

International Tax Updates

Tzachi Schwartz, Tax Partner

Lioran Pinchevski, Tax Partner

PwC Israel

October, 2017

Agenda

Overview of International Tax Updates

1. The U.S.
2. Reputation Management
3. The Netherlands
4. The UK
5. Australia
6. Germany
7. Israel
8. Multilateral Instrument



The U.S.

Trump's Tax Reform



Donald J. Trump @realDonaldTrump · 7h

The U.S. is going to substantially reduce taxes and regulations on businesses, but any business that leaves our country for another country,

↳ 2.7K ↺ 8.8K ❤️ 31K ⋮



Donald J. Trump @realDonaldTrump · 7h

fires its employees, builds a new factory or plant in the other country, and then thinks it will sell its product back into the U.S.

↳ 2.1K ↺ 7.8K ❤️ 27K ⋮



Donald J. Trump @realDonaldTrump · 7h

wanting to sell their product, cars, A.C. units etc., back across the border. This tax will make leaving financially difficult, but.....

↳ 1.6K ↺ 6.2K ❤️ 23K ⋮



Donald J. Trump ✓
@realDonaldTrump

Follow

With Irma and Harvey devastation, Tax Cuts and Tax Reform is needed more than ever before. Go Congress, go!



Donald J. Trump ✓
@realDonaldTrump

Follow

Republicans must start the Tax Reform/Tax Cut legislation ASAP. Don't wait until the end of September. Needed now more than ever. Hurry!



Donald J. Trump ✓
@realDonaldTrump

Follow

The approval process for the biggest Tax Cut & Tax Reform package in the history of our country will soon begin. Move fast Congress!



Donald J. Trump @realDonaldTrump · 6h

expensive mistake! THE UNITED STATES IS OPEN FOR BUSINESS

↳ 6K ↺ 9.1K ❤️ 33K ⋮

Trump's Tax Reform – Main Proposals

Corporate tax will be reduced from 35% to 20%

Business tax will be reduced to 25%

Individual income tax – replace the six tax brackets with rates set at 12%, 25% and 33%

Territorial taxation of global U.S. corporations

One time repatriation tax on accumulated foreign earnings

Immediate write off for new investments made after September 27, 2017

Partial limitation on deduction of interest expenses incurred by C Corporations

Repeal of Estate Tax

Repeal of Alternative Minimum Tax (AMT)

Reputation Management

Reputation Management – Corporate Tax Governance

יוזמות בינלאומיות להתמודדות עם התופעה

- מדיניות ניהול מס מוצהרת – אנגליה
 - 750 מ' ליש"ט גלובאלי
 - 200 מ' / 2 מיל' ליש"ט מקומי
- לדוגמא: Michelin, Heineken ועוד
- פיתוח תכניות הגנה למודיעים
- מרשם מדינות שאינן משתפות פעולה על ידי ה-OECD
- בחינת רולינגים על ידי האיחוד האירופי
- מרשם בינלאומי של בעלי שליטה בחברות פרטיות
- Public CbCr

