Quarterly tax developments

Things to know about this quarter's tax developments and related US GAAP accounting implications

Updated through 31 March 2022

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Welcome to our March 2022 Quarterly tax developments *publication. This edition is updated through 31 March 2022. New developments are designated by a square (■) after the state or country name.*

We compile this information because we recognize that, for many companies, the most challenging aspect of accounting for income taxes is identifying changes in tax law and other events when they occur so the accounting can be reflected in the appropriate period. However, this publication is not a comprehensive list of all changes in tax law and other events that may affect income tax accounting.

We list EY publications that you can access through our ***Tax News Update website****, if you are registered. Anyone interested in registering should contact Joan Osborne at* ***joan.osborne@ey.com****.*

See our ***previous editions*** *for additional tax developments.*

Tax developments

Companies are required to account for the effects of tax law changes on their deferred tax assets and liabilities in the period the legislation is enacted. Similarly, companies must reflect the effects of an enacted change in tax laws or rates in their annual effective tax rate computation in the period the changes are enacted.[1] If an interim change is significant, temporary differences may need to be estimated as of the enactment.

Legislation enacted in the first quarter

Federal, state and territories

California — On 9 February 2022, California enacted legislation restoring full use of net operating losses (NOLs) and removing limits on business tax credits, including the research and development (R&D) credit, for the 2022 tax year. Prior law had suspended NOL use and limited business tax credits for tax years 2020, 2021 and 2022. Other changes available to eligible taxpayers include:

- Exempting payments from the federal Restaurant Revitalization Fund and grants from the federal Shuttered Venue Operators Grant program from California income tax
- Allowing businesses to deduct expenses paid with funds from those programs

These changes have various effective dates. See **Tax Alert 2022-0235**, dated 9 February 2022.

Idaho — On 4 February 2022, Idaho enacted legislation reducing its corporate income tax rate to 6% from 6.5%. The change is retroactively effective 1 January 2022. See **Tax Alert 2022-0245**, dated 10 February 2022.

Iowa — On 1 March 2022, Iowa enacted contingent rate reductions for its corporate income tax. If the state determines by 1 November 2022 that corporate tax receipts for 2021 exceeded $700 million, corporate income tax rates will decrease for tax years beginning on or after 1 January 2023 by enough to generate $700 million. The rates will continue to decrease as long as the $700 million revenue threshold is met, but they may not fall below 5.5%. Newly lowered rates will apply to tax years beginning on or after 1 January 2023 following the 1 November 2022 determination date.

Iowa also enacted changes to its research activities credit, including:

- Phasing down the refundable portion of the credit by 10 percentage points each year for five years, beginning in 2023, so that 90% of the credit exceeding a company's liability is refundable in 2023 and 50% of the excess credit is refundable in 2027
- Requiring companies to compute the credit in a manner consistent with the alternative simplified credit in Internal Revenue Code (IRC) Section 41(c)(4) for tax years beginning on or after 1 January 2023, if they elected, or were required to use, this method for federal income tax purposes for the same tax year
- Phasing out, over five years, payments for supplies as a basis for claiming the credit, beginning in 2023
- Limiting a company's ability to claim the credit on an amended return

Finally, Iowa enacted limits on the refundable portion of the redevelopment tax credit, the third-party developer tax credit, the historic preservation tax credit and the assistive device tax credit. The refundable portion of those credits will decrease by five percentage points each year for five years, so that a company may claim 95% of the credit exceeding its liability in 2023 but only 75% in 2027. See **Tax Alert 2022-0351**, dated 2 March 2022.

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[1] Non-public business entities that have not adopted Accounting Standards Update (ASU) 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,* should reflect the effects of enacted changes in tax law or rates in estimates of their annual effective tax rate in the first interim period in which the change is effective. For more information on ASU 2019-12, see our **Financial reporting developments publication on income taxes**.

New Jersey – On 12 January 2022, New Jersey enacted legislation expanding its tax credit program for film and digital media content production. Changes to the program include increasing the overall credit that can be claimed by increasing the percentage of expenses that taxpayers may use to calculate the credit (percentages vary depending on the expense). The legislation also extends the diversity bonus tax credit program an additional six years through 2034 and revises the definition of "New Jersey film-lease partner." The changes were effective upon enactment. See the **State and Local Tax Weekly for 14 January 2022**.

Utah – On 11 February 2022, Utah enacted legislation reducing the rates for its corporate franchise tax and income tax to 4.85% from 4.95%. The changes are retroactively effective for tax years beginning on or after 1 January 2022. See the **State and Local Tax Weekly for 11 February 2022**.

Virginia – On 2 March 2022, Virginia enacted legislation extending, by three years, the expiration date of its jobs tax credit for major business facilities to tax years beginning before 1 July 2025. The change is effective 1 July 2022. See the **State and Local Tax Weekly for 4 March 2022**.

West Virginia – On 12 January 2022, West Virginia enacted nonrefundable income tax credits designed to promote the development of new manufacturers and the expansion of existing manufacturers in certain heavy industrial facilities in West Virginia. The credit equals 50% of an eligible company's qualified manufacturing investment. Unused credits can be carried forward until exhausted or shared with other members of a combined group. The changes are effective for tax years beginning on or after 1 January 2022. See the **State and Local Tax Weekly for 21 January 2022**.

IRC conformity

The following chart lists the states that enacted legislation this quarter updating their date of conformity to the US IRC. The chart also includes the dates on which the new conformity date was enacted and became effective. Further information on a state's IRC conformity can be found in the cited reference.

State	Enactment date	Date of conformity	Effective date	Reference
Idaho	23 February 2022	1 January 2022, with some exceptions	1 January 2022	State and Local Tax Weekly for 4 March 2022
South Dakota	10 February 2022 (for bank franchise tax only)	1 January 2022	1 July 2022	State and Local Tax Weekly for 11 February 2022
Virginia	23 February 2022	31 December 2021, with some exceptions	Upon enactment	State and Local Tax Weekly for 25 February 2022
West Virginia	21 February 2022	Changes made after 31 December 2020 but before 1 January 2022 to corporate income tax provisions	Retroactive to the extent allowable under federal income tax law	State and Local Tax Weekly for 25 February 2022

International

Austria* – On 14 February 2022, Austria enacted legislation that reduces its corporate income tax rate to 24% from 25%, effective 1 January 2023, and to 23%, effective 1 January 2024.

Australia*■ – On 22 February 2022, Australia enacted legislation allowing companies with global revenue of less than AUS$5 billion to:

- Carry back NOLs generated in tax years 2020 through 2023 (rather than 2022) to offset taxable income in tax years 2019 through 2022 (rather than 2021)
- Immediately expense certain assets used or installed through 30 June 2023 (rather than 30 June 2022)

* A Tax Alert has not been published on these developments.
■ Designates a new development.

