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UNITED KINGDOM

CFC REFORM FLESHED OUT

The Autumn Statement made by the Chancellor of the Exchequer on 29 November has put meat on the bones of the reform to the United Kingdom's controlled foreign company (CFC) provisions. These currently attribute the profits of a foreign controlled company resident in a low-tax jurisdiction to each of its UK corporate shareholders who together control the foreign company, subject to certain exceptions. The Chancellor also confirmed that a special low rate of tax would be introduced on ring-fenced income from intellectual property (the so-called 'patent box') and gave further details of an elective régime for exempting the profits of foreign branches.

CFC rules

With effect from 2012, the current CFC rules would be replaced by a more narrowly drawn régime targeting on a case-by-case basis only those profits that are judged to have been artificially diverted from the United Kingdom. Where the CFC is a finance company, it would normally be exempt from the CFC rules if it had a debt-equity ratio of no less than 1:2.

With regard to CFCs holding intellectual property (IP), the CFC rules would apply where 'excessive profits' have arisen from IP that had been transferred from the United Kingdom in the previous 10 years, which accrue in the CFC, and where the IP and the CFC still have a substantial UK connection.

Interim changes, including a proposed exemption for intra-group activities having a minimal UK connection will be introduced in 2011. The *de minimis* exemption, for small attributable profits, currently GBP 50 000 or less, would be increased to GBP 200 000, but only for large groups.

The patent box

A Dutch-style 'patent box' will be introduced in 2013. This will involve the application of a 10% rate of corporation tax to the net income from patent royalties and income embedded in the price of patented products. It is intended to apply with respect to income from patents first put to commercial use after 29 November 2010.

Income from foreign branches

The Government wants to move to a system of exemption for the income of foreign branches, in line with the régime existing in many fellow EU Member States. The proposals, draft legislation for which was published on 9 December, provide for an 'opt in' system, whereby UK companies with foreign branches would elect for an 'all or nothing' exemption for profits earned in all their foreign branches, at the same time forfeiting the right to set off losses from such branches. The exemption will apply to trading (active) income as well as certain gains, and there will be rules to claw back foreign-branch losses already utilised in the six years preceding the election. There will also be anti-avoidance rules to prevent diversion of UK-source income to exempt branches.

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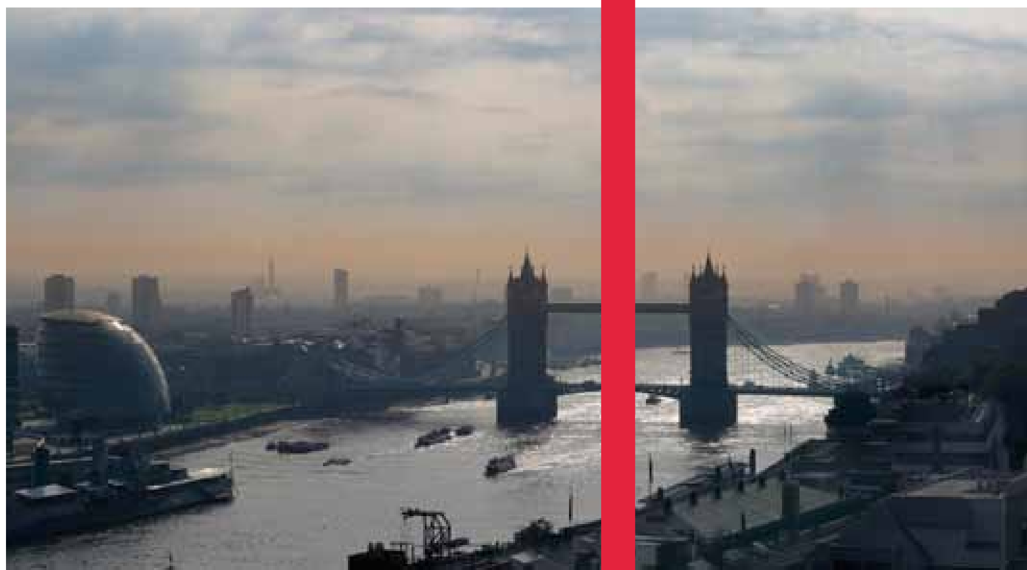

EDITOR'S LETTER

Welcome to Issue 24 of *BDO World Wide Tax News*. This newsletter summarises important recent tax developments of international interest across the world. If you would like more information on any of the items featured, or would like to discuss their implications for you or your business, please contact the person named under the item(s). The material discussed in this newsletter is meant to provide general information only and should not be acted upon without first obtaining professional advice tailored to your particular needs. *BDO World Wide Tax News* is published quarterly by Brussels Worldwide Services BVBA in Brussels. If you have any comments or suggestions concerning *BDO World Wide Tax News*, please contact the Editor via the BDO International Executive Office by e-mail at mderouane@bwsbrussels.com or by telephone on +32 (0)2 778 0130.

We wish all our readers the compliments of the season and a happy and prosperous 2011

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AUSTRALIA

RULING ON THIN CAPITALISATION AND TRANSFER PRICING

Australia's transfer-pricing provisions allow the Commissioner of Taxation to make a determination that has the effect of deeming arm's length consideration to have been given for tax purposes in respect of property supplied or acquired under certain international agreements.

In the context of loans advanced to Australian members of multinational groups, this means that the Commissioner may reduce the borrower's deductions for interest and other costs in respect of the loan if the Commissioner determines that those costs exceed their arm's length amount.

The thin capitalisation provisions can also operate to deny debt deductions (including interest) to the extent that the entity is thinly capitalised (i.e. has 'excess debt'). In determining whether an entity has excess debt, most entities apply the 'safe-harbour debt amount', which for most entities permits a maximum debt-to-asset ratio of 75% (subject to certain adjustments).

THE NEW RULING

The new ruling issued by the tax authorities (the ATO), TR 2010/7, concerns the issue of whether the transfer-pricing provisions can be applied to reduce (or deny) an entity's deductions for interest and other costs associated with its debt funding, notwithstanding that the entity does not have any excess debt for thin capitalisation purposes. In brief, the ruling states that they may be so applied.

TR 2010/7 provides only limited guidance on how to determine the arm's length price in relation to debt funding advanced by an overseas related party, and generally refers readers to its earlier rulings. However, TR 2010/7 makes the following general comments:

'Where a related party loan negatively impacts on the profit position of the Australian subsidiary such that the ATO may conclude that it does not make commercial sense for the Australian subsidiary, the ATO suggests that the pricing of the related-party loan be based on a hypothetical balance sheet that is more conservatively geared than is actually the case…this may result in a lesser debt deduction than would be the case if one were to derive an arm's length price based on the actual gearing or credit standing of the Australian subsidiary.'

