

15 July 2019

Global Tax Alert

The Latest on BEPS - 15 July 2019

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OECD

On 15 July 2019, the OECD announced that it is now gathering input on the implementation of the BEPS Action 14 minimum standard in relation to the review of the ninth batch of jurisdictions (Andorra, Anguilla, Bahamas, Bermuda, British Virgin Islands, Cayman Islands, Faroe Islands, Macau (China), Morocco and Tunisia) and invites taxpayers to submit their input related to their experiences in these jurisdictions, via an electronic questionnaire, by 12 August 2019. The exercise is part of the process of the mutual agreement procedure (MAP) peer review and monitoring process that the OECD launched in December 2016 under Action 14 of the BEPS project in relation to more effective dispute resolution mechanisms. Business taxpayers are encouraged to take this opportunity to submit their views. The OECD will continue to launch peer reviews of further batches of jurisdictions and publish peer review reports in accordance with the assessment schedule of peer reviews published by the OECD in October 2016.

On 5 and 10 July 2019, Gibraltar and Bosnia and Herzegovina respectively joined the BEPS Inclusive Framework, bringing the total number of jurisdictions to 131. As new BEPS members, they committed to comply with the BEPS minimum standards, which are contained in Action 5 (countering harmful tax practices), Action 6 (preventing treaty abuse), Action 13 (transfer

pricing documentation) and Action 14 (enhancing dispute resolution). They will also participate on an equal footing with the members of the Inclusive Framework on the remaining standard setting, as well as the review and monitoring of the implementation of the BEPS package.

On 28-29 June 2019, the G20 Leaders' Summit in Osaka, Japan concluded with the issuance of a Declaration on key topics discussed at the meeting, which included a paragraph on international tax developments. The tax language in the Declaration closely follows the language in the communiqué issued at the conclusion of the meeting of the G20 Finance Ministers and Central Bank Governors on 8-9 June 2019.

The G20 Leaders' Declaration, like the Finance Ministers' communiqué, endorses the workplan and expresses the strong commitment to working to reach a consensus-based solution with a final report by 2020. The Declaration also follows the communiqué in welcoming developments with respect to tax transparency, calling on countries to execute the Convention on Mutual Administrative Assistance in Tax Matters, and expressing support for tax capacity building in developing countries.

See EY Global Tax Alert, [G20 Leaders' Summit Declaration reiterates endorsement of OECD workplan for development of new international tax rules](#), dated 1 July 2019.

On 27 June 2019, the OECD released the international administrative and operational framework (the [framework](#)) for the exchange of information collected under the Common Reporting Standard (CRS)-related Mandatory Disclosure Rules (MDRs).

The framework, says the OECD, delivers the legal element of the automatic exchange of information collected under the OECD's Model MDRs on CRS Avoidance Arrangements and Opaque Offshore Structures (the [Model](#)). The framework, they note, will enable a jurisdiction that has received information regarding a CRS Avoidance Arrangement or Opaque Offshore Structure under the MDRs to exchange such information with all jurisdictions of tax residence of the taxpayer concerned. The Framework includes the MDR extensible mark-up language (XML) Schema and User Guide to support the operational and technical side of the MDR exchanges. The MDR XML Schema is a type of data reference document, designed to ensure that all jurisdictions follow common data categorization and naming conventions that will facilitate the structured collection and exchange of information on CRS Avoidance Arrangements and Opaque Offshore Structures by tax administrations.

On the same day, the OECD also released the updated XML schemas and guidance to support the exchange of tax information under the CRS, on Country-by-Country (CbC) Reporting (CbCR) and in relation to the exchange of tax rulings (EOTR). The CRS and CbCR schemas will become effective for all exchanges on or after 1 January 2021, whereas the EOTR-related schemas will take effect as from 1 April 2020.

The framework represents a further milestone in defining how tax administrations structure and then share specific types of taxpayer data, including data provided by an intermediary such as a bank, lawyer or tax advisor. It is important to note that the part of the framework in relation to CRS focuses exclusively on MDRs in relation to individual taxpayers and not corporate entities, although the data may be prepared and provided by a corporate entity (i.e., an intermediary) in the format recommended by the OECD.

See EY Global Tax Alert, [OECD releases updated framework and multiple technology resources in relation to technology-driven exchange of certain taxpayer information](#), dated 1 July 2019.