Chile – On 4 February 2022, Chile enacted legislation imposing a 10% capital gains tax on gains from the sale of shares in publicly held corporations, mutual funds and investment funds, and other financial instruments that trade on a stock market. The 10% tax will be effective 1 September 2022. Other changes include:

- Eliminating the corporate income tax credit for the purchase of new fixed assets for companies with average annual sales of more than UF 100,000 (approximately US $3.9 million) in the last three years (effective 1 January 2023)
- Aligning the tax treatment of financial leasing contracts with the accounting treatment to allow financial leasing contracts to be treated as finance operations for tax purposes, permitting lessees to depreciate the property (effective for financial leasing contracts entered into beginning 1 January 2023)

See **Tax Alert 2022-0216**, dated 4 February 2022.

India[**]■ – On 30 March 2022, India enacted legislation extending, to 31 March 2024 from 31 March 2023, the deadline by which new manufacturing companies electing the 15% corporate rate must begin producing. It also extended the deadline by which specified startup companies must be formed to claim certain tax incentives to 31 March 2023 from 31 March 2022. Other changes include:

- Granting income tax exemptions for certain income earned through an International Financial Service Center
- Taxing dividend income received by an Indian company from a specified foreign company at ordinary rates, rather than the current 15% rate
- Denying income tax deductions for expenses that relate to tax-exempt income even if the exempt income is not earned in the same year that the expense is incurred
- Denying income tax deductions for health and education surtaxes (i.e., cess), retroactively to the 2004-05 tax year

The changes have varying effective dates.

Japan■ – On 22 March 2022, Japan enacted legislation tightening the requirements that certain large companies must satisfy to claim the research credit. The legislation also eliminates the domestic withholding tax on dividends in certain cases. Other changes include:

- Limiting capital surplus distributions that qualify as a return of capital to the amount of capital surplus debited for accounting/legal purposes
- Relaxing the requirements for claiming the open innovation tax incentive by broadening the scope of companies in which taxpayers may invest for purposes of claiming the incentive and decreasing the length of the expected investment period
- Modifying the rules governing loss sharing within a wholly owned domestic group
- Broadening the scope of domestic-source income subject to the earnings stripping rule to include a foreign company's domestic-source income, regardless of whether the company has a permanent establishment (PE) in Japan or the income is attributable to a PE
- Increasing the credit for increased employee compensation from 15% to 30% (rather than 15% to 20%) of the difference between current-year compensation and prior-year compensation, provided current-year compensation is at least 3% higher than prior-year compensation

The changes are effective for tax years beginning on or after 1 April 2022. See **Tax Alert 2022-0542**, dated 5 April 2022.

** A Tax Alert was not published on the legislation's enactment. For discussion of the proposed legislation, see **Tax Alert 2022-0202**, dated 4 February 2022.

■ Designates a new development.

Peru – On 3 March 2022, Peru enacted a decree lowering the threshold at which companies must route payments through the Peruvian banking system to PEN 2,000, or US $500, from PEN 3,500, or US $1,000. Companies that do not route payments at or above the threshold will (1) not be able to claim the payment as a deductible expense for corporate income tax purposes or (2) lose their tax basis (cost basis), depending on the type of payment. The changes, among others, are generally effective 1 April 2022. See **Tax Alert 2022-0384**, dated 8 March 2022. For a related development, see the Other considerations section of this publication.

South Africa[*■] – On 19 January 2022, South Africa enacted legislation limiting interest expense deductions to 30% of earnings before interest, taxes, depreciation and amortization (EBITDA). The limitation applies to interest on certain related party loans and back-to-back loans and interest that is either not subject to tax or is subject to a reduced rate of withholding under a treaty. The legislation also expands the definition of interest for purposes of the limitation to now include, inter alia, foreign exchange differences and the finance cost element of a finance lease.

Other changes include limiting NOLs of more than ZAR1 million that are carried forward to 80% of taxable income. Companies may, however, carry their NOLs forward indefinitely.

Turkey – On 22 January 2022, Turkey enacted legislation decreasing its corporate income tax for income derived by exporters and certified manufacturers to 22% from 23% for tax year 2022. The rate will decrease to 19% in tax year 2023 for the same income. The rate will remain 23% for all other corporate income derived in tax year 2022. The change was effective upon enactment. See **Tax Alert 2022-0184**, dated 2 February 2022.

On 29 January 2022, Turkey enacted a corporate income tax exemption for gains from converting foreign currencies into Turkish Lira (TRY) and depositing the funds into TRY time deposit accounts. The foreign currencies and the accounts must meet certain requirements for the exemption to apply. The exemption also applies to interest, profit shares and other earnings generated by the account. See **Tax Alert 2022-0185**, dated 2 February 2022.

United Kingdom[**■] – On 24 February 2022, the United Kingdom enacted Finance Act 2022, which:

- Extended the expiration date of the £1m cap on certain accelerated amortization by 15 months to 31 March 2023
- Prohibited UK companies from offsetting their income with losses incurred by related companies in the European Economic Area (EEA)
- Limited the losses that EEA companies may use to offset income from their UK PE
- Removed a restriction on financially distressed companies that have adopted International Financial Reporting Standard (IFRS) 16 from using carried forward losses to offset profits arising from the reversal of onerous lease provisions
- Simplified the requirements that a company or group must meet to qualify as a real estate investment trust
- Established rules that treat certain noncorporate entities as partnerships for purposes of the UK hybrid mismatch rules, as previously promised
- Introduced a new tax regime benefiting UK asset holding companies

The changes are effective for tax years beginning 1 April 2022.

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* A Tax Alert has not been published on these developments.
■ Designates a new development.
** A Tax Alert was not published on the legislation's enactment. For discussion of the proposed legislation, see Tax Alerts **2021-1971**, dated 28 October 2021, and **2021-2113**, dated 18 November 2021.

Legislation effective in the first quarter

Federal, state and territories

Federal — Effective for tax years beginning on or after 1 January 2022, companies must capitalize and amortize IRC Section 174 research and experimentation (R&E) expenses paid or incurred in those years over five years for R&D performed in the US. For R&D performed abroad, the amortization period is 15 years. Because a mid-year convention applies, the first-year amortization will be 10% (rather than 20%) of the cost incurred for US R&D, or 3.33% (rather than 6.66%) of the cost incurred for R&D performed abroad. Other changes include requiring companies to treat all software development costs as R&E expenses. The changes were enacted 22 December 2017. See **Tax Alert 2018-0373**, dated 20 February 2018.

For tax years beginning on or after 1 January 2022, companies must deduct depreciation, amortization and depletion when calculating their adjusted taxable income (ATI) under the interest expense limitation in IRC Section 163(j) (i.e., they must now base ATI under IRC Section 163(j) on earnings before interest and taxes (EBIT), rather than EBITDA. Previously, companies could exclude those deductions when calculating their interest expense limitation. See the **Q1 2018 edition of this publication** under the section on legislation effective this quarter.

Arkansas — Effective for the 2022 tax year, the top corporate income tax rate on taxable income over $100,000 decreased to 5.9% from 6.2%. The change was enacted 9 April 2019. See the **State and Local Tax Weekly for 12 April 2019**.

California — Effective for tax years beginning on or after 1 January 2022 and before 1 January 2032, film production companies may claim a new tax credit if they film a qualified motion picture (including a television show) within a specified time in one or more sound stages constructed in California (i.e., they have a "certified studio construction project"). The credit is 20% or 25% (depending on the project) of qualified expenditures paid or incurred for the qualified motion picture during the tax year. The change was enacted 21 July 2021. See **the State and Local Tax Weekly for 13 August 2021**.

