GLOBAL GUIDE TO TAX COMPLIANCE

From invoicing to audits and local presence.
Everything you need to know to stay compliant

TMF GROUP

Global reach
Local knowledge

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1. Storage

Is it **compulsory** to maintain **records** (electronic or hard copy) **in-country** or can they be maintained **abroad**?

Local requirements about storage of electronic and printed records are an important factor to consider while (re) designing your finance function.

in-country
abroad

In Country

Costa Rica: Records can be kept electronically or physically in-country for five years – originals must stay in-country, copies can be sent abroad.

Hong Kong: Statutory records, e.g., minutes, registers of members and directors, must be kept in Hong Kong; accounting/business records can be kept overseas.

Israel: Hard copies must be maintained for seven years.

Venezuela: It is mandatory to keep electronic and printed records in country – they may be required for inspection by a state entity.

Sweden: Hard copies must be kept in-country.

Abroad

Greece: Records can be maintained abroad – for an audit, they must be presented to auditors within reasonable period (15-20 days).

South Africa: Records can be stored electronically abroad subject to notifications to revenue authorities.

UK: Records can be kept in another country but available for any tax inspectors or auditors.

2. Invoicing

Are businesses allowed to issue **invoices in English**?

Local compliance requirements can shape the operational activity of issuing sales invoices. This could result in duplications, translation efforts and other inefficiencies. No requirement for a language other than English removes the translation effort and opens centralisation opportunities.

YES

Australia, Austria, Canada, Cyprus, Czech Republic, Denmark, Finland, Greece, Germany, Hungary, India, Indonesia, Italy, Japan, Labuan, Luxemburg, Netherlands, New Zealand, Norway, Philippines, Portugal, Slovakia, South Africa, Sweden, Switzerland, Taiwan, UAE, UK, US, Uruguay

NO

Argentina, Belgium, Bolivia, Brazil, Bulgaria, Chile, China, Costa Rica, Croatia, Dominic Republic, Ecuador, El Salvador, France, Guatemala, Honduras, Hong Kong, Israel, Jamaica, Kazakhstan, Mauritius, Nicaragua, Panama, Paraguay, Peru, Poland, Qatar, Romania, Russia, Saudi Arabia, Serbia, Singapore, Slovenia, South Korea, Spain, Turkey, Ukraine, Venezuela, Vietnam, Thailand

2. Invoicing

Are there any **[near] real-time reporting requirements** in your country?

Requirements for the provision of data or the exchange of information with authorities in real time, or close to real time, can affect operations, put pressure on technological solutions, and make compliance challenging. The risks range from penalties to disrupted business activities, owing to the duplication of processes in different systems.

HUNGARY

Taxpayers must **electronically** submit every invoice **exceeding a certain threshold on the same day**, using a bespoke XML format.

