Physical or legal persons acting as auditors, external accountants or fiscal advisors.
- Notaries Public, lawyers and procuradores.
- Activities related to the trade of jewels and precious stones and metals.
- Activities related to the trade of art pieces and antiques.
- Activities of philatelic investment and numismatics.
- Activities of professional transportation of funds or ways of payment.
- Activities of transfer or international transfers carried out by the postal services.
- Marketing of lotteries or other games of chance with regard to the transactions of award payments.

Obligations

The current Spanish legislation imposes certain obligations with the aim of preventing money laundering, amongst others, as follows:

a) Full client identification:

Submission of documentation supporting the clients' identity will be required, either for regular clients or not, in the moment of starting business relationships.

b) Collaboration with the Executive Service:

Any operation, independently from its amount, that could be particularly linked to money laundering will be examined with special attention, immediately informing The Executive Service of the Commission for the Prevention of Money Laundering and Monetary offences (SEPBLAC) about those operations in which, after such examination, there are indications or certainty they are related to such laundering.

c) Any operation with indications or certainty of being related to money laundering will not be executed without previously informing SEPBLAC.

d) Notification of operations:

Individual Notification: it will be carried out by means of the Internal Control Body, including information about natural or legal persons that participate in the operation and the concept of their participation in such operation, the well known activity of the natural

or legal persons, relationship between operations, mentioned dates, etc.

Systematic Notification: the individuals obliged by General Regime will inform the SEPBLAC monthly:

- Operations that entail physical movement of metallic currency, bank notes, travellers cheques, cheques or other bearer documents issued by credit entities, with the exception of those that are subject to payment or charge into a client's account, for an amount higher than 30.000 euros or their equivalent value in foreigner currency.
- Operations with or from physical or legal persons with residence in territories or countries with the consideration of tax havens or non-contributory territories.

In any case, if there are not operations subject to notification, the individuals obliged will inform the Executive Service about this circumstance biannually.

e) The obliged individuals will establish an express policy with regard to the clients' admission.

f) Establishment of a Body of Internal Control and Notification which mission will be to analyze, control and notify The Executive Service of the Commission for the Prevention of Money Laundering and Monetary offences (SEPBLAC) all the information related to operations or facts subject of being related to money laundering according to the established procedures. As the head of each of such bodies will exist a representative of the individuals obliged before the Executive Service.

g) The procedures and bodies of internal control and notification will be object of an annual exam made by an external expert (General Regime), or every three years by an external expert if internally the exam is carried out annually (Special Regime).

Disciplinary Regulations

The disciplinary regulations due to the nonfulfilment of such obligations rate the infractions in serious and very serious and it can give place to penalties that go from private warnings to fines that can reach the highest of these amounts: 5 per cent of the equity capital of the institution, twice the economic content of the operation or 1.500.000 euros.