Armenia

On 3 June 2019, the State Revenue Committee in Armenia announced the implementation of new transfer pricing rules and regulations. According to the announcement, the State Revenue Committee intends to launch public consultations on the procedures regarding the application of transfer pricing methods, the arm's-length principle and advance pricing agreements (APAs). The new transfer pricing rules will enter into force on 1 January 2020.

Belarus

On 1 January 2019, the Law of the Republic of Belarus "On amendments and additions to certain laws of the Republic of Belarus" No. 159-3 of 30 December 2018 came into force. The Law sets forth significant amendments to the Tax Code of the Republic of Belarus related to the transfer pricing (TP) rules. Among others, the law revised the description of TP methods so that the current application of the TP methods in Belarus as of 1 January 2019 would be aligned to the TP methods applied in accordance with the OECD TP Guidelines. Also, beginning from 2019, Belarusian tax authorities are entitled to request transfer pricing documentation during tax audits but no earlier than 1 June of the year following the tax period during which the transaction is completed.

See EY Global Tax Alert, [Belarusian tax authorities to begin requesting transfer pricing documentation for 2018 as of 1 June 2019](#), dated 8 July 2019.

Belgium

On 26 June 2019, Belgium deposited its instrument of ratification with the OECD for *the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS* (MLI), together with its definitive MLI positions and a list of 99 tax treaties which Belgium entered into with other jurisdictions that it wishes to designate as Covered Tax Agreements (CTAs).

Belgium finalized the formal adoption procedure of the MLI on 6 May 2019.

The federal and regional parliaments have all ratified the MLI. The only remaining step is for publication of the federal legislation in the *Belgian Official Gazette*.

See EY Global Tax Alert, [Belgium deposits instrument of ratification for MLI](#), dated 9 July 2019.

Bermuda

On 28 June 2019, the Bermuda Government enacted the *Economic Substance Amendment Act 2019*, which provides among other things for an exclusion from the scope of the Economic Substance rules for entities tax resident outside Bermuda (and not resident in a European Union (EU) "blacklist" territory). The amended rules also provide for reporting by the Bermuda authorities of instances where nonresidence is claimed to the jurisdiction in question.

Additionally, draft Guidance was released for consultation which clarifies how determinations of nonresidence may be made as well as certain other aspects relating to regulated entities.

Chile

On 3 July 2019, the Chilean President and the Ministry of Finance issued a set of comments on the intent of the tax reform package discussed in Congress. Among others, the main points include the introduction of new Chilean source rules applicable to digital services, new rules dealing with the taxation of digital entertainment, advertising, intermediation, software, hosting and platform services, and further regulations on the previously announced indirect tax on digital services rendered to individuals in Chile. Most notably, all such services are to be subject to a special,

simplified Value Added Tax (VAT) regimen (thereby applying a 19% rate, yet with no VAT credit deduction to foreign service providers).

Colombia

On 26 June 2019, the Colombian Government issued Decree 1146 of 2019 (the Decree) on the new set of thin capitalization rules introduced by Law 1943 of 2018 and applicable from 1 January 2019. Among others, the Decree (i) provides the definitions of relevant terms for applying the thin capitalization rules; (ii) includes criteria for determining the existence of a related party for thin capitalization purposes; (iii) establishes the updated methodology to apply/calculate the thin capitalization; (iv) regulates that the deductible interest and interest subject to the thin capitalization rules must comply with the general requirements for the deductibility of expenses; and (v) provides information on the certification required to be issued by the creditor based on article 118-1 of the Tax Code, which generally is aimed to demonstrate that certain debts are not related-party debt (e.g., there is no back to back loan, or that the substantial creditor is not ultimately a related party, among others).

Cote d'Ivoire

On 7 May 2019, the Ivorian Tax Office issued a Ruling including clarifications on the filing of CbC reports in Cote d'Ivoire. According to the Ruling, all Ivorian tax resident constituent entities that are ultimate parent entities (UPEs) of a multinational enterprise (MNE) group with annual consolidated group revenue equal to or exceeding F.CFA 491,967,750 or €750 million have to prepare a CbC report for financial years starting on or after 1 January 2018. The CbC report should be submitted within the 12-month period after the last day of the reporting fiscal year. Failure to submit the CbC report will trigger a fine of XOF5 million (approx. €7,500). Also, a CbC report that contains wrong information is punishable by a fine of XOF2 million (approx. €3,049) by mistake or omission.

