

Tax, Compliance & Investigations

International survey about tax audits and the detection risk and consequences of corruption

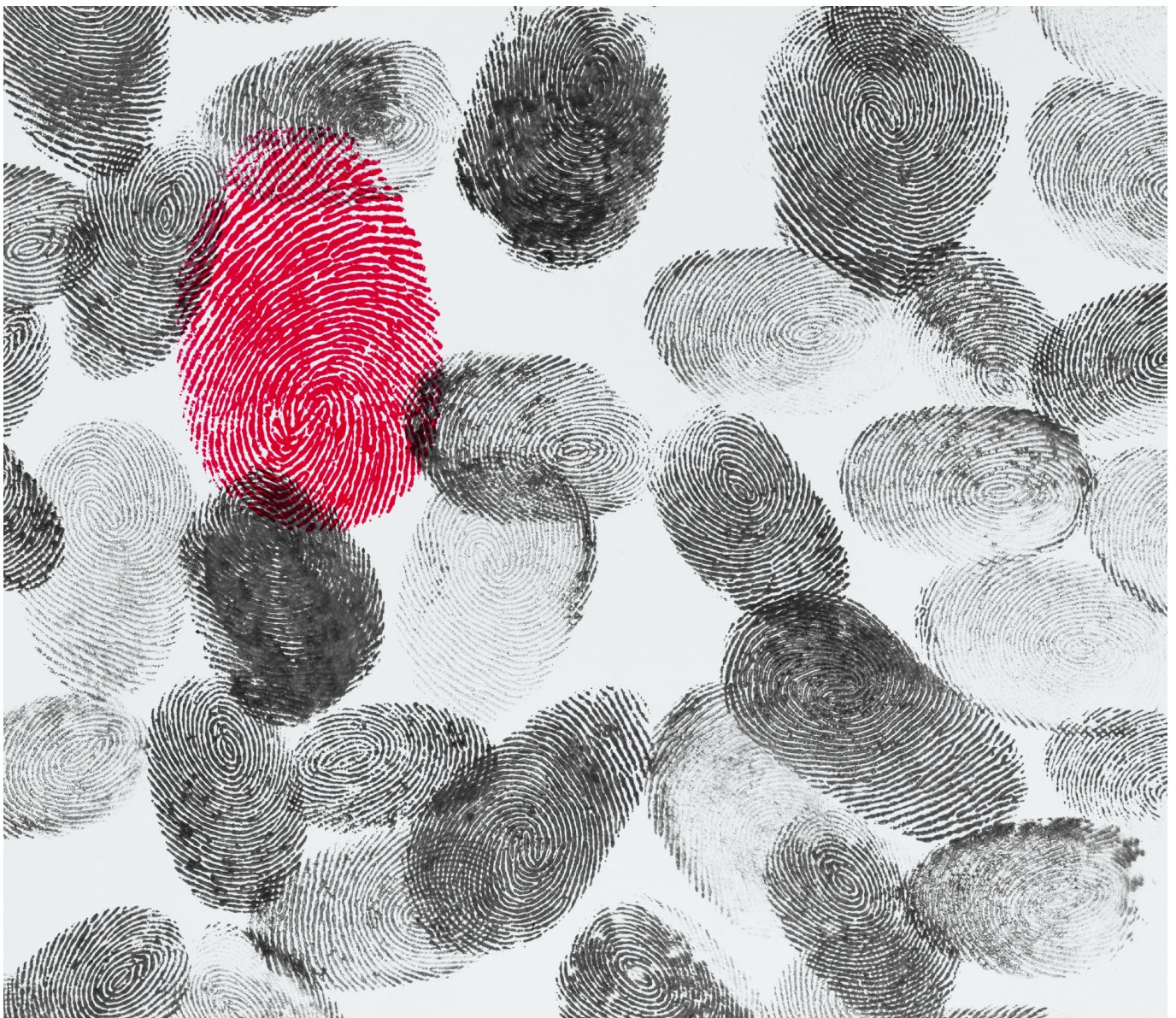


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Dear reader,

Corruption is one of the greatest challenges companies face in terms of compliance with the legal and regulatory framework. Since the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the United Nations Convention against Corruption came into force in 1997 and 2003 respectively, the signatory states have also tightened their tax laws. Germany, for example, has made kickback payments non-tax-deductible through changes to its Income Tax Act. In this study, we aim to take a look beyond Germany's borders. How have individual countries implemented the legal requirements and how do the authorities in these countries deal with such offences in practice? In this regard, we have consulted tax and compliance experts in the WTS Alliance from 38 important countries.

When employees are found to have acted corruptly, the damage to reputation is high – even years later. The loss of sales as well as fines and custodial sentences result in considerable financial and personal damage. Corruption detection is practised by various private and governmental bodies, with tax audits by the tax authorities playing a central role in this respect. They do not just frequently uncover the existence of corruption, but also pass on these findings to the law enforcement authorities. Fact-finding experts both inside and outside the company regularly collaborate with the law enforcement authorities on these matters in order to determine the

perpetrator as well as the damage caused by corruption.

Due to the increasing international interconnectedness of national economies and the companies operating within them, the tax and business decisions of a domestic company have an impact on their foreign subsidiaries, as well as their national and international business partners. At the same time, national authorities endeavour to secure and protect their countries' tax revenue.

National tax authorities have reacted to this interconnectedness and are increasingly collaborating not only with local law enforcement authorities, but also with foreign tax authorities.

This study aims to make national and international corporate decision-makers aware of this significant risk so they can take appropriate preventive and repressive action in their companies. This also includes examining the concept of „compliance“. By introducing an effective system to comply with laws and guidelines, risks that are damaging to the company, such as corruption, can be detected and combated with the aid of suitable measures, such as internal investigations. This also serves to safeguard the company's assets in the long term and to avoid management liability.

We hope that this uniquely themed study gives you ideas for practical implementation within your company.

Christian Parsow

Dr Gregor Sobotta

Mirco Vedder

Objective and Design of the Study

This "Tax, Compliance & Investigations" study provides a general overview of the role of the tax audit in detecting and pursuing corruption, as well as the legal provisions for the prevention of corruption in 38 key countries.

The objective of this study is to make decision-makers and other interested parties aware that corruption can be detected at any time within a tax audit. The lines of communication with the law enforcement authorities associated with the detection regularly lead from tax-related proceedings to criminal proceedings with consequences for the company and personal implications for members of its corporate bodies.

This is an expert study based on selected information from our contacts in the countries participating in our network, the WTS Alliance. The answers were obtained by means of an electronic survey. The country summaries we prepared were confirmed

by the respective contact person. All details and information stated here correspond to the legal status of the respective countries for the years 2014/2015, which may change over time. Please note that this study is merely a general presentation of complex issues for each participating country.

Therefore, this study cannot replace advice on tax or legal matters nor on complex issues in the area of compliance and investigations.

Our contact persons in the respective countries and the authors of the study would be pleased to answer any questions you may have on the subject of "Tax, Compliance & Investigations". Although this study has been prepared with the utmost care*, neither the authors of the study nor any of the participating companies in the WTS network can be held responsible or liable for the contents and form of content presented in the study.

* We would particularly like to thank our WTS colleagues Karsten Gnuschke, Florian Kestler, Jennifer Körber, Agnes Hanko and Anahita Mittertrainer for their support in the realisation of this study.

Despite a strong variation in nature, scope and frequency, tax audits take place in almost all of the countries that participated in our study. The United Arab Emirates is one exception, as companies there are generally not taxed.

While in Germany the frequency of tax audits depends on the legal form and size of the company, in the other participating countries, the selection and frequency are based on a wide range of criteria. So, for example, in Belarus, Estonia and Ireland the companies to be audited are selected based on risk orientation, while in Denmark, Thailand and Singapore they are selected randomly in association with a fixed framework of criteria. However, our study generally showed that, in the majority of countries, large companies and companies in high-risk or highly regulated industries are audited more frequently and in more depth by the tax authorities than, for example, small and medium sized entities (SME). This is particularly true in Germany, Nigeria, Ghana, China, Austria, Poland, France, Italy, Mexico, Greece, Trinidad and Tobago, Hong Kong, Hungary and Korea.

Are bribes tax-deductible?

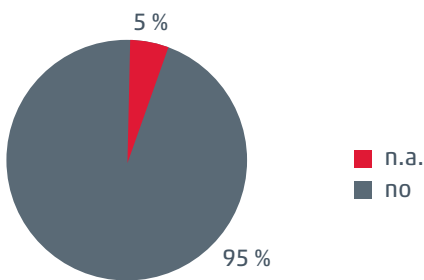


Table 1: Percentage of surveyed countries where bribes are not allowed as tax-deductible operating expenses

Against the background of the worldwide spread of bribes being banned as tax-deductible operating expenses (in 95% of surveyed countries, see Table 1) and the endeavours of many tax authorities to safeguard their national tax revenue, it is not surprising that the tax authorities in 50% of participating countries are already subject to a **requirement to detect suspected bribes within the tax audits they carry out** (see Table 2). Thus, a trend can be seen towards extending this procedure to countries whose tax authorities currently do not practise the detection of corruption.

Do tax authorities investigate issues indicating signs of corruption?

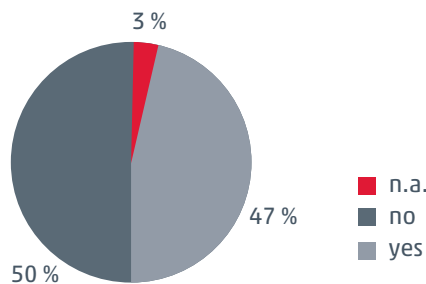


Table 2: Percentage of surveyed countries with a tax disclosure requirement in the event of suspicion

Awareness that law enforcement authorities are pursuing evidence of corruption in companies “through the back door” of the tax audit is often not yet evident. On the one hand, tax auditors in one in every two countries are pursuing possible bribes. On the other, more than half (61%) of study participants rated the ability of their national tax auditor to detect corruption as low to very low. Only 37% of participants rate the risk of detection as high to very high (see Table 3). We expect the probability of detection to rise in future.

How high do you perceive the risk of bribes being detected during a tax audit?

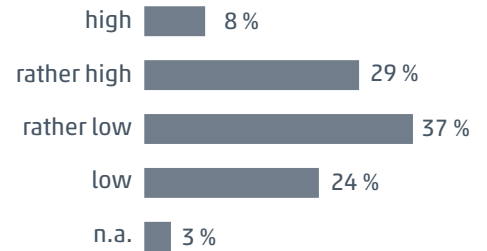


Table 3: Rating by participant countries of the risk of corruption being detected in the tax audit

If corruption is detected during the tax audit, other authorities such as tax investigators, the public prosecutor’s office or other authorities responsible for the pursuit of corruption become **involved**. In 74% of participating countries, the tax authorities are in fact subject to a reporting requirement if evidence of corruption is identified. In the majority of cases (68%), the public prosecutor’s office is informed (see Table 4). Generally the tax authorities then also work in conjunction with the public prosecutor’s office.

Does the public prosecutor’s office have to be informed, if there are clear suspicions of criminal acts related to corruption?

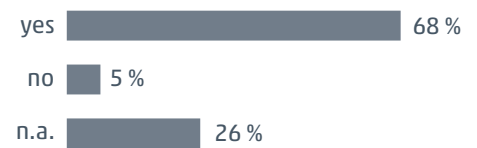


Table 4: Percentage of countries with a requirement to inform the public prosecutor’s office

There is currently no general requirement for national tax authorities to inform foreign tax authorities on matters of corruption when foreign subsidiaries are involved. Such a requirement only exists in 42% of participating countries (see Table 5); for example, in Brazil, Finland, Hungary, Ireland, Italy, Norway, Poland and Spain.

Does the domestic tax authority have an obligation to report criminal acts related to corruption to foreign tax authorities in case affiliated companies are involved?

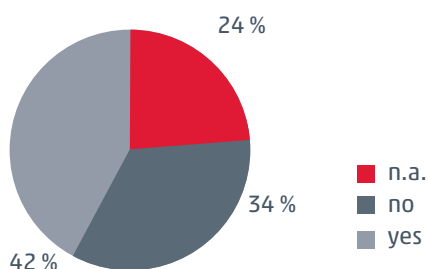


Table 5: Percentage of countries with a requirement to inform foreign tax authorities

Regardless of the location that is ultimately responsible, the **tax authorities** in the majority of countries are encouraged to **pursue matters of corruption without considering a minimum monetary amount**. Only 16% of study participants stated that there was a materiality threshold for pursuing corruption offences, for example in the Netherlands, Ukraine, China, Denmark, Brazil and Indonesia.

If evidence of corruption is identified during a tax audit, there is generally no requirement for the affected company to provide the tax auditor with specific legally defined documents to prove that outgoing payments are not bribes. Tax auditors can essentially request any kind of documentation during the tax audit in order to evaluate whether operating expenses are tax deductible. However, the following types of documentation were most frequently mentioned by our study participants as needing to be provided or that the tax authorities expected them to be provided in such cases:

- Contracts (mentioned by 79% of participants)
- Proof of existence (68%)
- Invoice approvals (68%)
- Payment approvals (63%)
- Proof of performance (53%)

The focus is on business activities involving third parties such as sales intermediaries or agents, regardless of whether they are located within the country or abroad. They are often non-transparent and can be used to shield business that is transacted using bribes. It is therefore not surprising that the authorities often have specific requirements for increasing the transparency of such business activities. Thus, in 63% of participating countries, there are, in principal, **increased documentation requirements for business activities with sales agents** (see Table 6). These requirements may be increased even further if the sales agents are located abroad, as is the case in Italy, for example. Here, the tax deductibility of operating expenses from business activities with sales agents located in tax havens is subject to special obligations to provide evidence.

Are business activities with sales agents required to be further documented?