In practice, the most reliable method is a 'comparable uncontrolled price' approach, which uses available data as to the pricing of a comparable loan between comparable independent parties dealing at arm's length in comparable circumstances.

In the absence of direct comparables, taxpayers may instead use market interest rates applicable to rated borrowers, typically based on a reference rate such as LIBOR or the Bank Bill Swap Rate plus an appropriate margin, to produce a measure of the arm's length consideration.

Alternatively, an arm's length interest rate could be derived from the credit rating of the ultimate parent of the corporate group, with an appropriate margin above the interest rate that the parent would be expected to pay for a comparable loan.

However, the ATO states that in using any data as to uncontrolled comparables or open-market prices in determining the arm's length consideration for a related-party loan, it is necessary to take account of whether the outcome makes commercial sense in all of the circumstances of the case.

TR 2010/7 also provides guidance on an area that has been controversial of late — that is, how the transfer-pricing provisions should apply where an entity's debt level is within the thin-capitalisation safe harbour, but exceeds the maximum amount of debt that would

reasonably be expected to arise between independent parties dealing at arm's length in similar circumstances.

Implications for Australian subsidiaries of multinational groups

The position the ATO takes in TR 2010/7 means that an entity must ensure that the pricing of all international related-party debt is on arm's length terms, even if the entity's total debt is within the thin-capitalisation safe-harbour amount.

In situations where no comparable dealings exist (because, for example, the debt funding arrangements in question would not take place between independent parties dealing at arm's length), the ATO suggests that the funding should be priced with reference to the pricing that would apply under the closest arm's length scenario, or alternatively based on the rate of interest that the parent company would reasonably expect to pay on a similar loan.

This aspect of the ATO's approach is somewhat controversial. Where a parent-company funding arrangement has a negative impact on the profit position of the Australian subsidiary such that the ATO may conclude that the funding arrangement does not make commercial sense for the Australian subsidiary, the ATO suggests that the pricing of the related-party loan should be based on a hypothetical balance sheet that is more conservatively geared than is actually the case. Alternatively, the subsidiary may derive an interest rate by assuming that its cost of funding is similar to that of its ultimate parent company. Either method will result in a smaller debt deduction than would be the case if one were to derive an arm's length price based on the actual gearing or credit standing of the Australian subsidiary.

As a result, the application of the ATO's approach may result in exposing the foreign parent to a transfer-pricing adjustment in its home jurisdiction if the tax authorities in that jurisdiction consider the interest that the parent company receives on the loan to be less than the arm's length amount — potentially exposing the multinational group to double taxation.

However, as far as Australian subsidiaries borrowing from foreign parent companies are concerned, it is clear that the ATO will not always accept the argument that junk-bond interest rates should be applied to related-party borrowings of a highly geared Australian subsidiary simply by virtue of their level of indebtedness and resultant low stand-alone credit rating, unless the Australian subsidiary can show that it would otherwise reasonably expect to obtain a similar level of debt funding on similar terms from an independent lender.

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CHINA

TREATY INTERPRETATION GUIDELINES ISSUED

The China State Administration of Taxation (SAT) has recently issued a tax circular, *Guoshuifa* [2010] No 75, which provides detailed interpretative guidance on each article of China's double tax treaty with Singapore. It is important to note that the guidance is also applicable to other tax treaties concluded by China with substantially similar wording of the relevant articles or parts of articles. Among the treaties substantially similar to the one with Singapore are those with Belgium, Hong Kong, Italy, Korea, Spain and the United States.

We have therefore decided to focus on the guidance on Article 5 — the permanent establishment article — of the Singapore treaty. The guidance reveals that there is a potential risk of a permanent establishment, and hence taxation, in China associated with secondment of employees.

Fixed place of business and place of management

According to Article 5, the term 'permanent establishment' (PE) means a 'fixed place of business through which the business of an enterprise is wholly or partly carried on'. The term includes, especially, a 'place of management'.

A 'fixed place of business' generally has the following features:

- It has physical existence but there is no restriction on its scale or nature, e.g. machinery and equipment, warehouse, stall etc, no matter whether it is owned or leased
- It is relatively fixed and persists for a definite period of time
- The whole or part of the activities of the business are conducted through that place

A 'place of management' refers to an office or similar premises in which at least part of the management duties and responsibilities are carried out.

The provision of services

Under Article 5, a PE also encompasses the provision of services, including consultancy services, by an enterprise by means of employees or other personnel engaged by the enterprise for that purpose, but only if those activities continue (with respect to the same or a connected project) for a period or periods amounting to more than 183 days within any 12-month period. Other treaties may specify different threshold periods (three months, one year etc). 'Services' are defined to include professional services, such as engineering, technical, management, design, training, consulting services etc. 'Other personnel' engaged by the enterprise refers to individuals who act under the control and instructions of the enterprise in the provision of the services. 'The same or connected project' refers to projects that are commercially related or connected. When determining whether projects are commercially related or connected, the following factors are considered:

- Whether the projects are included in a master contract
- If the projects are under separate contracts, whether these contracts are signed with the same persons; whether the preceding project is a necessary condition for implementing the subsequent project
- Whether the nature of the projects is the same
- Whether the projects are implemented by the same personnel etc

Parents and subsidiaries

According to the treaty, the fact that a company that is resident in a contracting state controls or is controlled by a company that is resident in the other contracting state does not of itself constitute either company as a PE of the other.

Seconding employees to China

However, there is a potential PE risk arising from the secondment of an employee by a foreign parent company to its Chinese subsidiary. When determining whether a secondment may create a PE of the foreign parent, the following guidance should be considered:

- If a foreign company seconds its employee to work for its subsidiary in China as requested by the subsidiary and the subsidiary has the right to direct the work of the individual and assumes the risks and responsibilities of the work, the foreign parent company will not be regarded as having a PE in China. In this situation, it does not matter whether the employee's salary is directly paid by the Chinese subsidiary or indirectly through the parent company: the salary is deemed to be the expense of the Chinese subsidiary
- However, if *any* of the following conditions is met, the employee may be regarded as working in China for the foreign parent:
  - The foreign parent company has the right to direct, and assumes the risks and responsibilities of, the work of the seconded employee
  - The foreign parent company decides on the number of and qualifications/standards of its employees to be seconded to work for the Chinese subsidiary
  - The foreign parent company bears the salary costs of the seconded employee
  - The foreign parent company derives profits from its Chinese subsidiary by virtue of assigning employees to the subsidiary

If the employee is regarded as working for the parent company in China, the PE issue will usually be considered with reference to the provision of services paragraph in Article 5. In that event, if the foreign parent provides services in China by virtue of assigning its employee to China for more than 183 days within any 12-month period, the foreign parent will be considered as having a PE in China, and therefore subject to Chinese tax.