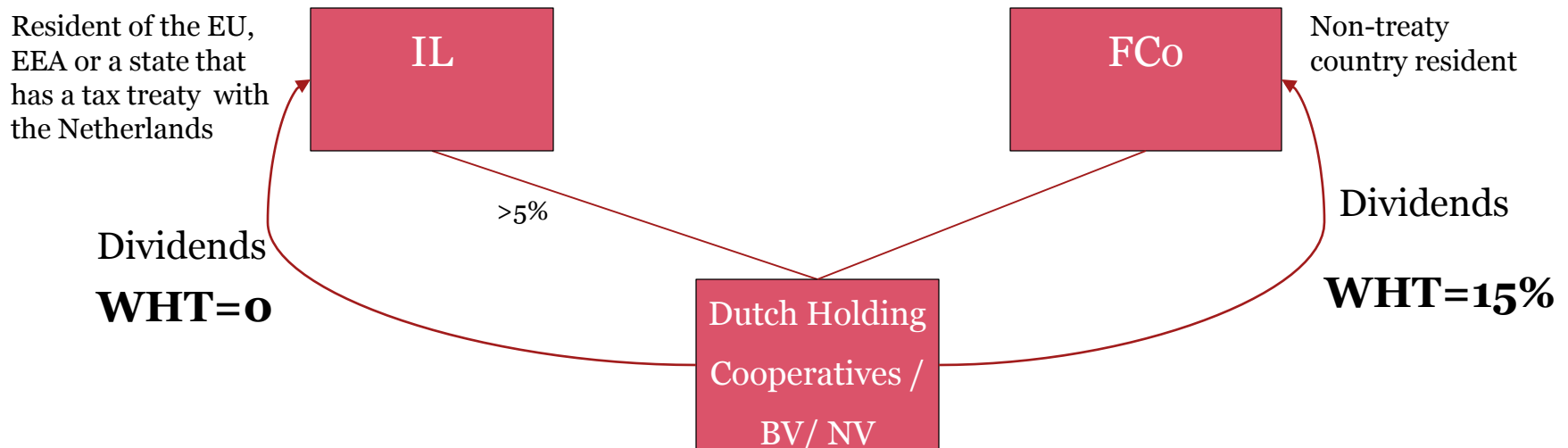
הגברת הסנקציות על תכנוני מס בינלאומיים

פגיעה במותג:

- צרכנים
- סיכון עסקי

The Netherlands

The Netherlands – Dividend Withholding Tax Proposal



- **Subjective Test**
- **Objective Test**

The proposed amendments are intended to be effective as of January 1, 2018 (grandfathering period until April 1, 2018)

The UK

Post Brexit

**EU
Directives**

**Third Parties
Tax Treaties**

**UK Domestic
Tax System**

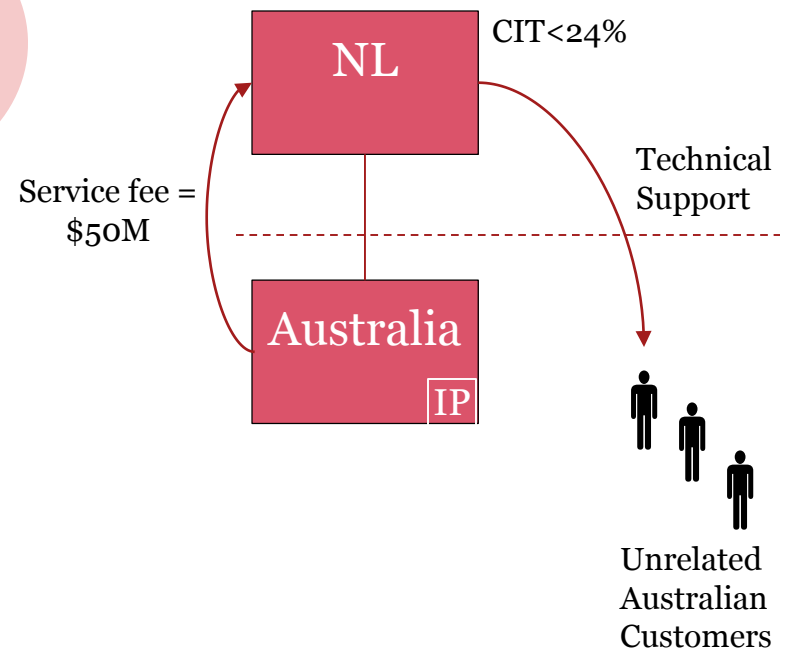


Australia

Australia - Diverted Profit Tax (DPT)

Objective: to prevent entities from diverting profits offshore through “artificial” arrangements between related parties

DPT at a rate of 40% on the amount of an Australian tax benefit



Tax Benefit Amount = \$15M (30%*50M)