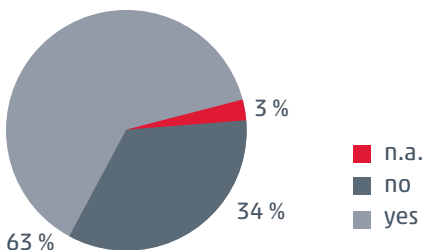


Table 6: Percentage of countries with increased documentation requirements for sales agents

Because all countries participating in our study have signed and/or ratified the UN Convention against Corruption, corruption is also pursued as a criminal offence in all these countries. Nevertheless, our study showed that the regulations on **custodial sentences, fines and other penalties under tax and criminal law vary greatly from country to country**. For example, the maximum custodial sentence for corruption offences is ten years in Hungary, 20 years in Greece, and even a life sentence in Korea and Vietnam. The death penalty can also be imposed for corruption offences in Vietnam. In contrast, in the Netherlands, corruption in commercial practice only attracts a custodial sentence of two years, while a sentence of six years applies to tax offences.

Fines, in particular, vary enormously. While fixed fines are imposed in some countries, in a number of participating countries, relative fines of varying sizes are imposed. The relative fines can range from single-digit percentages up to a fine in the mid-hundred-percent range. So in the Netherlands, for example, a fine of up to EUR 81,000 is imposed under criminal law, while the fine under tax law for corporate cases is 100% of the tax involved. In Ghana, for example, a penalty tax of 100% is imposed on direct taxes and of 300% on indirect taxes. On the other hand, in Ireland a penalty tax of 200% of the tax involved plus 8-10% per annum penalty interest are imposed. In Germany, companies can be fined up to EUR 10 million, while individuals must also expect substantial fines.

Our study also found that, in many countries, **further penalties are imposed in addition to custodial sentences and fines.** Examples of these include asset recovery, as well as disqualification from holding specific positions or participating in public tenders. In Estonia, for example, corruption offences are not just punishable through custodial sentences and fines, but also by compulsory dissolution of the company.

Bribing public officials is also penalised and handled in different ways. Thus, in many countries, the same penalties apply to bribing public officials as to bribery in commercial practice. For example, this is the case in Estonia, the Czech Republic, Denmark, Italy, Nigeria, Ireland and Norway. However, different, generally more stringent, penalties apply to bribing public officials in 55% of participating countries.

Fundamentally, penalties against corruption do not just affect natural persons, but also companies. As a corporate criminal law now exists in most of the surveyed countries (74%, see Table 7), companies can be penalised in a variety of different ways. In most cases, this is imposed in the form of fines, asset recovery and disqualification from participation in public tenders.

Does a corporate criminal law exist?

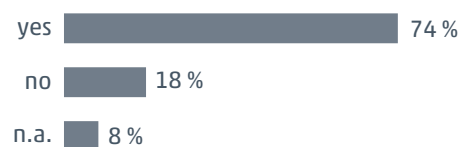


Table 7: Percentage of countries with corporate criminal law

The statute of limitations for corruption offences under tax law and criminal law vary greatly from country to country. The points in time from which statutes of limitations run also vary widely.

In general, there is no possibility of immunity if an offence has been attempted or committed. The possibility of mitigation or immunity only exists in a few of the participating countries, such as Ukraine, Greece, Belarus and Hungary. In Germany, on the other hand, there is no possibility of immunity under criminal law; however, under tax criminal law a voluntary self-disclosure or an adjustment of the tax return may be made.

In connection with pursuing corruption under tax or criminal law, the question arises as to what **obligations the taxpayer has when they subsequently realise that the tax returns are incorrect.** An additional **corruption-related risk** may arise for companies from such obligations. As bribes are by their very nature concealed and accordingly find their way into the tax returns as operating expenses, the tax returns provided are therefore incorrect.

In this context, our study showed that there is generally a requirement to provide corrected tax returns. Fines or custodial sentences are frequently still imposed in addition. In China, for example, if the tax return is subsequently found to be incorrect, the qualified tax advisor can be found guilty of aiding and abetting, and be held responsible for this.

As each company has to adhere to numerous laws, regulations and policies in its local market, let alone on the global market, we asked our survey participants for a **definition of compliance** in their business environment.

Our survey showed that compliance is, generally across countries and different business environments, defined as conformity with laws and internal guidelines. However, there are slight differences between countries when it comes to the specific laws one should comply with. In some countries, for example Mexico, the Netherlands, Poland as well as Trinidad and Tobago, compliance includes, in particular, the fulfilment of tax laws. For other countries, such as Mauritius, compliance additionally means adhering with company law, anti-money laundering law and fiscal law, whereas in Ireland business should be conducted according to not only company law but also according to health and safety at workplace law, pensions law, accounting standards and employment law. In Georgia, however, compliance differs depending on the type of business, e.g. gambling is a strictly regulated sphere of activity and therefore subject to special monitoring regarding its compliance with regulatory framework.

In some countries, compliance additionally means adhering to professional or regulatory rules or guidelines. Such is the case, for example, in China, the Philippines and Denmark.

Bribery and corruption may pose a great threat to global businesses as countries have different cultural attitudes toward fraud and corruption. Furthermore, they may also have fewer regulations against bribery and corruption as well as less-consistent enforcement of those regulations. Our survey results suggest that having in place compliance programs is highly important, not only for ensuring compliance with laws, regulations and guidelines but also for preventing corruption.

However, our study also showed that compliance systems are generally not prescribed by law. Only 21% of participating countries stated that a legal provision of this kind existed in their country (see Table 8). This is the case in Germany, Mauritius, Ghana, Ireland, China, Austria, Brazil and Korea. The participants in countries where compliance management systems are not legally prescribed were further asked whether corporate bodies are liable if they have not implemented a compliance management system and corruption offences occur, despite a legal provision of this kind not being in place.

Are companies in your country legally required to implement a compliance management system?

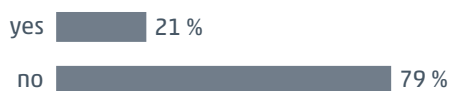


Table 8: Percentage of countries with a legally prescribed compliance management system

This gave two very different sets of results. In half of these countries, corporate bodies are made liable for corruption offences, despite there being no legal requirement for compliance management systems, while no liability exists in the other half. Furthermore, our study showed that, at present, companies are generally not liable for corruption offences committed by employees of foreign subsidiaries. Although the risk of criminal law penalties for parent companies is manageable at present, there is still at least a high reputational risk and the risk of penalties under criminal law for the foreign subsidiaries affected.

Overall, the results of our study illustrate that the establishment and existence of a compliance management system is important in minimising risk and reducing liability.

Conclusion and Guidance

As corruption is still widespread globally, compliance with the legal and regulatory framework, especially in this area, remains a challenge to companies operating nationally and, particularly, internationally. This challenge should not be underestimated due to the stricter penalties and the associated reputational damage. In future, companies should consider in their risk assessment the fact that the detection of possible corruption is more likely if tax authorities are subject to the requirement to systematically detect bribes in the course of regular tax audits. Finally, companies are increasingly required to make effective provisions to minimise proceedings of this kind as part of their tax compliance requirement.

This obligation to detect on the part of the tax authorities and its practical application result in a need for action in companies. Thus, a company's risk horizon should be adjusted to the standards of the tax audit through the inclusion of corruption detection. Furthermore, there must be an increased exchange of information between departments on dealing with the risks arising from detecting corruption. Companies can operate appropriate risk management if, in addition to the risks from white-collar crime, they also recognise, assess and deal with tax risks resulting from white collar crime and their consequences.

In an emergency, companies should consult experts to clarify matters, and to receive tax and legal advice.



Population (2013)¹
8.5 million

Gross domestic product (2013)¹
USD 416.1 billion

CPI² (2014)³
Rank: 23 | Score: 72

Annual tax revenues (2012)⁴
18.3 % of GDP

Exports⁵ (2013)¹
USD 166.3 billion

Degree of internationalisation (2013)¹
53.5 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
Yes

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 10 December 2003
Ratified on 11 January 2006

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In general, tax audits for companies are performed either continuously or with irregular intervals every three years related to form and size of the organisation. Particularly, large companies are facing tax audits continuously, whereas mid-sized companies are regularly audited in bigger time intervals with discontinuous periods (audit period is equal to three years).

In general, the risk of bribes being detected during the tax audit is perceived to be rather low. Tax authorities are required to detect or investigate signs of corruption within tax audits as there is a statutory prohibition with regard to grants and contributions. Tax authorities are further required to report clear signs of corruption to the financial criminal authorities ('Kriminalpolizei' / 'Staatsanwaltschaft'), the governmental bodies of Austria tasked with investigating corruption in cases with evidence that a particular contribution in cash / in kind is effectively connected with a service received in return. Tax authorities are also required to collaborate with these authorities in case clear suspicions of corruption-related criminal acts are identified during a tax audit. Authorities prosecute all cases of corruption as there is no de minimis threshold. Domestic tax authorities are not obliged to report to foreign authorities when affiliated companies are involved in criminal acts related to corruption.

In case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with verifications of existence, contracts and performance records as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

While there are no specific documentation requirements for business activities with domestic sales agents (in view of the possibility of comprehensive investigations across the service/supply chain), there is an increased duty to cooperate with regard to the existence of foreign counterparties such as proving the existence of business transactions to prevent abuse of right if any.

Risks Resulting from Sanctions and Liability

In Austria, a corporate criminal law exists. Companies are legally required to implement a compliance management system. However, corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates.

Compliance in the participant's business environment is defined as compliance with law.

Corruption is threatened by law with judicial punishment. Bribery in B2B-business as well as in cases with public authorities, especially in connection with public officials is criminalised. Sanctions for corruption are provided under various Austrian laws. The company laws (GmbHG and AktG) provide compensations claims. The Austrian labour legislation contains the sanction of untimely dismissal, the Austrian criminal law provides sanctions for corruptibility and the Austrian tax law regulates the non-deduction of such payments. Generally, bribe payments are deemed as ineffective transactions because of violation of morality.

In addition to that, further sanctions are imposed on corruption / bribery such as penalty taxes in the range of 20% to 100% depending on the structure of the corruption scheme, size of corruption, type of event (one time action or repeated actions), evidence of a clear intention to fraud etc.

Under Austrian criminal law prison sentences vary depending on the value of the corruption case. Generally, a prison sentence up to two years is applicable. In case the value of corruption will exceed EUR 3.000, the prison sentence is to be increased up to three years, and finally in case of a corruption amounting more than EUR 50.000, the prison sentence is to be increased up to five years.

The criminal limitation period for offences related to corruption ranges between five to ten years depending on the particular sanction and prison sentence. However, the fiscal limitation period is five years. Both, the criminal and fiscal limitation period, begin running when the crime committed / the offence is successfully finished. Neither fiscal nor criminal exemptions can be applied in case of criminal acts related to corruption.

In case subsequent knowledge of incorrect tax declarations is gained, tax payers are obliged to disclose all information and data in order that the appropriate tax liability can be determined.



Population (2013)¹
9.5 million

Gross domestic product (2013)¹
USD 71.7 billion

CPI² (2014)³
Rank: 119 | Score: 31

Annual tax revenues (2012)⁴
15.1 % of GDP

Exports⁵ (2013)¹
USD 37.2 billion

Degree of internationalisation (2013)¹
61.2 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 28 April 2004
Ratified on 17 February 2005

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In Belarus, the frequency of tax audits is not related to the size or form of the company. Rather it is related to a risk group to which a particular company is attributed to due to its activity in accordance with law. High risk group companies are audited once a year (once in two years subsequently, if the tax authority finds no violations of law). Medium risk group companies are audited once in three years (once in five years subsequently, if the tax authority finds no violations of law). Low risk group companies are audited once in five years.

The risk of bribes being detected during the tax audit is perceived to be rather low. Although tax authorities are not tasked directly to detect or investigate signs of corruption, Ministry of Taxes and Duties, as well as tax inspections are considered to be the bodies which participate in corruption combating according to Belarus law. However, tax authorities are required to report clear signs of corruption to the public prosecutor's office, the State Security Committee, the Investigation Committee and the Ministry of Internal Affairs, which are the governmental bodies tasked with investigating corruption. They are also obliged to report to and collaborate with the public prosecutor's office and other state authorities responsible for combating corruption (e.g. State Security Committee) in case clear suspicions of criminal acts related to corruption are identified during a tax audit. Generally, authorities are obliged to prosecute all cases of corruption as there is no de minimis threshold.

Belarusian tax authorities are not obliged to report criminal acts related to corruption to foreign tax authorities in case affiliated companies are involved.

In case signs of corruption are identified during a tax audit, there is no specific list of required documents established by law. The audited companies may provide the tax auditor with verification of existence, background/press checks, contracts, performance records, personal contracts, calculations of margins, protocols on the outcome, records of interviews and invoice and payment approvals as well as any further documents not indicated above to prove that outgoing payments are not potential bribes.

There are documentation requirements for business activities with sales agents, whether domestic or foreign based.

Risks Resulting from Sanctions and Liability

In Belarus, corruption – including bribery of government officials – is a punishable criminal offence. Sanctions imposed are prison sentences of 15 years and penalty taxes. These are calculated for each day of overdue as a percentage of the unpaid sums of taxes taking into consideration a percentage which is equal to 1/360 of the National Bank refinancing rate in effect during the period of tax duty fulfilment. Other sanctions include confiscation of property (exception: the property which is indicated by law as life-essential cannot be confiscated), deprivation of the right to occupy certain positions or carry out certain activities, fines (1000 basic units: approx. EUR 10,000 as of 3 February 2015), restriction of liberty (5 years), community service (two years) and arrest (6 months).

The criminal limitation period is fifteen years and begins running from the date the offence was committed. Criminal exemptions can be applied if the person who bribed was extorted to do so and voluntarily reported about the bribery after it occurred. There is no fiscal limitation period on offences related to corruption. However, in case a sum of unpaid taxes is repaid, a taxpayer is allowed to apply for fiscal exemption from penalty taxes.

In Belarus, a corporate criminal law does not exist.

In case subsequent knowledge of incorrect tax declarations is gained the company concerned is obliged to submit the tax declaration with correct data. In case the tax audit revealed the incorrect tax declarations, an administrative fine is to be paid in accordance with the law. Bribes are not tax-deductible.