Therefore, in order to mitigate the PE risk, the foreign parent company should ensure that a real employment relationship exists between the secondee and the Chinese subsidiary and maintain proper documentation (such as a properly worded assignment agreement) to that effect.

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MALAYSIA

2011 BUDGET MEASURES

The Budget 2011 proposals were tabled in Parliament by the Prime Minister and Minister of Finance on Friday 15 October 2010. The proposals and allocations were growth-centric and in line with the initiatives that were outlined under the Economic Transformation Programme released earlier this month It is encouraging to see the Government considering feedback from the public sector in developing this year's budget.

The key budget changes can be summarised as follows:

Promoting Islamic securities products

To strengthen further Malaysia's position as the leading *sukuk* market and to promote transactions in *Bursa Suq al-Sila*, the world's first *sharia*-compliant commodity-trading platform, the current tax deduction on expenses incurred for the issue of approved Islamic securities under the principles of *mudharabah, musyarakah, ijarah* and *istisna* will be extended to Islamic securities issued under the concept of *murabahah* and *bai'bithaman ajil*, based on *tawarruq*. In addition, the double tax-deduction incentive on export-credit insurance will be extended to insurance premium based on the *takaful* concept.

Preserving the environment and advancing green technology

To promote green technology and ensure sustainable development, the following incentives in relation to green technology and environmental protection have been enhanced:

Tightening withholding tax rules

Under present legislation, tax withheld on payments made to non-residents has to be remitted to the Inland Revenue Board within one month from the date of actual payment. Late payment of withholding tax is subject to a penalty of 10% on the unpaid withholding tax and such payment made to non-residents are non-deductible. To tighten the remittance of withholding taxes further, it was proposed that in addition to the above late payment penalty, the Director General of Inland Revenue be empowered to impose a penalty of up to 100% for incorrect returns under section 113(2) of the Malaysian Income Tax Act if the withholding tax is unpaid on the due date of filing the tax returns.

Streamlining tax information-exchange arrangements

Malaysia has recently been categorised in the OECD's white list. In line with the OECD standards on the exchange of information, the Income Tax (Request for Information) Rules 2009 were gazetted (and came into force on 26 August 2009) to allow the request for information by the competent authority of a contracting tax-treaty state. In order to implement internationally agreed standards on transparency and exchange of information developed by the OECD, protocols to existing double tax treaties are being concluded progressively to enhance the practices on exchange of information (to-date, Malaysia has signed double tax treaties with 72 countries).

To streamline tax information-exchange arrangements further, it was proposed that the existing revenue legislation on double tax arrangements be widened to cover tax information-exchange arrangements with treaty countries on other taxes of every kind under any written law. A new section has also been introduced to provide for information-exchange arrangements with non-treaty countries.

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Category	Incentives	Enhancement
Companies generating energy from renewable resources Companies providing energy-conservation services	Pioneer status with income tax exemption for 100% of statutory income for 10 years ; or investment tax allowance of 100% on qualifying capital expenditure incurred within a period of 5 years, to be offset against 100% of statutory income for each year of assessment	Application period extended to 31 December 2015
Companies generating renewable energy for own-consumption Companies that incur capital expenditure for energy conservation for own-consumption	Investment tax allowance of 100% on qualifying capital expenditure incurred within a period of 5 years, to be offset against 100% of statutory income for each year of assessment	
Reduction of greenhouse emissions	Income derived from sale of Certified Emission Reductions certificates given tax exemption up to year of assessment 2010	Tax exemption period extended to year of assessment 2012

MAURITIUS

BUDGET HIGHLIGHTS

The 2011 Budget was presented on 19 November by the Vice-Prime Minister and Minister of Finance Pravind Jugnauth. The Budget is intended to pave the way for Mauritius to avail itself of the opportunities stemming from a changing world economic order.

The taxation measures include:

- The taking of steps to ensure that the VAT benefits currently provided to medium-sized and large exporters of sugar will also be available to small planters
- Profits and gains from the sale of land and other immovable property by companies will be subject to income tax at 15%. The value of properties acquired before 1988 will be determined by a prescribed formula
- In the case of individuals, the rate of tax will be 10%, except on the first MUR 2 million. Property inherited or transferred from parents or remoter forebears will be exempt
- The income tax exemption for freeport operators is being extended by a further two years, to 30 June 2013
- Companies holding a Category 1 global business licence will now be authorised to carry out business in Mauritius. They will be subject to tax at the rate of 15% in common with other domestic companies. They will also continue to benefit from the same tax treatment as currently available for their operations outside Mauritius
- Banks will continue to pay the special levy of 3.4% on profits and 1% on turnover for the financial years 2011 and 2012
- Individuals deriving taxable and exempt income exceeding MUR 2 million per annum will be subject to a solidarity income tax of 10% on their exempt income, such as dividends from resident companies, and interest
- In all other cases, the exemption of interest income from tax is reinstated as from 1 January 2010. Tax already withheld will be set off against tax payable on returns for 2012 and 2013; any balance will be repaid in 2013
- National residential property tax is abolished as from 1 January 2010
- Excise duty on a wide range of goods is increased
- The additional 5% rate of land transfer tax is to be abolished

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SRI LANKA

BUDGET HIGHLIGHTS

An expansive tax-cutting budget was delivered on 22 November by President Rajapakse in his capacity as Minister of Finance.

The measures include:

- A reduction across the board in rates of income tax for individuals, particularly for higher incomes. The current 5% — 35% rate structure is to be replaced by a 4% — 24% structure. Whereas the 35% rate currently applies to the slice of taxable income above LKR 2.7 million, the new 24% top rate will apply to that part of income above LKR 3 million
- The main rate of company tax is to be reduced from 35% to 28%
- The 20% luxury rate of VAT is to be abolished. In future, VAT will be charged at either the standard 12% rate or the zero rate. Several new categories of supply are to be exempt
- The rule limiting deductible input VAT to 85% of the output tax is to be abolished with respect to invoices dated after 31 December 2010. Unused input VAT on earlier invoices may be amortised over four years
- Several minor taxes, such as debits tax and the social responsibility levy, are to be phased out or abolished outright

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CYPRUS

NEW PROTOCOL TO RUSSIA TREATY

The long-awaited signing of the Protocol to the double tax treaty between Russia and Cyprus was signed on 7 October in Nicosia during the visit of President Medvedev. The Protocol had been agreed in April 2009 and is now pending parliamentary ratification and should be in force by 1 January 2011.