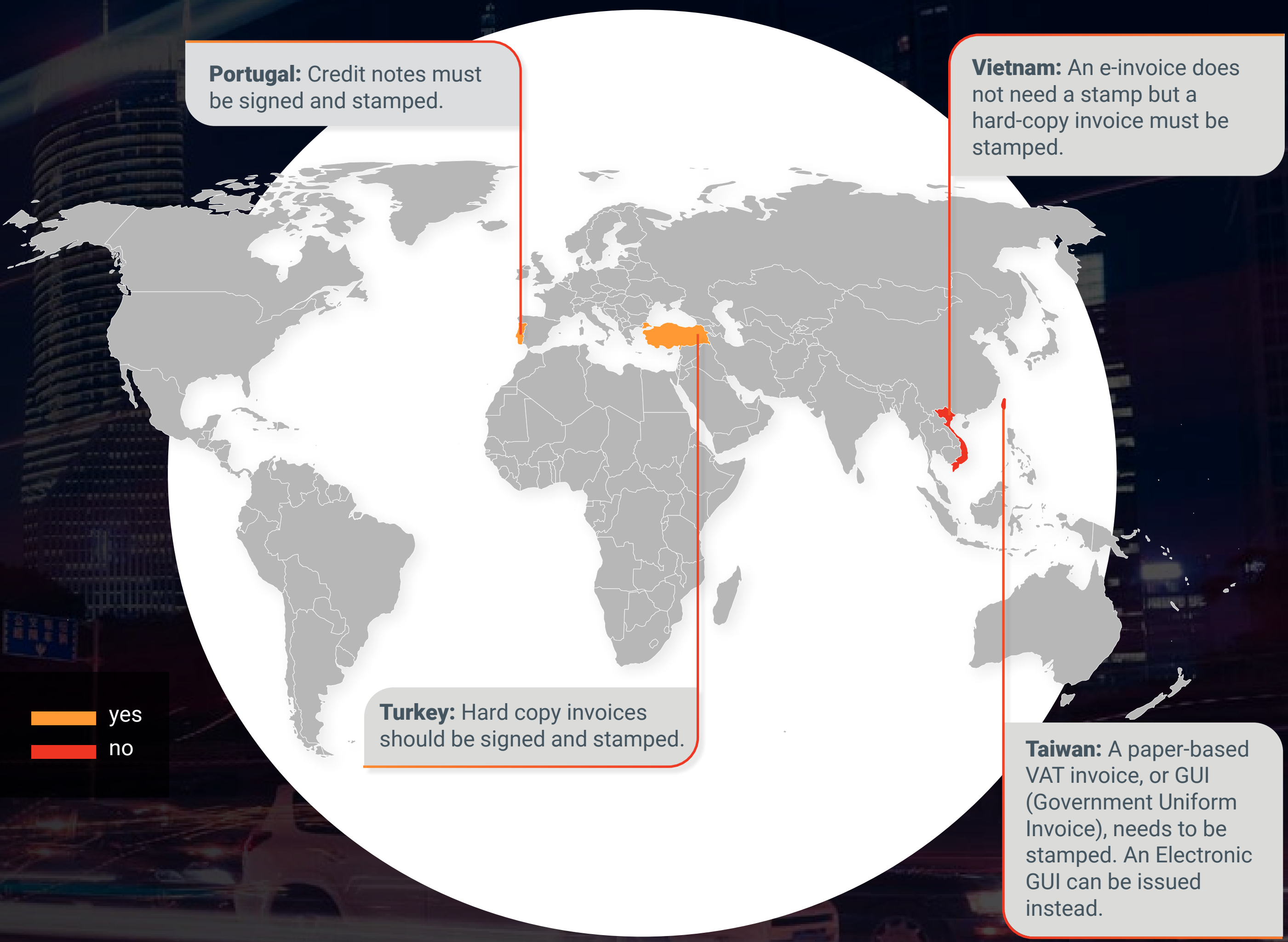
SPAIN

Companies must submit the required data in XML format **within four days of issuing an invoice**.

2. Invoicing

Do **sales invoices** need to be **stamped**?

The requirement for a rubber stamp on invoices imposes a requirement on companies to have a physical, local presence.



3. Audits

Is it **compulsory** to have a **statutory financial statement audit**?

Mandatory financial statement audits could result not only in additional effort and costs but also in sanctions for non-compliance.

YES

ARGENTINA

This depends on the type of company. For most, financial statements must be audited, whereas for others, accountant certification is sufficient. The AFIP (revenue service) and banks would require this information.

BELGIUM

It is mandatory to appoint an auditor for a Belgian company two or more the following criteria are exceeded in two consecutive accounting years:

- average no. of employees: 50
- annual turnover before tax: US$11m
- balance total: US$5.5m.

If a company is part of a group that has an obligation to publish consolidated accounts, it must appoint an auditor.

BRAZIL

Financial statement audits are mandatory for:

- corporations (listed companies, including consolidated financial services)
- large private companies (based on total assets and gross revenue)
- regulated companies.

POLAND

An audit is compulsory for non-bank entities if:

- the average no. of full-time employees: < 50
- total assets at the end of the financial year are equivalent to at least US$3m in Polish currency
- net revenues from the sale of goods and products and financial operations for the financial year are equivalent to at least US$6m in Polish currency.

ROMANIA

A financial audit is required for public interest companies, medium and large entities, listed companies applying international financial reporting standards (IFRS), and any entities exceeding two or more of the following criteria (for two consecutive years):

- total assets at year-end: RON 16m
- minimum turnover: RON 32m
- average no. of employees: 50.

NO

SINGAPORE

Currently, a company is exempted from having accounts audited if it is an exempt private company with annual revenue of US$5 million or less. This approach is being replaced by a new small company concept, which will determine exemption from statutory audit. Notably, a company no longer needs to be an exempt private company to be exempted from audit.

