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In this issue of Expatriate News we report the outcome of an important German tax case on the subject of deductible employee commuting costs. In addition, the Netherlands Supreme Court has outlined its views on the meaning of 'economic employer' for the purposes of double tax treaties.

Details of the Budget changes in a number of countries are outlined below, including Singapore's enhancements for Year of Assessment 2009 to the Not-Ordinarily-Resident tax scheme. Readers will also be interested to learn that Hong Kong has launched online filing for personal tax returns and tax payments.

ARGENTINA

Lunch tickets are salary

Law 26,341 established that lunch tickets are part of the salary of employees. The employer must include the amount of the employee's lunch tickets in his or her salary over a 20-month period. The amount is incorporated in the salary gradually, so that 10% is added every two months (on a grossed-up basis).

According to Decree 198/08, published in the Official Gazette of 6 February 2008, with effect from 1 February 2008 the first 10% of the amount of the employee's lunch tickets will be part of the salary is that subject to social security contributions.

AUSTRALIA

Tax rates to be reduced

On 14 February 2008 the Australian government introduced a Bill to reduce individual income tax rates, in line with its pre-election promises. The Bill proposes to:

- Increase the threshold for the 30% tax rate from AUD 30 001 to AUD 34 001 from 1 July 2008, to AUD 35 001 from 1 July 2009, and then to AUD 37 001 from 1 July 2010);
- Decrease the 40% rate to 38% from 1 July 2009, then to 37% from 1 July 2010;
- Increase the threshold for the low-income tax offset to AUD 1200 from 1 July 2008, to AUD 1350 from 1 July 2009, and then to AUD 1500 from 1 July 2010.

The Bill also proposes to increase the Medicare levy exemption threshold for certain taxpayers.

Exempt lump sums

Another Bill was introduced by the government on 14 February 2008, which will provide an income tax exemption for certain lump-sum payments to a person with a terminal medical condition.

CHINA

Personal tax allowance

The standard personal allowance for wages and salaries which applies for income tax purposes has been increased from CNY 1600 per month to CNY 2000 per month. This increase applies with effect from 1 March 2008.

EUROPE

Germany: inheritance tax

The European Court of Justice has held in the case of *Theodor Jäger v. Finanzamt Kusel-Landstuhl* (C-256/06) that Germany's rules for valuing foreign agricultural land for the purposes of inheritance tax were in breach of the EC Treaty.

The German legislation provides a special valuation procedure for German agricultural land and forestry assets. The effect of the special valuation procedure is that on average only 10% of the fair market value of the German assets are brought into account. Foreign agricultural land or forestry land, however, is valued at its fair market value.

The ECJ ruled that Article 56 of the EC Treaty precludes national legislation that provides for assets consisting of agricultural land and forestry situated in another EC Member State to be valued for inheritance tax purposes on the basis of their fair market value, but which in assessing the acquisition of such German assets excludes a special tax-free amount and only assesses 60% of the remaining value.

GERMANY

Commuting costs

On 10 January 2008, the German Federal Finance Court stayed the proceedings in two cases, and referred the question to the Federal Constitutional Court, as regards the deductibility of commuting costs.

The taxpayer is a baker in receipt of employment income, who lives with his family in one city and commutes 70 kilometres each day to work in a second city. His wife also has employment income and she commutes 37 kilometres each day.

The German Income Tax Act allows employees to claim, as income-related expenses, a deduction of EUR 0.30 per kilometre for commuting from home to work, if the employer does not reimburse these costs. The Bill on Tax Changes 2007 revised this provision, so that from 1 January 2007 the deduction is only available for the distance between home and workplace in excess of 20 kilometres. The 'factory gate principle' (*Werkstorprinzip*) means that the commuting expenses for distances of 20 kilometres or less are deemed to be private travel and not deductible for tax purposes.

In his 2007 tax return, the taxpayer claimed a commuting allowance of EUR 4620 (220 days x 70km x EUR 0.30). However, the tax authorities recalculated the amount by reference to a distance of 50 kilometres. The taxpayer appealed against this decision.

The Federal Finance Court (*Bundesfinanzhof*) held that employees' travel expenses from home to work are necessary expenses that are incurred in order to gain income. Since these travel expenses are unavoidable for employees, the reduction of the deductible commuting costs is contrary to the ability-to-pay principle, which is derived from the principle of equality embodied in Article 3 of the German Constitution. Commuting costs cannot be compensated through the basic allowance of EUR 7664 provided under the German Income Tax Act. Other mobility expenses (such as the costs of maintaining two residences) are deductible as business-related expenses.