The importance of the Protocol is reflected in the scale of the financial ties that exist between Cyprus and Russia. The double tax treaty is largely responsible for Cyprus's rôle in channelling investments into Russia, which over the last five years has exceeded USD 52 000 million. Equally, Russia is the largest foreign investor into Cyprus with over USD 1000 million invested to date.

The Protocol and negotiations of amendments to Russia's Double Tax Treaties are parts of the overall policy of the Russian authorities to achieve more transparency in international taxation. The signing of the Protocol is seen as very important for the continuing successful relationship between Cyprus and Russia. The removal of Cyprus from the so-called 'blacklist' sends a strong positive message to business.

The application of a number of articles in the Protocol depends on potential changes in the legislation and/or practices in Russia. In particular the introduction of management and control rules can have an impact the application of the 'residence' article. We shall discuss these important developments later in this article.

Main features of the Protocol

Withholding-tax rates remain unchanged, though the direct investment required to take advantage of the reduced 5% withholding tax rate for dividends is changed from USD 100 000 to EUR 100 000. Interest and royalty withholding-tax rates remain at zero.

The Protocol clarifies that distributions from mutual funds and similar investments will be considered dividends and subject to the normal withholding-tax rates applying to dividends i.e. 5% or 10%. This clarifies an uncertainty that existed regarding the rates that should apply on such distributions.

The definition of dividends has also been extended to cover distributions from shares held in the form of depositary receipts.

The definition of interest has been substantially aligned with the OECD definition of interest clarifying that the term also covers income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits. The impact of these changes is that interest reclassified by the Russian tax authorities as dividends (e.g. due to Russian thin capitalisation rules) will be subject to the withholding-tax rates for dividends. The definition does not include penalty charges for

late payment or interest, which are reclassified as dividends by virtue of other provisions.

Capital gains from the disposal of shares remain under the exclusive taxing right of the country of residence of the seller except where the shares derive a substantial part of their value (more than 50%) from immovable property situated in the other country. In this case, the country in which the immovable property is situated will also have a right to tax the resulting gain. This change, which is in line with the OECD Model Tax Convention, will come into effect from 2015. However:

- the general consensus is that this provision affects the shares of Russian companies not of their Cyprus holding companies
- these provisions do not affect the cases where the disposal qualifies as a corporate reorganisation or where the alienated shares are listed on a recognised stock exchange or the seller is a pension fund, provident fund or the government of either of the two countries
- Russia has stated that it will change the provision on capital gains in its tax treaties with all states that are regarded as main investors into Russia so as not to penalise Cyprus when compared to other countries

Distributions by real-estate investment trusts (REITs) and real-estate investment funds will be treated and taxed as income from real property (instead of being treated as dividends or other income for the purposes of the treaty).

Income from international traffic will be subject to tax in the country where the effective place of management of the person deriving the income is situated. Such companies will need to introduce the appropriate level of substance where they are carrying out business though Cyprus-registered companies.

The Protocol extends the definition of a permanent establishment to cover activities of an enterprise resident in one country through services performed by individuals present in the other country for more than 183 days in a 12-month period. Certain specific criteria have to be met, however, before such services are deemed to give rise to a permanent establishment in the other country.

Limitation of benefits provisions have been introduced but these do not apply to companies registered in Russia or Cyprus. They apply only to tax residents of Russia or Cyprus that are not companies registered in either of the two states and only in those cases where the tax authorities of the two countries agree that the main purpose of the taxpayer was to obtain the benefits of the agreement

Provisions relating to the exchange of information and assistance in collection of taxes have been amended in line with the OECD Model Tax Convention. It is now clear that professional secrecy rules (e.g. by a bank or a person acting in an agency or fiduciary capacity) cannot be used as an excuse for refusing to supply information. However, the circumstances under which such professional secrecy rules can be lifted and the process that must be followed in this respect are subject to the detailed provisions of the domestic legislation of the two countries. The exchange of information is not automatic and under Cyprus domestic law no action is taken by the Cypriot tax authorities without written permission by the Attorney-General of the Republic of Cyprus. These provisions should ensure that they are invoked only in serious cases and cannot be used as a matter of routine or to carry out fishing expeditions.

The importance of substance

The Protocol clarifies the existing 'tie-breaker' clause in relation to residence so that in cases where the effective management cannot be determined, the tax authorities of Russia and Cyprus should consult between themselves and come to a mutual agreement in this respect. However the importance of this provision should be understood in the light of recent developments in Russia.

In his Budget Letter for 2010-2012, President Medvedev stated that legislation would be amended in order to stop the use of the double tax treaties for tax-minimisation purposes. The importance of substance will continue to increase and Russian groups need to be prepared to explain the business reasons for the use of non-Russian entities where they wish to take advantage of treaty benefits.

Russian groups should therefore increase substance outside Russia for business purposes. Such measures should include creating both 'infrastructural' substance and 'management' substance. Infrastructural substance includes renting offices and employing people outside Russia to fulfil various functions such as IFRS reporting, management accounting, treasury management etc. Management substance requires measures to ensure that the decision-making process takes place in Cyprus. Such measures include holding regular board meetings that have substance in terms of venue, time, duration and supporting materials and having an adequate number of Cyprus-resident directors that are competent and able to make effective business decisions. In practice the level of substance will be determined by commercial reasons.

Recent practice of the Russian tax authorities reveals increasing focus on transactions with foreign special-purpose vehicles, especially where they receive income from Russia and increasing scrutiny of the operations of foreign legal entities in Russia through representative offices. Permanent-establishment issues are being raised and challenges are being made to the substance of operations and whether they are genuine.

Conclusion

The Protocol offers certainty and clarity in respect of many matters that were previously obscure and will increase the image of legitimacy of Cyprus as an international business centre. However, Russian businesses need to adapt to the changing business environment and in particular they must structure their activities properly, taking proper advice and having regard not only to Cyprus tax treatment but also the rapidly changing Russian environment.

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DENMARK

EXPATRIATE RÉGIME TO CHANGE

The special régime for expatriate employees in Denmark is to change from 1 January 2011 (subject to transitional rules), under a Bill introduced in the *Folketing* (Parliament) in November. Currently, expatriates who meet the conditions may opt to pay either 25% for three years or 33% for five years, based on their gross salary as reduced by 8% social security contributions. Under the new proposals, there would be a 26% rate applicable to all qualifying employees, for a maximum of five years. Only employees who had not been liable to Danish tax in the 10 years immediately preceding their arrival in Denmark would qualify (the current exclusion period is three years).

CROSS-BORDER TAX AVOIDANCE TARGETED

Against a background of a number of cases involving 'beneficial ownership', the Danish government is proposing changes to tax law aimed at preventing opportunities for avoidance involving cross-border transactions.