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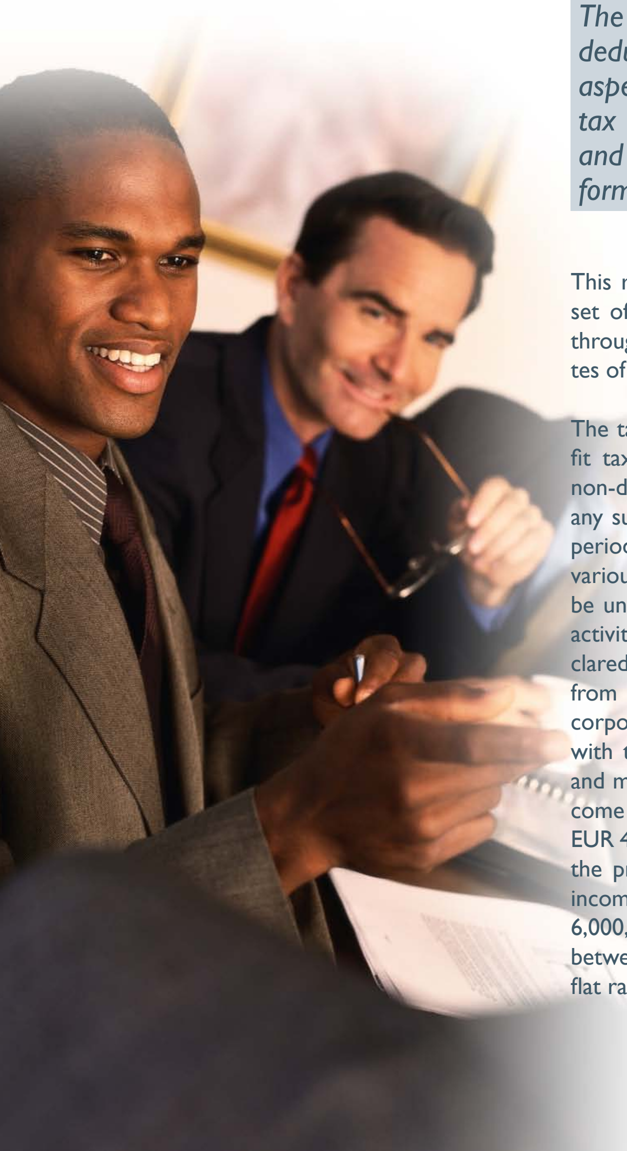
As of December 16, 2011 a new Rulebook on the calculation and payment of profit tax is in effect in FYR Macedonia. The Rulebook also covers the prevention of double taxation.

New Rulebooks on Profit Tax and VAT

MACEDONIA

The rulebook details procedures of calculation of profit tax payable on non-deductible expenses as well as on dividends and other distributions. Other aspects of profit tax covered by the rulebook include withholding profit tax, tax reliefs and exemptions and the manners in which the tax is calculated and paid. Beyond procedures, the rulebook also defines a total of 23 new tax forms.



This rulebook is the last change in the hefty set of profit tax legislation changes adopted throughout 2011, which included major updates of the Profit Tax Law in April 2011.

The tax base used for the calculation of profit tax in FYR Macedonia is the amount of non-deductible (unrecognised) expenses less any surplus paid profit tax from previous tax periods. Non-deductible expenses include various unrecognised expenses (deemed to be unrelated to the company's core business activity) as well as the difference between declared corporate income (including income from related entities) and the actual realised corporate income. We'd like to remind that with the latest Profit Tax Law changes, small and micro-sized companies with an annual income of up to MKD 3,000,000 (approximately EUR 48,780) are now fully exempt from paying the profit tax while those generating annual income above MKD 3,000,000 and up to MKD 6,000,000 are now given the option to choose between two separate taxation systems (10% flat rate on profit or 1% on annual turnover).

Additionally, a new rulebook on the form and contents of the VAT return has been adopted by the government and is also applicable as of December 16 2011. The rulebook defines a new return form with minor changes and instructions on completing it.

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A brief summary for German firms that conduct assembly work and services in Norway

GERMANY

There are several requirements for foreign firms in order to carry out projects in Norway. These may take up to 3 months of preparation time. In short firms are obliged to do the following:

- Apply for an organization number (entry in the Norwegian commercial register)
- Register all orders that are carried out in Norway
- Register the employees who are sent to Norway
- Apply for an ID number for expatriate employees after registration
- Apply for a "Byggekort"/ID card (required only for construction and installation services)

Assignment of an organization number

To be able to operate in Norway, every company needs an organization number or in other words an entry in the Norwegian commercial register. This unique nine-digit number is a requirement in order to conduct projects in Norway.

Furthermore, VAT registration is mandatory whenever the turnover exceed a limit of at least 50,000 NOK (app. 6.600 EUR) in a 12-month period (140,000 NOK in public service and charitable institutions). Having complete the VAT-registration, the company receives the "MVA" to its organization number (e.g. 123 456 789 MVA) which is then its VAT number. Foreign companies that are not resident in Norway are obligated to have a fiscal representative. All goods and services of the initial sales that exceed the above mentioned limit are subject to VAT in Norway (Article 28 of the Norwegian VAT Act). Input taxes are deductible once a VAT- registration is completed.

Registration of carried out orders and the employees related to them.

