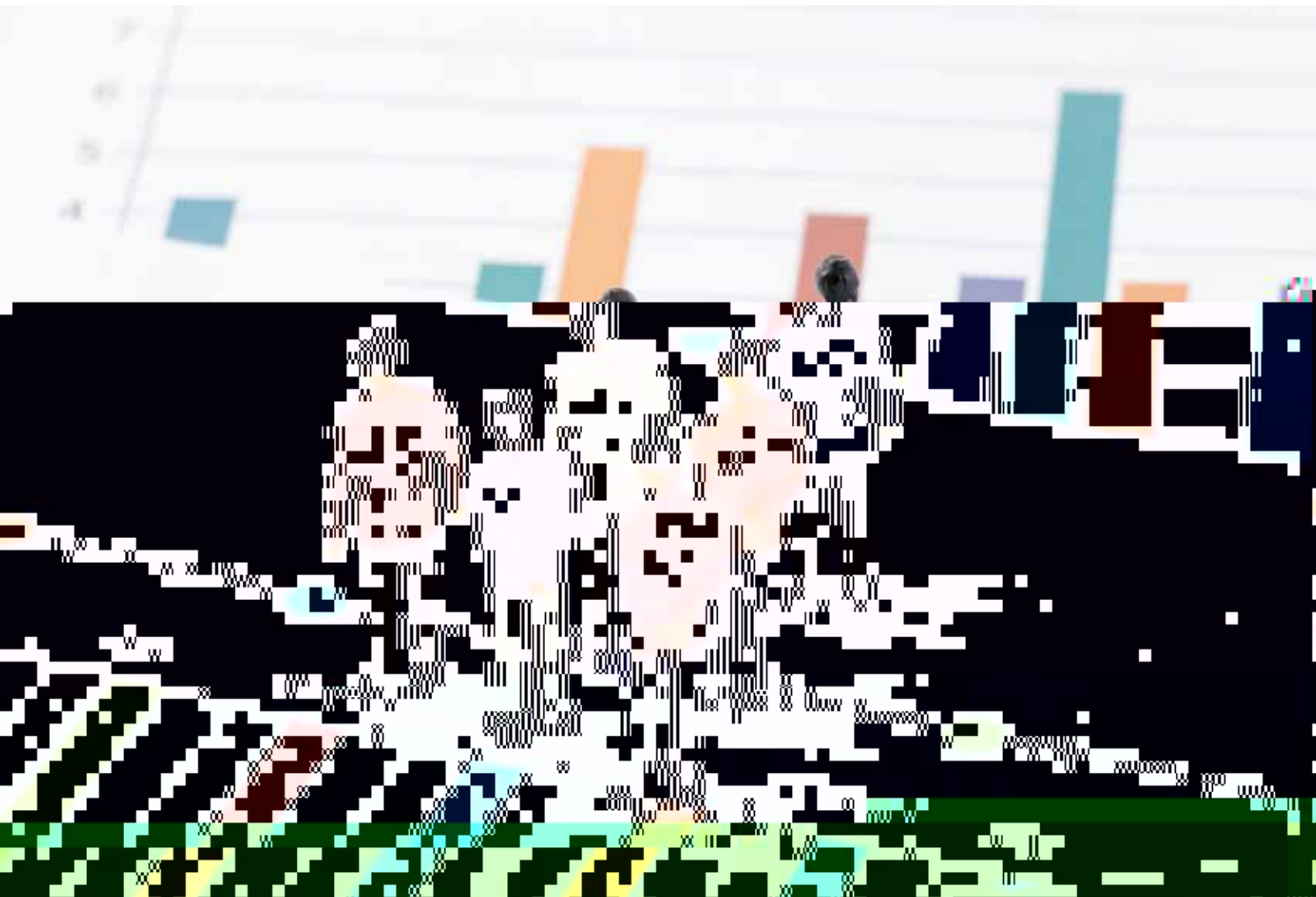


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The Belgium government has recently given the green light for the new tax incentive, Innovation Income Deduction(IID). The new tax incentive will replace the former Patent Income Deduction in order to help stimulate innovation in Belgium.

The Innovation Income Deduction will apply to the following IP rights:

- ▶ Patents and supplementary protection certificates;
- ▶ Copyright protected software, provided that the software results from a research and development (R&D) project or program, as defined in the rules on the partial payroll tax exemption for researchers;

- ▶ Orphan drug designations, requested or acquired as of 1 July 2016 (for the first 10 years); .2016 7 1
- ▶ Data and marketing exclusivity granted by the authorities, notably for medicinal products (also limited to the first 10 years); .
- ▶ Plant breeders' rights requested or acquired as of 1 July 2016. .2016 7 1

The deduction applies to self-developed IP rights as well as IP rights acquired or licensed from related or unrelated third parties.