Broadly speaking, a person not resident in Denmark cannot claim the benefit of reduced rates of Danish withholding tax under Denmark's double tax treaties on dividends, interest and royalties unless that person is the 'beneficial owner' of that income and not a mere conduit.

The first change concerns the possible avoidance of tax on upstream cross-border mergers. It would impose Danish tax on a foreign parent company absorbing a Danish subsidiary if Danish withholding tax would have been applicable on a dividend to the parent from the absorbed subsidiary. This would be the case either if the EC Parent Subsidiary Directive or a tax treaty did not apply to reduce or eliminate the withholding tax. The amendment would largely affect parent companies that were not the beneficial owner of the dividend.

Changes are also proposed to the treatment of hybrid and reverse-hybrid entities. Where a Danish company is treated as transparent under foreign tax law (e.g. where a US check-the-box election is made to treat a Danish subsidiary as transparent for US tax purposes), that Danish company is normally treated as transparent for Danish tax purposes also. This means that payments of interest and royalties by the subsidiary to foreign entities within its group would not be deductible. This does not apply, however, to payments to EU entities if those entities are subject to tax on the payment in their home state. Concern that the recipient EU entity may then make a corresponding payment to the US parent, thus avoiding the non-deductibility rule has led to a proposal that deduction for the payment by the Danish hybrid would apply only where the EU recipient would qualify for relief from Danish withholding tax under the EC Interest and Royalties Directive or a tax treaty. Again, this would largely affect recipients that were not the beneficial owners of the interest or royalty income.

Entities that are normally treated as transparent under Danish law (e.g. partnerships) are not so treated where more than 50% of the entity is owned by residents of a jurisdiction where the Danish entity is treated as a separate entity for tax purposes or of a jurisdiction that does not have an agreement on exchange of tax information with Denmark. It is proposed to widen the scope of this exception to cases where the majority owners are residents of non-EU countries not having a treaty with Denmark providing for reduced Danish tax on dividends and interest. Furthermore, such Danish entities (reverse hybrids) would be denied a deduction for interest and royalties paid to owners resident in jurisdictions treating the Danish entity as transparent.

If the Bill is enacted, these changes would take effect from 24 November 2010, except for the measure extending the exclusion from transparent treatment of hybrid entities, which would apply in respect of taxable periods beginning after 31 December 2010.

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EUROPEAN UNION

CCCTB BACK ON THE AGENDA

After a long hiatus during which it appeared that the initiative might be left to wither on the vine, the proposal for a Common Consolidated Corporate Tax Base (CCCTB) is very much back on the agenda under the new Taxation Commissioner, Algirdas Šemeta (from Lithuania). The CCCTB was one of the main items to be discussed by the newly relaunched Tax Policy Group, and a new workshop on the CCCTB was convened on 20 October, the first such meeting since April 2008. The intention is firmly to produce draft legislation in the first half of 2011.

For those readers unfamiliar with the concept, the CCCTB would apply to a group of companies comprising members in two or more EU Member States. Starting with accounting profits stated according to national financial reporting standards (or, increasingly, IFRS), the CCCTB would apply a single, common set of tax accounting rules to compute the taxable profits of each group member in the jurisdiction in which it operates, and then consolidate those taxable profits into a single, consolidated base. That base (the taxable profit of the group) would then be allocated among all the Member States involved according to an agreed formula. Each Member State would then be free to tax its share of that base at the rate it chose. It has been a feature of the CCCTB all along that application would be optional. Member States would have to make the CCCTB available to eligible group members operating in their jurisdiction, but the groups would be free to choose whether to adopt it or not. Once a group adopted the CCCTB, however, it would not be allowed to opt out again for a fixed minimum period. Its advocates argue that it would significantly reduce the compliance costs of companies operating across the internal market, resolve existing transfer-pricing problems, allow for the consolidation of profits and losses, simplify many international restructuring operations, avoid many situations of double taxation and remove many discriminatory situations and restrictions.

Despite the renewed enthusiasm within the Commission, however, the CCCTB still faces considerable political hurdles. Business opinion is largely favourable, but several Member States, for example Ireland, are deeply hostile and see it as an unacceptable erosion of fiscal sovereignty.

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FRANCE

FRENCH 3% PROPERTY TAX MAY APPLY TO LIECHTENSTEIN OWNER

The European Court of Justice has held that France's 3% property tax, charged on foreign corporate owners of French immovable property resident in countries with which France does not have an agreement on administrative assistance or a tax treaty with a non-discrimination clause is not incompatible with the EEA Agreement.

The tax, which is an anti-avoidance measure, originally applied to all foreign corporate owners, but does not apply to owners resident in another EU Member State, following an adverse earlier judgment by the European Court (in Case C-451/05, *ELISA*). In the present case, *Etablissements Rimbaud SA v Directeur général des impôts* (Case C-72/09), the taxpayer company was resident in Liechtenstein and owned property in Provence. Although Liechtenstein is a state within the European Economic Area (EEA), it does not have a tax treaty or agreement on administrative assistance with France, and so the French tax authorities charged the 3% tax. The company argued that since the tax in its earlier incarnation had been found in 1995 to be in breach of the freedom of capital guaranteed under what is now Article 63 of the Treaty on the Functioning of the European Union (TFEU), it was equally incompatible with the equivalent provision, Article 40, of the EEA Agreement.

The European Court found against the company, however. It held that its *ELISA* decision could not be transposed in its entirety to movements of capital between Member States and third countries, even if those countries were within the EEA, because of the different legal context. In particular, countries outside the European Union were not obliged to transpose EC Directive 77/799/EEC on mutual assistance by Member States' competent authorities, and Liechtenstein had indeed not done so. In the absence of any agreement between the two tax authorities, therefore, the French were in no position to obtain the information they needed to confer exemption from the tax. In such circumstances, the imposition of the tax was not incompatible with the EEA Agreement.

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HUNGARY

FURTHER TAX CUTS ENACTED

Following the corporate tax reductions reported in Issue 23 of *BDO World Wide Tax News* (October 2010), Hungary has enacted further tax-reduction measures, both corporate and personal.

Corporate tax

Beginning in 2013, the current two-rate structure of corporate tax (10% on the first HUF 500 million and 19% thereafter) is to be replaced by a single flat rate of 10% (the equal lowest in the European Union, where Cyprus and Bulgaria also have a 10% rate, if one excludes Estonia). Further, the 30% withholding tax on interest and royalty payments to companies in jurisdictions with which Hungary does not have a tax treaty, introduced by the previous government on 1 January 2010, is to be abolished from 1 January 2011. Cross-border dividends to other corporate entities are already exempt from withholding tax. However, the 75% exemption for foreign-source interest income is abolished.