The Court also noted that, in the case of spouses who both derive income from employment, the reduction of the commuting allowance infringes the principle of the protection of marriage and the family, which is embodied in Article 6 of the German Constitution. If the spouses work in different cities, they are no longer free to choose the place where they live; instead, their choice depends on the place(s) where they work.

In a first Press Release the Federal Ministry of Finance stated that it still considers the revised legislation to be constitutional and that it expects that the Federal Constitutional Court will confirm this view.

HONG KONG

Online filing

The Hong Kong Inland Revenue Department (IRD) has launched a new gateway to the department's electronic services (known as "eTAX") under the Hong Kong government portal. This offers taxpayers an easy, secure and environmentally friendly means to comply with tax law.

Taxpayers can keep track of their tax position, manage their tax affairs and communicate with the IRD at any time and from any location, by the use of a single login to their eTAX account. An individual Taxpayer Identification Number and eTAX password, or digital certificate, are used to ensure security. Through the eTAX account, taxpayers can view their account profile, check the status of their personal tax return, their assessment and their tax payment. The individual can notify the IRD of changes to his or her personal details. Taxpayers can also use other IRD online services, such as those for stamping property documents, business registration and payments.

Taxpayers can choose to receive the notices and documents relating to tax return filing, tax assessment and payment (including the actual tax return and the notice of assessment) in the form of electronic records, instead of paper. This will enable them to manage their tax records in an environmentally friendly manner.

The eTAX system will be extended by phases later in the year, to cover the following services:

- Filing tax returns.
- Obtaining an immediate estimate of salaries tax which is payable.
- Viewing tax assessments and requesting amendments.
- Applying for provisional tax payments to be held over.
- The issue of e-Alert messages to notify the taxpayer of the time limits for tax return filing and tax payment.
- Viewing e-receipts for tax payments.

Taxpayers can keep track of their tax position, manage their tax affairs and communicate with the IRD at any time and from any location, by the use of a single login to their eTAX account.

NETHERLANDS

Employer for tax treaty purposes

On the basis of recent decisions in the Supreme Court, the concept of the employer in tax-treaty situations is no longer based solely on a formal interpretation of the treaty provisions. The Court has provided its views regarding the interpretation of the term 'employer' for tax treaty purposes.

Article 15 paragraph 2 of the Organisation for Economic Cooperation and Development (OECD) model double tax treaty determines the right to levy tax on employment income. This income can be taxed in the employee's state of residence, but any earnings relating to duties performed in the other state can also be taxed there. However, there is an exemption, which provides that the employee is only taxable in his or her home state (state of residence, as determined under the treaty) on his or her earnings where the following conditions all apply:

1) The employee is present in the other state (the work state) for a period or periods not exceeding a total of 183 days in any twelve-month period commencing or ending in the fiscal year concerned. [This rule can apply to the calendar year, the tax year or another stated period, depending on the terms of the particular treaty]; and

2) The remuneration is paid by, or on behalf of, an employer who is not a resident of the work state; and

3) The remuneration is not borne by a permanent establishment of the employer in the work state.

If any one of the three conditions is not met, the work state also has the right to tax the employment income and the home state normally gives relief for the tax paid on the earnings that are sourced in the other country. Therefore, the interpretation of the term 'employer' is crucial to this tax exemption in tax treaties.

The commentary to the OECD model accepts that in certain situations the employer for treaty purposes will be the company to which the individual is assigned in the work state (the 'economic employer'), rather than the company with which the employee holds the contract of employment (the 'legal employer'). Based on the Supreme Court decision, the following questions must be answered in order to determine whether the host company for which the employee works is the employer for tax treaty purposes, by reason of these economic factors:

- Does this company have the authority to instruct the employee ?
- Will the salary costs of the assigned employee be borne by this company and will the benefits, disadvantages and risks of the individual's work accrue to that company ?
- Is this company responsible for the results achieved by the employee ?
- Are the salary costs cross-charged as such to this company, on the basis of the employee's salary ?

If the company in the work state meets the above criteria, in the view of the Court it will be considered to be the employer for the purposes of the double tax treaty. The result will be to give the work state the right to tax the earnings relating to the employment activities physically performed there.

It should be noted that, following the publication of a public discussion draft on 12 March 2007, the OECD is in the process of amending the commentary on Article 15 of the model tax treaty, with particular reference to the concept of the economic employer.