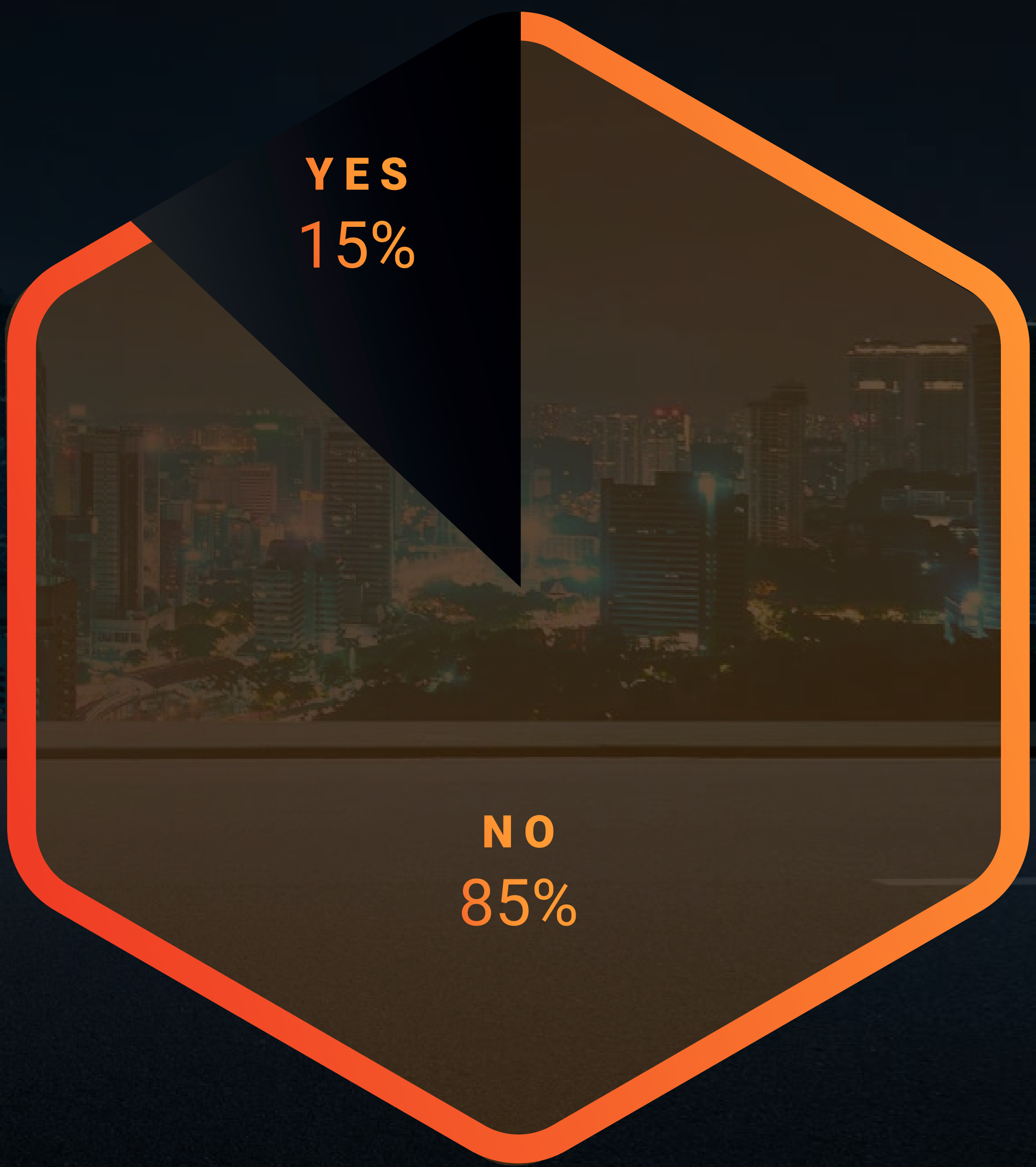
A company qualifies as a small company if it:

- is a private company in the financial year in question; and
- meets at least two of these three criteria for immediate past two consecutive financial years:
  - total annual revenue ≤ US$10m
  - total assets ≤ US$10m
  - number of employees ≤ 50.

4. Language

Can **financial statements** be prepared **in English only**?

Additional language requirements could influence the size and skills of your local finance team. Language is one of many requirements in statutory financial statements – along with the use of local generally accepted accounting principles (GAAP), local Chart of Accounts, and so on. But even the requirement to translate statements into English for multiple jurisdictions can represent a burden.



4. Language

Can **bookkeeping** be done **in English only**?

YES

CZECH REPUBLIC

Yes – but the tax authority can ask for a translation.

ITALY

Accounts and accounting books (general ledger, VAT books, etc.) can be kept in English. An Italian translation might be requested, in the event of a tax audit.

NO

CHINA

Bookkeeping must include Chinese characters - a foreign language can be added.