Denmark

On 8 July 2019, Denmark published a draft proposal providing authority for the Minister of Taxation (the Minister) to implement into Danish law the European Union (EU) directive on Mandatory Disclosure Requirements (Council Directive (EU) 2018/822 of 25 May 2018 - referred to as

DAC6) and the OECD's Model Mandatory Disclosure Rules for Common Reporting Standards Avoidance Arrangements and Opaque Offshore Structures. Under DAC6, taxpayers and intermediaries are required to report cross-border reportable arrangements from 1 July 2020. However, reports will retrospectively cover arrangements where the first step is implemented between 25 June 2018 and 1 July 2020.

The draft proposal is subject to public consultation until 22 August 2019. Following this consultation, a bill is expected to be introduced in Parliament during October 2019 which will be subject to the formal legislative process.

See EY Global Tax Alert, [Denmark publishes draft proposal on Mandatory Disclosure Rules](#), dated 10 July 2019.

On 30 June 2019, Law 1726 of 27 December 2018 (the Law) entered into force in Denmark. Among others, the Law implements the EU Tax Dispute Resolution Directive (2017/1852) of 10 October 2017, relating to tax dispute resolution mechanisms in the EU, into domestic legislation. The Law enters into force in three phases, i.e., on 1 January 2019, 1 June 2019 and 1 January 2020.

Indonesia

On 26 June 2019, the Indonesian Minister of Finance released Regulation No.93/ PMK.03/2019 containing amendments to the Controlled Foreign Corporation (CFC) rules, which revises a 2017 regulation. The amended CFC rules are effective from the 2019 tax year. While the 2017 and the previous rules deemed dividends based on all after-tax income of a CFC, the amended CFC rules narrow this to five types of (generally passive) income. This change should be welcomed by Indonesian taxpayers with actively trading subsidiaries offshore. Further, the new approach is arguably more consistent with BEPS Action 3, by excluding active income.

Japan- Argentina

On 27 June 2019, Japan and Argentina signed a new tax treaty (the New Treaty). The New Treaty contains a number of treaty-based recommendations from the BEPS project contained in Action 2 (neutralizing the effects of hybrid mismatch arrangements), Action 6 (preventing the granting of treaty benefits in appropriate circumstances), Action 7 (preventing the artificial avoidance of permanent establishment status) and Action 14 (making dispute resolution mechanisms more effective).

The New Treaty contains the preamble language which clarifies that the tax treaty is not intended to be used to generate non-taxation or reduced taxation through tax evasion or avoidance. It also contains a provision dealing with fiscally transparent entities. In cases where a person other than an individual is resident in both Japan and Argentina (i.e., a dual resident entity), both competent authorities shall endeavor to determine by mutual agreement the Contracting State of which the person shall be deemed to be a resident. The New Treaty has a Principal Purpose Test. In the permanent establishment (PE) clause the New Treaty contains an anti-fragmentation rule and the new definition of agency PE. Furthermore, the New Treaty includes the MAP provision.

Both Japan and Argentina have signed the MLI and neither country has included this tax treaty as a CTA. Therefore, it is expected that the New Treaty will not be further modified by the MLI, given that the New Treaty already incorporated the treaty-related BEPS minimum standards.

See EY Global Tax Alert, [Japan and Argentina sign new tax treaty](#), dated 12 July 2019.

Japan-India

On 1 January 2019, the MLI entered into force for Japan. Following the deposit of the instrument of ratification by India on 25 June 2019, the MLI will have effect on the tax treaty between Japan and India as detailed below. The tax treaty with India is the fifteenth tax treaty for Japan to which the MLI will apply (the other 14 tax treaties are the Japanese tax treaties with Australia, Finland, France, Ireland, Israel, Luxembourg, the Netherlands, New Zealand, Poland, Singapore, Slovakia, Sweden, the United Arab Emirates and the United Kingdom).