To match the OECD requirements, the following incomes will be qualified in the new tax incentive:

- ▶ Revenues from licenses (license fees); .
- ▶ Innovation income included in the sales price of products and services (so-called embedded royalties); .

Innovation income embedded in the application of production processes

Damages from IP infringement (court decision, amicable settlement or insurance settlement)

Capital gains realized by selling of IP rights (subject to a re-investment condition)

the amount of IP income that serves as the basis for computing the deductible amount should be determined on the basis of the nexus ratio.

The nexus ratio is a restricting factor that only applies in case the IP was acquired (and not self-developed) or in case certain R&D costs were borne by

- ▶ The deductibility has risen from 80% to 85%. - 80% 85%
- ▶ The scope has been expanded from patents and know-how to other forms of intangibles, such as Patents, software, orphan drugs, breeders' rights, data and marketing exclusivity... -
- ▶ The deduction is now based on net income instead of gross income. -
- ▶ Time of applicability has been extended from the receipt of the patent to submission of the patent. -
- ▶ The unused deduction can be transferred to the next accountable years. -
- ▶ The anti-abuse rule will take the Nexus approach into account, some companies might need to review their operational structure in order to fully obtain the benefit of this incentive. -

If you have any questions about the new Innovation Income Deduction, please feel free to contact us, our Tax Team will be at your service anytime.

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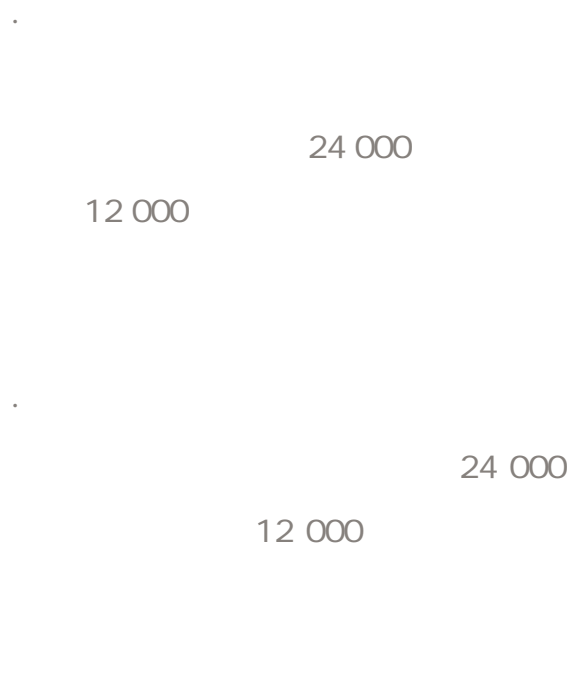
Changes in income taxes effective 2017 and other news

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In connection with the termination of the pension saving funds (the so-called second pillar), effective 1 January 2017 (i.e. from the 2017 tax period) the Czech government raised the ceiling for non-taxable pension and life insurance payments made by employers, and increased the tax deductible payments made by employees (Act No. 377/2015 Sb.):

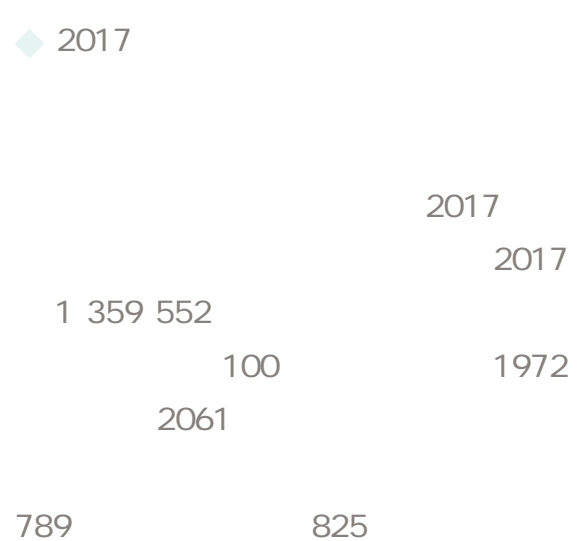
Employees will be exempted from paying income taxes on payments made by their employers of CZK 50 000 per year (previously the ceiling was CZK 30 000) as contributions to the employees private retirement pension schemes, supplementary pension scheme with state contributions (the so-called third pillar), pension insur-

- ▶ Taxpayers will be allowed to deduct from their tax bases the amount of CZK 24 000 (previously CZK 12 000) paid by themselves as contributions to their own private retirement pension scheme, pension insurance and supplementary pension scheme (the so-called third pillar).
- ▶ Taxpayers will be allowed to deduct from their tax bases private life insurance premiums paid by themselves. The maximum amount per tax period will be CZK 24 000 (previously CZK 12 000).