Personal tax

As with corporate tax, the current two-rate structure of income tax (17% and 32%) is to be replaced with a single 16% rate, as from 1 January 2011. A monthly child allowance (a minimum HUF 62 500 per child per month) will replace the current child credit, but employee tax credits will be reduced. The 27% gross-up in respect of employer social security contributions (which is added to the taxable income of the employee) is to be reduced to 13.5% in 2012 and abolished from 2013 onwards.

Again, as is the case with non-resident corporate shareholders, the 30% withholding tax on interest and royalties paid to individuals in non-treaty jurisdictions is to be abolished.

There is a one-point increase in the pension element of employee social security contributions, which rise to 10.5%.

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IRELAND

AUSTERITY BUDGET RAISES TAX BUT LEAVES CORPORATION TAX AT 12.5%

The long-awaited and controversial austerity Budget was introduced in the Dáil by Finance Minister Brian Lenihan on 7 December, in the wake of the EUR 85 000 million loan negotiated with the European Central Bank and the IMF.

Despite having to announce other tax increases and reductions or abolitions of reliefs, the Minister was able to affirm that the 12.5% rate of corporation tax on trading profits would remain unchanged indefinitely. The Government, as well as most opposition parties, sees this as key in terms of attracting and retaining foreign investment into Ireland. Furthermore, other corporate incentives such as the holding-company régime, research & development tax credits, intellectual-property allowances and start-up tax exemptions have also been retained.

On the personal tax side, however, measures include:

- A 10% decrease in the threshold for the higher rate (41%) of income tax, which will now apply to that part of taxable income above EUR 32 800 (for single persons with no dependent children; higher thresholds apply to other taxpayers, rising to EUR 65 600 for two-income married couples)
- A reduction of 10% for all major personal tax credits, with a phased abolition of the age credits and exemptions over four years
- Removal of the PRSI (social security contribution) earnings ceiling of EUR 75 036, above which no more PRSI has been payable by employees. In future, PRSI, at 4%, will be payable on all earnings (although exemption for the first EUR 127 per week remains). In addition, PRSI will now be due on earnings in the form of certain approved share schemes, previously exempt
- The health contribution levy (additional social security contributions) and the income levy (additional income tax payable by individuals with taxable income of above EUR 15 028 per annum) will be replaced by a single universal social charge, payable by all taxpayers, at rates ranging from 2% to 7% (on that part of income over EUR 16 016 per annum)
- The tax-free element of *ex gratia* termination payments will be limited to EUR 200 000
- A reduction of 20% in the thresholds for capital acquisitions tax (tax on gifts and inheritances), so, for example, the tax-free threshold for parent-child transfers falls from EUR 414 799 to EUR 331 839. These changes have effect from 7 December 2010

Unless otherwise indicated, these changes have effect from 1 January 2011. The Budget measures must first, however, be passed by Parliament. A general election, which the governing coalition is currently likely to lose, will be held early in the new year.

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ITALY

TRANSFER-PRICING DOCUMENTATION

Under a law of 30 July 2010, taxpayers can avoid incurring a penalty (ranging from 100% to 200% of the additional taxes assessed) in the event of a transfer-pricing adjustment provided that they give evidence of their transfer-pricing policy in compliance with specific documentation requirements and provided that the existence of such documentation is disclosed in advance to the Italian Revenue Agency.

On 29 September 2010, the Agency issued detailed regulations setting out the contents of the standard transfer-pricing documentation (TPD) necessary to avoid penalties in the case of transfer-pricing adjustments. The regulations require a standard set of transfer-pricing documentation to be drawn up, following the approach taken by the EU Code of Conduct. In fact, the standardised documentation consists of two separate sets of documents:

- The master file, containing common standardised information relevant to all the group members. The master file should provide information such as a general description of the business and business strategy, the group's transfer-pricing policy, the transactions involving associated enterprises, and the functions performed and risks assumed
- Country-Specific documentation, which should include information such as amounts of transaction flows within Italy, a comparability analysis including contractual terms and functional analysis, an explanation of the particular transfer-pricing methods used, and information on internal and/or external comparables if available

In addition, specific instructions are provided depending on the type of company concerned: a distinction based on whether the company is a holding company, a sub-holding company, a subsidiary belonging to a multinational group or a permanent establishment in Italy of a foreign company.

The documentation must be updated annually. Only small and medium-sized enterprises (defined as those with a turnover not higher than EUR 50 million) are allowed to update certain items of information (such as the comparability analysis) every three years, provided that no changes occur. The documentation must be in Italian; however, an exception to this requirement applies to sub-holding companies that deliver the master file containing information related to the whole group and not limited to the sub-group. In this case the master file can be provided in English.

Both the master file and the country-specific documentation must be initialled by a legal representative and signed on the last page; electronic signatures are acceptable. The documentation must be provided in electronic format; if only the hard copy exists, the taxpayer provides the tax inspectors with the electronic format by a deadline fixed by the latter without affecting the non-application of penalties.

The documentation must be delivered within ten days of the request; in the event of a request for additional information, the delivery deadline is seven days. The non-application of penalties is conditioned on the veracity of the information contained in the documentation; in fact, should the documents be incomplete, not in compliance with the minimum requirements or false, penalties can be imposed. However, in the event of partial inaccuracies that do not affect the inspection activity, no penalties should be imposed.

A notice that transfer-pricing documentation for the tax year 2010 is available must be filed with the annual tax return for 2010, due in 2011. A notice that the transfer-pricing documentation for prior years has been prepared must be filed within 90 days of 29 September 2010.

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LATVIA

BUDGET INCREASES VAT, REDUCES INCOME TAX

The 2011 Budget presented to the *Saeima* (Parliament) on 7 December by the new Finance Minister, Andris Vilks, contains a further round of tax increases and cuts in spending. Among the key measures are:

- A one-point decrease in the flat rate of income tax, from 26% to 25%
- An investment credit for long-term investment of at least LVL 5 million in approved projects. The credit would consist of a 25% reduction in corporate tax on the first LVL 35 million and a further 15% reduction on that part of the investment exceeding LVL 35 million. Approved projects are in certain sectors listed in Regulation (EC) No 1893/2006, and include food and drink production, chemical manufacturing, and the manufacture of computer equipment
- The rate of corporate tax remains 15%
- A doubling of the rates of immovable property tax on residential buildings. The new rates will thus range from 0.2% on buildings with a cadastral value of no more than LVL 40 000 to 0.6% on that part of cadastral value that exceeds LVL 75 000
- A one-point increase in the standard rate of VAT, from 21% to 22% and a two-point increase in the reduced rate, from 10% to 12%
- A 50% restriction in deductible input VAT on passenger cars
- A new annual financial stability levy on credit institutions, of 0.036% of adjusted liabilities

Following the general election in October, the coalition government has a comfortable majority in Parliament, and major changes to these measures, which generally apply from 1 January 2011, are not expected.

