

- The maximum tax deductions allowable to parents who send their children to private schools are being increased to EUR 1,200 per child attending kindergarten or primary school and EUR 1,600 per child attending secondary school.

Aid to micro and small – medium enterprises

- The tax credit up to a maximum of EUR 25,000 which was launched last year will still be in place. Thus enterprises engaging up to 10 employees will be able to benefit from a tax credit of up to 40 percent of expenditure incurred on the creation of new investments and new employment opportunities;
- A Quality Improvement Programme will be set up to boost knowledge and to help enterprises to franchise Maltese products and services abroad;
 - A tax deduction of 150 percent (up to a maximum of EUR 10,000) will be available to those enterprises which have invested and improved the level of products and services provided.
- Malta will be investing up to EUR 500,000 per annum in the Eurostarts project. This will enable Maltese and foreign enterprises to work together on research and development projects.

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UKRAINE

New period of limitation for challenging reassessed tax liabilities in court

In July 2010, the Parliament of Ukraine established a new period of limitation for challenging decisions of state authorities in court. In particular, the amended version of the Code of Administrative Procedure (the "Code") now provides for a one-month period of limitation for challenging tax decisions on reassessment of tax liabilities in court, compared to the previous three-year period of limitation.

The wording of the amended provisions of the Code, however, is not exactly clear, which potentially may give room for inconsistent interpretation.

To clarify the position, the Highest Administrative Court of Ukraine issued a clarification letter on September 27, 2010 whereby it confirmed that a taxpayer is allowed to contest a decision in relation to reassessed tax liabilities in court within one month of receipt of the decision by a tax payer.

Although such clarification letters are not formally legally binding and a taxpayer may attempt to plead the ambiguity of the amended wording in the Code in order to argue a longer period of limitation, in practice, the lower courts tend to follow such clarifications of the Highest Administrative Court of Ukraine.

Shortening of the period of limitation will compel tax payers to take more rapid decisions regarding whether to dispute tax authority decisions. This may in turn have greater impact on Ukrainian subsidiaries of international companies, which tend to have more complex, and thus more time-consuming approval procedures to pursue any such disputes.

Law: Law of Ukraine On Judicial System and Status of Judges No. 2453-VI dated July 7, 2010.

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UNITED KINGDOM

UK-Swiss accord on commencing withholding tax negotiations

The UK and Switzerland have agreed to commence negotiations in early 2011 on introducing a withholding tax on interest earned on secret Swiss bank accounts held by wealthy UK taxpayers. This announcement is part of a wider accord to begin negotiations on the precise terms of a new tax co-operation agreement. The Swiss Finance Minister, Hans-Rudolph Merz and UK Chancellor, George Osborne met on October 26 to sign the declaration. The Swiss Minister said that the rate of withholding tax will be set 'as close as possible to local tax rates'. No rates have been announced yet.

A similar declaration is to be signed later this week between Germany and Switzerland.

The UK-Swiss declaration has struck a balance between the Swiss prized secrecy laws and the UK's rights to tax its citizens according to one observer. It allows Switzerland to maintain its secrecy laws whilst allowing the UK to collect tax on undeclared interest earned by UK taxpayers.

It is estimated that UK nationals hold around 60 billion Swiss francs in undeclared assets in Swiss banks whilst Germans have as much as 200 billion Swiss francs in undeclared assets in Swiss banks. According to a source, only 16 percent of nearly 900 billion Swiss francs held in Swiss banks by European nationals is declared. The UK government will push for the withholding tax to be retrospective but the Swiss government has already issued a statement that any withholding tax will only apply from the date the agreement is signed. The intention is for the Swiss to apply the withholding tax on interest and hand over the funds to the UK government.

A more controversial part of the negotiations will be a new tax on inherited bank accounts where the account has never been declared to the UK tax authorities and that any existing assets held by UK nationals which are 'untaxed' are 'regularised'. No details on how this will be implemented have been announced. The agreement will also initiate negotiations on allowing improved market access for Swiss banking products. There will also be measures to decriminalise banks and their staff.

The proposals seem to go much further than the standard OECD Exchange of Information agreement and will need to be ratified by both Governments. Switzerland has now signed nearly 30 tax agreements over the past year and a half to implement international standards and to help track down tax evaders.

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