Provisions of the MLI that apply to the Treaty include, among other things, the preamble language describing the intent of the Contracting Jurisdictions that the tax treaty will not create opportunities for non-taxation or reduced taxation, the provisions that deny the benefits under the tax treaty where the principal purpose or one of the principal purposes of any arrangement or transaction was to obtain those benefits (i.e., principal purpose test), the provisions that expand the scope of a permanent establishment and the provisions regarding corresponding adjustments to taxation in accordance with the arm's-length principle.

The provisions of the MLI will have effect with respect to (i) taxes withheld at source by Japan on amounts paid or credited to nonresidents, where the event giving rise to such taxes occurs on or after 1 January 2020; (ii) taxes withheld at source by India on amounts paid or credited to nonresidents, where the event giving rise to such taxes occurs on or after 1 October 2019; and (iii) all other taxes levied by Japan, for taxes levied with respect to taxable periods beginning on or after 1 April 2020 (Japan and India).

Kenya

On 14 June 2019, the Finance Bill 2019-20 (the bill) was published in Kenya. Among others, the bill introduces that income from a digital marketplace is considered taxable income. According to the bill, a digital marketplace is defined as a platform that enables the direct interaction between buyers and sellers of goods and services through electronic means. Also, according to the bill the equalization tax will not apply to distributions from income that is exempt from tax.

Luxembourg

On 28 June 2019, the tax authorities published an administrative circular (the circular) in relation to the application of the Luxembourg intellectual property (IP) regime of article 50ter of the Luxembourg Income Tax Law (the LITL).

This revised IP regime, which has been in force since 1 January 2018, is compliant with the OECD's nexus approach ensuring that only activities with an adequate level of substance may qualify for an 80% income tax exemption for eligible net income and capital gains.

The circular complements article 50ter of the LITL by providing further guidance on the proper application of the revised IP tax regime. For instance, the circular provides clarification on (i) the Luxembourg and international protection rules applicable to IP assets qualifying for the revised regime; (ii) research and development (R&D) activities linked to qualifying IP assets; (iii) the application of the revised regime in the case of migration to Luxembourg or in the case of tax neutral operation; and (iv) the interaction between the new IP regime of article 50ter and the previous Luxembourg IP regime of article 50bis.

Luxembourg- France

On 2 July 2019, the Luxembourg Chamber of Deputies approved the new Convention between the Republic of France and the Grand Duchy of Luxembourg for the elimination of double taxation with respect to taxes on income and on capital and the prevention of tax evasion and avoidance (the new Treaty), replacing the treaty signed on 1 April 1958.

The new Treaty contains the new preamble language which clarifies that it is not intended to be used to generate non-taxation or reduced taxation through tax evasion or avoidance. It also contains a provision dealing with fiscally transparent entities. Moreover, the new Treaty includes an anti-abuse provision similar to the Principal Purpose Test. The new Treaty also enables taxpayers to present a case for MAP to the competent authorities of either Contracting State. It provides a period of three years for submission of a MAP request, beginning on the date of the first notification of the action resulting in taxation not in accordance with the provisions of the new Treaty.

The new Treaty was ratified by France earlier this year, therefore the Treaty will enter into force once Luxembourg will have notified France that it has satisfied the procedures required by Luxembourg law for the entry into force of the Treaty. It is expected that such notification will be given still this year and consequently the new Treaty would have effect from 1 January 2020 onwards.

Luxembourg- Kosovo

On 2 July 2019, the Luxembourg Chamber of Deputies approved the Convention between the Republic of Kosovo and the Grand Duchy of Luxembourg for the elimination of double taxation with respect to taxes on income and on capital and the prevention of tax evasion and avoidance, concluded on 8 December 2017 (the Treaty).

The Treaty contains a number of treaty-based recommendations from the BEPS project contained in Action 2 (neutralizing the effects of hybrid mismatch arrangements), Action 6 (preventing the granting of treaty benefits in inappropriate circumstances) and Action 14 (making dispute resolution mechanisms more effective).

The Treaty contains the new preamble language which clarifies that it is not intended to be used to generate non-taxation or reduced taxation through tax evasion or

avoidance. It also contains a provision dealing with fiscally transparent entities. Moreover, the Treaty includes a Principal Purpose Test. The Treaty also enables taxpayers to present a case for MAP to the competent authorities of either Contracting State. It provides a period of three years for submission of a MAP request, beginning on the date of the first notification of the action resulting in taxation not in accordance with the provisions of the Treaty.