Social security of self-employed persons in 2017

Maximum and minimum assessment bases of self-employed persons are linked to the amount of average wage (which was raised in the Czech Republic in 2017). The maximum assessment base of social security payments will increase to CZK 1 359 552 in 2017. The minimum advance payment for social security will increase by almost CZK 100: from CZK 1972 to



CZK 2061. If self-employed persons perform an additional activity only, then their minimum advance payment will increase from CZK 789 to CZK 825.

Health insurance of self-employed persons in 2017

◆ 2017

The new assessment base has led to changes in advance payments for health insurance. The minimum advance payment for health insurance has increased from CZK 1823 to CZK 1906. Self-employed persons must pay the higher advance payment for January 2017 already.

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1906
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Higher threshold of solidarity tax

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▶ If the sum of revenues included in the partial tax base under sec. 6 (revenues from employment) and the partial tax base under sec. 7 (independent gainful activity) for the entire year exceeds the threshold, the excess will be subject to the solidarity tax.

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▶ The threshold is calculated at the average wage multiplied by 48 (average wage is to be calculated in compliance with the act regulating social security premiums), which is illustrated as follows:

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In March 2017, a new obligation for wholesalers and retailers will come into effect: to report their cash revenues via electronic records of sales (EET). The 2nd stage of EET applies to wholesale and retail businesses shown in NACE classification under codes 45.1, 45.3, 45.4, 46 and 47. Nam-7TEc 0.03 they are the

In February 2017, the General Financial Directorate issued additional information on minor activities.

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Sale of goods manufactured by entrepreneurs is deemed to be neither wholesale nor retail and it will be subject to the next stage of EET starting 1 March 2018.

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EET

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On its website, the General Financial Directorate issued its opinion on the moment when internet payments are deemed to be realized and must be reported electronically via EET. The tax administration and the customs office will accept later reports of sales in the cases where a taxpayer was not able to perform his duty to report via EET at the moment stipulated in sec. 18 (2) (b) of the Act on the Electronic Records of Sales.

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EET

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Tax Information Due Diligence Administrative Measures

In May 2017, the Ministry of Finance, the State Administration of Taxation, and other four ministries of the People's Republic of China co-issued the Non-Resident Financial Accounts Tax Information Due Diligence Administrative Measures (hereinafter referred to as the "Measures"), effective since July 1, 2017.

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Commissioned by the G20, the Organization for Economic Co-operation and Development (OECD) issued Financial Account Tax Information Automatic Exchange Standards (hereinafter referred to as the "Standard") in July 2014. The Standard was passed by the G20 Brisbane Summit. It provides powerful information tools for countries to strengthen international tax cooperation and combat cross-border tax evasion. Under the G20's vigorous promotion, there are already 100 countries (regions) committed to implement the Standard.

The Measures are intended to provide the legal basis and operational guidelines for the implementation of the Standard in China by transforming the international standard into the specific requirements under China's national conditions. It is not only an important measure for China to actively promote the implementation of the Standard, but also specific embodiment of China in fulfilling the international commitments.

The Measures will have minor impact on the public, instead it will have greater impact on those who will be affected.

China Expanded the Scope of Preferential Tax Policies for Small and Low-Profit Enterprises

In June 2017, the Ministry of Finance and the State Administration of Taxation of the People's Republic of China issued the Circular on Expanding the Scope of Preferential Tax Policies for Small and Low-Profit Enterprises (Cai Shui [2017] No. 43). From January 1, 2017 to December 31, 2019, the threshold of taxable income for small

Enterprises with annual taxable income between 300,000 yuan to 500,000 yuan will benefit the most from the preferential policies. The preferential policies will reduce taxes and fees, expand preferential policy scope, continue to stimulate micro-entities' vitality, which is conducive to maintaining stable and healthy economy and social harmony and stability.

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Knowledge partner of Chinese companies in Europe

At VGD we support entrepreneurs and their investors in their ambition to structure and to develop their businesses. In addition to our services, we offer entrepreneurs a sounding board, by challenging your opportunities and providing alternative ideas.

/ Hanxun Su
Belgium; Sint-Niklaas