It is understood that the OECD working group on this topic (which is made up of representatives of the various countries) met in February 2008. Guidance should be issued once the working party has reached a conclusion.

SERBIA

2008 individual tax rates and allowances

The list of specific allowances that apply to certain payments made to individuals with effect from 1 February 2008 was published on 18 January 2008. The average annual salary of RSD 464 928 for 2007 was published on 23 January 2008 and serves as the basis for the tax brackets and basic annual allowances for the individual tax paid on the income earned in 2007.

Tax rates

The following table shows the income tax rates applicable to the 2007 aggregate taxable income of Serbian and foreign citizens who are resident in Serbia for tax purposes. All amounts are shown in Serbian Dinars (RSD).

Resident Serbian nationals

Taxable income	*Tax rate (%)*
First 1 394 784	0
Next 1 394 784	10
Above 2 789 568	15

Expatriates resident in Serbia

Taxable income	*Tax rate(%)*
First 2 324 640	0
Next 1 394 784	10
Above 3 719 424	15

Basic tax allowance

The individual's taxable income can be reduced by basic annual allowances of RSD 185 971 for the taxpayer and of RSD 69 739 for each dependent family member.

Other allowances

The Individual Income Tax Law provides for the exemption of certain payments to individuals, up to set annual limits. The limits applicable to payments made from 1 February 2008 are set out below (limits for the year ended 31 January 2008 in brackets).

Payment	*Amount (RSD)*
Monthly salary:	5560 (5050)
Death benefits:	38 535 (35 000)
Commuting costs:	2202 (2000)
Per Diems domestic business:	1321 (1200)
Solidarity support for illness:	22 020 (20 000)
Voluntary pension insurance:	3303 (3000)

Social security contributions

The minimum monthly base for Serbian social security contributions has been set at RSD 15 072 with effect from 1 February 2008. This minimum base applies to employment income.

The maximum annual base for social security contributions in 2008 has been set at RSD 2 837 223. Individuals whose income exceeds this amount during 2008 are not required to pay social security contributions on the excess, provided they obtain a certificate from the tax authorities.

SINGAPORE

Budget 2008

The 2008 Budget was presented to Parliament by the Minister for Finance on 15 February 2008. Budget changes affecting employments are summarised below.

Overseas Talent Recruitment Scheme

The Overseas Talent Recruitment Scheme, which allows employers to claim an additional tax deduction for the relocation and recruitment expenses of hiring top global talent will be extended to 2013.

Employer deductions

Employers will be able to benefit from two particular deductions.

Retirement schemes: Starting with year of assessment (YA) 2009, employers will be able to claim a full tax deduction for contributions made to an employee's Supplementary Retirement Scheme account. The deduction is subject to certain limits for Singapore citizens, permanent residents and foreigners.

Medical insurance: Employers providing employees with in-patient medical insurance benefits in the form of portable shield plans can qualify for a tax deduction of up to 2% of the total wage bill for medical expenses they incur for their employees. This deduction applies from YA 2008.

Not-Ordinarily-Resident (NOR) scheme

A number of enhancements and refinements of the Not-Ordinarily-Resident (NOR) scheme will be introduced with effect from YA 2009:

(i) The previous condition that the NOR taxpayer's effective tax rate must be at least 10% will be replaced by the requirement that the taxpayer's Singapore employment income threshold must be at least SGD 160 000;

(ii) The scope of the time-apportionment concession will be expanded to cover allowances and leave pay;

(iii) The non-Singapore resident must earn at least SGD 160 000 to be granted tax exemption for the employer's contributions to a non-mandatory foreign pension scheme;

(iv) NOR taxpayers will be granted an exemption for their employer contributions to non-mandatory foreign pension funds, if no deduction is claimed by the employer.

Personal taxation

The following Budget changes were also proposed:

- An income tax rebate of 20% for resident taxpayers for YA 2008, capped at SGD 2000
- Individuals will be able to claim a tax relief for voluntary contributions made to the Medisave Account from YA 2009, up to a maximum of SGD 26 393 less mandatory contributions
- The conditions for Course Fees relief for vocational qualifications will be relaxed from YA 2009. Taxpayers will be allowed to claim tax relief regardless of whether the course is relevant to the individual's current trade, business, profession, vocation or employment
- In addition to the consolidation of the various employee equity-based incentive schemes under the Employee Remuneration Incentive Scheme (ERIS),

a new incentive for start-ups will be introduced. Employees of qualifying start-up companies will be granted an exemption of 75% of the qualifying gains from ESOP or ESOW plans, up to SGD 10 million of qualifying gains over 10 years. This exemption will apply to stock options and share awards issued from 16 February 2008 to 15 February 2013 in the first 3 years of incorporation by qualifying start-up companies.

