GLOBAL MOBILITY ALERT
April 2014

INTRODUCTION

Welcome to the latest issue of our Global Mobility Alert.

In this issue you can read about how we can help you understand the permanent establishment (PE) risks related to seconding expatriate employees to work in the People's Republic of China (PRC). We also highlight significant changes to tax laws effecting individuals on international assignments in South Africa and planning opportunities for expatriates working in Switzerland. Finally we introduce changes to the UK tax authorities approach to employment related securities issued to internationally mobile employees.

We hope you enjoy reading this edition of our Global Mobility Alert and that it will provide you thought provoking information.

Kind regards,
Steve Asher
Head of Mazars Global Mobility Services

About Mazars

Mazars is an international, integrated and independent organisation, specialising in audit, accounting, and tax, legal and advisory services. We rely on the skills of more than 13,500 professionals in the 71 countries that make up our integrated partnership.

Mazars Global Mobility Services have a long history. For many years we have been building a worldwide group of international advisors, specialising in advising employers on the international mobility of their employees. Our services include global tax compliance and optimisation, international payroll services, social security administration, shares schemes planning, immigration services etc., including global mobility policy advice and the management of global mobility.
HOW TO REVIEW PERMANENT ESTABLISHMENT RISKS IN THE PRC

Over the years, more and more multinational companies have seconded expatriates to the PRC to take positions as senior management or other technical positions to support the operations in China.

In normal cases the multinational companies maintain the employment relationship with the expatriates, pay their salaries and overseas social security in advance, that in turn may be charged back to the PRC domestic subsidiaries. As the domestic subsidiaries need to apply for a tax clearance certificate before making the remittances the competent tax bureau normally determines whether such assignment arrangements have constituted a PE in China.

To reduce the PE risks in China through assignments, multinational companies need to review their assignment plans carefully and ensure the supporting documentation is strengthened. This includes:

• relevant employment contracts and assignment contracts;
• relevant company rules in relation to the expatriate’s responsibilities;
• work scope and performance assessment;
• risk bearers;
• Individual Income Tax filing returns of the expatriates;
• payment voucher made by the domestic subsidiaries to the multinational companies.

Questions?
If you want to review your PE risks and how to plan to reduce your risks, please contact your local advisor or Peter Law (peter.law@mazars.cn, +86 21 61 68 10 88).

SOUTH AFRICA CHANGES ACT FOR INDIVIDUALS ON INTERNATIONAL ASSIGNMENTS

For individuals on international assignments in South Africa, the Taxation Laws Amendment Act (promulgated in December 2013) includes a number of amendments that may affect individuals as well as their employers.

Major changes:

1. Dividends are to be taxed as remuneration: arrangements that are being targeted are employee share trusts where the employee beneficiaries have no interest in the underlying shares, and only have dividend rights.

2. Reform of retirement fund contributions: employer contributions to all funds will be a taxable fringe benefit and employee contributions to provident funds are not deductible. Employee contributions to all funds will be tax deductible. The new rules do not make reference to foreign retirement funds and the treatment of contributions to foreign funds.

3. Abolition of deduction of premiums: with effect from 1 March 2015 the deduction by an individual of premiums paid in respect of income protection policies has been repealed. Employer-paid premiums to income protection policies will no longer be exempt from fringe benefit.

4. Exit charge applicable for interest in immovable property: when taxpayers are liable for an ‘exit charge’ in the form of a deemed disposal at market value for Capital Gains Tax (CGT) purposes of assets, has been extended to shares in ‘property in rich companies’. The amendment seeks to remove opportunities for tax planning which rely on definitions of indirect interests in property contained in various double tax agreements.

Questions?
If you want to know if and how the amendments affect you, please contact your local advisor, Bernard Sacks (bernard.sacks@mazars.co.za, +27 21 81 85 027) or Elzahne Henn (elzahne.henn@mazars.co.za, +27 21 81 85 057).
PLANNING OPPORTUNITIES FOR EXPATRIATES IN SWITZERLAND

Posted workers or ‘expats’ are subject to special rules where Swiss tax and social insurances are concerned. Taxation at source applies to most expatriates moving to Switzerland. The basic principle is that the expatriates are subject to wage source tax if they do not have a long duration permit (‘C’ permit). However, if their annual gross salary exceeds a certain amount (usually CHF 120,000) or if they have other sources of taxable income, the expatriate must in addition file an ordinary tax return.

In parallel to the ordinary personal tax deductions, individuals qualifying as expatriates for Swiss tax purposes are entitled to special deductible expenses (costs for a residence in Switzerland), fees for schooling of children at a foreign language private school, etc. for a period of five years from the date of arrival, as long as these deductions are not reimbursed by the employer.

Any individual can make voluntary contributions to the Pension fund (to purchase of missing insurance years) and has to keep the following in mind:

- In addition to the employer pension plan, the employee may subscribe to a personal pension plan (‘3rd pillar”).
- A gap in the employer pension plan can be closed by making annual buy-backs of missing insurance years.
- Pension plan withdrawals in general are subject to a favourable tax regime.
- There is no requirement to make the withdrawal at the time of deregistration from Swiss residency.
- The relevant double taxation treaties should be consulted.

Questions?
Do you want to know whether or not it is advantageous to withdraw savings upon de-registration of residency, and help devising a step-by-step action plan to achieve the best result possible? Please contact your local advisor, Serge Migy (serge.migy@mazars.ch, +41 21 310 49 17) or Cédric Monney (cedric.monney@mazars.ch, +41 21 310 49 31).

NEW EMPLOYMENT-RELATED SECURITIES RULES UNITED KINGDOM

The UK government recently published draft legislation in Finance Bill 2014 which will change the tax treatment of employment related securities issued to Internationally Mobile Employees (IME’s). The legislation will be enacted in summer 2014 and will apply to employment related securities acquired by IME’s from 6 April 2015 onwards (although the old rules will apply to share options granted and exercised before 6 April 2015, the new rules will apply to the historic options exercised after 6 April 2015).

Major changes:

- **Income tax**: securities income ‘earned’ by IME’s will broadly be subject to UK income tax if it relates to UK employment duties in the period over which the securities issued are earned.
- **NIC**: the NIC treatment of IME’s securities income will be aligned with the income tax treatment. However, this is likely to be subject to exemptions to those IME’s covered under their ‘home country’ social security system.
- **Corporation Tax**: where IME carries out UK employment duties for a company that is chargeable to UK corporation tax, that company will be able to obtain a corporate tax (CT) deduction for the IME’s securities income.

Questions?
The above is a ‘snap-shot’ of the changes. If you think that you and your employees are likely to be impacted, please contact your local advisor, Liz Hunter (liz.hunter@mazars.co.uk, +44 20 7063 4489) or Susanne Parsler (susanne.parsler@mazars.co.uk, +44 20 7063 4191).
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