

Fidinam Group Worldwide
Newsletter

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Worldwide

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Retroactive effects of
Italian “growth decree”

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A LETTER FROM PAOLO BALEN, CHAIRMAN OF FIDINAM GROUP WORLDWIDE

Dear Clients, Partners, Stakeholders,

I feel very honoured and humble to write to you as newly appointed Chairman of Fidiam Group Worldwide.

Since incorporation, Fidiam Group Worldwide has played a significant role in Middle-East and Asian market expanding its presence and growing year after year. Our presence in Hong Kong, Singapore, Dubai, Sydney, Ho Chi Minh City and Mauritius has allowed us to provide tailored made solutions to our Clients worldwide, working side by side with them and striving for excellence.

We have experienced several challenges, especially in recent times: from Hong Kong to Sydney we faced market vulnerability to environmental and political changes. Technology is evolving at unbearable speed and it is already defining what is next, sharpening markets, consumer expectations and our daily life. Nevertheless, Fidiam Group has dynamism in its DNA: change is a constant and our 60 years of longevity grants us the experience not to be afraid of it. In difficult times, it is important more than ever to stay unite: I am confident that being strong together and tying up the relationships between our European, Middle-East and Asian offices, sharing our expertise cross-borders and acting in partnership is the key to success.

Our mission is to offer an integrated and multidisciplinary consultancy, capable of providing a tangible added value to the client and high adaptability to any environment. Through the tree main fields of activity, tax, corporate and real estate, our deeply qualified experts worldwide allow us to pursue a deep level of specialization with the aim to deliver to our clients the most qualified, competent and independent consultancy.

I take this opportunity to thank all our associates, clients, business partners as well as communities in which we operate for the trust and continued support throughout all these years: I very much look for which opportunities in this year will arise.

Paolo Balen



PAOLO BALEN

Chairman Fidiam Group Worldwide

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EU-VIETNAM FREE TRADE AGREEMENT (EVFTA)

“The most ambitious free trade deal ever conducted with a developing country” – The European Union.

After three and a half years of negotiation, on Sunday 30th of June, 2019, The European Union and Vietnam signed a landmark free trade deal - The EU-Vietnam Free Trade Agreement (EVFTA) - in Hanoi, Vietnam.

The deal was signed between Ms. Cecilia Malmstrom – *European Trade Commissioner*, and Mr. Tran Tuan

Anh – *Vietnam’s Minister of Industry and Trade*.

The deal is a comprehensive and high-quality agreement between Vietnam and 28 European Union member states which ensures mutual benefits for both Vietnam and the EU. Vietnam has one of the region’s fastest-growing economies, backed by robust exports and foreign investment. The country has signed around a dozen free trade

pacts, including the 11-country deal that will reduce the tariffs across a large part of the Asia-Pacific, known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The EVFTA is considered as a landmark deal because it is the first time The European Union signs with a developing country in Asia. The level of commitment in the EVFTA is the highest level that Vietnam has reached among signed



Free Trade Agreements so far, which paving the way for tariff reductions on 99% of goods between the trading bloc and Southeast Asian country.

Although several tariffs will be cut over a period of 10-year and other goods like agriculture products will be limited by quotas, the deal will eliminate 99% of tariffs. Upon entering into force, the EVFTA is expected to be a huge boost to Vietnam's exports, helping to diversify markets and exports, particularly agricultural and aquatic products as well as Vietnamese products with competitive advantages.

The agreement includes 17 chapters, two protocols and several attached memorandums, with main contents covering the following aspects.

- **Trade in goods**
- **Services, investment liberalisation and e-commerce**
- **Government procurement**
- **Intellectual property rights**

The EVFTA also covers other aspects

including rules of origin, customs and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade, sustainable development, cooperation and capacity building, and legal-institutional issues.

According to the Ministry of Planning and Investment of Vietnam, Vietnam's GDP is expected to raise by average of 2.18% to 3.25% per year during the period from 2019 to 2023; and 4.57% to 5.30% in the period from 2024 to 2028 and 7.07% to 7.72% in the period from 2029 to 2033.