There is no legally established definition of compliance in Belarus.

Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries. Companies are neither legally required to implement a compliance management system, nor are corporate bodies liable in case they have not implemented a compliance management system and a case of corruption occurs.



Population (2013)¹
 200.361 million

Gross domestic product (2013)¹
 USD 2,246.0 billion

CPI² (2014)³
 Rank: 69 | Score: 43

Annual tax revenues (2012)⁴
 15.4 % of GDP

Exports⁵ (2013)¹
 USD 242.2 billion

Degree of internationalisation (2013)¹
 12.6 % exports⁶ of GDP

Do sanctions on corruption exist?
 Yes

Does a legal requirement to implement a CMS⁷ exist?
 Yes

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
 Signed on 9 December 2003
 Ratified on 15 June 2005

Has bribery of public officials been criminalised?
 Yes

Risks Resulting from Tax Audits

The frequency of tax audits in Brazil is based on two pillars, as legal entities in Brazil have the choice between an actual profit or deemed profit system to calculate their Corporate Income Tax (IRPJ) and Social Contribution on Net Profits (CSLL). Within the second system that is usually adopted by small-to-medium sized companies, taxable profits are calculated on a quarterly basis, based on the sum of percentages of taxpayer's gross revenues. The actual profit system, on the other hand, is adopted mostly by big companies and it is mandatory for some specific legal entities, such as financial institutions and companies that earn profits, income or gains abroad and generally companies with total revenues, in the former calendar year, exceeding BRL 78 million per year or BRL 6.5 million per month. Companies adopting the actual profit system calculate their final taxable income quarterly or annually, based on their net results shown on the taxpayer's financial statements, including capital gains, adjusted for additions and exclusions legally provided for and offsetting of tax losses or negative CSLL basis of previous tax base period. In general, companies adopting the actual profit system are more likely to be audited as well as big taxpayers ("maiores contribuintes") will be subject to continuous tax audits.

A legal entity will be classified as a big taxpayer considering:

- its gross revenue declared on Corporate Income Tax Return (DIPJ)
- the debts declared on its Declaration of Debits and Credits of Federal Taxes (DCTF)
- the total amount of wages paid by the company according to FGTS and Social Security Information Payment Form (GFIP)
- the total debts declared on its GFIP
- the representativeness of the company on the collection of taxes administered by the Brazilian Federal Revenue (RFB)

The risk of bribes being detected during the tax audit is perceived to be rather low by our experts. Tax authorities are not required to detect and investigate signs of corruption within tax audits. Nevertheless, they are required to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. Additionally, the domestic tax authority has an obligation to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved.

In general, tax authorities' reports to foreign tax authorities contain the following information:

- Company name
- Persons involved
- Deducted operating expenses
- Reasons for assessing payments as potential bribes

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with verification of existence, personal contact information and invoice approvals as proof that outgoing payments are not potential bribes.

Authorities are required to prosecute cases of corruption, in particular wilful misconduct, fraud or sham, for which the penalty is equal or higher than 150 %. The percentage of such a fine may achieve 225 % if the taxpayer, besides committing one of the aforementioned acts, does not respect the administrative notification to clarify objected facts, to present files or digital systems regarding accounting and fiscal information and to deliver the complete technical documentation of the data-processing system.

Business activities with domestic based sales agents do not need to be further documented, whereas business activities with foreign based sales agents require stricter records. In the latter case, the invoice as well as the contract between the parties must be provided to the bank which performs the exchange agreement.

The Brazilian tax system provides special deductibility rules for transactions carried out with low taxation jurisdictions and with privileged tax regimes. In this context, payments remitted to tax havens or to privileged tax regimes are subject to general non-deductibility, transfer pricing and thin capitalization rules.

Low taxation jurisdictions:

- do not allow the access to information about the shareholding structure of legal entities, their ownership, or the identification of the beneficial owner of income earned by non-residents
- do not tax the income at maximum rates which are lower than 20%

Privileged tax regimes:

- do not tax income, or tax income at maximum rates lower than 20%
- provide tax advantages to non-residents (individuals or legal entities) conditioned upon the non-performance of substantial economic activities in the relevant jurisdiction, or without requiring the performance of substantial economic activities in the relevant jurisdiction
- do not tax the income earned outside the relevant territory, or tax such income at maximum rates lower than 20%
- do not allow access to information about the shareholding structure of legal entities, ownership of assets and rights or economic transactions performed

Risks Resulting from Sanctions and Liability

In Brazil, companies are legally required to implement a compliance management system. However corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries.

Compliance in our Brazilian expert's business environment is defined as conducting business according to the internal rules/laws.

Since corruption – including bribery of government officials – is a punishable criminal offence in Brazil, sanctions are imposed such as prison sentences, penalty taxes and, for government officials, exclusion from the public sector for a certain period of time.

Tax crimes according to the Brazilian legal system:

- Clandestine import of goods
- Not paying or reducing tax payments
- Rendering false information or not declaring revenues, assets or facts or using any other fraudulent means to reduce taxes totally or partially
- Not paying taxes or social contributions collected from third parties in the amount required for such collection
- Demanding, paying or receiving any percentage of tax benefits
- Not investing amounts received or refunded as tax incentives or not using such amounts as provided by the law
- Using or promoting software that allows taxpayers to have different information than that provided by the law to the Public Treasury

Recently, Law 12846/13 has established that legal entities may be penalized on civil and/or administrative spheres for specific injurious acts practiced against public (national and foreign) administration. Such responsibility does not exclude possible criminal, civil and/or administrative sanctions on directors or any natural person. Among other acts, that law considers "promising, offering or giving, directly or indirectly, improper benefits for public agent or any third related parties" as an injurious act to public administration. In this context, a case of corruption could imply sanctions not only for the individuals involved but also for legal entities.

Tax crimes are punished with fines and/or reclusion from two to five years or detention from generally six months to two years, whereas corruption is punished with fines and/or reclusion from generally two to twelve years.

According to Law 12846/13, legal entities may be punished with fines, in case they are involved with corruption schemes. Furthermore, companies may be subject to more severe sanctions, such as loss of goods, rights or values which represent improper benefit obtained directly or indirectly from the practiced injurious act; suspension or partial interruption of its activities; mandatory dissolution of a legal entity; prohibition to receive any kind of benefit, loan or financing from public entities or even from public financial institution between one to five years.

In Brazil, there is no statute of limitations for criminal offences related to corruption or bribery and criminal exemptions do not exist. The fiscal limitation period, on the other hand, is five years and fiscal releases as well as other exemptions such as bargain agreements can be applied.

In case of companies gaining subsequent knowledge of incorrect tax declarations they are obliged to pay penalties ranging from 75 % to 150 % of the infringement. Bribes are not tax-deductible.



Population (2013)¹

1.357 billion

Gross domestic product (2013)¹

USD 9,469.1 billion

CPI² (2014)³

Rank: 100 | Score: 36

Annual tax revenues (2011)⁴

10.6% of GDP

Exports⁵ (2013)¹

USD 2,209.0 billion

Degree of internationalisation (2013)¹

26.4 % exports⁶ of GDP

Do sanctions on corruption exist?

Yes

Does a legal requirement to implement a CMS⁷ exist?

Yes

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸

Signed on 10 December 2003

Ratified on 13 January 2006

Has bribery of public officials been criminalised?

Yes

Risks Resulting from Tax Audits

In China, there is no specific rule or regulation stipulating the frequency of tax audits. Generally, the People's Republic of China (hereinafter also "PRC") tax authorities will perform tax audits on PRC companies once every three years and would generally look into the tax issues of a PRC company for the recent three years in a tax audit. In practice, our experts have also seen that regular tax audits may be extended to once every five years. For those tax bureaus which lack resources, a checklist would be distributed to PRC companies for self-inspection instead of regular tax audits. In the event that the company is reported by whistle-blowers, the PRC tax authorities will arrange for a special tax audit immediately. Such companies may be subject to tax audits throughout the year. Furthermore, larger sized companies with substantial related parties' transactions or non-trade payments to overseas are likely subject to tax audits.

The risk of bribes being detected during the tax audit is perceived to be high. Although tax authorities are not required to detect and investigate signs of corruption within tax audits, they are, nevertheless, required to inform the tax investigation office and the public prosecutor's office in case they do identify such signs during a tax audit. Furthermore, tax authorities are obliged to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. However, domestic tax authorities are not required to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved.

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with contracts, calculations of margins as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

PRC authorities are obliged to prosecute corruption in cases amounting to 50 % to 500 % of the tax fund or where the taxes or interests are underpaid or overdue.

It should be noted that there are strict documentation requirements for business activities with sales agents, whether domestic or foreign based.

Risks Resulting from Sanctions and Liability

In China, corruption and bribery is criminalised. Individuals and legal entities can be penalized with prison sentences and penalty taxes. A corporate criminal law exists.

In case of bribery of government officials the following sanctions apply. For individuals offering a bribe higher than CNY 10,000 to a government official, a prison sentence of maximum 5 years can be imposed. A bribe between CNY 200,000 and CNY 1 million will be considered as "serious offence" and leads to a prison penalty from 5 to 10 years. Individuals offering a bribe to government officials that leads to direct economic damage over CNY 1 million, which is considered as "causing serious damage to the State's interest" risk a prison penalty from 5 to 10 years. A bribe over CNY 1 million or causing direct economic damage over CNY 5 million is considered as "very serious offence" and is sentenced with a prison penalty of either over 10 years or for an indefinite period as well as the confiscation of property. Entities offering bribes to government officials will face penalties the amount of which depends on the circumstances of the crime. Furthermore, the in-charge person of the entity will be punished with a prison sentence of maximum 5 years.

In case of commercial bribery the following sanctions apply. For individuals offering a bribe higher than CNY 10,000 (local practice may vary), a prison sentence at maximum three years can be imposed. If the bribe is over CNY 100,000 (local practice may vary), a prison sentence from 3 to 10 years can be imposed plus penalty. Entities offering bribes to government officials will face penalties the amount of which depends on the circumstances of the crime. Furthermore, the in-charge person of the entity will be punished with a prison sentence of maximum three years if the bribe exceeds CNY 30,000 (local practice may vary). If the bribe is over CNY 200,000 (local practice may vary), a prison sentence from 3 to 10 years can be imposed plus penalty.

There is neither a criminal nor a fiscal limitation period for offences related to corruption. Furthermore, there are no criminal or fiscal exemptions from punishment which can be applied in case of criminal acts related to corruption.

In case subsequent knowledge of incorrect tax declarations is gained, the tax agent can be considered as accomplice and held liable for the crime. Bribes are not tax-deductible in China.

Compliance in our expert's business environment is defined as compliance with national and local laws and regulations as well as compliance with professional codes.

Companies are legally required to implement a compliance management system. Furthermore, corporate bodies of parent companies are liable for criminal acts of corruption committed by employees of foreign subsidiaries and can be sanctioned with exclusion from tendering for public contracts and restrictions to future investment. There is no time limit for exclusions from tendering for public contracts but since it is prerequisite that the company intending to tender for public contracts should have a clear no-bribery record for three years prior to the bidding, this may imply that the time limit is three years.



Population (2013)¹
1.14 million

Gross domestic product (2014)¹
USD 23.3 billion

CPI² (2014)³
Rank: 31 | Score: 63

Annual tax revenues (2012)⁴
25.5% of GDP

Exports⁵ (2013)¹
USD 2.1 billion

Degree of internationalisation (2010)¹
40.1 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 9 December 2003
Ratified on 23 February 2009

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

The frequency of tax audits on companies in Cyprus depends on various factors, such as the level of compliance of the company as well as financial ratios based on submitted tax returns. However, the exact methodology for determining the frequency of tax audits and the companies to be audited is publicly not available.

The risk of bribes being detected during the tax audit is perceived to be rather low. Tax authorities are not required to detect or investigate signs of corruption within tax audits but the scope of a tax investigation may include such a possibility. In case they actually identify signs of corruption during a tax audit, they would report to and collaborate with the public prosecutor, the Unit for Combating Money Laundering (UCML) or both. It is not clearly defined whether or not tax authorities are obliged to report to the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. However, the domestic tax authorities and the public prosecutor's office collaborate on criminal acts related to corruption. There are no amount-related limits of criminal acts related to corruption which oblige UCML or other authorities to prosecute.

Under local law, Cyprian tax authorities are not required to report criminal acts related to corruption to foreign tax authorities in case affiliated companies are involved. In case Cyprus has a Double Taxation Treaty with another country, an exchange of information might take place if requested by the other country's tax authorities. However, UCML might report information on criminal acts related to corruption to foreign authorities in the process of an investigation.

In case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with contracts, performance records and verification of existence as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

Risks Resulting from Sanctions and Liability

Under criminal as well as fiscal law, sanctions are imposed on corruption / bribery such as prison sentences of maximum seven years and additionally EUR 100.000 fines. In addition, any bribe that is the subject matter of the offence is subject to confiscation. In case government officials are involved in criminal acts related to corruption no other sanctions apply.

A corporate criminal law does not exist and currently, there is no criminal or fiscal limitation period for offences related to corruption. Exemptions from punishment for corruption related crimes can only be applied in case a person has immunity from prosecution such as e.g. the President.

There is no specific reference in the law regarding obligations that result from the subsequent knowledge of incorrect tax declarations. However, since the procedure of a revised submission exists, the company should file a correct tax declaration. Furthermore, the directors are criminally liable against the tax authorities and in case they do not report the correct figures on purpose they may face criminal charges. Bribes are not tax-deductible.

Compliance in our expert's business environment is defined as compliance with laws.

Companies are not legally required to implement a compliance management system nor are corporate bodies liable in case they have not implemented a compliance management system and a case of corruption occurs.

It is not unlikely that corporate bodies of parent companies are liable for criminal acts of corruption committed by employees of foreign affiliates. In such cases, corporate bodies of parent companies might be liable through acts such as aiding, abetting, counselling and procuring. In case corporate bodies are found liable, fines will be imposed.