The MLI has no effect on the Treaty as Kosovo has not signed the MLI, and though Luxembourg has signed the MLI, it has not included this Treaty as a CTA. For the MLI provisions to have effect on the Treaty, Kosovo would need to first sign the MLI, and then both jurisdictions would need to include the Treaty in their respective list of CTAs, indicating whether the Treaty falls within the scope of any of the reservations made by that respective jurisdiction.

The Treaty will enter into force upon exchange of notification by both countries that the domestic requirements for ratification have been completed. For taxes withheld at source, the provisions of the treaty will be effective for income derived on or after 1 January of the year following the year during which the convention enters into force. For taxes other than taxes withheld at source, the provisions of the treaty will be effective for taxes associated with any tax year starting on or after 1 January of the year following the year during which the convention enters into force.

Luxembourg-Uzbekistan

On 2 July 2019, the Luxembourg Chamber of Deputies approved a protocol, signed on 18 September 2017, amending the Convention between the Grand Duchy of Luxembourg and the Republic of Uzbekistan for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital (1997) (the Treaty).

The protocol contains a number of treaty-based recommendations from the BEPS project contained in Action 6 (preventing the granting of treaty benefits in inappropriate circumstances) and Action 14 (making dispute resolution mechanisms more effective).

The protocol contains the new preamble language that clarifies that the tax treaty is not intended to be used to generate double non-taxation or reduced taxation through tax evasion and avoidance. It also contains a Principal Purpose Test. Moreover, the amending protocol enables taxpayers to present a case for MAP to the competent

authorities of either Contracting State. It provides a period of three years for submission of a MAP request, beginning on the date of the first notification of the action resulting in taxation not in accordance with the provisions of the Treaty.

The MLI has no effect on the Treaty as Uzbekistan has not signed the MLI, and though Luxembourg has signed the MLI, it has not included this Treaty as a CTA. For the MLI provisions to have effect on the Treaty, Uzbekistan would need to first sign the MLI, and then both jurisdictions would need to include the Treaty in their respective list of CTAs, indicating whether the Treaty falls within the scope of any of the reservations made by that respective jurisdiction.

The protocol will enter into force upon exchange of notification by both countries that the domestic requirements for ratification have been completed and will have effect for tax years starting on or after the 1 January following the year the protocol entered into force.

Malta

On 12 June 2019, the Commissioner for Revenue updated the guidance on the use of the MAP in Malta. Among others, the updated guidance clarifies that MAP is possible for bilateral and multilateral disputes and may deal with requests for the multi-year resolution of recurring issues. It also clarifies that a Convention permits a MAP for resolving difficulties arising from the interpretation or application of that Convention in the broadest sense, including: (a) cases where there is a bona fide foreign-initiated self-adjustment; and (b) cases where there is an audit settlement between another tax authority and a taxpayer. Additionally, it establishes that once the competent authorities have resolved a MAP case, an exchange of letters between the competent authorities has occurred and the taxpayer has accepted the resolution, the Commissioner for Revenue shall give effect to the resolution in Malta without delay.

Mauritius

On 7 June 2019, the Mauritian Finance Minister amended the scope of the income tax exemption introduced by the *Mauritius' Finance (Miscellaneous Provisions) Act 2017* to align it with the nexus approach described in the OECD BEPS Action 5 report. The income tax exemption applies for eight years to companies set up after 1 July 2017 that are involved in innovation driven activities for the development of IP assets in Mauritius. The exemption starts as from the year in which the company starts its innovation driven

activities. According to the amendment, the eight-year income tax exemption will be provided on income derived from qualifying assets, and will depend on the level of R&D undertaken by the company in Mauritius. Qualifying IP assets are patents and copyrighted software. In relation to smaller companies, it includes IP assets that are functionally equivalent to patents if those assets are certified as being novel, non-obvious and useful by the Mauritius Research Council. The changes are effective from 7 June 2019, and should be applied prospectively.

See EY Global Tax Alert, [Mauritius aligns intellectual property incentives with nexus approach](#), dated 26 June 2019.