Nebraska — Effective for the 2022 tax year, the top corporate income tax rate decreases to 7.5% from 7.81%. The change was enacted 26 May 2021. See our Things we have our eyes on section for further developments. See the **State and Local Tax Weekly dated 4 June 2021.**

Oklahoma — Effective for tax years beginning on or after 1 January 2022, the corporate income tax rate decreases to 4% from 6%. The change was enacted 11 May 2021. See **Tax Alert 2021-1120**, dated 4 June 2021.

West Virginia — Effective for tax years beginning on or after 1 January 2022, a single sales factor formula and market-based sourcing for sales of services and intangible property apply in West Virginia. Other changes include repealing the "throw-out" rule, which previously excluded certain sales from a company's apportionment calculation. The changes were enacted 9 April 2021. See **Tax Alert 2021-0775**, dated 15 April 2021.

International

Algeria — Effective 1 January 2022, a 10% corporate tax rate (rather than a common corporate rate) applies to income reinvested in new production equipment or used to acquire at least 90% of another manufacturer's shares. The reduced rate applies in the tax year in which the acquisitions occur.

Additionally, the corporate income tax applies to income that foreign companies earn from assets in Algeria. It also applies to income that a tax treaty gives Algeria the right to tax. The corporate income tax does not, however, apply at a consortium (i.e., consolidated group) level but at the level of its members. Other changes include:

- Valuing gains and losses from currency exchanges based on the currency's value at the end of the year in which the exchange occurred
- Increasing the limits on certain deductions

The changes were enacted 30 December 2021. See **Tax Alert 2022-0151**, dated 27 January 2022.

Colombia — Effective 1 January 2022, the corporate income tax rate increased to 35% from 31%. A 3% surtax also applies through 2025 for financial institutions with taxable income over 120,000 tax units (approximately $1.1 million), raising the total income tax rate to 38%. Other changes include:

- Retaining the 50% limit on the amount of turnover taxes (i.e., municipal taxes on income from certain development-related activities) that companies may claim as corporate income tax credits, which was previously scheduled to increase to 100%
- Increasing to 10 years from five years, the period that companies engaged in concession and public-private agreements may carry forward certain excess profits to determine the applicable withholding tax on dividend distributions

The changes were enacted 14 September 2021. See **Tax Alert 2021-1698**, dated 20 September 2021.

France — Effective for tax years beginning on or after 1 January 2022, the corporate income tax rate is 25% for all companies (or tax consolidated groups), regardless of their revenue. The change was enacted 29 December 2019. See **Tax Alert 2019-2268**, dated 20 December 2019.

Additionally,* a new tax credit applies for cooperative research between private corporations and public research bodies. The credit equals 40% of eligible R&D expenses incurred under research cooperation agreements concluded from 1 January 2022 through 31 December 2025. Eligible expenses are capped at €6 million annually. Companies claiming the new credit may not use the same expenses to claim the existing R&D credit.

Finally, certain companies may amortize goodwill acquired from 1 January 2022 through 31 December 2025 for tax purposes, as long as they meet amortization requirements under French GAAP rules. The change applies to tax years ending on or after 31 December 2021.

The credit and the changes to the goodwill rules were enacted 31 December 2021.

Ireland* — Effective for tax years commencing on or after 1 January 2022, companies may have to limit their deductions for interest expense (including amounts that are economically equivalent to interest expense, such as certain guarantee fees) to 30% of EBITDA in certain circumstances. The rules may operate on a single-entity or local-group basis. Furthermore, an Irish company that is part of a consolidated worldwide group for accounting purposes may consider the overall group's indebtedness at the worldwide level when determining its interest expense limitation.

Additionally, the "Authorised OECD Approach" for the attribution of profits now applies to a branch or agency through which a nonresident company carries on a trade in Ireland. Under this approach, income is attributed to a branch of a nonresident company operating in Ireland as if the branch earned the income at arm's length as a separate entity.

Other changes include:

- Implementing the anti-reverse hybrid rules introduced in the Anti-Tax Avoidance Directive (ATAD II) of the European Union (EU), which are designed to tax income in Ireland that would otherwise go untaxed because an Irish entity is regarded as tax transparent in Ireland but tax opaque in a jurisdiction of a relevant participator (e.g., shareholder)
- Making technical amendments to Ireland's existing hybrid rules

The changes were enacted 21 December 2021.

Italy — Effective 1 January 2022, a "super deduction" replaces Italy's 50% tax exemption for income from intellectual property (IP). The modified patent box regime allows companies to deduct 210% of their qualifying R&D expenses (e.g., R&D-related expenses for copyrighted software, patents, designs and models). Trademarks and know-how are not eligible for the deduction. Companies electing the new patent box regime may still claim Italy's R&D tax credit.

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* A Tax Alert has not been published on this development.

Other changes include:

- Changing to a 3% step-up on goodwill and trademarks
- Extending the tax credit for new investments
- Extending the tax credit for R&D activities
- Suspending accounting depreciation/amortization for fiscal year (FY) 2021
- Increasing the annual limit of tax credit offset
- Extending the tax incentives to selected business combinations
- Extending the initial public offering (IPO) tax credit for small and medium entities (SMEs)
- Extending tax credits for building renovation

The changes were enacted 31 December 2021. See **Tax Alert 2022-0081**, dated 14 January 2022.

Luxembourg* — Effective 1 January 2022, the interest limitation rules include a definition of "consolidated group for financial accounting purposes" that aligns with the definition in ATAD II. The changes were enacted 21 December 2021.

Additionally, rules on reverse-hybrid entities apply to Luxembourg transparent entities that are directly or indirectly owned by related parties in jurisdictions that treat the Luxembourg entity as opaque. The change was enacted 23 December 2019. See **Tax Alert 2020-0085**, dated 14 January 2020.

Mexico — Effective 1 January 2022, companies must change how they calculate their interest limitation under the thin-capitalization rules if they use the tax-equity option. Other changes include:

- Limiting certain benefits for nonregulated special purpose financial institutions (i.e., companies dedicated to financing activities and used to set up financing structures)
- Requiring Mexican companies to have a valid business purpose for restructurings, spin-offs and mergers to qualify as tax free
- Expanding the definition of back-to-back loans to include financing arrangements that lack business purpose (i.e., lack economic substance)
- Modifying the requirements that nonresidents must satisfy to defer payment of income taxes on capital gains from a corporate reorganization
- Amending transfer pricing rules applicable to *maquiladoras* (i.e., Mexican companies that engage in export manufacturing operations with certain foreign residents) in connection with a PE exemption

The changes were enacted 12 November 2021. See **Tax Alert 2021-1982**, dated 29 October 2021.