Population (2013)¹
 10.5 million

Gross domestic product (2013)¹
 USD 198.4 billion

CPI² (2014)³
 Rank: 53 | Score: 51

Annual tax revenues (2012)⁴
 13.4% of GDP

Exports⁵ (2013)¹
 USD 161 billion

Degree of internationalisation (2013)¹
 77.2 % exports⁶ of GDP

Do sanctions on corruption exist?
 Yes

Does a legal requirement to implement a CMS⁷ exist?
 No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
 Signed on 22 April 2005
 Ratified on 29 November 2013

Has bribery of public officials been criminalised?
 Yes

Risks Resulting from Tax Audits

Currently, the frequency of tax audits in the Czech Republic depends, in particular, on where the registered office of the company is located. In large cities in which a lot of companies are registered, the capacity of audit departments is not sufficient to examine all companies, whereas in small towns the opposite situation applies. The Tax Administration is aware of this problem and tries to move workforce to offices in large cities such as Prague, Brno, Ostrava, Plzeň. Furthermore, the Special Tax Office has been established to deal with large companies with annual turnover exceeding CZK 2 billion (approx. EUR 70 million). In large cities, tax offices focus, in particular, on VAT since VAT frauds are currently a big topic in the Czech Republic (so-called carousel frauds). Corporate income tax audits focus on companies having unbalanced economic results, companies that are loss-making on a long-term basis or companies reporting a low tax base compared to other entities engaged in the same field. Tax offices have analytical departments that seek out such risky taxpayers. Furthermore, tax audits are carried out in cases of taxpayers who have been denounced as fraudulent as well as taxpayers who are associated with a criminal cause. Since 2014, a special team of police, tax and customs officers has focused on frauds in the area of excise tax and VAT. In small towns, tax offices strive to carry out tax audits of most of the major taxpayers once per three years.

The risk of bribes being detected during the tax audit is perceived to be low. Tax authorities are not required to detect and investigate signs of corruption within tax audits. They are also not required to inform any other authority or government body in case they do identify such signs. However, they are obliged to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. Authorities prosecute all cases of corruption as there is no de minimis threshold.

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with contracts, as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

Furthermore, there are no specific documentation requirements for business activities with sales agents, whether domestic or foreign based. Domestic tax authorities are also not required to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved.

Risks Resulting from Sanctions and Liability

Bribes are not tax-deductible. Rather, bribery is criminalised and sanctions imposed include prison sentences of twelve years and penalty taxes of CZK 8.7 billion. These sanctions also apply for government officials involved in criminal acts related to corruption. The criminal limitation period is fifteen and the fiscal limitation period is ten years. Both begin running from the moment the crime was committed. There are neither criminal nor fiscal exemptions from punishment which can be applied in case of criminal acts related to corruption.

Companies are obliged to file an additional tax return, in case subsequent knowledge of incorrect tax declarations is gained. Penalties have been imposed on legal entities for tax offences – tax evasion, failure to pay statutory social insurance contributions, subvention frauds and environmental damage several times. Sanctions imposed on legal entities in the field of corruption have not been published yet. Since 1 January 2015, the procedure to calculate penalties has been made more precise, setting the maximum amount of penalty at CZK 1.46 billion.

Compliance in our expert's business environment is defined as compliance with laws and internal guidelines.

Companies are neither legally required to implement a compliance management system nor are corporate bodies liable in case they have not implemented a compliance management systems and a case of corruption occurs. Corporate bodies of parent companies are also not liable for criminal acts of corruption committed by employees of foreign subsidiaries. However in the Czech Republic, a corporate criminal law does exist.



Population (2013)¹
5.613 million

Gross domestic product (2013)¹
USD 330.6 billion

CPI² (2014)³
Rank: 1 | Score: 92

Annual tax revenues (2012)⁴
33.4 % of GDP

Exports⁵ (2013)¹
USD 110.4 billion

Degree of internationalisation (2013)¹
54.9 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 10 December 2003
Ratified on 26 December 2006

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

The risk of bribes being detected during a tax audit is perceived to be rather high in Denmark. Furthermore, not only are Danish tax authorities required to detect and investigate signs of corruption within tax audits, they are also required to inform the tax investigation office as well as the public prosecutor's office. Danish tax authorities are required to report to and collaborate with the public prosecutor's office in case they identify clear suspicions of criminal acts related to corruption during a tax audit. Furthermore, they are also required to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved.

In general, Danish tax authorities would report the following information to foreign tax authorities:

- Company name
- Persons involved
- Deducted operating expenses
- Reasons for assessing payments as potential bribes
- Domestically imposed sanctions
- Possible sanctions

It is noteworthy that Danish authorities are required to prosecute cases of corruption with a value of at least DKK 250,000. This can particularly affect companies operating in markets where high-volume orders or projects are common.

Generally, tax audits in Denmark are performed randomly depending on criteria such as income returns from previous years, known difficulties with the company, amount of deductible expenses and others.

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with verification of existence, background / press checks, contracts, protocols on the outcome as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

As business activities with sales agents, whether domestic or foreign based, might be opaque and happen to be used to secure business transactions by bribing, there are strict documentation requirements for such transactions in Denmark in order to increase transparency.

Risks Resulting from Sanctions and Liability

Denmark not only has a corporate criminal law, but corporate bodies of parent companies are also liable for criminal acts of corruption committed by employees of foreign subsidiaries. This is particularly relevant for enterprises doing business in countries where corruption is more wide spread.

Even though companies are not legally required to implement a compliance management system in Denmark, corporate bodies are liable in case they have not implemented a compliance management system and a case of corruption occurs.

Sanctions imposed on bribery and corruption – including bribery of public officials – are imprisonment of up to six years and fines, if there are sufficient mitigating circumstances. Sanctions imposed on companies might be exclusion from tendering for public contracts for five years, if sanctioned by prison, and for two years, if sanctioned by fines.

It should be noted that Denmark not only provides for sanctions for bribery and corruption under criminal law but also under tax laws. One such provision is that bribes are not tax-deductible while another provision is that companies are required to correct wrongful tax declarations in case they subsequently gain knowledge that filed tax declarations are incorrect.

The statute of limitations, both, under criminal law and tax law is ten years and begins running at the end of the year in which the offence stops. Criminal and fiscal exemptions could be made if bribes are customary in the place (e.g. country) where the bribery took place.



Population (2013)¹
1.318 million

Gross domestic product (2013)¹
USD 24.9 billion

CPI² (2014)³
Rank: 26 | Score: 69

Annual tax revenues (2012)⁴
16.3 % of GDP

Exports⁵ (2013)¹
USD 18.3 billion

Degree of internationalisation (2013)¹
86.1 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Acceded on 12 April 2010

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In general, companies are chosen for tax audits based on risk assessment. The regularity of tax audits does not depend on size or form of the company.

The risk of bribes being detected during the tax audit is perceived to be rather high. There is no specific requirement for tax authorities to detect and investigate signs of corruption within tax audits. In practice, however, they inform the public prosecutor's office, the Police and Border Guard Board or the Security Police Board (depending on the nature of the situation) in case they do identify such signs. They are also required to collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit.

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with verification of existence, background / press checks and contracts. However, there are no specific rules as to which documents are considered sufficient proof for the tax authorities. No evidence has predetermined weight.

Business activities with sales agents, whether domestic or foreign based, do not require any further documentation. Furthermore, domestic tax authorities are not required to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved.

Risks Resulting from Sanctions and Liability

Bribes are not tax-deductible. Rather, bribery is sanctioned with a prison sentence of up to ten years, a pecuniary punishment of EUR 16,000,000 and a compulsory dissolution of a company. Bribery of government officials is also criminalised whereby the same sanctions than the aforementioned apply.

The criminal limitation period is five to ten years depending on the severity of the offence. It begins running on the date the offence is committed. The fiscal limitation period, on the other hand, is three years in case of an unintentional offence and five years in case of an intentional offence. It begins running from the date on which a tax declaration should have been submitted. An offence is considered to be intentional, if the tax authorities can prove that the person was fully aware of the nature and consequences of his/her wrongful actions. The burden of proof considering intention lies on the tax authorities.

In case subsequent knowledge of incorrect tax declarations is gained, there is a duty to inform the tax authorities about the incorrect tax declarations. If the tax declarations were filled with incorrect information by mistake, the duty lasts for three years from the handing in of the original declaration. If the incorrect information was submitted intentionally, the duty lasts for five years.

A corporate criminal law does exist. Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries. Companies are neither legally required to implement a compliance management system nor are corporate bodies liable in case they have not implemented a compliance management system and a case of corruption occurs.

Compliance in our expert's business environment is defined as compliance with laws, court practice and possible special rules in different business sectors.



Population (2013)¹

5.4 million

Gross domestic product (2013)¹

USD 267.4 billion

CPI² (2014)³

Rank: 3 | Score: 89

Annual tax revenues (2012)⁴

20.0 % of GDP

Exports⁵ (2013)¹

USD 74.4 billion

Degree of internationalisation (2013)¹

38.2 % exports⁶ of GDP

Do sanctions on corruption exist?

Yes

Does a legal requirement to implement a CMS⁷ exist?

No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸

Signed on 9 December 2003

Accepted on 20 June 2006

Has bribery of public officials been criminalised?

Yes

Risks Resulting from Tax Audits

In general, tax audits for larger companies are performed approximately every five years.

The risk of bribes being detected during the tax audit is perceived to be rather low. Tax authorities are required to detect or investigate signs of corruption within tax audits. They are also required to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. Authorities prosecute all cases of corruption as there is no de minimis threshold.

In case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with contracts as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

Domestic tax authorities are obligated to exchange information with foreign tax authorities.

Risks Resulting from Sanctions and Liability

In Finland bribes are not tax-deductible. Rather, bribery is sanctioned with prison sentences of maximum four years and fines. Bribery of government officials is also criminalised and followed by sanctions such as prison sentences of four years, fines and removal from the public office. There is neither a criminal nor a fiscal limitation period for offences related to corruption.

A corporate criminal law does exist and even if companies are not legally required to implement a compliance management system, corporate bodies of parent companies are liable for criminal acts of corruption committed by employees of foreign affiliates. Sanctions include mainly fines.

There is no specific definition of compliance in our expert's business environment. In general, it is defined as compliance with laws, internal guidelines and other rules.



Population (2013)¹
65.9 million

Gross domestic product (2013)¹
USD 2,807.3 billion

CPI² (2014)³
Rank: 26 | Score: 69

Annual tax revenues (2012)⁴
21.4 % of GDP

Exports⁵ (2013)¹
USD 566.9 billion

Degree of internationalisation (2013)¹
28.3 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 9 December 2003
Ratified on 11 July 2005

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

Tax audits for companies are performed less than every five years with particular emphasis on big enterprises. As there are no legal provisions concerning the frequency of tax audits, tax authorities would select companies based on the expected tax income, i.e. the higher the expected tax income, the higher the possibility that the company will be audited.

The risk of bribes being detected during the tax audit is perceived to be rather high. Tax authorities are required to detect or investigate signs of corruption within tax audits. Furthermore, they are also required to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. Authorities prosecute all cases of corruption as there is no de minimis threshold.

In case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with verification of existence, contracts as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

There are neither specific documentation requirements for business activities with sales agents - whether domestic or foreign based - nor are tax authorities obliged to report to foreign authorities when affiliated companies are involved in criminal acts related to corruption.

Risks Resulting from Sanctions and Liability

Bribery is criminalised and sanctioned with prison sentence of five years and penalty taxes of EUR 500,000. Stricter sanctions apply in case government officials are involved in criminal acts related to corruption. In such cases, prison

sentences of ten years and penalty taxes of EUR 1,000,000 apply. The criminal as well as the fiscal limitation period for offences related to corruption is maximum ten years. The criminal limitation period begins running on the date the crime was committed, whereas the fiscal limitation period begins running at the end of the fiscal year the crime was committed. No fiscal or criminal exemptions can be applied in case of criminal acts related to corruption.

French tax law excludes explicitly only the deduction of bribes paid to a foreign public official. Other bribes are, nevertheless, in most cases non-deductible. It lies in the discretion of the tax authority to decide during a tax audit, if a transaction is deemed irregular or not. In case, the tax authority decides the transaction is irregular than that transaction is not deductible.

In France, there is no explicit obligation to rectify an incorrect tax return. However, filing an amended tax return is highly recommended in order to avoid penalties or other sanctions. Possible penalties and sanctions imposed are interests for the late payment of taxes amounting to 0.40% per month of the taxes and a bad faith penalty of 40 % of the taxes (up to 80% in case of "manoeuvres frauduleuses", e.g. voluntary fraudulent schemes).

Compliance in our expert's business environment is defined as compliance with laws and other rules.

In France, a corporate criminal law does exist, even though companies are not legally required to implement a compliance management system. Nevertheless, corporate bodies are liable in case they have not implemented a compliance management system and a case of corruption occurs. However, corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates.



Population (2013)¹
 4.5 million

Gross domestic product (2013)¹
 USD 16.1 billion

CPI² (2014)³
 Rank: 50 | Score: 52

Annual tax revenues (2012)⁴
 24.1 % of GDP

Exports⁵ (2013)¹
 USD 2.9 billion

Degree of internationalisation (2013)¹
 44.7 % exports⁶ of GDP

Do sanctions on corruption exist?
 Yes

Does a legal requirement to implement a CMS⁷ exist?
 No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
 Acceded to 4 November 2008

Has bribery of public officials been criminalised?
 Yes

Risks Resulting from Tax Audits

As a rule, the frequency of tax audits in Georgia is not related to size and form of organisation. Rather, tax audits are conducted on a risk basis. A special computer programme is used which classifies taxpayers according to risk factors. While determining the risks, the following factors are taken into consideration: amount of excessively paid tax, amount of acknowledged tax liability, drastic decline in revenues and etc. Tax authorities examine taxpayers with the highest risk factors. Furthermore, tax examinations are also often related to limitation periods in relation with tax infringements. This means that prior to the expiry of the limitation period, the tax authority tends to examine the respective tax period.