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LUXEMBOURG

FLAT TAX AND OTHER CHANGES ENACTED

The minimum flat tax on finance and holding companies, on which we reported in Issue 23 of *BDO World Wide Tax News* (October 2010), has been enacted, with a number of other tax changes.

The flat tax of EUR 1500 will apply to all companies, more than 90% of whose net assets consist of financial assets, transferable securities and cash. Net worth tax may be credited against the flat tax, which is a minimum tax and does not replace normal corporate income tax.

The rate of corporate income tax remains 21%, but the unemployment surcharge is increased from 4% to 5%, making for an effective rate of 22.05%, to which must be added a local business tax (6.75% in Luxembourg City).

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UNITED KINGDOM

VAT: PAYMENT PROCESSING CHARGES PART OF MAIN SUPPLY

A significant judgment from the European Court has held that charges made by telecommunications and other companies for processing customers' payments are part of the main supply. This means that they are not separate exempt supplies of financial services, and in this particular case were subject to VAT at the standard rate.

The case (*Everything Everywhere Ltd (formerly T-Mobile Ltd v Commissioners for Her Majesty's Revenue and Customs*, Case C-276/09) concerned the correct treatment of the GBP 3 handling charge levied for each payment by the company to those of its customers who did not pay by direct debit or BACS (bank transfer). The company maintained that this was a separate supply of an exempt financial service. The High Court referred the case to the European Court, asking effectively (a) was this a separate supply, as the company maintained, or part of the main supply of telecommunications services and (b) if it was a separate supply, was it exempt?

For a variety of reasons, the European Court found that the charge was not a separate supply, and therefore did not need to consider whether it qualified for exemption. The Court noted that the handling charge was wholly linked to the supply of telecommunications services and was not separately accessible. It further noted that the company was in an entirely different situation from that of an economic operator providing financial services to its customers as its principal supply.

The judgment is important because it may affect many types of business that make similar payment-handling charges to customers as part of their service. If they have been treating such charges as exempt supplies, they may now face a large tax bill. By way of example, the tax at stake in this case alone was over GBP 4 million, in respect of the period from August 2003 to July 2005 only.

Since it decided that there was no separate supply, the Court did not need to consider whether it was exempt. This leaves the possibility that in suitable circumstances, payment-handling charges made by a separate company mainly providing financial services may indeed be exempt.

VAT REMINDER

A reminder that the standard rate of UK VAT will increase to 20% from 4 January 2011. The previous standard rate, 17.5%, has been in force for nearly 20 years, except for the temporary reduction to 15%, which applied from 1 December 2008 to 1 January 2010. The reduced rate of 5% is unchanged, as it its scope, and there is also no change to the supplies eligible for zero-rating.

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ARGENTINA

INDUSTRIAL PROMOTION BENEFITS REINTRODUCED

The executive branch of the national government has recently issued Executive Order 699/2010 re-establishing the promotion régime included in Act 22,021 (the *régimen especial de franquicias tributarias*) for new industrial projects or for the expansion of existing projects in the provinces of Catamarca, La Rioja, San Juan, San Luis and Mendoza.

Act 22,021, originally enacted on 7 April 1979, had prescribed significant tax benefits (tax exemptions, reliefs and deductions) relating to income tax, value added tax, minimum presumed income tax and import duties for agribusiness, industry and tourism companies located in those provinces.

Now, Executive Order 699/2010 has extended the life of the incentives by a further two years as regards VAT and income tax and in respect of industrial projects. With respect to the tax reliefs, they consist of a maximum of 45% reduction for both taxes.

For the incentives to apply, the Order requires that, as regards existing projects, the original number of employees must not decrease, whereas for new projects, there must be an increase in jobs. In both cases, benefits will depend on the payroll and the amount of the investment.

It is worth highlighting that approval for the projects is within the competence of provincial governments. Approval must be granted before 1 January 2013, but the benefits are not received until the Ministry of Industry and Tourism has issued a binding order in favour of the interested party within 30 days of approval.

None of the provinces concerned has yet adopted and executed the appropriate implementation plan.

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BRAZIL

SPANISH HOLDING COMPANIES TEMPORARILY REMOVED FROM 'GREY LIST'

Following a request from Spain, the Brazilian tax authorities announced on 2 December that Spanish holding companies (*entitades de tenencia de valores extranjeros* — ETVEs) have been temporarily suspended from the 'grey list' of privileged tax régimes published by Brazil in June.

As we reported in Issue 22 of *BDO World Wide Tax News* (July 2010), the main significance of inclusion in the grey list or black list (tax-haven jurisdictions) is that remittances or transactions with entities located in or listed in either list are subject to withholding tax at a higher rate (this applies to the black list only) and that the transfer-pricing rules apply whether or not the entities are related to the Brazilian counter-party. Also, the thin capitalisation rules are applied to loans from unrelated parties located in blacklisted jurisdictions or designated in the grey list.

The tax authorities of such jurisdictions may apply to Brazil for temporary suspension from the list while their case is reviewed. Following earlier such reviews, for example, Danish and Netherlands holding companies are now considered to benefit from a privileged tax régime (i.e. designation in the grey list) if they do not engage in substantial economic activities.

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CANADA

OFFSHORE-TRUST RESIDENCE DECISION UPHELD

In a recent decision, the Canadian Federal Court of Appeal has upheld a lower court's decision that significantly expands the considerations to review when determining where a trust is resident. This decision is an important development for anyone who has set up a trust in an offshore jurisdiction.

In this case (*St Michael Trust Corporation v the Queen*, also known as *The Garron Family Trust* case), the taxpayers reorganised the ownership of a Canadian company in a transaction similar to an estate freeze. In an estate-freeze transaction, an existing shareholder converts common shares to fixed-value redeemable and retractable preference shares, and new common shares are issued for nominal consideration with the intent that all future growth in the value of the company will be attributed to the new common shares. In this case, Barbados trusts were set up to subscribe for the new common shares. Ultimately, the shares held by the trusts were sold and large capital gains were realised. The taxpayers took the position that under the provisions of Article IV of the Canada—Barbados tax treaty, the trusts were resident in Barbados and therefore the capital gain could only be taxed in Barbados, which does not tax capital gains (Article XIV of the treaty states that gains from the disposal of private-company shares can only be subject to tax in the contracting state where the taxpayer is resident for the purposes of the treaty).