ROMANIA

Romanian is mandatory (but in practice many companies accept the risk of deviating from this requirement).
For a tax inspection, companies are obliged to provide translated Romanian versions (by an authorised translator).

EL SALVADOR

Local bookkeeping must only be done in Spanish.

VIETNAM

A Vietnamese company must use Vietnamese or, if bilingual, Vietnamese and another language for its accounts.

ISRAEL

Books must be kept in local language (issuance of invoices, etc.). A request can be made to keep books in another language, but justification must be provided.

5. Local presence

Is there a **requirement** to have a **local national** for electronic signature or to use government platforms?

Some jurisdictions demand that company officers have either local citizenship or are tax registered locally. This requirement could influence investor decisions when it comes to appointing key local entity positions, or could result in onerous travel requirements.

YES

Labuan: Yes. An individual with a local personal income tax number is required to be named as the company's tax representative.

Singapore: A foreign company can apply for a 'Corppass' to obtain access to file any submissions or use a government platform. However, to use and access government platforms requires a 'Singpass', available on successful application by a Singapore citizen, permanent resident/employee/work-pass holder.

NO

Finland: No. Local bank keys, used as identifiers, are required to submit any reports via government platforms.

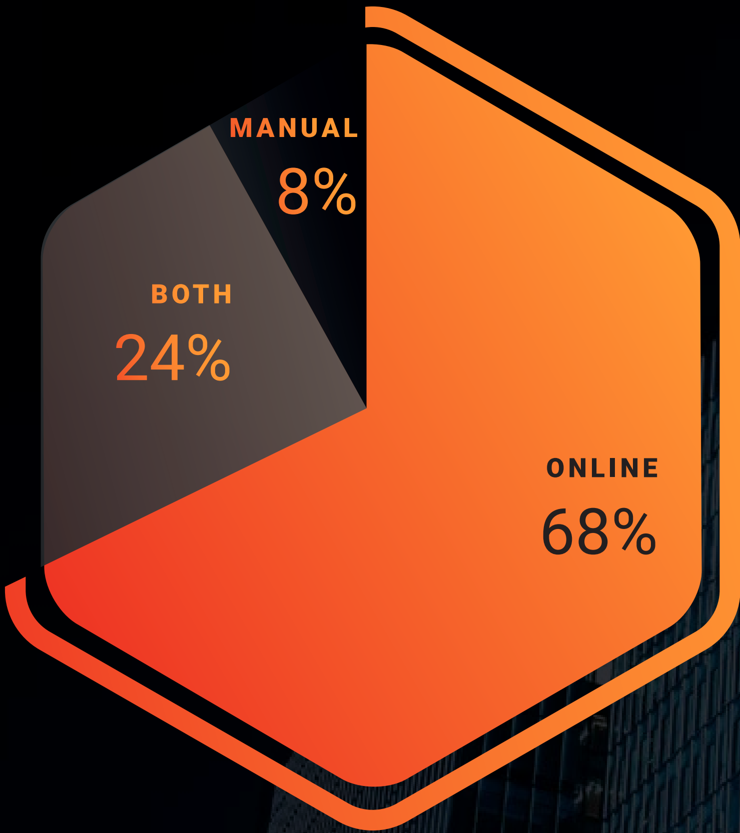
Spain: No. However, the company's legal representative should have at least a foreign tax identification number in Spain.

Sweden: Electronic signature is allowed but only if the tool used is approved by the Bolagsverket, the companies registration office.

6. Tax filings

How can you **submit reports** to authorities?

Our flagship publication, the [Global Business Complexity Index], shows that the least complex jurisdictions share something in common – they all provide online portals with user-friendly interfaces for tax submissions.



Are there **any existing or forthcoming transactional-level reporting requirements** in your country, such as SAF-T (Standard Audit File for Tax)?

FRANCE

Companies must keep their accounts using computerised systems. Reports are required on request from the tax administration – a "file of accounting entries/FEC". The XML format used in France is not based on OECD SAF-T standards.

POLAND

SAF-T reporting is known as JPK in Poland. The report for VAT (JPK VAT) is due monthly, while other SAF-T reports (general ledger, accounts, payables, bank statements) need to be presented on an ad hoc basis, when tax office requests are made. The deadline for these is usually three to seven days.

PORTUGAL

There are two deliverables:

- SAF-T accounting (or SAFT Contabilidade) – a list of all transactions in a specified XML format, due annually until the end of April 2022.
- SAF-T sales report, due monthly by 12th of the following month.