A foreign company has to report all its executed contracts to the Norwegian authorities. Moreover, it is also obliged to comply with the disclosure and reporting requirements for all its employees who work in Norway (Articles 6-10 of the Norwegian Tax Act). Moreover, this is regardless of whether the employee is tax liable in Norway or not (e.g. due to the 183-day rule of the Double Taxation Agreement - DTA).

According to DTA with Germany, there is no tax liability of expatriate employees in Norway, if the following four conditions are met:

1. Stay cannot exceed 183 days in any 12-month period (270 days in a 36-month period)
2. Payment is not made through an employer who is resident in Norway
3. Remuneration is not supported by an employer who is a permanent establishment or fixed place of business in Norway and
4. There is no hiring out of employees (Protocol to Article 15 para 5 DTA)

If these conditions are given, the dispatched employees are not taxable in Norway. However, this does not exempt from the above mentioned registration of the employees who are sent in Norway.

Application for an ID number for expatriate employees (after the initial registration)

After the initial registration, a corresponding identification number known as D-Number or the so-called "Fødselsnummer" is assigned to each expatriate. This number is a requirement for any further concerns related to the expatriates, likewise the organization number for the company that is assigned by its initial registration. As a result, the taxation and reporting obligations of a company have to be taken into account always separately to the taxation and reporting obligations of the sent employees.

Having finished all above registrations, the employee also receives (at his home address) a tax card. The tax card is necessary for tax assessment of expatriate employees.

In general, the employees are required to submit a tax return in the first four months of the following calendar year. The appropriate forms will be sent automatically to the expatriates. This procedure is mandatory, even if the employee is not tax liable in Norway. If the form is not sent automatically, the taxpayer has the legal obligation to request the forms by the authority. In case the work activities are finished early in the calendar year, a tax return for early tax assessment can be filed.

Regarding social insurance issues, there is an exemption in Norway given for at least one year by filling out the form A1 (former E 101) which applies for countries with the corresponding social insurance agreement. Most of the EU / EEA / EFTA countries have entered into such agreement with each other. The form can be received from the health insurance institution of each expatriate. Besides, the company is allowed to pay social insurance contributions to the institution in its home country. The exemption in Norway can be prolonged for a further 12-month period.

According to the Norwegian competent authority UDI (Norwegian Immigration Authority), responsible for the work permit and processing of visa applications, permits, etc., there are no other requirements (besides registration) for an EU / EEA / EFTA citizens to apply for a work permit (Bulgaria and Romania are treated separately).

Application for a "Byggekort"/ID card (required only for construction and installation services)

The personal identification number (D number) is a prerequisite for obtaining the legally required "Byggekort" (ID card) which is to be conducted by each employee for prevention of illegal working and personal identification. This ID card is equivalent to a work permit for construction sites and assembly services.

Special Case: Temporary workers / Hired-out workers

Hired-out workers are basically subject of taxation from the first day on in Norway (see point 4 of the exemption requirements for DTA).If it comes to hiring out an employee or a firm as borrower takes manpower to complete its project, there should be made an appropriate research in the particular case. The tax payer and the place (country) of taxation are defined upon specific factors (e.g. level of emplyees' integration into the organizational process, discretionary powers, economic employer).

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Malta – The New Place to be for Hedge Funds

MALTA

If I were to summarize the main reasons for the latest "craze" on Malta as a destination for funds I would say its mainly due a combination of, flexibility, efficiency, low cost, a low onshore tax regime, English speaking workforce within the EU.

This attractive combination of factors has seen over 400 funds being registered or re domiciled to Malta in recent years. Malta is the smallest member in the EU and Euro Zone member since 2007. Baked by the Mediterranean sun, situated right in the middle of the Mediterranean, the Maltese enjoy a good quality of life typical of the region. However over 200 years of British colonial rule have left their mark on the Island's population and nowhere is this felt more than in the business community with a "go get it" approach, an English Speaking professional workforce (English is one of two official languages and all laws and regulations are found in Both English and Maltese).