In her decision in the lower court, on which we reported in Issue 19 of *BDO World Wide Tax News* (October 2009), Justice Woods introduced a new framework to be used for determining the residence of a trust for tax purposes. She believed that the courts could look beyond the residence of the trustees in determining where a trust is resident. She concluded that a trust resides where the central management and control of the trust is located.

In this case, this was in Canada and not in Barbados where the trustees were resident, due to the following observations she made about the particular facts:

- It seemed clear to Justice Woods from various documents that there was an understanding that the Barbados trust company's rôle would be more limited than that contemplated by the trust indentures
- There was very little evidence as to how the investment of the cash proceeds from the sale of the shares was handled in the Barbados trusts, but what evidence there was suggested that it was under the direction of the principals of the Canadian company who were resident in Canada. The judge went on to conclude that the beneficiaries could for all intents and purposes direct the investment activity of the trusts
- No evidence was put forward showing that the Barbados trust company, which was the trustee of the trusts, took an active rôle in managing the trusts (although it did sign all legal documentation). It was also pointed out by the judge that there was an affiliation between the trustee and the accounting firm that was the main accounting adviser to the business. The representatives of the trust company were also found to lack personal knowledge of the property held in the trusts
- The judge stated that the trust company was run by individuals who did not possess experience in running a trust business. This was raised to counter the taxpayer's argument that the trustees fulfilled their fiduciary duties

The Federal Court of Appeal has now upheld the lower court's decision and the new framework. In its decision, the Court of Appeal first looked at how the residence of a corporation was determined and noted that it is generally determined by reference to the central mind and management of the corporation, which would normally rest with the directors. The court, however, went on to point out that if a 'corporation is not in fact managed and controlled as its governing law requires', then there may be others who are making decisions and their residence may determine the corporation's residence. The court then turned its attention to the determination of the residence of a trust and noted that there was very little jurisprudence. The court agreed with Justice Woods and stated that if persons other than the trustees were making key decisions, then central management and control of the trust would rest with those persons and the trust would be resident where those persons were resident.

This is a very significant decision of the Canadian courts, and will certainly have impact internationally. What the Canadian courts have done is effectively establish a two-part test in determining the residence of a trust. First the credibility and level of activity of the trustees would be determined before looking at where the trustees are resident. If the trustees are acting in a full and active manner and making the key decisions in managing the trust, then their residence would be relevant in determining the residence of the trust. However, if the trustees' level of activity and knowledge is lacking, then other criteria should be reviewed in determining where the central mind and management of the trust is, and therefore where the trust is resident.

This case highlights the importance that trustees must be actively fulfilling their duties as trustees if a trust is to be resident where the trustees reside.

At the time of writing it is not clear if the decision will be appealed to the Supreme Court of Canada (the deadline for appeal has not yet expired).

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UNITED STATES OF AMERICA

GUIDANCE ON FOREIGN TAX CREDIT SPLITTER RULES

The Internal Revenue Service (IRS) has issued guidance on how the foreign tax credit 'splitter' provisions will be applied.

As we reported in Issue 23 of *BDO World Wide Tax News* (October 2010), as part of the Education, Jobs and Medicaid Assistance Act (signed into law on 10 August 2010), provisions were introduced to prevent a US taxpayer from claiming a credit for foreign tax before the income on which the tax was paid ('the related income') is brought into the charge to US tax. This device is referred to as 'foreign tax credit splitting'. A splitting event occurs if the related income is or will be taken into account by a 'covered person', which is a person other than the person who incurred the foreign tax ('the taxpayer'), and defined as —

- An entity in which the taxpayer directly or indirectly owns at least 10% of the voting power
- An entity that directly or indirectly owns at least 10% of the voting power in the taxpayer or
- A 'related person' as defined in IRC sections 267(b) or 707(b)

In general, these provisions are effective with respect to foreign income taxes paid or accrued in taxable years beginning after 31 December 2010. The rules also apply to foreign income tax deemed to be paid by a US corporation under section 902 of the Internal Revenue Code (IRC) when it receives a distribution from, or has attributed to it the income of, a controlled foreign corporation.

In particular, the guidance (Notice 2010-92) explains that the new rules will not apply to any foreign taxes deemed to be paid under IRC section 902 by a US corporation in respect of any foreign tax actually paid or accrued by a controlled foreign corporation on or before the last day of the foreign corporation's last pre-2011 taxable year, even if the event giving rise to the deemed payment (e.g. a distribution by the foreign corporation to the US corporation) occurs after 31 December 2010.

OBAMA AND REPUBLICANS AGREE TAX COMPROMISE PACKAGE

Following the change in the political balance after the mid-term elections, when the Republican party took control of the House of Representatives and narrowly failed also to capture the Senate, the White House announced on 6 December that President Obama had reached a compromise agreement with the Republican leadership on a temporary extension of the 'Bush tax cuts', which were due to lapse on 31 December. On 9 December, further details emerged when the Democratic majority leader in the Senate, Senator Harry Reid, revealed draft legislation.

The tax cuts, enacted during President Bush's first term, included income tax reductions across the board for all income groups and a one-year abolition (for 2010 only) of the estate tax. The President had wanted to prolong the tax cuts for low and middle-income Americans but not for individuals with taxable income of USD 250 000 or more. However, the President has given way on this key point. The elements of the compromise involve, inter alia:

- A two-year extension of the income tax and capital gains tax cuts for all taxpayers
- Reinstatement of the estate tax for 2010 and 2011 at a top rate of 35% and a maximum exemption of USD 5 million (these are lower rates than would have applied in 2011 when the Bush legislation would have reinstated the tax at its previous levels)
- Full (100%) expensing of capital expenditure by businesses in 2011
- A temporary 2% reduction in payroll taxes
- Extension of other Bush tax reliefs such as marriage penalty relief and the enhanced child credit

The cuts are expected to cost the Treasury around USD 800 000 million over 10 years, at a time when there is increasing pressure to deal with the budget deficit. Currently, the draft legislation contains no offsetting revenue measures. At the time of going to press, many Democratic party leaders are still unhappy about the compromise. Without their agreement, the package will most probably not be enacted in its present form.

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CURRENCY COMPARISON TABLE

The table below shows comparative exchange rates against the euro and the US dollar for the currencies mentioned in this issue, as at 10 December 2010.

Currency unit	Value in euros (EUR)	Value in US dollars (USD)
Euro (EUR)	1.0000	1.3234
Hungarian forint (HUF)	0.0036	0.0048
Latvian lats (LVL)	1.4229	1.8649
Mauritius rupee (MUR)	0.0250	0.0331
Pound sterling (GBP)	1.1945	1.5806
Sri Lankan rupee (LKR)	0.0068	0.0090
US dollar (USD)	0.7557	1.0000

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