On the 12 of February 2020, The European Parliament ratified the EVFTA and the EVIPA (EU-Vietnam Investment Protection Agreement) agreements between Vietnam and the EU. For the final step, the EVFTA and EVIPA need to be ratified by the Vietnam National Assembly which is expected to be organised in May 2020 before the agreements can come into force.



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RETROACTIVE EFFECTS OF ITALIAN “GROWTH DECREE”

The Italian Government, with the approval of Legislative Decree no. 34 of 30 April 2019, which came into force on 1 May 2019, has made important changes to the two preferential regimes reserved for employees and non-employees who decide to transfer their tax residence to Italian territory. The so-called impatriate regime has certainly made the “Beautiful Country” more attractive to those who would like to move the civil and tax residence. This regime, which has been in force since 2015, has undergone significant changes during 2019 through the so-called Growth Decree, aimed at making it even more attractive. In fact, while the discipline in force until 2019 provided for the 50% tax relief on total income for someone who moved his tax residence in the same year, with

the Growth Decree, an extension of the benefit through income tax relief to the extent of 70% for those transferring the residence in 2020.

However, the Fiscal Decree linked to the Budget Law 2020, for obvious reasons of fairness, has anticipated the applicability of the most advantageous predictions even for those who have transferred to Italy as early as 30 April 2019.

The reduction of the taxable amount may also be extended to 90% for the first 5 years for taxpayers who have moved to a region of the South and is further an extension of the benefit for a further five-year period (again with tax relief of the taxable amount of the 90%) for those who have at least 3 minor or dependent children.



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FRANCE'S 2020 FINANCE BILL: MAIN MEASURES AFFECTING CORPORATE AND INDIVIDUAL TAXPAYERS

I. The main measures concerning individuals:

1. Evolution of the income tax scale

The 2020 Finance Law's main objective is to lower income tax especially in regards to the middle class workforce. The rate of taxation for the first taxable bracket will indeed go from 14% to 11%. Withholding tax payments made from January 1, 2020 will take into account this tax reduction.

2. New tax domiciliation criteria for company directors

Article 4 B of the French Tax Code

indicates that an individual is deemed to be domiciled in France for tax purpose if he (i) has his primary or usual place of residence there, or (ii) carry on a professional activity in France, salaried or not (iii) has the centre of his economic interests there.

The 2020 Finance Bill goes further by adding that the managing executives of major French companies having their registered office in France and whose turnover of EUR 250 million or more, will be considered as having their main professional activity in France (unless they can prove otherwise).

As a consequence, these executives are considered to have their tax residence in France, and will therefore be taxed on their worldwide income.

This measure is applicable to income received or realized from January 1, 2019, to the Tax on Real Estate Fortune due from January 1, 2020 and to inheritance and donations made from the date of publication of the Law.

3. Gathering of publicly available data for tax purposes

Article 154 of the 2020 Finance Law authorizes, as an experiment and for a limited period of three years, the Tax and Customs Administration to gather and use publicly available data found on social networks websites and B2B matchmaking platform.

This measure only targets content that is publicly accessible on Internet and that does not require the use

<i>Taxable Income</i>	<i>Taxation rate</i>
Less than 10,064 €	0%
From 10,064 to 25,659 €	11%
From 25,659 € to 73,369 €	30%
From 73,369 € to 157,806 €	41%
More than 157,806 €	45%



of a password.

This provision aims to bolster the fight against tax fraud and tax evasion. The Constitutional Council approved this measure since “the interference with the freedom of speech and expression is necessary, appropriate and proportionate to the objectives pursued” (Decision n. 2019-796 DC, December 27, 2019).

4. Taxation arrangements for non-residents

As a reminder, the 2020 Finance Law had the major objective of aligning the taxation of French non-residents, to the taxation of residents.

However, this reform, which was supposed to come into force on January 1, 2020, has been postponed to January 1, 2021. This one-year

delay concerns the suppression of the discharging power of the specific withholding tax applicable to salaries and pensions from French sources, paid to non-residents. Property income and investment income are therefore excluded and will be subject to the new tax scale from January 1, 2020.

In addition, the measure to increase the minimum tax rate from 20 to 30%, on income from French sources has been waived.