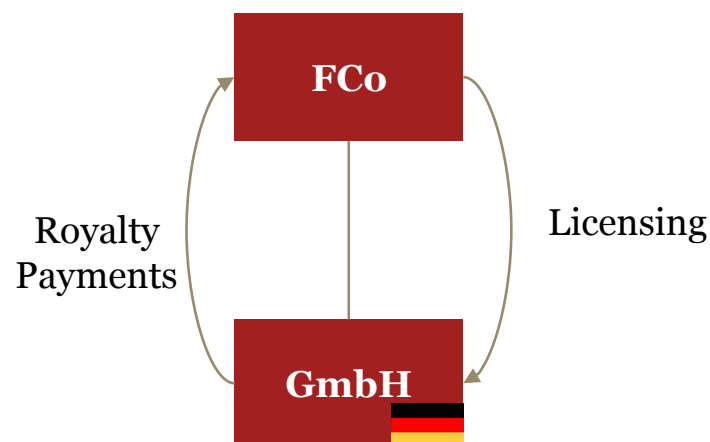
DPT = \$6M (40%*15M)

Germany

Germany – Deductibility of Royalty Payments

Implementation of BEPS Action No.5

- Restriction on deductibility of related party royalty payments
- Royalty income is taxed below ETR of 25% as part of a preferential IP regime
- Exception for preferential IP regimes that conform with the OECD “nexus” approach (the licensor has self-developed the IP)



Applicable with respect to royalty expenses incurred after December 31, 2017

Israel

New Case Laws

ע"מ 48642-02-14
אמות השקעות בע"מ נ' פשמ"ג

קיזוז הפסדים קודם לקבלת זיכוי ממס זר

ע"מ 62450-02-16
הראל ואח' נ' פ"ש גוש דן

שלילת קבלת זיכוי עקיף עקב הימנעות
מבחירה להשקיף LLC לצרכי מס בישראל

New Tax Treaty between Israel and Canada



	Dividend	Royalty	Interest
WHT Rate	5% / 15%	0% / 10%	5% / 10%

- ❖ The “**one of the main purposes**” test
- ❖ **Exchange of Information** article reflecting the recent tendency of the OECD

**Effective with respect to
amounts paid or credited
on or after January 1, 2017**

New Tax Treaty between Israel and Germany



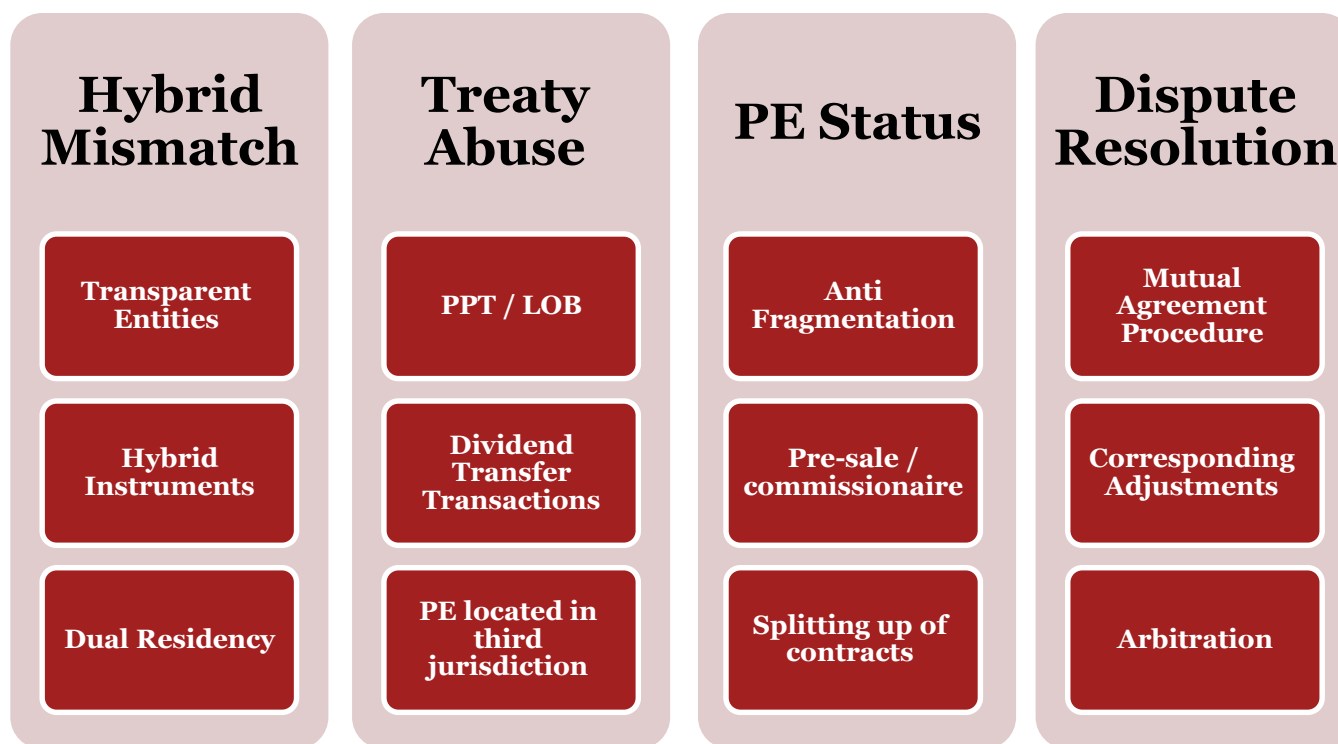
	Dividend	Royalty	Interest
WHT Rate	5% / 10%	0%	5%