With a stable Government and banking system (totally unaffected by the recent crisis due to the lack of bank's exposure to international credit) and with no natural resources except its human resources, Malta has looked towards its sound legal framework to delve into the financial services.

Already a well established financial centre within the EU Malta has in recent years targeted the funds industry with a comprehensive legislation.

All financial services are regulated by a single regulator. Investors have found this to cut down on bureaucracy significantly .Moreover the regulator is very approachable and open to discussions with all parties concerned, and lets itself be guided by the principles and spirit of the law, allowing a rather more pragmatic approach without compromising on key areas such as investor protection.

Besides the regulator the legislation itself is very accommodating to fund promoters. For example it is possible to have only one underlying instrument, as long as the regulator is satisfied that sufficient diversification is reached.

Multiple custodians are possible, and service providers need not be based in Malta at all. This is a great advantage over many other jurisdictions which generally require that these be based in their country.

The possibility also exists of using several different brokerage and custody related services.

Directors need not be resident in Malta except for self managed funds where in such a case Funds can be self managed either through an investment committee or by appointment of a professional manager. Possibility of being structured as unit trust or limited partnership also exists.

Funds are tax neutral in Malta. Except in cases where more than 85% of the fund assets are invested in Malta, in which case a withholding tax rate of between 10% to 15% applies. In all other cases there is no tax on income or capital nor stamp duty (except for immovable property situated in Malta)

The ever increasing number of funds being set up is beginning to attract also fund management companies , who are setting up shop here attracted also by the every attractive tax regime which is the most attractive for an onshore EU jurisdiction.

Should you be interested in receiving more information on the possibility of setting up a fund or fund management company in Malta please feel free to contact us.

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Uruguayan tax residence

URUGUAY

The income tax system in Uruguay is structured around three taxes: Economic Activities Income Tax (IRAE), Resident Income Tax (IRPF) and Non Resident Income TAX (IRNR). All of them tax the rent obtained within Uruguay, though with few exemptions.

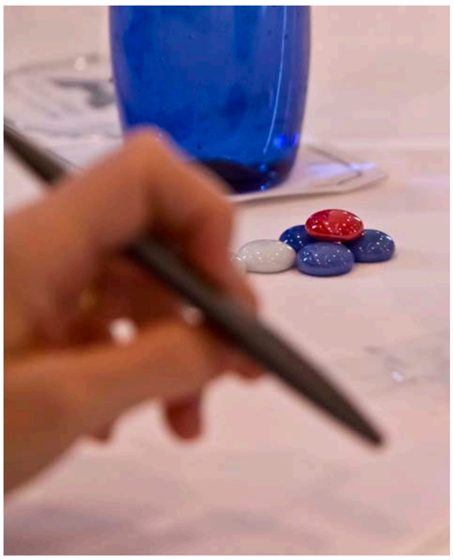
The IRNR applies to entities (people and companies without a permanent establishment) that haven't configured fiscal residence in Uruguay.

A person must not fulfill any of the next three conditions, to be considered as a Non Resident for taxing purposes:

A. Stay more than 183 days in Uruguay during a calendar year,
B. To have in Uruguay the principal center or the activities' base or the economics interest (meaning that the income obtained in Uruguay is the highest in comparison with other countries),
C. To have in Uruguay the main vital interest (sibling and spouse living in Uruguay).

If a person fulfills condition B but the income generated is exclusively capital one (interest, dividend, capital rents, etc), a recent change in legislation allows for that person not to be considered a resident.

Considering that the tax rate to apply to capital income is the same for both the IRPF and IRNR, one would think that it doesn't make a difference to be considered resident or not in the case of capital income. Nonetheless, since January 2011 residents that obtain certain



type of capital income abroad (basically interest and dividends) also have to tax said income, so it's particularly important for foreigners not to be considered Uruguayan residents for this purpose.

However, there is a bill that created a five years of grace period for people that change the status to Resident because of the above. So, if the bill is approved, these people will not have to pay IRPF for capital income obtained in other countries for five year, counting since the change in status took place (the exemption would not apply to other types of income taxable by IRPF).