SOUTH AFRICA

South African outbound expatriates

Amendments to Section 10(1)(o)(ii) of the Income Tax Act have provided clarity for South African tax residents who work abroad.

In terms of the previous legislation, Section 10(1)(o) (ii) provides relief for South African tax residents. It is intended to exempt from tax *any remuneration* derived from the rendering of services outside South Africa on behalf of an employer, if the person providing those services is outside South Africa for a period of 183 full days in aggregate during *any twelve-month period commencing or ending in that tax year*, of which at least 60 days are continuous.

The above italicised words created significant confusion for both the South African legislature and for the taxpayer (and there was clearly no meeting of minds in terms of the legislature's intentions). Consequently, the wording of the legislation has been amended and additional provisos have also been inserted to further qualify the legislature's intentions.

Remuneration covered

The previous reference in the section to ' any remuneration' created a loophole for certain taxpayers. This was a result of the very broad definition of the term remuneration in the Fourth Schedule to the Tax Act, which meant that it included payments referred to in terms of paragraph (d) of the gross income definition (relating to payments in respect of loss of office, better known as severance pay). In this regard, a taxpayer could typically become redundant following a foreign assignment, in which case the employer would be obliged to make a severance payment and this could qualify for relief under section 10(1)(o)(ii) provided that the annual test was met.

Following the amendment of the section, the legislature has further qualified the reference to the term 'remuneration' so that only specific types of payment are included for the purposes of the definition of remuneration (and this excludes any reference to severance pay).

Individuals covered

It is clear from the wording of the section that there must be an employer-employee relationship in order for the section to apply. Accordingly, the person on assignment to a foreign location should not be classified as being independent and should be an employee. The revised wording therefore replaces the word 'person' with the word 'employee'.

Annual test

In terms of the previous wording, the section was applied as an annual test and required the taxpayer to meet the criteria in every tax year in order to obtain

relief. Taking an example, where a taxpayer went on assignment in year 1, returned to South Africa in year 3, and received a bonus payment relating to years 1 to 3 when he or she arrived back in South Africa, the bonus would be fully taxable in South Africa. In this regard, no apportionment or spreading of the income over the period outside South Africa was applied.

In terms of the revised wording of the section and consistent with the source principles, where the services to which the payment relate are performed outside South Africa, the payment should be spread evenly over the period during which those services were rendered. The exemption provided by the section should then be applied in respect of each qualifying twelve-month period. In the example above, notwithstanding the fact that the payment is made when the assignee returns to South Africa, relief will still be granted for the qualifying period in which the requirements of section 10(1)(o)(ii) are satisfied.

As the revised section includes reference to the sections in the Income Tax Act which relate to share option gains, these gains should also be spread over the period for which they are earned and apportioned for the purposes of the exemption as stated above.

These fundamental amendments to section 10(1)(o)(ii) of the Income Tax Act make its interpretation clearer and are definitely a step in the right direction at the right time, bearing in mind the significant recent increase in the mobile South African workforce.

Residential accommodation of inbound expatriates

This subject has undoubtedly been a topical issue for both taxpayers and the legislature and it has also recently been debated in a Cape High Court. Forming a definitive conclusion and making the final decision must clearly have been a difficult task for the legislature, considering the increase in the inbound expatriate population in South Africa, which has been driven by the country's need for specialist knowledge and expertise.

In terms of the previous wording of section 9(7) of the Income Tax Act, which deals with the provision of residential accommodation by an employer to an employee, it was arguable that the reason for the provision of such accommodation was as a result of the employee's absence from his or her usual place of residence. This was because what constitutes a person's usual place of residence is left to the interpretation of the South African Courts, as the phrase is not defined in the legislation. In this situation, fringe benefit tax could not be levied on the benefit of the accommodation.

Given the fact that expatriate employees could remain in South Africa for indefinite periods of time and successfully apply the provisions of section 9(7) to avoid fringe benefits tax, this was clearly another loophole which the legislature had to review. Fair warning of the legislature's intentions was provided in various previous brochures and in their other communications dealing with expatriate employees in South Africa.