- ❖ **Exchange of Information** article reflecting the recent tendency of the OECD

*Effective with respect to
amounts paid or credited
on or after January 1, 2017*

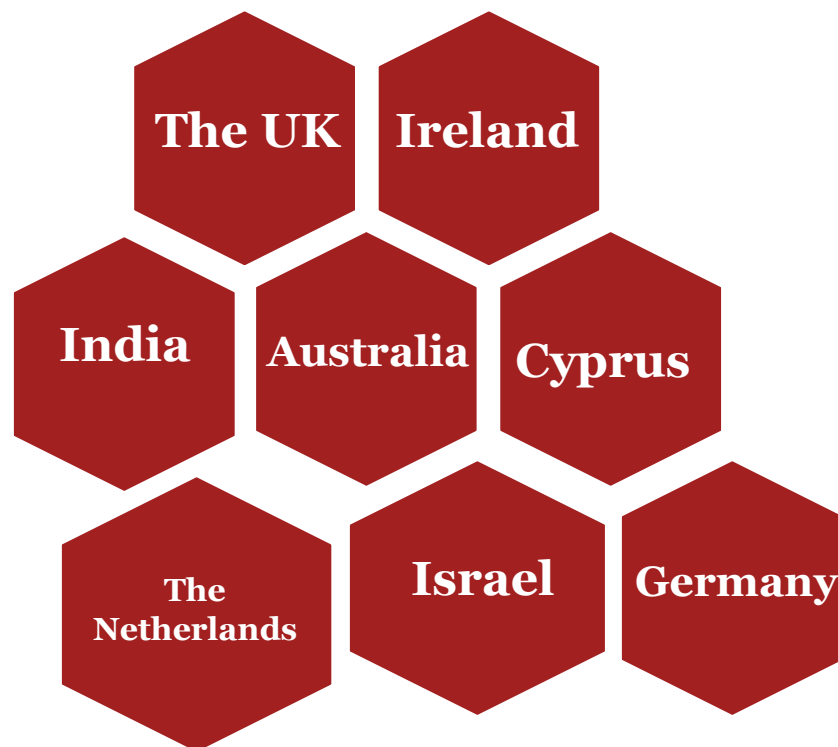
Multilateral Instrument

BEPS – Action Item 15 (Multilateral Instrument)



BEPS – Action Item 15 (Multilateral Instrument) (Cont.)