II. The main measures concerning companies:

1. Conformity with the EU Law concerning the withholding taxes for nonresidents companies

Article 12 of the 2020 Finance Law aims to transpose the decision of the Court of Justice of the European Union in the Sofina SA judgment of

November 22, 2018. The CJEU has indeed considered that French Law, imposing withholding taxes on dividends paid to non-resident companies, constituted a restriction on the free movement of capital.

This provision resulted in a cash flow benefit for resident companies, which were not subject to corporate tax when they were in deficit. Thus, through the 2020 Finance Law, the legislator wishes to correct this by offering the possibility to unprofitable non-resident companies to obtain the refund of the withholding tax. In addition, an exemption from withholding tax for foreign companies in liquidation is now also possible.

2. Reduction of corporate taxes

The 2020 Finance Law continues the reduction of corporate taxes initiated

Property purchase price	Companies with a turnover of less of 250,000 million euros	Companies with a turnover of 250,000 million euros or more
Tax rate in 2020	28 %	28% up to a turnover of 500,000 euros, and then 31%
Tax rate in 2021	26.5 %	27.5 %
Tax rate in 2022	25%	25 %

by the 2018 Finance Law. The normal corporate tax rate for companies whose annual turnover is less than 250 million euros will therefore be 28% in 2020. Large companies with a turnover of more than 250 million euros will be taxed at a rate of 28% up to a turnover of 500,000 euros and then 31%.

The goal is to achieve a single tax rate of 25% for all companies by 2022.

3. Update of the list of the non-cooperative Countries and territories in term of taxation

Although this measure is not adopted within the framework of the 2020 Finance Law, it can have a direct impact on companies and especially in multinationals companies. This list is composed by the following 13 countries (compared to 7 in 2019): Anguilla, Bahamas, Fiji, Guam, the United States Virgin Islands, the British Virgin Islands, Oman, Panama, American Samoa, Samoa, Seychelles, Trinidad and Tobago.

It should be noted that Anguilla, the Bahamas, the British Virgin Islands and the Seychelles are now on the list because of their lack of exchange of information with France.

4. Combating VAT fraud in e-commerce

Through article 53 of the 2020 Finance Law, the legislator wanted to transpose Directive (EU) 2017/2455 of 5 December 2017. Its main objective is to simplify the obligations of e-businesses concerning the VAT declarations.

The most important measure of this directive concerns the sale of goods in the UE. It sets a single turnover threshold of € 10,000, common to all the Member States of the European Union, beyond which VAT must be paid in the country of delivery of the goods.

In addition, e-businesses will no longer need to register for VAT in each country of delivery of the goods. The one-stop shop (mini-one-stop-shop or MOSS) will, in fact, be open to intra-Community sales of goods.

For control purposes, electronic platforms will be required to keep a register which must be kept for 10 years to allow the Member States where these deliveries and services are taxable, to verify that the VAT has been correctly paid.

All of these measures will be applied from January 1, 2021.



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COMMERCIAL OPPORTUNITIES IN AUSTRALIA: A SUCCESS STORY FROM MELBOURNE

Fidinam (Australasia) Real Estate Pty has successfully acquired a commercial office building in Melbourne Australia on behalf of its clients. 22 William street comprises a 5,700 square metre office building, with some 20 tenants, purchased for \$52m AUD.

The building originally built in 1922, has undertaken a number of additions and refurbishments over its almost 100 year history. From an investment perspective we are looking to invest substantial capital into the repositioning of the building, completely upgrading all services, common areas, amenities and increase the net lettable area by over 1,400 square metres (increase of 25% of income producing accommodation).

This is an exciting opportunity for both our clients and Fidinam, to reposition a dated building, into a 21st century modern office building. Development and upgrade of the property is expected

to take around 12 months and we have engaged leading architects, heritage consultants, engineers, etc. to ensure delivery of what will be one of Australia's best boutique heritage offerings.

From a property economic perspective, we remain strong believers in the Melbourne property market, current occupancy levels across total office stock is over 96%, resulting in ongoing rental growth. As Australia's second largest city (soon to overtake Sydney), the long-term fundamentals in this market remain very strong.