7. Other taxes and other statutory reporting

While headline obligations like preparing financial statements or reporting direct and indirect tax are always on the radar, it is not unheard of that some other tax deadlines get overlooked, or even missed.

COLOMBIA

- Report superintendency of corporations
- Renewal of commercial registration

CROATIA

- Report on foreign services purchase/sales to Croatian National Bank
- Report on loans to Croatian National Bank
- Report on results and shareholders to Croatian National Bank

FRANCE

- Training tax return
- Apprenticeship tax return

GERMANY

- Federal Bank report Z4 on incoming foreign payments

JAPAN

- Business office tax return
- Corporate municipal tax return (Tokyo)
- Depreciable asset tax returns
- Enterprise tax return (Tokyo)

KAZAKHSTAN

- Vehicle, property and land return
- Vehicle tax advance return
- Property and land tax advance return
- Ecological tax return
- Statistics report

8. Tax registrations

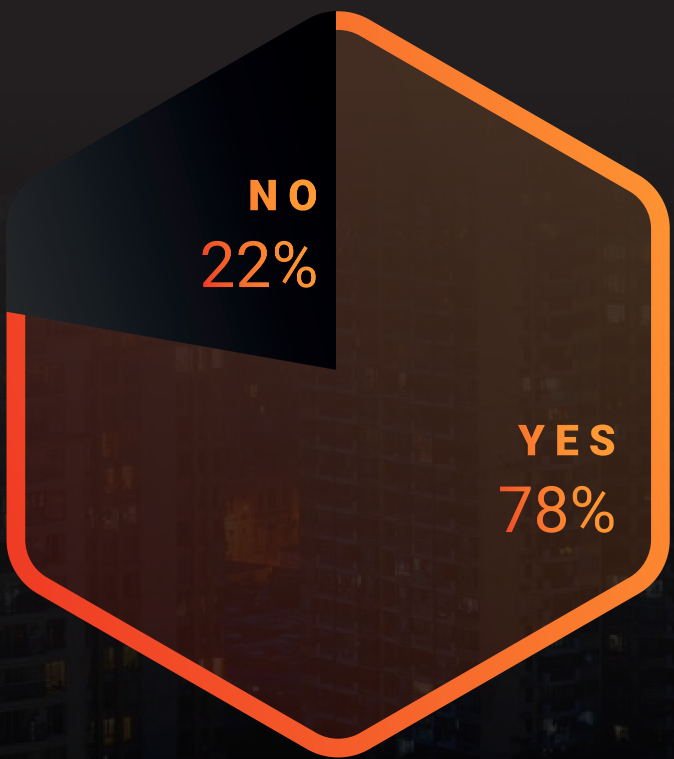
Is tax registration for **VAT separate from entity incorporation**?

Imagine you have identified a new market for your products and are all set to establish operations there. All functions – from marketing to distribution – are aligned to kick off the sales process in a new country. Ready! Steady! … Tax! In many countries you need to make sure the required tax registrations are in place before you can start operational activity.

YES: Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Chile, China, Costa Rica, Croatia, Cyprus, Denmark, Dominican Republic, Ecuador, El Salvador, Finland, France, Germany, Greece, Guatemala, Honduras, Hungary, India, Indonesia, Israel, Italy, Jamaica, Kazakhstan, Korea, Republic of (South), Labuan, Netherlands, New Zealand, Nicaragua, Norway, Panama, Peru, Philippines, Poland, Portugal, Qatar, Russia, Serbia, Slovakia, South Africa, Spain, Sweden, Taiwan, Thailand, Ukraine, Uruguay, Vietnam.

NO: Bulgaria, Canada, Czech Republic, Hong Kong, Japan, Luxembourg, Mauritius, Romania, Saudi Arabia, Slovenia, Switzerland, United Arab Emirates, UK, Venezuela.

Is **tax registration mandator**y to get a company operational?



9. Rising taxes

Does your country have a **digital services tax**?

The rise of digital technology and the shift towards the digital economy has triggered fundamental changes in taxation principles. Despite many unanswered questions related to scope, tax base and nexus, some countries have already unilaterally introduced a DST (digital services tax).

AUSTRALIA

US$53,500

threshold

ITALY

US$6.5m

local threshold

FRANCE

US$30m

local threshold

US$910m

worldwide threshold

HUNGARY

US$417,000

threshold

INDIA

US$6,750

threshold

UK

US$32.6m

local threshold

US$700m

worldwide threshold

Global reach
Local knowledge