The risk of bribes being detected during the tax audit is perceived to be low by our experts. Even though tax authorities are not required to detect or investigate signs of corruption within tax audits, they are required to report clear signs of corruption to the Investigation Service Unit of the Ministry of Finance of Georgia, the governmental body tasked with investigating economic crimes. They are also required to collaborate with the Investigation Service Unit in case a criminal act related to corruption is being investigated. Generally, authorities are obliged to prosecute all cases of corruption as there is no de minimis threshold. Domestic tax authorities are not obliged to report to foreign tax authorities when affiliated companies are involved in criminal acts related to corruption. In case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with contracts as proof that outgoing payments are not potential bribes.

Domestic tax authorities are not obliged to report to foreign tax authorities when affiliated companies are involved in criminal acts related to corruption. There are strict documentation requirements for busi-

ness activities with sales agents, whether domestic or foreign based. Commission fees given in commercial deals for the purposes of obtaining a contract shall not be considered as bribes subject to the condition that this is legally documented and all applicable taxes are duly paid. Although there is no definition of a commission fee enshrined in legislative acts, these fees could be described as the amount that is paid by one private entity to another private entity in a properly documented way and within the framework of certain commercial relationship, e.g. for the purposes of assisting in expansion of clients list or in getting a certain business deal. It is noteworthy, however, that both parties as well as prospective the client should be fully private. Any involvement of an administrative body or state owned entity as party of the deal or prospective client might be categorized as a crime under the Criminal Code of Georgia.

Pursuant to the Criminal Code, commercial bribery is defined as:

- a) offering, promising or transferring money, security, property, services or rendering any other undue advantage to the person holding managerial or any other position within an organization for the purposes of the latter to carry out or abstain to carry out certain action in favour of certain party in violation with his/her official duties;
- b) requesting or accepting money, security, property, services or any other undue advantage by the person holding managerial or any other position within an organization for the purposes of carrying out certain action in favour of certain party in violation with his/her official duties.

Risks Resulting from Sanctions and Liability

The Georgian Criminal Code provides for both notions of bribery, commercial bribery and bribery as a malfeasance crime involving public officials. The Code also criminalizes misconduct committed by the person holding managerial duty in the organization. The respective article is called "abuse of power" and it implies the case when the person vested with managerial, representative or any other similar powers abuses its powers to the detriment of the organization for the purposes of getting benefits or advantage in person or in favour of any particular person and such action entails significant damage for the organization.

Sanctions for individuals imposed on bribery of public officials are prison sentences of three years. If the bribe is offered for the purposes of committing illegal actions, prison sentences range from 4 to 7 years. If the crime is committed by an organized group, prison sentences range from 5 to 8 years. For such crimes as offering bribes or influence peddling legal entities will be subject to a penalty. The amount of penalties imposed is subject to the discretion of the judge stemming from the respective request of the Prosecutor.

Commercial bribery entails the following sanctions:

- a) offering, promising or giving the bribe entails penalty, or restriction of freedom up to two years, or prison sentence up to three years (additional sanction: deprivation of the right to occupy a certain position or pursue a certain activity up to three years might also be applied). The same misconduct committed by a group or repeatedly entails penalty, or restriction of freedom up to four years, or prison sentence from two up to four years as well as deprivation of the right to occupy a certain position or pursue a certain activity up to three years.

- b) requesting or accepting the bribe entails penalty, or restriction of freedom up to three years, or prison sentence from two up to four years as well as deprivation of the right to occupy a certain position or pursue a certain activity up to three years. The same action committed by a group, repeatedly or by extortion, entails penalty, or prison sentence from four up to six years as well as deprivation of the right to occupy a certain position or pursue a certain activity up to three years.

Sanctions for legal entities accused in commercial bribery are liquidation or restriction to pursue a certain activity as well as a penalty.

In Georgia, a corporate criminal law exists.

The criminal limitation period for prosecuting corruption-related offences depends on the gravity of the crime. The limitation period is two years in case the sanction envisaged imprisonment for up to two years. It is set at 6 years, if misdemeanour envisaged imprisonment from up to 5 years. The term is 10 years, if the sanction envisaged imprisonment of up to 10 years. The term is set at 15 years for malfeasance crime (including offering the bribe). The term is 25 years for grave offences (envisaging imprisonment for 10 years and more). The limitation period begins running upon the moment the crime was committed. There is no separate fiscal limitation period. If the infringement is categorized as crime, the criminal limitation periods apply. Limitation for tax infringements (not entailing criminal liability and entailing only tax sanctions) was set at 6 years until 31 December 2014. It has been decreased to 5 years from January 1, 2015 and shall be further decreased to four years from January 1, 2016. The limitation period for tax infringements begins running upon the moment the crime / infringement was committed.

The Criminal Code of Georgia is familiar with notions of 'diversion of crime' and 'plea deal', which can likewise be used in relation with criminal acts related with corruption. The Tax Code is also familiar with the notion of "tax deal", i.e. settle-

ment with tax authority for reduction of charges. The article of the Criminal Code pertaining to commercial bribery directly provides for exemption from criminal liability in case the crime is wilfully disclosed to the investigating bodies. Decision on exemption is made by the investigating bodies at their sole discretion.

In case the taxpayer gains subsequent knowledge that previously filed tax declarations are incorrect, the Tax Code of Georgia enables the taxpayer to correct erroneously submitted tax declarations. Right of correction is deprived if the tax inspection commences prior to corrections being made. In Georgia, bribes are not tax-deductible.

Compliance in the Georgian business environment differs case by case. Generally, tax compliance is required by all business entities. Accounting is also conducted based on internationally recognized accounting standards. Further compliance differs depending on the type of business, e.g. gambling business is a strictly regulated sphere of activity and is subject to special monitoring in relation with its compliance with regulatory framework.

Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. Companies are neither legally required to implement a compliance management system nor are corporate bodies liable in case they have not implemented a compliance management systems and a case of corruption occurs. This implies specific compliance management systems for preventing corruption. However, legal entities are statutorily required to conduct proper accounting and tax compliance systems. Some of them are also statutorily required to implement special anti-money laundering rules and special monitoring systems depending on the sphere of their activity.



Population (2013)¹
80.6 million

Gross domestic product (2013)¹
USD 3,636.0 billion

CPI² (2014)³
Rank: 12 | Score: 79

Annual tax revenues (2012)⁴
11.5 % of GDP

Exports⁵ (2013)¹
USD 1,458.6 billion

Degree of internationalisation (2013)¹
45.6 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
Yes, but not specified in any detail.

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 9 December 2003
Ratified on 12 November 2014

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

Usually, tax audits are performed depending on size and form of organisation. Every three years companies will be categorized into classes for the purposes of the tax audit depending on size criteria such as turnover and tax profit.

According to the Ministry of Finance, the frequency of tax audits might vary widely depending on the size of organisation. The following table shows the statistical frequency of tax audits according to the latest Ministry of Finance's tax audit statistics of 2012:

Size of organisation	Frequency of tax audits in years
Large enterprises	4.63
Medium enterprises	15.21
Small enterprises	30.54
Very small enterprises	101.72

The risk of bribes being detected during the tax audit is perceived to be high by our experts. Tax authorities are required to detect and investigate signs of corruption within tax audits. Moreover, they are required to report to and collaborate with the tax investigation office, the public prosecutor's office, and/or the office of the German fine and criminal case tax office (Bußgeld- und Strafsachenstelle) in case clear suspicions of criminal acts related to corruption are identified during a tax audit.

There are no amount related limits of criminal acts related to corruption which oblige authorities to prosecute. Domestic tax authorities have no obligation to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved.

In case signs of corruption are identified during a tax audit, companies may wish to consider the need to provide tax auditors with verification of existence, background/press checks, contract, perfor-

mance records, personal contact, calculations of margin, protocols on the outcome, records of interview, invoice and payment approvals as proof that outgoing payments are not potential bribes.

Business activities with sales agents are required to be further documented (see list of documentation above), irrespective of whether the sales agent is located in Germany or abroad.

In the German tax system, tax evasion is applicable only to individuals. Offences like tax fraud and reckless understatement of taxes pursuant to the German Fiscal Code (Abgabenordnung (AO)) are to be considered as possible consequences in tax audits.

Risks Resulting from Sanctions and Liability

Germany has no corporate criminal law. Only individuals are criminalised for corruption based on tax and criminal law. Offences pursuant to criminal law are bribery in commercial business transactions (sect. 299 et seq. German Criminal Code (StGB)) and bribery in public office (sect. 331 et seq. StGB). Offences pursuant to fiscal law are tax evasion (sect. 370 AO), reckless understatement of taxes (sect. 378 AO) and minor tax fraud (sect. 379 AO).

According to criminal law, fines and/or imprisonment of up to 3 years can be imposed. Serious cases of bribery in commercial transactions are punished with fines and/or imprisonment of up to 5 year. For bribing public officials, prison sentences of up to 10 years can be imposed. The sanctions apply to each count of bribery. The maximum aggregate sentence is 10 years. Moreover, an occupational ban for perpetrators acting as public official can be imposed according German criminal law.

According to tax law, fines and / or imprisonment of up to five years, in serious cases of up to 10 years, can be imposed. According to a ruling of the Federal Court of Justice, evading at least EUR 1 million of taxes constitutes in general a serious case. Such serious cases will usually be pun-

ished with imprisonment. In addition to the obligation to repay taxes, 6% interests on the amount of evaded taxes per year (sect. 235 AO) and 6 % interests on arrears based on the amount of evaded taxes per year (sect. 233a AO) have to be paid. The fines according to sect. 235 AO and sect. 233a AO will be set off against each other. According to sect. 398a AO, additional fines of 10 – 20 % of the evaded tax amount are also possible.

According to the Administrative Offences Act (OWiG), companies may be punished pursuant to OWiG with fines of up to EUR 10 million for a corruptive act committed by their representatives or employees. Moreover, companies can be suspended from tendering for public contracts and economic benefits derived from bribery can be confiscated (e.g. proceeds of contracts or sales gained due to bribery).

According to criminal law, other sanctions apply if governmental officials are involved in corruptive actions. The involvement of public officials has no impact on fiscal sanctions.

The criminal limitation period is 5 years (administrative limitation period: 3 years) and begins running when the unlawful act is completed. The German criminal law considers no exemptions from punishment.

The fiscal limitation period can be up to 13 years and begins running at the end of the calendar year in which the tax return has been filed. It is possible to receive an exemption from punishment through voluntary self-disclosure and adjustment of tax returns. According to §153 (1) AO in conjunction with sect. 371 (1) AO, a taxpayer is required to file an adjusted tax declaration.

According to German tax law, bribes are not tax deductible.

Compliance in the German business environment is defined as complying with all applicable laws and internal guidelines of the company.

Pursuant to the Administrative Offences Act (sec. 30 and 130 OWiG), companies can be held civilly responsible for corruption offences committed on behalf of the company. Corporate bodies of parent companies can be liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. The company owners, members of management and compliance officers can be held responsible for intentionally or negligently omitting necessary supervisory measures for preventing criminal offences committed by employees or agents (e.g. business partners). Sanctions imposed can be a maximum fine of EUR 10 million for wilful misconduct and EUR 5 million for each negligent conduct. The penalty can exceed those amounts without limitation to allow authorities to confiscate the gross benefits (e. g. revenues achieved by bribery without deducting expenses – goods and material employed - related to that revenue). A company can be fined irrespective of whether or not individual employees or agents are held criminally liable.

In Germany, companies are legally required to implement a compliance management system. Furthermore, corporate bodies of parent companies are liable for criminal acts of corruption committed by employees of foreign subsidiaries.



Population (2013)¹
 25.90 million

Gross domestic product (2014)¹
 USD 38.6 billion

CPI² (2014)³
 Rank: 61 | Score: 48

Annual tax revenues (2011)⁴
 14.9 % of GDP

Exports⁵ (2013)¹
 USD 12.6 billion

Degree of internationalisation (2013)¹
 42.3 % exports⁶ of GDP

Do sanctions on corruption exist?
 Yes

Does a legal requirement to implement a CMS⁷ exist?
 Yes

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
 Signed on 9 December 2003
 Ratified on 27 June 2007

Has bribery of public officials been criminalised?
 Yes

Risks Resulting from Tax Audits

In Ghana, tax audits for companies are performed every three years related to form and size of the organisation. Particularly, large taxpayers are audited more frequently on a rotational basis within a period of three to five years. Moreover, taxpayers have the possibility to call for tax audits.

The risk of bribes being detected during the tax audit is perceived to be high. In Ghana, tax authorities are not required to detect or investigate signs of corruption within tax audits. However, they are required to report clear signs of corruption to the Economic and Organised Crime Office (EOCO), the governmental body tasked with investigating corruption. Furthermore, tax authorities are obliged to report to and collaborate with the public prosecutor's office in such cases.

EOCO or other authorities will prosecute all cases of corruption as there is no de minimis threshold.

There are high documentation requirements for business activities with sales agents. Documentation requirements for foreign based sales agents are even stricter, e. g. further details may be required since withholding tax is a final tax.

In case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with contracts, performance records, and calculations of margins as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

In case Ghana has a Double Taxation Treaty or Tax Information Exchange Agreement with another country, tax authorities are obliged to report to foreign authorities when affiliated companies are involved.

In general, tax authorities' reports contain the following information:
 → Company name,
 → Persons involved,
 → Deducted operating expenses,
 → Further procedures, and
 → Domestically imposed sanctions.

The Internal Revenue Act, 2000 (Act 592) also has to be considered regarding criminal acts related to corruption as it contains punitive provisions for persons who condone and connive to reduce their tax liability.

Risks Resulting from Sanctions and Liability

In Ghana, sanctions are imposed on corruption / bribery such as prison sentences ranging from six months to three years and penalty taxes of 100 % of the amount involved for direct taxes and up to 300 % in the case of indirect taxes. In case government officials are involved in criminal acts related to corruption other sanctions apply such as prison sentences of minimum one year and penalty taxes of 300 % of the amount involved in the case of both direct and indirect taxes.