Legislative changes have now been introduced with effect from 1 March 2008, which provide a defined period, not longer than twelve months, during which an expatriate employee may be provided with residential accomodation and not be subject to fringe benefit tax. It follows that, with effect from month 13, fringe benefit tax becomes applicable. However, the legislation is not entirely clear in this respect and there is uncertainty whether it may be the intention of the legislature to apply fringe benefit tax from month 1, where the expatriate's period of stay in South Africa exceeds a twelve-month period.

Following the introduction of the amendment and significant lobbying, the Minister of Finance announced in his Budget Speech on 20 February 2008 the possibility of relaxing the twelve-month period by allowing a tax-free 24-month or two-year period of exempt employer-provided accommodation. However, the tax-free portion will be subject to a capped amount, equal to the lower of 25% of the expatriate's salary and ZAR 25 000 per month. It appears therefore, that amounts in excess of ZAR 25 000 per month will be subject to fringe benefit tax. However, further clarity is still required regarding the base amount to be used as salary for the purposes of the calculation of the tax-free capped amount.

UNITED KINGDOM

Residence and domicile changes

The January/February issue of *BDO Expatriate News* covered the initial details released by the UK tax authorities (HMRC) on the changes to the residence rules and to the remittance basis of assessment for both non-UK domiciled and for not ordinarily resident individuals, which are due to become law from 6 April 2008.

Further information has now been released by HMRC, in the form of draft legislation and related guidance. This indicates that the main effects of the changes on expatriate employees are likely to be as set out below. However, it is important to note that the new legislation may alter over the next few months. This is because it will be included in the 2008 Finance Act, which will not pass into law until after 5 April 2008. Therefore, care must be taken before taking any planning actions in this respect.

UK residence rules

In general, from 6 April 2008 onwards all days on which the individual is present in the UK will be counted as days of UK presence in determining individual residence and ordinary residence.

Travel days will be counted if the individual is present in the UK, including days on which the individual both arrives in, and leaves, the UK. However, there will be an exception for a day on which the individual is in transit at a UK airport or port and remains in an area not accessible to the public ('airside').

Days spent in the UK in exceptional circumstances beyond the individual's control (for example, due to the illness of the individual or of a close family member) will continue to be ignored by non-statutory HMRC practice.

The remittance basis

Many expatriates working in the UK are able to benefit from the remittance basis of assessment for their non-UK earnings, which restricts the UK tax charge to the sums brought to, or enjoyed in, the UK. The savings arising from this basis will be reduced from 6 April 2008 for individuals who have been UK-resident for more than seven tax years by an additional tax charge of GBP 30 000.

Subject to a lower limit, an individual who is non-UK domiciled or not ordinarily resident, who has been UK-resident in more than seven out of the ten years including the current tax year, and who wishes to use the remittance basis of assessment must pay the tax charge. The lower limit applies where the unremitted foreign income and gains for the tax year are less than GBP 1000. The GBP 30 000 charge applies from the eighth tax year of UK residence, where this is after 5 April 2008.

Subject to the same GBP 1000 lower limit, all individuals who are either non-domiciled or not ordinarily resident in the UK and who use the remittance basis of assessment for any year will forfeit their UK personal tax allowances and capital gains tax (CGT) exemption for that year.

It should be noted that even where the individual opts to be taxed on the arising basis for a particular year,

any income and gains of an earlier year for which the remittance basis was claimed will still be taxable if remitted to the UK in that year. In addition, different deductions are allowed under the UK legislation against earnings assessed on the arising basis, so that employers should review the way that their employment arrangements are structured for expatriates who do not remain on the remittance basis.

Seven-year residence test

The test for the GBP 30 000 charge is that the individual is UK-resident in more than seven of the ten years including the current tax year. Split years of residence count as a year of residence for this purpose. Therefore, in the first year for which the charge applies (2008/09), the individual is caught if he or she has been UK-resident for any seven out of the nine years 1999/2000 to 2007/2008.

This means that three complete tax years of non-residence would be needed in the period up to 5 April 2009 in order to avoid the remittance basis charge for 2008/09. The remittance basis charge could apply for 2008/09 to an individual who was UK-resident for seven out of the nine tax years up to 5 April 2008 and is resident in the UK for one day in 2008/9 (for example, because he or she leaves the UK permanently on 6 April 2008).

Administration

The individual will be able to opt for the remittance basis for each UK tax year in which unremitted foreign income and gains are GBP 1000 or more. The deadline for a claim will be five years from the normal tax return filing date of 31 January following the end of the tax year.