Netherlands* — Effective 1 January 2022, the top corporate income tax rate increased to 25.8% from 25%. The new rate applies to taxable income at or above €395,000 (rather than €245,000). Other changes include:

- Limiting deductions for net interest expense to 20%, rather than 30%, of taxable EBITDA
- Revising Dutch transfer pricing rules for intercompany transactions so that a company's taxable profit can only be lowered if, and to the extent, the related counterparty's taxable profit is correspondingly increased
- Effectively limiting annual tax depreciation for business assets acquired by a Dutch company in tax years starting on or after 1 July 2019 but before 1 January 2022, if the transfer price was below the arm's-length value

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* A Tax Alert has not been published on these developments.

- Treating reverse hybrid entities formed and/or residing in the Netherlands as domestic companies subject to Dutch corporate income tax for tax years starting on or after 1 January 2022
- Aligning the Dutch anti-hybrid rules to the ATAD II for transactions between Dutch corporations and individuals
- Limiting a Dutch company's ability to offset its corporate income tax liability with payments of Dutch dividend withholding tax, if any (this should only be relevant for structures that do not qualify for an exemption at source)

The changes were enacted 27 December 2021. See the **updated Q4 2021 edition of our Quarterly tax developments publication**.

Nigeria — Effective 1 January 2022, a 10% capital gains tax generally applies to gains from the disposal of shares if the sale proceeds exceed NGN 100 million in any 12 consecutive months. A corporate income tax applies to the income of educational institutions, with the applicable 20% or 30% rate depending on the institution's revenues. Other changes include:

- Eliminating a corporate tax exemption for income from exporting oil and gas
- Granting tax authorities discretion to tax certain nonresident companies that supply digital services and have a significant economic presence on the basis of their deemed profits, if their actual profits cannot be readily determined
- Denying amortization of assets to the extent a company has exempt income that exceeds 20% of its overall income
- Restricting amortization for small and medium-sized companies
- Extending the expiration of the reduced minimum tax rate of 0.25% by one year to include tax year 2021

The changes were enacted 31 December 2021. See **Tax Alert 2022-0309**, dated 22 February 2022.

Peru — Effective 1 January 2022, the corporate income tax rate decreases to 15% from 29.5% for taxpayers that are engaged in aquaculture and forestry and have net income of US $1.9 million (1,700 tax units) or less for the tax year. These taxpayers may also depreciate specific infrastructure investments at an annual rate of 20% until 31 December 2025. Other changes include applying an effective withholding tax rate of 2.7% to income from a foreign company's sale of highly migratory hydrobiological resources to Peruvian companies. The changes were enacted 30 December 2021. See **Tax Alert 2022-0005**, dated 4 January 2022.

Philippines — Effective 1 January 2022, the corporate income tax rate for regional operating headquarters increases to 25%, which is the current regular corporate income tax rate, from 10%. The removal of the 10% preferential tax rate was enacted 26 March 2021. See **Tax Alert 2021-0679**, dated 1 April 2021.

Poland — Effective 1 January 2022, Poland's corporate income tax includes the following reforms:

- Simplified requirements for consolidating Polish companies for income tax purposes
- Changes to the calculation of the limit on deductions for financing costs
- Limits on deductions for certain intragroup financing costs, such as share acquisitions, equity contributions or buybacks of corporate stock
- Taxation of so-called shifted profits (i.e., undertaxed payments) by applying a 19% corporate income tax rate in Poland on certain qualified payments made directly or indirectly to related entities if effective taxation is at least 25% lower than the 19% rate (additional tests and exceptions could apply)
- Limits on tax depreciation of certain real property by real estate-rich entities (i.e., entities that have Polish real estate as the majority of their assets and meet other requirements) to book depreciation
- New tax exemptions for Polish holding companies, including an income tax exemption for 95% of dividends received from qualified subsidiaries and a capital gains tax exemption for sales of stock in qualified subsidiaries, provided certain requirements are met

- A new definition of "place of effective management" designed to prevent Polish companies from claiming to be headquartered in a foreign jurisdiction where they do not engage in actual business operations or prevent foreign companies headquartered elsewhere from being managed from Poland
- Significant enhancement of the existing R&D relief and IP box regime, with a possible deduction of an additional 200% of employment costs for those involved in R&D activity
- An additional 50% deduction for the costs of new industrial robots, the machines and peripheral devices needed to operate the robots, and the intangible assets needed to use these robots, such as related training services
- A 30% deduction for the costs of a new product's trial production and introduction to the market (up to 10% of operating income)
- A deduction of up to PLN 250k annually for costs from business expansion and consolidation

The changes were enacted 23 November 2021. See Tax Alerts **2021-2124**, dated 19 November 2021, and **2021-2147**, dated 24 November 2021.

South Korea — Effective 1 January 2022, the beneficial owner rules clarify when an overseas investment vehicle (e.g., a foreign investment fund) is deemed to be the beneficial owner of Korean-sourced income. Additional ordering rules also apply when a company with multiple loans calculates the nondeductible portion of its interest expense and (1) the interest rates on those loans are the same or (2) the interest rates and the borrowing dates for the loans are the same. The change was enacted 21 December 2021. See **Tax Alert 2022-0082**, dated 14 January 2022.

Spain — Effective for tax periods beginning on or after 1 January 2022, a 15% minimum corporate income tax applies to:

- Corporations that had over €20 million in revenue during the 12 months preceding the start of the tax year
- Corporations that are taxed as part of a tax unity (e.g., consolidated group), regardless of their revenue
- Companies that obtain income through a Spanish PE and are subject to the nonresidents' income tax

Specific minimum rates apply to newly created companies, financial institutions and companies taxed under the oil and gas regime. The minimum tax does not apply to taxpayers taxed at 10%, 1% or 0% rates nor to Spanish real estate investment trusts (SOCIMIs, from the Spanish term).

Companies may generally not use credits and incentives (e.g., R&D tax credits) to reduce their income tax liability below the minimum tax threshold. Foreign tax credits and certain tax incentives (bonificaciones) may, however, reduce the tax liability below the minimum tax threshold. Foreign tax credits and bonificaciones must be applied before other tax credits. Unused credits may be carried forward for use in future tax years. The changes were enacted 29 December 2021. See **Tax Alert 2022-0066**, dated 12 January 2022.

Taiwan — Effective 1 January 2022, the R&D credit decreases to 25% of a company's R&D investment, rather than 35%, and is limited to 50% of the company's annual corporate income tax liability. Such a company must claim the credit within five years of turning a profit.

The credit is renewed for 10 years, until 31 December 2031, and may be claimed by contract researchers and manufacturers. Biotechnological and new pharmaceutical companies making capital investments in new machines, devices or manufacturing systems may claim the credit one of two ways: they can either claim a credit equal to 5% of their eligible investment for one year or 3% of their eligible investment for three years. In both cases, the credit is limited to 30% of the company's corporate income tax liability for the year. The changes were enacted on 30 December 2021. See **Tax Alert 2022-0191**, dated 2 February 2022.

Turkey — Effective 1 January 2022, the corporate income tax rate generally decreases to 23% from 25%. The change was enacted 22 April 2021. See **Tax Alert 2021-0835**, dated 23 April 2021. For a discussion of a related decrease in the corporate income tax rate, please see the section on Enacted legislation in this publication.