On the other hand, the companies are considered Resident if they were constituted under Uruguayan legislation. But if we are talking about a foreign company that has a permanent establishment in Uruguay, it must pay IRAE for the rent that this establishment obtains in Uruguay.

Recently, flexibility was introduced in the residence conditions that apply to enterprises. The companies are allowed to change the residence by changing the address of the society. So a Uruguayan company could be considered Non Resident if it changes the address to another country. In the same way, a foreign company could be considered Resident if it changes the address to Uruguay.

As we can see, recently there have been important changes in the concept of residence in the Uruguayan Taxing Regime. These changes must be taken in consideration for international fiscal planing.

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Amendments to Corporate Income Tax Law

SERBIA

On December 29 2011, bills amending and modifying the Legal Entity Profit Tax Law proposed by the Government were adopted. The amendments were published on December 30 2011 in the Official Gazette No. 101/2011, and effective from January 7 2012. The most significant changes to the existing regulations are stipulated below.

Definition of a corporate profit taxpayer from now on states that the entities that earn more than 80% of its annual income from trading in goods or providing services in Serbia, as disclosed in its financial statements, are considered as a Serbian taxpayer. Furthermore, under the aforementioned conditions, the amended Law recognises the non-for-profit organisations as a Serbian taxpayer as well.

Amendments in recognition of receivable write-offs as a tax deductable expenditure - write-offs of receivables that do not generate income, disclosed in accordance with the Serbian Laws and bylaws and the IFRS – such as advances given or placements – are allowed to be recognized as tax deductible expenditures if all of the following criteria are met:

- Such receivables have been written off in the taxpayer's books as uncollectable; and
- The taxpayer presents evidence of failed collection of such receivables on the basis of legal proceedings.

As the specific case, write-offs of receivables covered by the financial restructuring conducted in accordance with the law dealing with mutually agreed financial restructuring of companies are recognised as tax deductible expenditure regardless if the abovementioned criteria are met. Also, impairment of investment in legal entities undergoing restructuring acquired by the debt-to-equity conversion is recognised as tax allowable expense.

With regards to the debt-to-equity conversion of investment in legal entities undergoing restructuring, the lowest impaired value of the investment is recognised as acquisition value of the capital for the purposes of capital gains tax.

Legal entities that operate in tax-free zones are granted a tax relief for all profits generated from manufacturing activities undertaken in the zone. Users of this incentive are obliged to keep track of all income and expenditures related to the manufacturing activities undertaken in the tax-free zone.

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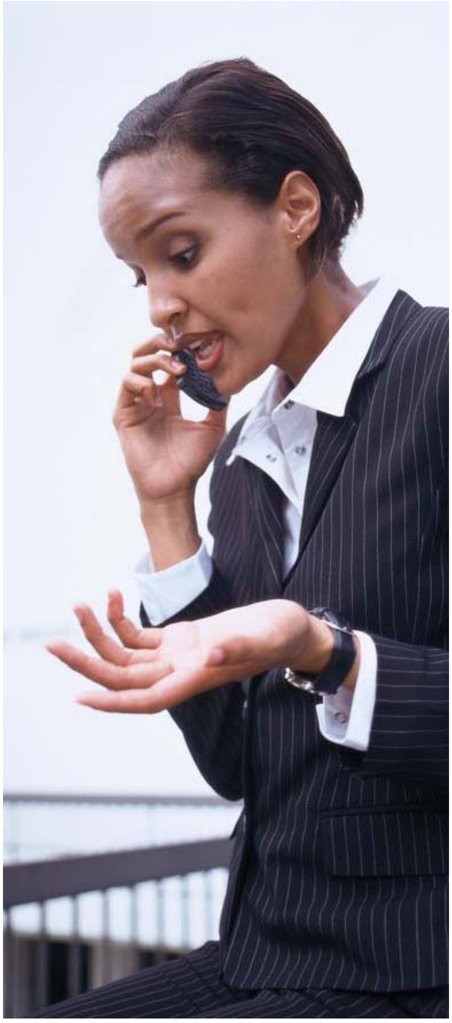

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