Seventy one countries signed the multilateral instrument leading to the modification of hundreds of existing double tax treaties, including:



BEPS – Action Item 15 (Multilateral Instrument)

Israel

ישראל חתמה על אמנה בינלאומית למאבק בתכנוני מס

על האמנה חתמו 60 שרי אוצר; המטרה - למנוע התחמקות של תאגידים
בינלאומיים מתשלומי מסים

עמרי מילמן 07.06.17 19:16

תגיות: OECD תכנוני מס BEPS משה כחלון מסים

שר האוצר, משה כחלון, חתם היום בטקס שנערך במשרדי ה-OECD בפרז על אמנה
מולטילטרלית בנושא מיסוי לצד 60 שרי אוצר ממדינות שונות, בהן גם מדינות החברות
ב-OECD. מטרת האמנה היא למנוע התחמקות של תאגידים בינלאומיים מתשלומי מסים
במדינות בהן הם פועלים באמצעות שימוש במקלטי מס.

קראו עוד בכלכליסט:

- "קיים קשר ישיר בין מקלטי מס ופוליטיקאים פופוליסטים"
- הממשלה תקדם הקלות מס לחברות הייטק בינלאומיות
- להיזהר לא להפוך למקלט מס
- הרשת הביתית שלכם בטוחה כמו שחשבתם? (תוכן שיווקי)

האמנה נחתמה בהתאם לתוכנית ה-BEPS שמטרתה מאבק בתכנוני מס והשארית כספי
המסים במדינות שפורסמה לפני כשנתיים.

הצורך בתוכנית מיוחדת התעצם בשל תנועת ההון החופשית והתרחבות הכלכלה הדיגיטלית,
שיצרו פערים בחקיקת המס אותם ניתן לצלל להימנעות מתשלום מס.



Thank You!

Tzachi Schwartz, Tax Partner, PwC Israel

Tzachi.Schwartz@il.pwc.com

Tel: 03-795-4811

Lioran Pinchevski, Tax Partner, PwC Israel

Lioran.Pinchevski@il.pwc.com

Tel: 03-795-5050 Ron Mazurik/IL/TLS/PwC

בקרר באתר
האינטרנט שלנו
www.pwc.com/il



©2017 Kesselman & Kesselman. All rights reserved.

In this document, "PwC Israel" refers to Kesselman & Kesselman, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. Please see www.pwc.com/structure for further details.

This presentation has been prepared for general guidance on matters of interest only, and does not constitute professional advice. It does not take into account any objectives, financial situation or needs of any recipient. Any recipient should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, Kesselman & Kesselman, and any other member firm of PwC, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it, or for any direct and/or indirect and/or other damage caused as a result of using the publication and/or the information contained in it.





UNITED KINGDOM



Search Michelin



TYRES ▾

HIGH PERFORMANCE ▾

WHY MICHELIN ▾

LEARN-SHARE ▾

TRAVEL-LIFESTYLE ▾

ABOUT ▾

[Home](#) / [Passenger car tyres](#)

MICHELIN TYRE PLC TAX STRATEGY AND POLICIES

Compliance with the Law

- The primary responsibility of Michelin Tyre PLC in relation to taxation is to ensure compliance with all legal obligations within a framework of agreed principles. The Company must therefore be satisfied that any tax initiative undertaken by it is legal. If any of the principles expressed herein conflict with UK laws, as overridden by any relevant tax treaties, the UK local law takes precedence in terms of how the department will operate.

Strategy and Planning

- Michelin Tyre PLC will always seek to interpret tax legislation consistently with both the spirit and intention of the law and will not seek to exploit ambiguity.
- The Company will not undertake transactions wholly motivated by tax avoidance or from which there is no economic benefit to the Company other than tax savings.
- Management shall not seek to exploit tax regimes considered to be harmful or secretive.

Maximising Value

- Minimising Michelin Tyre PLC's tax liabilities by recognising appropriate legislative concessions and reliefs is of benefit to customers (through lower bills) and shareholders.
- The Company's tax strategy and policies seek to make use of such appropriate reliefs and to control the Company's tax costs.
- Whilst seeking to minimise tax liabilities for the benefit of customers and shareholders, the Company's policy is not to take an aggressive interpretation of tax legislation or use artificial tax avoidance schemes.