In Ghana, there is no criminal limitation period for offences related to corruption. The fiscal limitation period is six years and begins running from the date the offence is committed. Here, reference is made to civil offences related to tax issues, for example non-filing of returns, failure to pay taxes on due dates, etc. Thus, if the due date for filing returns is April 30 in a year of assessment, the date the offence is committed is after April 30.

A corporate criminal law does not exist, since the directors, managers, or officers of the company are held liable.

In case subsequent knowledge of incorrect tax declarations is gained, the company concerned is obliged to calculate and pay back taxes. It should be noted that bribes are not tax-deductible.

In our Ghanaian participant's business environment compliance is defined as doing what the law requires of you within time lines.

Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. Companies are legally required to implement a compliance management system.



Population (2013)¹
 11.03 million

Gross domestic product (2013)¹
 USD 241.8 billion

CPI² (2014)³
 Rank: 69 | Score: 43

Annual tax revenues (2012)⁴
 22.5 % of GDP

Exports⁵ (2013)¹
 USD 36.3 billion

Degree of internationalisation (2013)¹
 30.2 % exports⁶ of GDP

Do sanctions on corruption exist?
 Yes

Does a legal requirement to implement a CMS⁷ exist?
 No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
 Signed on 10 December 2003
 Ratified on 17 September 2008

Has bribery of public officials been criminalised?
 Yes

Risks Resulting from Tax Audits

The law allows tax authorities and tax officials to conduct tax audits in order to assess the correctness of the facts declared by the tax payers and in order to assess their tax liability in general. In general, tax audits for companies are performed related to form and size of the organisation. Large entities (form: SA's or some Ltd's) are obliged to annual tax audits by certified public accountants. For smaller entities (some Ltd's and personal entities) tax authorities perform tax audits every three years. For big companies there are special audit offices that cover wider geographical areas of Greece. Tax audits may be very brief and simple, like for example an invitation to the tax payer to visit the tax office with evidence that support the facts declared in his annual tax return, or they can be very extensive and last for months, with more than one tax officers present at the premises of a business under inspection.

The risk of bribes being detected during the tax audit is perceived to be rather high.

In Greece, tax authorities are required to detect or investigate signs of corruption within tax audits and to report clear signs of corruption to the tax investigation office and the public prosecutor's office. There are no amount-related limits of criminal acts related to corruption which oblige authorities to prosecute.

As a separate audit force "S.D.O.E." (Body for the Combat of Economic Crime) was established in 1995. S.D.O.E. has a joint competency with the competent tax offices for conducting inspections. It deals with more serious tax fraud and economic crime. S.D.O.E. operates like a tax-police and may have access to all information that facilitates its tasks. Furthermore, the Economic Crime Prosecutor, a newly established force by law 3943/2011, is tasked to combat tax evasion and economic fraud.

In case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with verification of existence, contracts, performance records, calculations of margins, protocols on the outcome, as invoice and payment approvals as well as personal contact information as proof that outgoing payments are not potential bribes. There are no additional documentation requirements for business activities with sales agents.

Tax authorities are obliged to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit.

Furthermore, the domestic tax authority has an obligation to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved.

Under certain requirements, third parties bound by a professional communications privilege must, upon request, disclose information or documents to the General Secretary for Public Revenues.

Risks Resulting from Sanctions and Liability

Sanctions are imposed on corruption / bribery such as prison sentences from one to twenty years and penalty taxes ranging from EUR 5,000 to EUR 200,000.

A corporate criminal law does exist in Greece.

Bribery of government officials is criminalised in Greece. In case government officials are involved in criminal acts related to corruption, stricter sanctions than the aforementioned apply, such as prison sentences from five to twenty years and penalty taxes ranging from EUR 30,000 to EUR 2,000,000.

There is a criminal limitation period of five years for offences related to corruption. It begins running on the date the crime was committed. The fiscal limitation period is five years and begins running from the date the offence was committed.

Criminal as well as fiscal exemptions can be applied in case of criminal acts related to corruption. For instance, there is no punishment or reduced punishment if the perpetrator reveals his action to the public prosecutor before the investigation of his acts.

In case subsequent knowledge of incorrect tax declarations is gained the company concerned is obliged to recalculate the tax due retrospectively from the first year of the incorrect tax declaration plus each year's interests. Furthermore, a penalty is applied for each incorrect tax declaration.

In case of non-filing or delayed filing of tax returns that does not trigger a tax liability, the fine is EUR 100. In case of filing an incorrect tax return, the fines vary depending on the percentage of tax due based on tax return (see box for details).

In case of repeated violations within a 5-year period, penalties are doubled or quadrupled.

Bribes are not tax-deductible. In Greece bribes of foreign officials simply did not qualify as a deductible expense, and were thus not allowed, even if there were no explicit provisions against them.

Compliance in Greece business environment is defined as compliance with laws and internal guidelines. Corporate bodies of parent companies are liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates.

Penalties include fines ranging from EUR 30,000 to EUR 3,000,000, exclusion from tendering for public contracts as well as final or provisional withdrawal or suspension of authorization of the corporation for a specific period of time or prohibition to carry out its business. Fines may be increased by any benefit acquired. Further possible penalties are the removal of directors, the managing directors, management officers or other employees for a specific period of time as well as the prohibition of assuming other important duties. Legal entities may be penalised by a provisional or final withdrawal or suspension of authorisation or prohibition of carrying out its business.

Companies are not legally required to implement a compliance management system. Nevertheless corporate bodies are liable in case they have not implemented a compliance management system and a case of corruption occurs.



Population (2013)⁹
7.18 million

Gross domestic product (2014)¹⁰
HKD 2,255,635 million

CPI² (2014)⁵
Rank: 17 | Score: 74

Annual tax revenues (2013/2014)¹¹
HKD 349,234 million

Exports (2014)¹²
HKD 3,672,751 million

Degree of internationalisation
n.a.

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 10 December 2003
Ratified on 13 January 2006

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In general, tax audits are related to size and form of organisation. However, there are no specific guidelines regulating the frequency of tax audits. Thus, generally the time frame between tax audits can be over five year while regulated industries, e. g. banking, are reviewed more regularly. Small and medium sized enterprises are rarely audited in Hong Kong.

The risk of bribes being detected during the tax audit is perceived to be low.

Tax authorities are not required to investigate signs of corruption within tax audits. Furthermore, there are no amount-related limits of criminal acts related to corruption which would oblige authorities to prosecute.

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with verification of existence, contracts and invoice approvals as proof that outgoing payments are not potential bribes.

There are no specific documentation requirements for business with sales agents, whether domestic or foreign based.

Hong Kong tax authorities are not obliged to report clear suspicions of criminal acts related to corruption. While there are no further documentation requirements for business activities with domestic based sales agents, business activities with foreign based sales agents are required to be documented in more detail.

Risks Resulting from Sanctions and Liability

Sanctions are imposed on corruption / bribery in Hong Kong. Bribery of government officials is criminalised in Hong Kong as well. In case government officials are involved in criminal acts related to corruption sanctions apply such as prison sentences and penalty taxes of up to three times the tax amount. Prison sentences are for a period between 1 to 10 years depending on the offence. Non-tax related fines amount from HKD 100,000 to HKD 1,000,000.

A corporate criminal law does exist. There is neither a criminal nor a fiscal limitation period for offences related to corruption / bribery.

Furthermore, there are no obligations for companies that result from the subsequent knowledge of incorrect tax declarations.

However, bribes are not tax-deductible in Hong Kong.

Even though compliance in Hong Kong business environment is not clearly defined it means largely to behave in line with all applicable laws and guidelines.

Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates.

Hong Kong companies are neither legally required to implement a compliance management system nor are corporate bodies liable in case they have not implemented a compliance management system and a case of corruption occurs.



Population (2013)¹
9.897 million

Gross domestic product (2014)¹
USD 129.7 billion

CPI² (2014)³
Rank: 47 | Score: 54

Annual tax revenues (2012)⁴
22.9 % of GDP

Exports⁵ (2013)¹
USD 107.7 billion

Degree of internationalisation (2013)¹
88.8 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 10 December 2003
Ratified on 19 April 2005

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In Hungary, major taxpayers (i. e. having major tax output) are inspected continuously. Generally, tax inspectors review more than one or two years in one process. The form of the companies is not decisive upon choosing companies for tax audits. Rather, the tax authority has a special risk assessment system to choose companies (e.g. loss making companies, companies generating major VIES differences, etc.)

The risk of bribes being detected during the tax audit is perceived to be rather low. Even though, tax authorities are not required to detect or investigate signs of corruption within tax audits, they are required to report clear signs of corruption to the tax investigation office. As a main rule, the tax office is obliged to inform the police in case of criminal cases. Tax authorities are also obliged to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. Hungarian authorities are obliged to prosecute all cases of corruption as there is no de minimis threshold.

In case signs of corruption are identified during a tax audit and depending on the nature of the case, any of the below listed items can be requested (individually or jointly) by the tax auditor as proof that outgoing payments are not potential bribes:

- Verification of existence,
- Background / press checks,
- Contracts,
- Performance records,
- Personal contact information,
- Calculations of margin,
- Protocols on the outcome,
- Records of interviews
- Invoice approvals,
- Payment approvals.

There are specific documentation requirements for business activities, both domestic and foreign based.

Regarding information exchanges between domestic and foreign tax authorities, Act LXIII of 2008 applies. This Act implements the provisions of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism. Additionally, based on mutual information exchange laws with EU countries, such cases also concern tax payments/underpayments which have to be reported. There is no exhaustive list on the details to be reported to foreign authorities as part of an exchange of information.

As corruption money received creates income which is rarely taxed or declared, general tax rules and tax evasion rules also have to be taken into account regarding corruption-related criminal acts. In this context, it should be noted that bribes are not tax-deductible in Hungary.

Risks Resulting from Sanctions and Liability

Since corruption and bribery of government officials are criminalised in Hungary, sanctions are imposed such as prison sentences of one to ten years and penalty taxes of 200 % on any undeclared income. In case government officials are involved in cases of corruption, similar sentence rules apply, but in different cases than in cases of commercial bribery.

The criminal limitation period is generally five years (upper limit of the sentence applicable). At which point in time the limitation period begins running varies depending on the type of bribery or corruption. In the case of crimes where the criminal act is completed (e.g. bribery by handing over of cash), the limitation period begins on the day when the crime was actually committed (e.g. cash was given / accepted). In case of a breach of duty (e.g. failure to initiate a procedure), the limitation period begins on the last day, when the perpetrator could lawfully fulfil his obligations.

The fiscal limitation period is also five years and begins running from the date of acquiring the money.

Regarding criminal exemptions from punishment applicable in cases of corruption-related criminal acts related, it is possible that the sentence can be lowered or abolished if the act is disclosed prior to the investigation. In cases of fiscal exemptions, a self-declaration can be handed in and self-revision payments can be made.

In case subsequent knowledge of incorrect tax declarations is gained, the event of budget fraud can be determined with criminal sentence (prison sentence ranging from one to ten years depending on the amount). Sanctions can be minimized with prior declaration and payment of the underpayments.

The participant states that there is no domestic rule which determines the meaning of compliance in their business environment. Generally, the terms of international environments are used.

In Hungary, a corporate criminal law exists. Furthermore, companies are neither legally required to implement a compliance management system, nor are corporate bodies of parent companies liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. Nevertheless, corporate bodies are liable in case they have not implemented a compliance management system and a case of corruption occurs.



Population (2013)¹

249.9 million

Gross domestic product (2014)¹

USD 856.1 billion

CPI² (2014)³

Rank: 107 | Score: 34

Annual tax revenues (2012)⁴

Not available

Exports⁵ (2013)¹

USD 182.6 billion

Degree of internationalisation (2013)¹

23.7 % exports⁶ of GDP

Do sanctions on corruption exist?

Yes

Does a legal requirement to implement a CMS⁷ exist?

No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸

Signed on 18 December 2003

Ratified on 19 September 2006

Has bribery of public officials been criminalised?

Yes

Risks Resulting from Tax Audits

In Indonesia, tax audits are generally performed related to size and form of organisation. The risk of bribes being detected during the tax audit is perceived to be rather high by our experts.

However, tax authorities are neither required to detect or investigate signs of corruption within tax audits, nor are they required to report clear signs of corruption to the public prosecutor's office.

The Indonesian tax authorities have no obligation to report clear suspicions of criminal acts related to the corruption. Other Indonesian authorities are required to investigate cases of corruption with a value of at least USD 1,000.

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with verification of existence, background / press checks, contracts as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

There are specific documentation requirements for business activities, both domestic and foreign based.

In Indonesia, a corporate criminal law exists. Both the criminal and fiscal limitation periods are 10 years and begin running from the fiscal year.

There are no criminal or fiscal exemptions from punishment which can be applied in case of criminal acts related to corruption.

In case subsequent knowledge of incorrect tax declarations is gained, there are criminal obligations for the company in question.

Bribes are not tax-deductible.

Compliance in the Indonesian business environment is defined as compliance with tax laws.

Corporate bodies of parent companies are liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. Sanctions imposed include fines and back taxes.

Even though companies are not legally required to implement a compliance management system, nevertheless, corporate bodies are liable in case they have not implemented a compliance management system and a case of corruption occurs.

Risks Resulting from Sanctions and Liability

Sanctions are imposed on corruption / bribery such as prison sentences and penalty taxes.

Bribery of government officials is criminalised. However, in case government officials are involved in cases of corruption other sanctions apply than the aforementioned such as prison sentences and employment sanctions.



Population (2013)¹
4.6 million

Gross domestic product (2013)¹
USD 232.2 billion

CPI² (2014)³
Rank: 17 | Score: 74

Annual tax revenues (2012)⁴
22.0 % of GDP

Exports⁵ (2013)¹
USD 115.3 billion

Degree of internationalisation (2012)¹
107.8 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
Yes

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 9 December 2003
Ratified on 9 February 2011

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In general, the size and form of the company is not a factor in selection for audit. This selection of companies to be audited is either random selection or based on risks identified by Revenue's interrogation software which electronically reviews returns filed.