Initially, the decision whether the pay the GBP 30 000 charge to retain the benefit of the remittance basis of taxation will be made after the end of the tax year, as part of the self-assessment tax return process. The procedures may be different for the years 2009/10 onwards.

As the choice for the remittance basis is made for each tax year, this (and the new anti-avoidance rules, see below) means that the need to control and track remittances remains unchanged. Tracking will also be necessary because any remittances of income or gains which arose in a year for which the GBP 30 000 charge was paid, will still be taxable.

It should be noted that the remittance basis must strictly be claimed (or the relevant income or gains disclosed on a tax return) in all cases with effect from 6 April 2008. This apparently means that a UK tax return must always be filed, even where an individual's unremitted foreign income and gains are below the GBP 1000 limit and any actual remitted income and gains are covered by personal allowances or the annual capital gains tax exemption.

The procedure for payment of the GBP 30 000 charge in certain expatriate situations is unclear. In particular, it is not known how and when the charge will be paid for expatriates who are included in the employer's Modified Pay As You Earn (PAYE) arrangement for its tax-equalised employees. In addition, it is unclear whether the employer will be responsible for paying the charge where an employee is incorrectly included in the employer's Short Term Business Visitor arrangement (so that the individual's earnings are taxable in the UK, rather than exempt under the terms of the double tax treaty).

Double taxation

Although HMRC has stated that the GBP 30 000 is a tax charge, it will not be available as a credit against any UK tax liability. This means that there will be no credit for the GBP 30 000 against the tax charged on any later remittances of income or gains of a tax year for which the charge has been paid.

There is also doubt whether the GBP 30 000 charge will be accepted for foreign tax credit purposes by other countries. It is believed that the US Internal Revenue Service (IRS) have already expressed the view that they will not allow relief for the charge.

In these circumstances, it appears that long-term expatriates (in particular those with substantial personal non-UK investments) who are working in the UK are likely to expect the employer to pay the GBP 30 000 charge as part of their UK assignment costs. On a grossed-up basis, this will be a substantial additional cost for employers.

Anti-avoidance legislation

As part of the new rules, anti-avoidance legislation will be introduced from 6 April 2008 in the following areas:

- The meaning of remittance will be tightened up for the purposes of the charges on non-UK earnings, investment income and capital gains.
- Remittances to connected persons will be caught, which includes certain family members, people living together as if they were married, and civil partners.
- Remittance-basis foreign investment income from closed sources will be assessable from 2008/09 onwards.
- The non-UK remittance basis investment income of certain temporary non-residents will continue to be assessable, even if it is remitted in a tax year of non-residence. However, there will be no assessment, where either:

(a) the individual has been non-resident for at least five tax years in the period up to 5 April preceding the tax year in which UK residence is resumed or;

(b) the individual was not UK-resident for at least four out of the seven tax years preceding the tax year of departure from the UK.

Resident, for this purpose, means either resident or ordinarily resident under the UK legislation for the year (and not under the terms of a double tax treaty).

- The current HMRC practice for mixed remittance basis and other funds (that a remittance is treated firstly is made from taxable income) will be statutory for the income and gains of the tax years 2008/9 onwards.
- The previous rule that where remittance basis income is used to acquire an asset which is brought to the UK, a tax charge only arises when the asset is sold in the UK for cash, will be changed. In addition, the use of gifts outside the UK to avoid the remittance basis of assessment will be blocked from 6 April 2008.

Longer-term expatriates

It should be noted that further proposals are being considered, which would apply to individuals who have been UK-resident for more than ten tax years. The consultation period for these proposals ended on 28 February 2008 and the outcome will be covered in *BDO Expatriate News* in due course.

Employers in the Republic of Ireland

One positive change in the new tax rules relates to certain individuals who are employed by a business resident in the Republic of Ireland. In 2007 the European Commission enquired into the discriminatory UK legislation which prevented these individuals from benefiting from the remittance basis.

The rules will be changed from 6 April 2008, so that the remittance basis of assessment can apply to the earnings a non-domiciled individual employed by a resident of the Republic of Ireland.

This change will only apply to earnings for duties undertaken from 6 April 2008 onwards. Therefore, earnings before 6 April 2008 which fall within the new definition will be assessed on the arising basis, regardless of when they are remitted to the UK.

More information

For more information, please contact your local expatriate contact or one of the Expatriate Services Centre of Excellence contacts below.

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