Risk Management

- It is the policy of the Michelin Tyre PLC that it is ensured that all tax positions taken are consistent with the Company's core values which notably include respect for all relevant facts, respect for the environment and respect for people.
- The Company should comply with documented policies and procedures in relation to tax risk management and should conduct risk assessments before entering into any new initiatives. Where appropriate, based on Management's judgment, this should include obtaining external professional opinions to verify and support the Company's conclusions.

Tax Governance

- Tax is part of the Finance function of Michelin Tyre PLC and is the ultimate responsibility of the Michelin Group's Director of Finance, who is responsible for the Group's tax strategy and policies. In the UK tax strategy and policies are reviewed on an on-going basis at company board level.
- Tax strategy and policies are reviewed on an on-going basis by the Company's Internal Audit Department and main board.
- Day-to-day tax matters are delegated to a team of qualified in house professionals.

Awareness of reputation and relations with tax authorities:

- Michelin Tyre PLC values having good relations with tax authorities. Therefore pro-active and transparent communication with tax authorities is maintained at country level to ensure that all information reporting required under taxation laws is readily available on a timely basis.
- The Michelin Group Vice President of Tax, the Regional Heads of Tax and Country Tax Managers will actively consider the implications of tax initiatives on the Company's corporate reputation. All major tax disputes will be reported to the Company's Managing Director at least annually. Management will also inform the Company's Managing Director of any structure which could have a potential impact on the company's reputation.

Wider Contribution to the UK Economy

- To form a full view of Michelin Tyre PLC's tax contribution to the UK economy in a proper perspective, its overall fiscal and economic contribution should be taken into account.
- While the reporting of companies' tax affairs most commonly focuses on Corporation Tax, other taxes, duties and contributions to the UK government are also paid by Michelin Tyre PLC. Examples are Employers' National Insurance contributions, the Apprenticeship Levy, Business Rates, Customs Duty and Fuel Duty.
- We are a significant trader generating Government Revenues from Value Added Tax.
- We are a significant employer generating government revenues from Income Taxes and consumer spending by employees.
- Michelin Tyre PLC has made very significant infrastructure investment in the UK in recent years, and accordingly it has claimed the capital allowances that are provided by the government based on its policy objective of encouraging such investment by business.

Vodafone - country-by-country contributions table

	Revenue	PBT (ex dividends)	Direct revenue contribution: taxation		Direct revenue contribution: non-tax		Indirect revenue contribution		Capital investment		Direct employment	
	FY15-16 £m	FY15-16 £m	FY15-16 £m	FY14-15 £m	FY15-16 £m	FY14-15 £m	FY15-16 £m	FY14-15 £m	FY15-16 £m	FY14-15 £m	FY15-16	FY14-15
Europe												
Albania	84	5	4	8	6	8	5	8	18	23	425	411
Czech Republic	366	19	12	10	17	8	47	44	74	83	1,735	1,823
Germany	7,863	(347)	189	206	1,371	<1	854	1,026	1,907	2,203	16,034	15,568
Greece	621	17	16	26	6	104	145	154	93	75	2,118	2,228
Hungary	312	8	20	19	16	<1	86	88	66	61	3,366	2,949
Ireland	747	(13)	19	25	15	9	82	69	168	166	1,272	1,155
Italy	4,542	464	123	96	203	23	517	734	1,190	1,154	7,384	6,864
Malta	68	115	4	6	2	2	9	8	12	12	343	321
Netherlands	1,384	(64)	48	20	-	-	177	196	250	295	3,598	3,480
Portugal	716	23	26	37	23	23	78	92	257	268	1,483	1,433
Romania	558	39	24	26	17	13	71	72	97	103	3,993	3,705
Spain	3,679	(268)	139	199	60	100	245	279	862	850	6,006	6,050
United Kingdom	6,719	(486)	257	320	34	28	721	726	1,237	1,309	17,965	16,681
TOTAL	27,659	(488)	882	995	1,770	318	3,038	3,494	6,231	6,603	65,722	62,666