Other considerations

Court decisions, regulations issued by tax authorities and other events may constitute new information that could trigger a change in judgment in recognition, derecognition or measurement of a tax position. These events also may affect your current or deferred tax accounting.

Federal, state and territories

Federal — In a third set of final regulations on foreign tax credits, the Government fundamentally changed the rules for determining whether a foreign tax qualifies as a tax for which a foreign tax credit (FTC) may be claimed. Under the new regulations, taxpayers generally may not claim an FTC for a foreign tax unless foreign tax law is based on principles substantially similar to US federal income tax law. The final regulations also address allocating and apportioning foreign taxes paid or accrued on transactions that are disregarded for US federal tax purposes, the disallowance of a credit or deduction for certain foreign income taxes, when foreign income taxes accrue, and various issues relevant for determining a taxpayer's FTC limitation. See **Tax Alert 2022-0040**, dated 10 January 2022.

The Government also finalized regulations that align the rules for determining Subpart F inclusions for domestic partnerships with the rules for global intangible low-taxed income (GILTI) inclusions by requiring Subpart F inclusions to be determined at the partner level, rather than the partnership level. See **Tax Alert 2022-0203**, dated 3 February 2022.

Separately, the Government finalized regulations generally allowing taxpayers to modify their debt instruments, derivatives and certain other financial contracts to replace the London interbank offered rate and other interbank offered rates with another qualifying rate without triggering gains or losses on those instruments. Taxpayers may also make specified changes to facilitate the rate change, as long as they meet other requirements. See **Tax Alert 2022-0037**, dated 10 January 2022.

In a revenue procedure, the Government updated its list of automatic method changes. See **Tax Alert 2022-0222**, dated 7 February 2022.

In a memorandum for Large Business and International (LB&I) division employees, the IRS withdrew an LB&I directive on transaction costs in the acquisition of businesses, another on success-based fees in the acquisition of businesses and a third on milestone payments in the acquisition of businesses. See **Tax Alert 2022-0359**, dated 3 March 2022.

In a memorandum opinion, the US Tax Court held that the seller of a business could not deduct the unpaid deferred compensation owed to two employees in the tax year ending with the transaction, even though it had to include the associated liability assumed by the buyer when computing its gain on the sale. The Tax Court based its ruling on IRC Section 404(a)(5), which only allows an employer to deduct deferred compensation in the tax year that the compensation is included in the employee's gross income. See **Tax Alert 2022-0350**, dated 2 March 2022.

Connecticut — The Government ruled that the subsequent merger of existing members of a combined group into another group member did not affect the group's use of NOLs generated in prior tax years, provided that the surviving member was in the combined group in the year of the loss. See the **State and Local Tax Weekly for 21 January 2022**.

Massachusetts — In a technical information release, the Government announced that the state's corporate excise tax would not apply to loans forgiven under the Paycheck Protection Program (PPP) or other specified payments from the federal government. Companies may also deduct, for state tax purposes, expenses paid with those funds. The release also confirms that state law:

- Denies state tax deductions for wages used to claim the federal employee retention credit
- Conforms to the temporary 100% federal deduction available to employers for 2021 and 2022 for food or beverages provided by a restaurant
- Conforms to the increased federal limit on charitable deductions for qualified disaster relief contributions made by corporations from 1 January 2020 through 25 February 2021

- Conforms to changes made to IRC Section 162(m), which extend the $1 million limitation on deductions for compensation paid to executives of publicly traded corporations to include compensation paid to the eight highest-paid individuals (rather than the three highest) after the chief executive officer and the chief financial officer

See the **State and Local Tax Weekly for 21 January 2022**.

Minnesota — In a revenue notice, the Government allowed eligible mining companies to claim the state's research credit against their occupation tax liability, noting that Minnesota law expressly states that the occupation tax is determined in the same manner as the corporate franchise tax. See the **State and Local Tax Weekly for 11 February 2022**.

New Jersey — In guidance on federal employee retention credits (ERCs), the Government explained that companies claiming ERCs may not deduct wages equal to those ERCs on their state income tax returns, even though the ERC does not apply for New Jersey tax purposes. See the **State and Local Tax Weekly for 4 March 2022**.

Pennsylvania — In a bulletin, the Government described the 12-step process to follow when applying the split-factor methodology for apportioning income. It also included examples of when the taxpayer is:

- Involved in one activity subject to special apportionment and one or more activities subject to standard apportionment
- Involved in two different activities to which special apportionment applies and one or more activities to which standard apportionment applies
- In a loss position for the year

See the **State and Local Tax Weekly for 18 February 2022**.

Separately, the Government noted that companies claiming ERCs may not deduct wages equal to those ERCs on their Pennsylvania income tax returns. See the **State and Local Tax Weekly for 11 March 2022**.

Texas — In a list of frequently asked questions, the Government addressed the determination of the cost of goods sold (COGS) for purposes of the state's corporate franchise tax, including what is included in COGS, capitalizing or expensing allowable costs, and the COGS deduction. See the **State and Local Tax Weekly for 18 February 2022**.

Virginia — The state Supreme Court held that a multistate tobacco company should not include the value of leaf tobacco stored in its Virginia facilities when calculating its property factor, in determining how much income it must apportion to Virginia. See the **State and Local Tax Weekly for 18 February 2022**.

International

Cyprus — The Government announced the 10-year government bond yield rates for various countries as of 31 December 2021. Companies use these yield rates to determine the reference interest rate for their notional interest deduction for the 2022 tax year. See **Tax Alert 2022-0211**, dated 4 February 2022.

Denmark — In a binding ruling, the Danish Tax Board (DTB) concluded that a German company did not create a PE in Denmark by paying a Danish company for sales-related services, such as customer care, market analysis, customer meetings and participation in fairs. The DTB reasoned that the Danish company, not the German company, employed the sales agents and performed similar services for other companies. See **Tax Alert 2022-0240**, dated 10 February 2022.

Separately, the DTB concluded that a Swiss company had a PE in Denmark based on the sales activities of its Danish employee. See **Tax Alert 2022-0397**, dated 10 March 2022.

European Union — The Council of the EU updated Annex II of the EU list of noncooperative jurisdictions for tax purposes. This list identifies jurisdictions that are making progress on reforming their tax policies to meet EU standards but remain subject to close monitoring. Annex II now includes 25 jurisdictions: Anguilla, Bahamas, Barbados, Belize, Bermuda, Botswana, the British Virgin Islands (BVI), Costa Rica, Dominica, Hong Kong, Israel, Jamaica, Jordan, Malaysia, Montserrat, North Macedonia, Qatar, Russia, Seychelles, Thailand, Tunisia, Turkey, Turks and Caicos, Uruguay and Vietnam. The Bahamas, Belize, Bermuda, BVI, Israel, Montserrat, Russia, Tunisia, Turks and Caicos, and Vietnam were added. See **Tax Alert 2022-0326**, dated 25 February 2022.

Germany — In new guidance, the Government explained its interpretation of Germany's limitation on deductions for royalties paid to corporations in jurisdictions with harmful preferential tax regimes. The explanation includes discussion of the meaning of "preferential tax regime."