The risk of bribes being detected during the tax audit is perceived to be low. Moreover, Irish tax authorities are required to detect and investigate signs of corruption within tax audits. They are also required to inform the tax investigation office, the police force and the Office of the Director of Corporate Enforcement in case they do identify such signs. There are no amount-related limits of criminal acts related to corruption which oblige authorities to prosecute.

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with verification of existence, background / press checks, contracts, performance records, personal contact, records of interviews as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

There are high documentation requirements for business activities with sales agents. Documentation requirements for foreign based sales agents are even stricter as more emphasis is placed on the existence of the agent to ensure payments are not a diversion to the company owners.

Tax authorities are obliged to report to and collaborate with the Irish Police force rather than the public prosecutor's office in the case of suspicions of criminal acts related to corruption. Although there is no clear obligation to report to foreign tax authorities, a report would usually be made.

In general, Irish tax authorities would generally report the following information to foreign tax authorities:

- Company name
- Persons involved
- Reasons for assessing payments as potential bribes

A tax charge can be imposed on the recipient of bribes (illegal earnings are taxable). Also, there may be the commission of Revenue offences when bribes are made and this can lead to a separate criminal prosecution under tax law.

Risks Resulting from Sanctions and Liability

Sanctions are imposed on corruption / bribery such as prison sentences of up to 10 years and penalty taxes amounting to 200% of tax and 8 to 10% per annum interest charge.

Bribery of government officials is criminalised. However, in case government officials are involved in criminal acts related to corruption no other sanctions than the aforementioned apply.

A corporate criminal law does exist. There is neither a criminal nor a fiscal statute of limitations on offences related to corruption / bribery.

There are no criminal or fiscal exemptions from punishment which can be applied in case of criminal acts related to corruption.

In case subsequent knowledge of incorrect tax declarations is gained a voluntary disclosure procedure is available to correct matters with reduced penalties offered for voluntary intervention.

In Ireland, bribes are not tax-deductible.

Compliance in Irish business environment is defined as compliance with tax law, company law, health and safety at workplace law, pensions law, accounting standards, employment law.

Corporate bodies of parent companies are liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. Depending on the offence committed fines, prison sentences and back taxes are imposed. In cases of fraud or negligence, the corporate veil of a company can be lifted and liability attaches to shareholders. In Ireland, companies are legally required to implement a compliance management system.



Population (2013)¹
 8.059 million

Gross domestic product (2013)¹
 USD 290.6 billion

CPI² (2014)³
 Rank: 37 | Score: 60

Annual tax revenues (2012)⁴
 22.1 % of GDP

Exports⁵ (2013)¹
 USD 66.8 billion

Degree of internationalisation¹
 32.9 % exports⁶ of GDP

Do sanctions on corruption exist?
 Yes

Does a legal requirement to implement a CMS⁷ exist?
 No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
 Signed on 29 November 2005
 Ratified on 4 November 2009

Has bribery of public officials been criminalised?
 Yes

Risks Resulting from Tax Audits

In Israel, criteria for tax audits are decided by tax authorities internally from time to time according to working plans and data included in the tax returns and financials.

The risk of bribes being detected during the tax audit is perceived to be rather high.

Tax authorities are not required to detect and investigate signs of corruption within tax audits. Nevertheless, they are required to inform the public prosecutor's office in case they do identify such signs. They are also obliged to report to and collaborate with the public prosecutor's office in such cases. Israeli authorities are obliged to prosecute all cases of corruption as there is no de minimis threshold.

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with verification of existence, contracts, performance records, personal contact information as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

While business activities with domestic based sales agents require stricter documentation, the requirements for documenting business activities with foreign based sales agents are lower because the company receives tax confirmations of the agent.

Domestic tax authorities are not required to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved. According to specific tax legislation, payments (in cash or equivalent) for which there is reasonable base to assume that they are classified as a criminal offence shall not be allowed as deductions in calculating liable income for tax purposes. As such bribes are also not tax-deductible.

Risks Resulting from Sanctions and Liability

Since corruption and bribery – including bribery of government officials – is criminalised in Israel, prison sentences of ten years for bribe takers and seven years for bribe givers will be imposed. Furthermore, penalty taxes of ILS 2.26 million or four times the benefit expected to be received are imposed depending on the higher of which. The decision to prosecute for bribes outside Israel is in the discretion of the state attorney.

In Israel, a corporate criminal law does exist.

Both, the criminal and fiscal limitation periods are 10 years and begin running either on the date the crime was committed or, if the investigation has already begun, from the last investigation action.

In case subsequent knowledge of incorrect tax declarations is gained the taxpayer is obliged to correct its declarations.

Compliance in our Israel participant's business environment is defined as compliance with laws and guidelines.

Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. Even though companies are not legally required to implement a compliance management system corporate bodies are liable in case they have not implemented a compliance management system and a case of corruption occurs.



Population (2013)¹
59.8 million

Gross domestic product (2014)¹
USD 2,129.3 billion

CPI² (2014)³
Rank: 69 | Score: 43

Annual tax revenues (2012)⁴
22.4 % of GDP

Exports⁵ (2013)¹
USD 513.7 billion

Degree of internationalisation (2013)¹
28.6 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement
a CMS⁷ exist?
No

Has the UN Convention against Corruption dated
9 December 2003 been signed and ratified?⁸
Signed on 9 December 2003
Ratified on 5 October 2009

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In Italy, companies with a turnover exceeding 100 million euro are subject to annual audits. For other companies, audits are not periodic.

The risk of bribes being detected during the tax audit is perceived to be rather high.

Tax authorities are required to detect and investigate signs of corruption within tax audits. They are also required to inform the tax investigation office as well as the public prosecutor's office. Furthermore, they are also required to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. Authorities are required to prosecute all cases of corruption regardless of the value in question as there is no amount-related limit.

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with verification of existence, background / press checks, contracts, performance records, records of interview, as well as invoice and payment approvals as proof that outgoing payments are not potential bribes. Furthermore, companies should provide tax auditors with the connection with the business activity as well as the company compliance program.

The domestic tax authority has an obligation to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved. The obligation to report to foreign authorities applies if an anti-bribery treaty is in force.

In general, Italian tax authorities would report the following information to foreign tax authorities:

- Company name
- Persons involved
- Deducted operating expenses
- Reasons for assessing payments as potential bribes
- Information provided by the anti-bribery treaty

There are no specific documentation requirements for business activities with domestic based sales agents. However, in case the sales agent is foreign based strict documentation requirements apply. If the agent is based in a tax haven, the deduction of the cost is subordinated to the proof that either the agent has a sound business structure or that the transaction has actually taken place and is economically sound for the principal.

Under tax laws, costs associated with unlawful activities are non-deductible for tax purposes.

Risks Resulting from Sanctions and Liability

In Italy, corruption – including bribery of government officials – is a punishable criminal offence. Managers held responsible for corruption-related crimes may be punished by prison sentences up to twelve years depending on the seriousness of the crime. Further sanctions upon managers are: inability to contract with the Public Administration, prohibition to exercise a profession, permanent exclusion from public offices. A corporate criminal law does exist.

Legislative Decree of June 8, 2001 no. 231 has introduced a system of criminal law rules designed specifically to impose penalties on entities with legal personality, on companies and on associations without legal personality, where crimes specifically provided for by the law are committed in the interest or for the benefit of the entity concerned. Corruption and private bribery are included in the list of criminal offences which give rise to criminal liability of the corporation. The crimes for which the entity may be held liable under the Decree are mentioned in a wide list contained in the Legislative Decree no. 231/2001. Such a list has been implemented from time, and now includes a large number of corporate crimes the commission of which is supposed to have a heavy impact on third parties.

The penalties laid down for the entity in the event that one of the indicated crimes is committed are (article 9):

- a) pecuniary penalties;
- b) disqualifying penalties;
- c) confiscation;
- d) publication of the judgement.

The pecuniary penalty applies by way of "quotas", the number of which varies from a minimum to a maximum for each offence, with the amount ranging from a minimum of EUR 258.00 to a maximum of EUR 1,549.00. In applying the pecuniary penalty, the judge determines the number of quotas by taking into account the seriousness of the act in question, the degree of liability of the entity and the actions taken to eliminate or mitigate the consequences of the act and to prevent the commitment of further offences. The amount of the quota is determined on the basis of the economic and financial conditions of the entity, in order to ensure the efficacy of the sanction. The maximum penalty is EUR 1,549.00 multiplied for 1,000 quotas, equal to EUR 1,549,000.00.

Furthermore, penalty taxes up to 200 % of the additional taxes due might be imposed upon the corporation.

The criminal limitation period is up to 15 years and begins running when the latest act of corruption is committed. The fiscal limitation period is up to 10 years and begins running at the end of the financial year in which the filing of the income tax return was due.

According to Italian tax law, bribes are not tax-deductible. In case subsequent knowledge of incorrect tax declarations is gained, the company in question is required to file correct tax declarations as well as to pay taxes, interest and (reduced) penalties.

Compliance in the participant's business environment is defined as compliance with laws and internal guidelines and adoption of an appropriate organisational model or compliance program.

Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. Even though companies are not legally required to implement a compliance management system, nevertheless corporate bodies are liable in case they have not implemented a compliance management system and a case of corruption occurs. In order to grant exoneration from corporate liability, the compliance management system must envisage the establishment of an independent internal Compliance committee, whose duty it is to oversee the actual effectiveness of such a compliance program and its adequacy in relation to the nature of the activity of the company, its size and the related risks.



Population (2013)¹
20.3 million

Gross domestic product (2013)¹
USD 32.1 billion

CPI² (2014)³
Rank: 115 | Score: 32

Annual tax revenues (2012)⁴
14.2 % of GDP

Exports⁵ (2012)¹
USD 10.9 billion

Degree of internationalisation (2012)¹
54.8 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 10 December 2003
Ratified on 25 October 2012

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In Ivory Coast, tax audits are conducted on the basis of a prior annual schedule, i.e. all tax audits are scheduled before they are performed. Companies targeted in the scope of the annual audit programme are the only ones to be audited. However, tax audits may be carried out on non-scheduled companies when tax authorities obtain specific information on companies which are not part of the annual tax audits programme.

In any case, tax audits cannot be carried out on the sole initiative of the Tax official, the Head of Tax Investigation Squad (Chef de brigade) or the Deputy Director on the tax investigation department.

The risk of bribes being detected during the tax audit is perceived to be rather low.

Tax authorities are required to detect signs of corruption within tax audits on the rationale of the existing Code of Ethics which require all tax officials to work with integrity (article 9 of the referred Code). In fact, the Code of Ethics known as the "Charte d'Ethique" forbids the act of offering, giving and promising a bribe (active bribery), and the act of soliciting, asking for, agreeing to and accepting a bribe (passive bribery). However, tax auditors cannot investigate outside the fiscal scope, i.e. by extending their audits on non-tax relevant matters such as corruption or corporate management.

Furthermore, tax authorities are required to report clear signs of corruption to "La Brigade de Lutte contre la corruption" (Anti-Corruption Squad of the General Inspection of Finance), the governmental body empowered to investigate on corruption committed by any agent working under the umbrella of the Ministry of Economy & Finance.

There are no amount-related limits of criminal acts related to corruption which oblige the authorities to prosecute.

There are high documentation requirements for business activities with sales agents whether domestic or foreign based. When possible signs of corruption are identified during a tax audit, the tax auditors may deter tax payers the ability to deduct money paid on corruption. Such amounts would not be treated as business expense.

Ivory Coast's tax authorities are obliged to report and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit in so far as such a practice is a clear violation of their "Charte d'Ethique" per se and further to anti-corruption laws in force. In the same vein, when in the course of their work tax auditors uncover information that lead them to suspect corruption, they are entitled to refer these suspicious practices to the BLC (Brigade de Lutte contre la corruption) for the appropriate law enforcement to prosecute. As the BLC is empowered with an extended right of communication, it may require at any time information or documents detained which may lead to the establishment of some suspected practices subject to confidentiality. Hence, tax authorities may be requested by the BLC when necessary to provide information on corruption allegations.

Combating corruption is such a difficult and sensitive issue that many countries do cooperate internationally. Therefore, a framework of laws that enables the law enforcement fraternities to work more closely as partners in the fight against transnational corruption exists in Ivory Coast. In fact, Ivory Coast ratified a couple of United Nations Conventions against Corruption as well as the African Convention on Preventing and Combating Corruption.

Hence, domestic tax authorities have the obligation to report criminal acts related to corruption to foreign tax authorities in case affiliated companies are involved. In general, tax authorities' reports to foreign tax authorities contain the company name and the persons involved.

Risks Resulting from Sanctions and Liability

Ten years terms are served as sanctions on corruption. Bribery of government officials is criminalised by Article 41 of Ordinance n°2013-660 of September 25th, 2013 relating to the fight and prevention against corruption and assimilated practices. In case government officials are involved in criminal acts relevant to corruption stricter sanctions apply such as prison term of up to ten years and fines up to XOF 10,000,000 (roughly equivalent to USD 20,000).

A corporate criminal law exists under the OHADA Uniform Act relating to companies and Economic Interest grouping. The limitation for offences related to corruption is fixed at ten years. The limitation starts when the corruption practice is uncovered. The limitation may be suspended either by a legal or irreversible de facto hindrance rendering the prosecution impossible, or when the suspect escaped justice.

There are no exemptions either criminal or fiscal which can be applied in the event of criminal acts amounting to corruption.

In the event of subsequent knowledge of incorrect tax declarations, the good faith tax payer seeking spontaneously to regularize an omission, correct an error that led to a deficiency in the tax basis and subsequently the tax amount computed.

Bribes are not tax-deductible so far as such amounts are not considered as business expenses.