Fidinam (Australasia) Real Estate currently provides investment management services in Australia and controls a portfolio of circa 500m in commercial real estate on behalf of its clients. Our Client are long term believers in the Australian property market, should you be interested in investing please reach out to Matthew

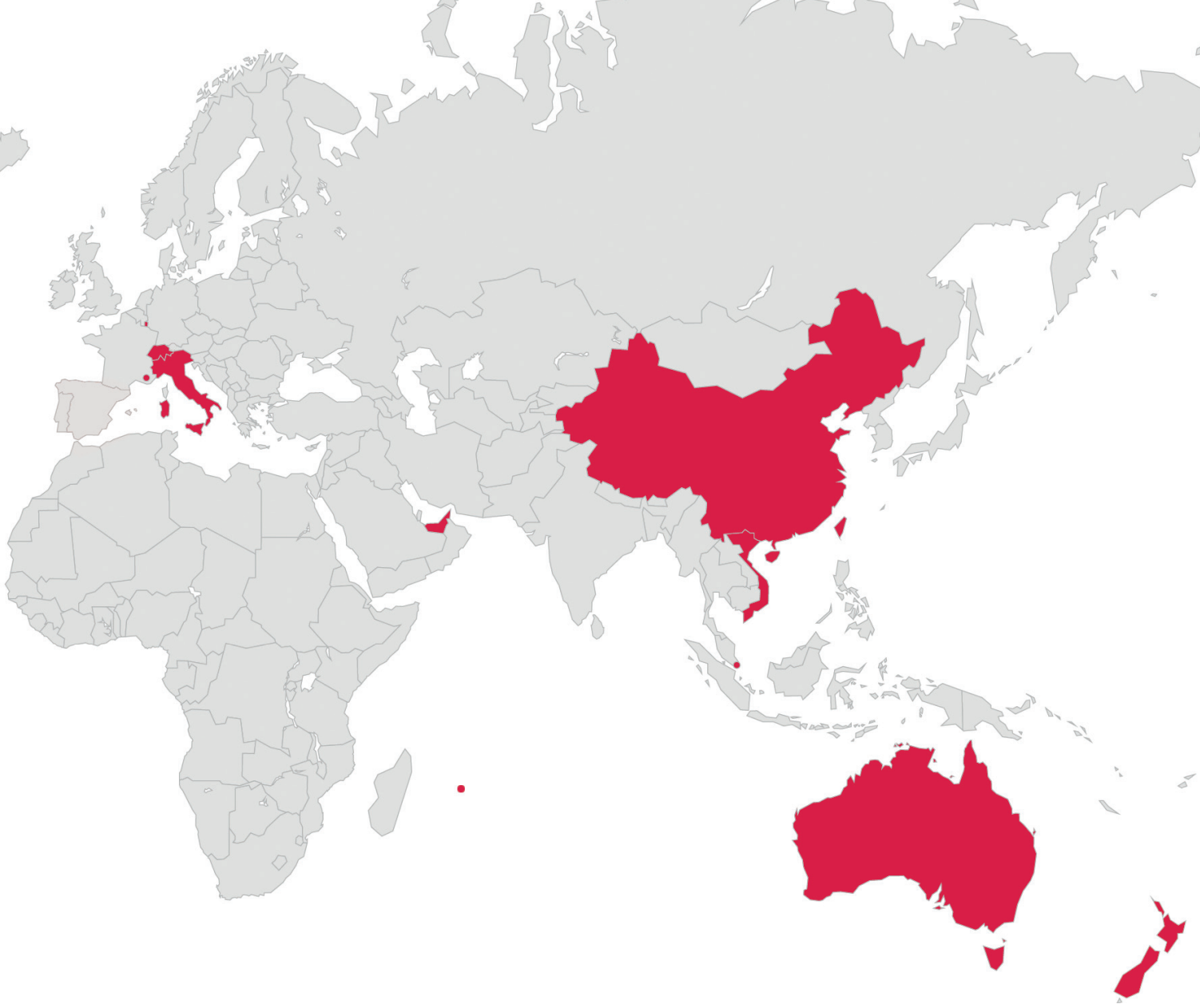
Burrows, Managing Director of Fidinam (Australasia) Real Estate or your Fidinam relationship manager.



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