The Government also updated its list of harmful preferential tax regimes to which limitation applies. Additionally, it updated its list of preferential tax regimes still under review, which includes the deduction for US foreign-derived intangible income. Companies may fully deduct royalties paid to corporations residing in jurisdictions whose regimes are under review but could have those deductions retroactively disallowed at a later date. See **Tax Alert 2022—0165**, dated 28 January 2022.

India — In a circular, the Government restricted the applicability of the most-favored-nation (MFN) clause in its income tax treaties to the following circumstances:

- After entering an income tax treaty with one country (the second state), India enters another income tax treaty with a lower rate or more limited scope of taxation.
- The new treaty partner (third state) is a member of the Organisation for Economic Co-operation and Development (OECD) at the time the treaty is signed.
- India issues a separate notification under its income tax law to apply the favorable benefits of its income tax treaty with the third state into its income tax treaty with the second state.

The new conditions conflict with Indian case law, which has applied the MFN clause under the treaty with the second state even though the third state was not an OECD member when its treaty with India became effective. The circular, however, will not apply to companies that received a favorable court ruling about the applicability of the MFN clause. See **Tax Alert 2022-0224**, dated 8 February 2022.

Italy — In a circular, the Government finalized its interpretation of Italy's hybrid mismatch rules, which were enacted when Italy adopted the EU's anti-tax avoidance directive. Topics addressed in the circular include:

- Taxes to which the hybrid mismatch rules apply
- The rules' effective dates
- Circumstances in which the rules do and do not apply
- How and when to address a hybrid mismatch

The rules generally apply for tax years beginning after 31 December 2019 (i.e., 2020 for calendar-year companies). Rules for (Italian) reverse hybrids apply to tax years beginning after 31 December 2021 (i.e., 2022 for calendar-year companies). In some cases, the rules may apply as early as tax years beginning after 31 December 2018 (i.e., 2019 for calendar-year companies), which is two years later than the date proposed in the draft circular. See **Tax Alert 2022-0313**, dated 23 February 2022.

Separately, the Government issued implementing instructions clarifying its recently enacted patent box regime (for additional discussion of the regime, see the section of this publication on legislation effective this quarter). The implementing instructions address qualifying R&D activities, eligible R&D expenses, requirements to qualify for the available penalty protection regime and procedures for electing the new incentive. See **Tax Alert 2022-0401**, dated 10 March 2022.

Luxembourg — In a circular, the tax authority clarified how the 20% real estate levy applies to income received or realized by certain comprehensively listed investment vehicles from real estate located in Luxembourg. See **Tax Alert 2022-0348**, dated 2 March 2022.

OECD — In the 2022 edition of its transfer pricing guidelines, the OECD clarifies when the transactional profit split method may be the most appropriate transfer pricing method to use and how to apply it. It also includes guidance on valuing hard-to-value intangibles and on financial transactions approved in 2020. See **Tax Alert 2022-0126**, dated 21 January 2022.

Separately, Bahrain and Romania deposited their instruments of ratification for the multilateral instrument (MLI) this quarter. The MLI enters into force 1 June 2022 for both countries. See **Tax Alert 2022-0397**, dated 10 March 2022.

Peru — In a ruling, the Government established guidelines for determining whether taxpayers should have used the Peruvian banking system to pay for indirect acquisitions of Peruvian shares before 1 January 2012. Companies that do not use the Peruvian banking system when required to do so generally cannot treat those payments as deductible expenses or as cost basis for tax purposes. See **Tax Alert 2022-0177**, dated 31 January 2022.

In a resolution, the Peruvian Tax Court outlined the criteria for determining whether a payment to a foreign company is a payment for digital services, to which a 30% withholding tax applies in Peru. See **Tax Alert 2022-0422**, dated 14 March 2022.

Spain — The Government ruled that an employee of a UK company did not create a PE for the company by working from Spain during the COVID-19 pandemic. It also ruled that the employee did not create a PE by remaining in Spain after public health restrictions were lifted, because (1) the employee decided to stay in Spain for personal reasons, (2) the UK company did not cover the costs of the employee's stay in Spain, (3) the employee's activities for the company did not change and (4) the employee still had an office in the UK that could have been used. See **Tax Alert 2022-0162**, dated 28 January 2022.

Uruguay — The Government removed Antigua and Barbuda, Brunei and the Commonwealth of Dominica from its 2022 list of low- or no-taxation countries, jurisdictions and special regimes. No new countries were added. See **Tax Alert 2022-0322**, dated 24 February 2022.

Things we have our eyes on

National, state and local governments continue to seek to increase their revenues. Companies should continue to monitor developments in this area. Some of these potential tax law changes are summarized here.

Federal, state and territories

Corporate tax — The Biden administration released its fiscal year 2023 budget and explanation of its revenue proposals (the Green Book). Proposed changes to US corporate income tax rules include:

- Increasing the corporate tax rate to 28% from 21%, which would consequently increase the GILTI effective rate to 20%
- Replacing the Base Erosion and Anti-avoidance Tax with an undertaxed-payments rule and introducing a domestic minimum top-up tax similar to the OECD's Pillar Two model rules
- Providing a new general business credit for businesses that bring back jobs to the US
- Repealing deferral of gain from like-kind exchanges
- Eliminating tax preferences for fossil fuels

See **Tax Alert 2022-9003**, dated 28 March 2022.

Employee retention tax credit — Senators Maggie Hassan (D-NH), Tim Scott (R-SC), Mark Warner (D-VA), Shelly Moore Capito (R-WV) and Ben Cardin (D-MD) introduced a bill that would reinstate the employee retention tax credit through the end of 2021. The credit was terminated as of 30 September 30 under the infrastructure bill enacted in November. See **Tax Alert 2022-0253**, dated 11 February 2022.

California — The Government proposed a new credit, in addition to the existing R&D credit, which would be available from 2022 through 2024 for qualified California-headquartered companies investing in activities and technologies that mitigate climate change. It also proposed a new tax credit, which would be available for three years for those opting to develop green energy technologies. See **Tax Alert 2022-0178**, dated 31 January 2022.

Nebraska — The governor proposed lowering the top corporate income tax rate to 5.84% from 6.84% over five years. See **Tax Alert 2022-0245**, dated 10 February 2022.

Pennsylvania — The governor proposed reducing the corporate income tax rate to 4.99% from 9.99% over an unspecified period. The rate would decrease to 7.99% in 2023, 6.99% in 2026, 5.99% in 2027 and 4.99% at an unspecified date. Other proposals include strengthening the state's intercompany add-back rules, codifying economic nexus rules and adopting market-based sourcing for sales of intangible property. See **Tax Alert 2022-0245**, dated 10 February 2022.

Rhode Island — The governor proposed reducing the corporate minimum tax to $375 from $400. See **Tax Alert 2022-0245**, dated 10 February 2022.

International

Australia — A bill was introduced into Parliament to establish an optional patent box regime for medical and biotechnology patents. Under this regime, the corporate income tax rate for income derived from medical and biotechnology patents registered after 11 May 2021 would be reduced to 17% (from the current 30% rate for large businesses). To qualify for the 17% rate, companies would need to meet certain requirements. See **Tax Alert 2022-0256**, dated 11 February 2022.