Netherlands

On 2 July 2019, the Dutch Government published a legislative proposal on the implementation of the EU Anti-Tax Avoidance Directive 2 (ATAD 2) which includes anti-hybrid provisions (the proposal). The proposal is generally in line with the draft proposal, published as part of the ATAD 2 internet consultation ([Consultation Document](#)), that was initiated on 29 October 2018.

The proposal includes a number of additional items and some further clarifications compared to the draft proposal. Furthermore, the proposal includes a new requirement for taxpayers to have documentation available with an analysis on the application of the anti-hybrid provisions. Any obligation to provide relief under the applicable tax treaty for income attributable to a hybrid PE will override the application of the hybrid PE provisions. Therefore, the Netherlands intends to amend its tax treaties to prevent such override going forward. This proposal may change following parliamentary proceedings later this year.

It is expected that the proposal will be enacted before 1 January 2020.

See EY Global Tax Alert, [Dutch Government publishes draft legislation on implementation of EU ATAD 2](#), dated 5 July 2019.

Norway

On 26 June 2019, the Norwegian Ministry of Finance launched a consultation with respect to a draft bill amending the existing interest deduction limitation rules in line with the EU Anti-Tax Avoidance Directive 2016/1164 (2016) (ATAD) and the OECD BEPS Action 4.

Currently, the deduction of intragroup interest expense is limited to 25% of the EBITDA (earnings before interest, tax, depreciations and amortizations), provided certain conditions are met.

The current interest limitation deduction only applies to companies which are included in group financial statements, but optional exceptions may be available. The draft bill abolishes these exceptions, which means that all group companies must be included in the group consolidation and may be subject to interest deduction limitations. The consolidated accounts will be used for determining a group's equity ratio. Also, the draft proposes some adjustments as to which entities that may be included in the Norwegian consolidated group for the purpose of the *de minimis* threshold of NOK25 million (approx. €2.6 million). A NOK5 million (approx. €516,000) threshold for stand-alone companies applies.

Poland

On 14 June 2019, a new tax treaty (the New Treaty), which was concluded on 6 October 2015, entered into force between Poland and Sri Lanka. The New Treaty generally applies as of 1 January 2020 for withholding tax and other taxes and as of 14 June 2019 for article 25 (MAP) and article 26 (Exchange of Information).

The New Treaty contains a Limitation of Benefits clause in article 27 which determines that a treaty benefit shall not be available if the main purpose or one of the main purposes for entering into an arrangement was to obtain a treaty benefit. In cases where a person other than an individual is resident of Poland and Sri Lanka (i.e., a dual resident entity), both competent authorities shall endeavor to determine by mutual agreement the Contracting State of which the person shall be deemed to be a resident.

As Sri Lanka has not signed the MLI, the MLI will not have an impact on the New Treaty.

Portugal

On 21 June 2019, the Portuguese Parliament approved the MLI by way of Resolution No. 90/XIII. Portugal now needs to finalize the national formalities and then needs to deposit its instrument of ratification with the OECD. The MLI will enter into force for Portugal on the first day of the month

following the expiration of a period of three calendar months beginning on the date of the deposit of the instrument of ratification with the OECD.

Russia

On 7 June 2019, Russia published a law on the submission of CbC reports in the *Official Gazette*. The adopted law amends article 105.16.3 of the Tax Code which states that, where a CbC report contains information on members of a multinational group of companies included in the list of strategic enterprises and strategic joint-stock companies, information concerning the activities of those members will be submitted to the competent authorities of foreign jurisdictions within the framework of the automatic exchange of CbC reports only if the taxpayer submitting the CbC report presents in relation to those members the appropriate prior consent of a federal executive body authorized by the Russian Government. Under the amendments, the list of persons giving prior consent will be expanded to include state corporations that exercise the powers of the property owner in relation to the members of the multinational group of companies included in the list of strategic enterprises and strategic joint-stock companies. The adopted law entered into force on the date of its official publication and it applies to the submission of CbC reports for tax years starting from 2017.

On 3 June 2019, a draft law proposing amendments to the Russian Tax Code was submitted to the Parliament. Among others, the draft law proposes the implementation of rules on MAP in accordance with BEPS Action 14 (Dispute Resolution) and the introduction of criteria for the valuation of intangible assets for transfer pricing purposes in accordance with BEPS Actions 8-10 (Transfer Pricing).