Canada — The Government proposed temporarily reducing the general corporate income tax rate to 7.5% from 15% on eligible income of qualifying manufacturers of certain zero-emission technology. It also proposed broadening the types of clean-energy equipment that are eligible for accelerated depreciation and removing some equipment from the eligibility list. Other proposals include:

- Limiting deductions for net interest expense to 40% of "tax EBITDA" for tax year 2023 and 30% of tax EBITDA for tax year 2024 and onward, with "tax EBITDA" generally defined as taxable income before taking interest income and expense, income tax and deductions for depreciation and amortization into account

- Implementing the OECD's recommendations for eliminating hybrid mismatches, which are outlined in the Action 2 report under its base erosion and profit shifting (BEPS) plan

See Tax Alerts 2022-0231, dated 9 February 2022, 2022-0310, dated 22 February 2022, and 2022-0391, dated 9 March 2022.

Costa Rica — The Government proposed amending its PE definition to align with international tax standards (i.e., the OECD's model income tax treaty). See **Tax Alert 2022-0047**, dated 10 January 2022.

Separately, the Government proposed allowing corporations, subsidiaries of foreign companies and limited liability companies to pay annual taxes owed for tax years 2016 through 2021 without paying interest and penalties. If enacted, this benefit would apply from the law's date effective through 15 December 2022. See **Tax Alert 2022-0386**, dated 8 March 2022.

Ecuador — The Government proposed exempting income earned in duty-free zones and special economic zones (ZEDE, for the Spanish abbreviation) from income tax for 10 years, beginning in the tax year following the year in which the area is designated as a duty-free zone or ZEDE. After 10 years, a reduced income tax rate would apply until the authorization to operate as a duty-free zone or ZEDE expires. The reduced rate would be 10 percentage points lower than the corporate income tax rate in effect at the time the area was designated a duty-free zone or ZEDE. See **Tax Alert 2022-0412**, dated 11 March 2022.

European Union — At an Economic and Financial Affairs Council meeting, EU Finance Ministers did not agree to adopt the EU's draft directive on a global minimum tax under Pillar Two of the OECD's BEPS project. They did, however, express support for a proposed modification to the directive that would generally extend its implementation deadline by one year, to 31 December 2023. Pillar Two's income inclusion rule would then be effective for tax years beginning on or after 31 December 2023, while its undertaxed profits rule would be effective for tax years beginning on or after 31 December 2024.

To be adopted, the draft directive must receive the unanimous support of all EU member states. Currently, four member states (Estonia, Malta, Poland and Sweden) still have reservations about the directive. See **Tax Alert 2022-0430**, dated 16 March 2022.

Hong Kong — In its 2022-23 budget, the Government proposed implementing a 15% global minimum tax, a domestic minimum top-up tax and other proposals under Pillar Two of the OECD's BEPS 2.0 project. The 15% global minimum tax would be effective for tax years beginning in 2023 and would only apply to multinational enterprise (MNE) groups with annual consolidated group revenue over €750 million. The domestic minimum top-up tax would be effective for tax years ending after 31 March 2024 and would increase the effective tax rates of certain Hong Kong constituent entities (including PEs) to the requisite 15% minimum.

Other changes include introducing income tax exemptions and other tax incentives for portions of the maritime industry that do not already receive them, such as ship managers, agents and brokers. To claim the incentives, recipients would have to satisfy economic substance requirements. See **Tax Alert 2022-0327**, dated 25 February 2022.

OECD — In the 2021 update on peer review of preferential tax regimes, the OECD classified certain income tax regimes in Hong Kong, Lithuania, Mauritius and Qatar as either not harmful or abolished. Costa Rica's free trade regime was determined to be "in the process of being amended." See **Tax Alert 2022-0175**, dated 31 January 2022.

In a public consultation document, the OECD outlined draft rules for determining whether a multinational company has nexus in a country for purposes of reallocating its profits to that country under Pillar One of the BEPS 2.0 project. The rules would determine nexus based solely on the revenue arising in a particular jurisdiction. Revenue would be sourced on a transaction-by-transaction basis. Different sourcing rules would apply to the different categories of revenue identified in the draft rules (e.g., sale of finished goods, advertising services). Comments on the public consultation document could be submitted by 18 February 2022 and all written comments received have been made publicly **available**. See **Tax Alert 2022-0254**, dated 11 February 2022.

In another public consultation document, the OECD outlined draft rules on calculating the tax base used to determine an MNE's global profits so those profits can be allocated under Pillar One of the BEPS 2.0 project. Specific topics addressed in the rules include book-to-tax adjustments, treatment of restatements, loss carryforwards and accounting for changes in the group structure. Comments on the public consultation document could be submitted by 4 March 2022, and all written comments received have been made publicly **available**. See **Tax Alert 2022-0307**, dated 21 February 2022.

In a commentary, the OECD provided detailed technical guidance on the operation of the global anti-base erosion (GloBE) rules under Pillar Two of the BEPS Project and the intended outcomes under those rules. The OECD also confirmed that companies could face a "top-up" tax in other countries if their effective tax rate in their home country falls below 15%.

According to the OECD, the next step in work on the GloBE rules will be developing the Implementation Framework. Public comments for input in developing the Implementation Framework are due by 11 April 2022. A public consultation meeting will be held virtually at the end of April.

See Tax Alerts **2022-0428**, dated 16 March 2022, and **2022-0458**, dated 21 March 2022.

Switzerland — The Government has begun the process of implementing the 15% global minimum tax proposed by the OECD as part of Pillar Two of its BEPS project, which is expected to take effect 1 January 2024. The 15% tax would affect multinational companies with €750m in revenues. See **Tax Alert 2022-0087**, dated 14 January 2022.

Taiwan — The Government proposed extending the expiration date of its investment tax credit three years for qualified purchases of smart machinery and two years for qualified purchases of 5G mobile communication systems, through 31 December 2024. The Government also proposed broadening the credit's scope to include qualified purchases of information and communication security products or services. Companies could claim the credit one of two ways: they could either claim a credit equal to 5% of their qualified purchase for one year or 3% of their qualified purchase for three years. In both cases, the credit would be limited to 30% of the company's corporate income tax liability for the year. If enacted, the changes would be retroactively effective to 1 January 2022. See **Tax Alert 2022-0191**, dated 2 February 2022.

United Arab Emirates — In a press release, the Government announced that it will introduce a corporate income tax that will apply to most businesses established in the mainland and free zones. The rates will be graduated and could include a 15% rate for multinational corporations with consolidated global revenues over €750m. Other features of the new tax include:

- Using book income, with minimal exceptions and adjustments, as the tax base
- Allowing taxpayers to carry past NOLs forward to offset future taxable income, provided certain conditions are met
- Allowing consolidated group members to use one other's NOLs, provided certain conditions are met
- Exempting certain dividends from the tax
- Allowing corporations to claim a credit against their corporate income tax liability for foreign taxes paid on their taxable income

When enacted, the tax will be effective 1 January 2024, for calendar-year taxpayers. See **Tax Alert 2022-0192**, dated 3 February 2022.

Appendix

Treaty changes

Tax treaties are agreements between countries that typically address withholding tax rates or exemptions on dividends, interest and royalties paid in multiple jurisdictions. Exceptions may apply based on tax treaty (for instance, reduced rates may apply to certain categories of investors, or capital gains from immovable property or property-rich companies may be taxable). All of the following tax treaty changes were effective in the first calendar quarter, except where indicated.

Countries involved		Summary of changes
Albania	Israel	Provides general withholding tax rates of 15% on dividends, 10% on interest and 5% on royalties; generally exempts capital gains.
Andorra	San Marino	Provides general withholding tax rates of 5% on dividends and royalties; generally exempts interest and capital gains.
Argentina	Qatar	Provides general withholding tax rates of 15% on dividends, 12% on interest and 10% on royalties; generally exempts capital gains.
Armenia	Malta	Provides general withholding tax rates of 10% on dividends and 5% on interest and royalties; generally exempts capital gains.
Armenia	Singapore	Provides general withholding tax rates of 5% on dividends, interest and royalties; generally exempts capital gains.
Azerbaijan	Spain	Provides general withholding tax rates of 10% on dividends, 8% on interest and 10% on royalties; generally exempts capital gains.
Bahrain	Switzerland	Provides general withholding tax rate of 15% on dividends; generally exempts interest, royalties and capital gains.
Bangladesh	Czech Republic	Provides general withholding tax rates of 15% on dividends and 10% on interest, royalties and technical services fees; generally exempts capital gains (effective 1 July 2021 in Bangladesh).
Botswana	Luxembourg	Provides general withholding tax rates of 10% on dividends and 7.5% on interest, royalties and technical services fees; generally exempts capital gains (effective 5 August 2021 in Botswana).
Brazil	Switzerland	Provides general withholding tax rates of 15% on dividends and interest and 10% on royalties and technical services fees; generally exempts capital gains.
Brazil	United Arab Emirates	Provides general withholding tax rates of 15% on dividends, interest, royalties and technical services fees; generally exempts capital gains.
Bulgaria	Netherlands	Provides general withholding tax rates of 15% on dividends and 5% on interest and royalties; generally exempts capital gains.
Cambodia	Korea	Provides general withholding tax rates of 10% on dividends, interest, royalties and technical services fees; generally exempts capital gains.
Chad	Turkey	Provides general withholding tax rates of 15% on dividends and 10% on interest and royalties; generally exempts capital gains.
China	Spain	Provides general withholding tax rates of 10% on dividends, interest and royalties; generally exempts capital gains.
Colombia	Italy	Provides general withholding tax rates of 15% on dividends and 10% on interest and royalties; generally exempts capital gains.
Costa Rica	United Arab Emirates	Provides general withholding tax rates of 15% on dividends, 10% on interest and 12% on royalties; generally exempts capital gains.

Countries involved		Summary of changes
Egypt	United Arab Emirates	Provides general withholding tax rates of 10% on dividends, interest and royalties; generally exempts capital gains.
Estonia	Mauritius	Provides general withholding tax rates of 7% on dividends and interest and 5% on royalties; generally exempts capital gains (effective 1 July 2022 in Mauritius).
Gabon	Saudi Arabia	Provides general withholding tax rates of 5% on dividends, 7.5% on interest and 10% on royalties; generally exempts capital gains.
Georgia	Hong Kong	Provides general withholding tax rates of 5% on dividends, interest and royalties; generally exempts capital gains (effective 1 April 2022 in Hong Kong).
Georgia	Japan	Provides general withholding tax rates of 5% on dividends and interest; generally exempts royalties and capital gains.
Hungary	Iraq	Provides general withholding tax rates of 5% on dividends, interest and royalties; generally exempts capital gains.
Hungary	Kyrgyzstan	Provides general withholding tax rates of 10% on dividends and 5% on interest and royalties; generally exempts capital gains.
Indonesia	Singapore	Provides general withholding tax rates of 15% on dividends and 10% on interest and royalties; generally exempts capital gains.
Indonesia	United Arab Emirates	Provides general withholding tax rates of 10% on dividends, 7% on interest and 5% on royalties; generally exempts capital gains.
Israel	United Arab Emirates	Provides general withholding tax rates of 15% on dividends, 10% on interest and 12% on royalties; generally exempts capital gains.
Italy	Jamaica	Provides general withholding tax rates of 10% on dividends, interest, royalties and services fees; generally exempts capital gains.
Italy	Mongolia	Provides general withholding tax rates of 15% on dividends, 10% on interest and 5% on royalties; generally exempts capital gains.
Japan	Peru	Provides general withholding tax rates of 10% on dividends and interest and 15% on royalties; generally exempts capital gains.
Japan	Serbia	Provides general withholding tax rates of 10% on dividends and interest and 10% on royalties; generally exempts capital gains.
Japan	Spain	Provides general withholding tax rates of 5% on dividends and 10% on interest; generally exempts royalties and capital gains.
Japan	Uruguay	Provides general withholding tax rates of 10% on dividends, interest and royalties; generally exempts capital gains.
Jordan	Singapore	Provides general withholding tax rates of 8% on dividends and 5% on interest and royalties; generally exempts capital gains.
Kosovo	Latvia	Provides general withholding tax rates of 10% on dividends and interest and 5% on royalties; generally exempts capital gains.
Kosovo	Lithuania	Provides general withholding tax rates of 15% on dividends and 10% on interest; generally exempts royalties and capital gains.
Kosovo	Netherlands	Provides general withholding tax rates of 15% on dividends and 10% on interest; generally exempts royalties and capital gains.
Liechtenstein	Netherlands	Provides general withholding tax rate of 15% on dividends; generally exempts interest, royalties and capital gains.
Malaysia	Ukraine	Provides general withholding tax rates of 15% on dividends, 10% on interest and 8% on royalties and technical services fees; generally exempts capital gains.
Morocco	Zambia	Provides general withholding tax rates of 10% on dividends, interest, royalties and technical services fees; generally exempts capital gains.

Countries involved		Summary of changes
Niger	United Arab Emirates	Provides general withholding tax rate of 10% on royalties; generally exempts dividends, interest and capital gains.
Oman	Slovak Republic	Provides general withholding tax rates of 10% on interest and royalties; generally exempts dividends and capital gains.
Romania	Spain	Provides general withholding tax rates of 5% on dividends and 3% on interest and royalties; generally exempts capital gains.
Saudi Arabia	Switzerland	Provides general withholding tax rates of 15% on dividends, 5% on interest and 7% on royalties; generally exempts capital gains.
Saudi Arabia	Taiwan	Provides general withholding tax rates of 12.5% on dividends and 10% on interest and royalties; generally exempts capital gains.
Serbia	Singapore	Provides general withholding tax rates of 10% on dividends, interest and royalties; generally exempts capital gains.
Slovenia	Sweden	Provides general withholding tax rates of 15% on dividends and 5% on interest and royalties; generally exempts capital gains.
Turkey	Venezuela	Provides general withholding tax rates of 10% on dividends, interest and royalties; generally exempts capital gains.

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