See EY Global Tax Alert, [Russia's Government submits major Tax Code Amendment Bill to State Duma](#), dated 11 July 2019.

Slovak Republic

On 29 May 2019, the Slovak Government approved draft legislation implementing the EU Directive on the mandatory disclosure and exchange of cross-border tax arrangements (referred to as DAC6 or the Directive). However, the formal legislative process includes additional steps starting in September 2019, where the Slovak National Council will review the approved draft legislation once again and approve it to be finalized.

No substantial changes to the approved draft legislation are expected before its final enactment. The Slovak legislation will enter into force on 1 July 2020.

The Slovak MDR legislation is aligned with the requirements of the Directive.

See EY Global Tax Alert, [Slovakia passes draft legislation to implement EU Mandatory Disclosure Rules](#), dated 8 July 2019.

Slovenia

On 7 June 2019, the amendments to the Slovenian Tax Procedure Law transposing the EU Tax Dispute Resolution Directive (2017/1852) of 10 October 2017 and Council Directive (EU) 2016/881 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation of 25 May 2016 into the domestic law were published in the *Official Gazette* of 7 June 2019 (No 36/2019) and entered into force on 22 June 2019. The rules implementing the EU Tax Dispute Resolution Directive apply as from 1 July 2019 and the rules implementing the mandatory automatic exchange of information in the field of taxation will apply as from 1 January 2020.

Sweden

On 19 June 2019, the Swedish Government presented to the Parliament a law proposal which implements the EU Tax Dispute Resolution Directive (2017/1852) of 10 October 2017, relating to tax dispute resolution mechanisms in the EU, into domestic legislation. The law is expected to enter into force on 1 November 2019.

United Arab Emirates

On 30 April 2019, the United Arab Emirates (UAE) enacted *Cabinet Decision No.31 concerning setting the economic substance requirements*. According to the new rules, companies will generally need to satisfy the following three tests to meet the economic substance requirement: (i) the company should be directed and managed in the UAE for the specific activity; (ii) the company's core income generating activities should be performed in the UAE; and (iii) the company should have an adequate level of qualified employees, premises and annual operating expenditures. Companies engaged in banking, insurance, fund management, investment holding, financing and leasing, distribution and service center,

headquarter companies and intellectual property activities should review the effect of the new rules to ensure they meet the substance requirements. Failing to do so may result in penalties and fines, spontaneous exchange of information, and potentially deregistration. The rules entered into force on 30 April 2019.

See EY Global Tax Alert, [UAE enacts economic substance rules](#), dated 24 June 2019.

United Kingdom

On 1 July 2019, HM Revenue & Customs launched a [consultation](#) on the draft Regulations for the implementation of the EU Tax Dispute Resolution Directive (2017/1852) of 10 October 2017, relating to tax dispute resolution mechanisms in the EU. Public comments can be submitted via e-mail up and until 27 August 2019.

United States

On 28 June 2019, the Internal Revenue Service (IRS) updated the [website](#) that includes an up-to-date listing of the jurisdictions with which the United States (US) Competent Authority has entered into a Competent Authority Agreement (CAA) for the automatic exchange of CbC reports and the jurisdictions that are in negotiations for a CAA. In this update, the IRS added Monaco to the list of countries with which the US is in negotiations for a CAA for the automatic exchange of CbC reports. In addition, on 3 July 2019, the IRS added Argentina to the same list of countries with which the US is in negotiations for a CAA. The IRS is in the process of negotiating CAAs with another five countries and is expected to update this database as other agreements are concluded.

For additional information with respect to this Alert, please contact the following:

Ernst & Young LLP (United States), International Tax Services, Washington, DC

- ▶ Arlene Fitzpatrick arlene.fitzpatrick@ey.com

Ernst & Young LLP (United States), Global Tax Desk Network, New York

- ▶ Gerrit Groen gerrit.groen@ey.com
- ▶ Jose A. (Jano) Bustos joseantonio.bustos@ey.com
- ▶ Konstantina Tsilimigka konstantina.tsilimigka1@ey.com

Ernst & Young Belastingadviseurs LLP, Amsterdam

- ▶ David Corredor-Velásquez david.corredor.velasquezs@nl.ey.com

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EYG no. 003346-19Gbl

1508-1600216 NY
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