As a general rule, compliance in the Ivorian business environment means complying with all prescribed procedures and indicated deadlines for any filing.

Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. In fact, the applicable sanction is meant purposely for those individually held responsible for criminal acts amounting to corruption acts. If it is established that the companies' instructions led to that they would be held jointly responsible. The minimum term of prison is five years and the maximum ten years with fines ranging from XOF 5,000,000 to XOF 10,000,000.

In Ivory Coast, companies are legally required to introduce management procedures which shall enable the fight against money laundering, terrorism financing and to a larger extent corruption (Act 2005 – 554 of December, 2nd 2005 on Money Laundering and Ordinance n° 2009 – 367 of November, 12 relating to the fight against terrorism enable international cooperation constitute the rationale of such managements requirements).



Population (2013)¹
50.2 million

Gross domestic product (2014)¹
USD 1,449.5 billion

CPI² (2014)³
Rank: 43 | Score: 55

Annual tax revenues (2011)⁴
14.4 % of GDP

Exports⁵ (2013)¹
USD 559.6 billion

Degree of internationalisation (2013)¹
53.9 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
Yes

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 10 December 2003
Ratified on 27 March 2008

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

The tax authorities in Korea audit large companies with sales revenues of approximately USD 450 billion every three years. Since the statute of limitation is five years, other companies are generally subject to tax audits once in five years.

The risk of bribes being detected during the tax audit is perceived to be rather high. Within tax audits, the authorities are required to detect and investigate signs of corruption. They are also required to inform the public prosecutor's office.

Authorities are required to prosecute all cases of corruption regardless of the value in question as there is no amount-related limit.

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with verification of existence, background / press checks, contracts, performance records, protocols on the outcome, and records of interview as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

Korea has strict documentation requirements for business activities with sales agents, whether domestic or foreign based.

Tax authorities are obliged to report to the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. However, they are not required to collaborate with the public prosecutor's office in such cases.

Furthermore, domestic tax authorities are not required to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved.

Bribes are not tax-deductible. Under tax laws, there are potential challenges on deductibility of corruption payments and treatment of corruption payments for tax adjustment purpose.

Risks Resulting from Sanctions and Liability

Corruption – including bribery of public officials – is criminalized in Korea and penalized with a lifetime prison sentence. The criminal limitation period is 15 years and begins running at the time the criminal act is committed. A fiscal limitation period does not exist and there are no criminal or fiscal exemptions for criminal acts related to corruption.

In case subsequent knowledge of incorrect tax declarations is gained, taxpayers should file the amended tax returns when they find incorrect tax filings.

Compliance in our Korean expert's business environment is defined as compliance with laws and internal guidelines.

A corporate criminal law does exist and companies are legally required to implement a compliance management system. Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries.



Population (2013)¹
1.29 million

Gross domestic product (2013)¹
USD 11.9 billion

CPI² (2014)³
Rank: 47 | Score: 54

Annual tax revenues (2012)⁴
19 % of GDP

Exports⁵ (2013)¹
USD 2.3 billion

Degree of internationalisation (2013)¹
54.3 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
Yes

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 9 December 2003
Ratified on 15 December 2004

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In Mauritius, there are no specific criteria to determine whether a company will be chosen for a tax audit or not. Generally, the tax authorities choose a sample of companies and then carry out their audits on the sample. However, in certain cases, the tax authorities have internal checks that they use to choose on which companies they would carry out the tax audits, e.g. companies reporting unusual results in their financial statements are more likely to be chosen for tax audits. It has also been noted that the tax authorities carry out tax audits on companies under winding up or liquidation before issuing a tax clearance for writing off of the companies from the Register of companies in Mauritius.

The risk of bribes being detected during the tax audit is perceived to be rather low.

Mauritian tax authorities are required to carry out investigations based on complaints received. When the investigation indicates a case of corruption within tax audits, the issue is reported to the "Independent Commission Against Corruption", and/or the police, provided there is 'prima facie' evidence of corruption. If the corruption relates to money-laundering and financial terrorism, the tax authorities should report such cases to the Financial Intelligence Unit ("FIU").

Tax authorities are required to report to and collaborate with the "Independent Commission Against Corruption" and the Financial Intelligence Unit ("FIU") in case any suspicious transactions are identified during a tax audit.

There are high documentation requirements for business activities with sales agents whether domestic or foreign based.

As regards reporting to foreign tax authorities, Mauritius has signed a number of Tax Information Exchange Agreements with foreign countries and Mauritius has to report/respond to requests for information by foreign tax authorities under those agreements. Exchange of information is also provided for under Article 26 of the Double Taxation Avoidance Agreements

("DTAAs") signed by Mauritius with several countries, the Financial Intelligence and Anti-Money Laundering Act 2002 and under FATCA rules as well.

In general, Mauritian tax authorities would report the following information to foreign tax authorities:

- Company name
- Persons involved
- Deducted operating expenses
- Reasons for assessing payments as potential bribes
- Further procedures
- Domestically imposed sanctions
- Possible sanctions

In general, domestic tax authorities respond to any requests made by foreign tax authorities to the extent such requests are covered under the tax exchange information agreements, e.g. providing bank statements (please see box).

Risks Resulting from Sanctions and Liability

Sanctions are imposed on corruption / bribery such as prison sentences not exceeding 10 years under the Prevention of Corruption Act ("POCA"). There are also other sanctions under POCA whereby the authorities can seize the movable property of the offender or can make an application to a Judge in Chambers to issue an attachment order for freezing of assets of any person suspected for corruption/bribery or accomplice to such act. In cases of fraud, committed by stakeholders of a company the sanctions imposed under company law provisions are imprisonment not exceeding five years and fines not exceeding MUR 1,000,000.

Under the provisions of the Income Tax Act, when a person furnishes wrong information to the tax authority, the sanctions imposed are a fine not exceeding MUR 50,000 and imprisonment not exceeding 2 years.

Bribery of public officials is criminalised in Mauritius as well. However, in case public officials are involved in criminal acts related to corruption no other sanctions than the aforementioned apply.

If the fraud or bribery relates to a money-laundering offence, then on conviction, the suspected person will be liable to a fine not exceeding MUR 2,000,000 and to penal servitude for a term not exceeding 10 years.

A corporate criminal law does exist. There is no statute of limitations for criminal offences related to corruption / bribery. In general, the fiscal limitation period is five years starting from the current income year, except in cases of fraud where there is no time limit.

In case subsequent knowledge of incorrect tax declarations is gained, the company concerned is obliged to file an amended tax declaration and pay the penalties and interests accruing on same.

In Mauritius, bribes are not tax-deductible.

Compliance in the Mauritian business environment is defined as abiding by all the existing rules, laws and legislations in the environment in which a company is carrying out its operations - e.g. adhering with company laws, anti-money laundering laws, fiscal laws, etc. There are a number of prescribed procedures and deadlines which need to be followed to be in compliance with all the laws.

Parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. However, in cases of fraud / where a corporate vehicle is being used to perpetrate unlawful activities (e.g. money laundering, terrorism financing etc.), the courts can, subject to adequate evidence being adduced to substantiate the claim, lift the corporate veil of the entity and pursue the parent company / shareholders.

In Mauritius, companies are generally required to implement an internal compliance management system (including a risk-management system) in a bid to fulfil reporting obligations for its financial statements and for filing its income tax returns. This is also in line with good corporate governance practices.



Population (2013)¹

122.3 million

Gross domestic product (2013)¹

USD 1,260.9 billion

CPI² (2014)³

Rank: 103 | Score: 35

Annual tax revenues (2012)⁴

Not available

Exports⁵ (2013)¹

USD 380.1 billion

Degree of internationalisation (2013)¹

31.7 % exports⁶ of GDP

Do sanctions on corruption exist?

Yes

Does a legal requirement to implement a CMS⁷ exist?

No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸

Signed on 9 December 2003

Ratified on 20 July 2004

Has bribery of public officials been criminalised?

Yes

Risks Resulting from Tax Audits

In Mexico, tax audits for companies are performed annually in general. Particularly large size companies are under continuous surveillance of the tax authorities. It is almost a rule between that kind of companies that every finished tax year is going to be revised. Tax surveillance is normally 3 years behind the current tax year. Nonetheless, every tax year is reviewed.

The risk of bribes being detected during the tax audit is perceived to be rather low.

Tax authorities are not required to detect or investigate signs of corruption within tax audits. They are, however, required to report clear signs of corruption involving public servants to the public prosecutor's office or the internal control organ.

Mexican authorities are obliged to prosecute all cases of corruption as there is no de minimis threshold.

There are strict documentation requirements for business activities with sales agents, whether domestic or foreign based. In case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with verifications of existence, background / press checks, contracts, performance records as well as invoice and payment approvals as proof that outgoing payments are not potential bribes. Generally, Mexican tax authorities will ask for all the necessary documents to establish if the operation has actually been made, in order to determine if it is deductible for income tax purposes or not.

Tax authorities are not obliged to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption with no public servant involvement are identified during a tax audit.

Risks Resulting from Sanctions and Liability

Sanctions are imposed on corruption / bribery such as penalty taxes of 55 % to 75% of the omitted tax and surcharges of 13 % per year. Prison sentences of up to 12 years can also be imposed, depending on the amount of the damage caused to the company, but only if the company files a criminal case against the corrupt employee.

Bribery of government officials is criminalised. In case government officials are involved in criminal acts related to corruption stricter sanctions than the aforementioned apply such as prison sentences up to 12 years to the public servant, if he received money or other benefits. Furthermore, the public servant can be sanctioned by being disqualified to act as a public servant for the duration of one to 20 years as well as being obliged to pay fines of up to 300% of the benefit obtained by the public servant.

In Mexico, a corporate criminal law does not exist. The criminal limitation period for the prosecution of corruption-related offences is 6 years and begins running from the moment the crime was committed or the moment where it stopped having effects. The fiscal limitation period is 5 years and begins running from the filing of the tax return.

Neither fiscal nor criminal exemptions can be applied in case of criminal acts related to corruption.

In case subsequent knowledge of incorrect tax declarations is gained, the tax payer must file a new declaration in which the error is corrected. Also, the tax payer has to pay the omitted taxes with the corresponding fines, adjustment per inflation and surcharges.

In Mexico bribes are not tax-deductible.

Compliance in the Mexican business environment includes the fulfilment of all kinds of law and international guidelines regarding taxes, regulatory statutes as well as the company's internal guidelines. Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates.

Companies are neither legally required to implement a compliance management system nor are corporate bodies liable in case they have not implemented a compliance management systems and a case of corruption occurs.



Population (2013)¹
16.8 million

Gross domestic product (2013)¹
USD 880.4 billion

CPI² (2014)³
Rank: 8 | Score: 83

Annual tax revenues (2012)⁴
19.7 % of GDP

Exports⁵ (2013)¹
USD 571.2 billion

Degree of internationalisation (2013)¹
82.9 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 10 December 2003
Accepted on 31 October 2006

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

Depending on the size, form and activities of the organisation, tax audits can be performed continuously, annually, every three or five years as well as more than every five years.

The risk of bribes being detected during the tax audit is –in general– perceived to be rather low.

Tax authorities are required to detect and investigate signs of corruption within tax audits. They are also required to inform the tax investigation office as well as the public prosecutor's office. Authorities are required to prosecute cases of corruption with a certain value.

There is no amount-related limit regarding corruption cases. Whether prosecution occurs is at the discretion of the public prosecutor (with the exception that sometimes the court can order prosecution in certain cases), though there are guidelines (which have been made public) how to weigh the relevant aspects of a case to decide on prosecution or not.

Regarding "tax crimes", there are guidelines that use thresholds to determine whether a case is eligible for administrative fining or criminal prosecution. In general, cases that concern a fraud of less than EUR 15,000 will not be criminally prosecuted, but will be dealt with through imposing an administrative fine. Cases (so-called category I cases) in which a crime is committed with criminal intent but involves a limited fraud amount between EUR 15,000 and EUR 125,000, will in general not be criminally prosecuted but handled by the tax authorities (administrative fines). In certain cases, for example if the fraud is committed by public figures, in case of recidivism or the fraud is combined with another crime or crimes, even such 'small' cases are eligible for criminal prosecution. Cases that involve a fraud of at least EUR 125,000 (category II cases) are always eligible for prosecution. From the

cases remaining after this pre-selection process has been completed, particular cases are selected for criminal prosecution. Which cases are selected, and which are not, depends on factors like the resources available to the public prosecutor, chance of success or public policy.

In case signs of corruption are identified during a tax audit, there are no specific documents which should be provided as proof that outgoing payments are not potential bribes. If it concerns the deduction of payments, no absolute proof is required; it is enough to present evidence about the plausibility of the allowed deduction of these payments.

There are no specific documentation requirements for business activities with sales agents, whether domestic or foreign based.

Tax authorities are obliged to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. However, a tax inspector is in principle not allowed to divulge any information he obtains when acting as a tax inspector, which goes beyond what is required to apply the rules and regulations of the Dutch tax law and the collection of national taxes. Exceptions to this rule exist in case of certain government branches or government agencies. The main rule is that in case of an exception, the information may not be disclosed voluntarily, but only after a request. Voluntary disclosure is possible to the Public Prosecutor (Openbaar Ministerie) in cases where any person could report a crime. In cases of criminal corruption, voluntary disclosure to the Public prosecutor should in principle be possible.

Another aspect of tax law which has to be considered regarding criminal acts related to corruption is the liability of managing directors for unpaid taxes resulting from the corruption event.

Risks Resulting from Sanctions and Liability

Sanctions are imposed on corruption / bribery such as prison sentences of 2 years for corruption and up to 6 years if a wrong tax return has been filed, knowing it was wrong. Other sanctions imposed are criminal penalties of EUR 81,000 and fiscal penalties of 100% of the tax involved (in corporate cases).

Bribery of government officials is criminalised in the Netherlands. In general, bribing a government official is a crime, punishable with up to 6 years imprisonment (9 years, or in special cases even 12 years, with respect to judges) or a fine up to EUR 81,000. Being bribed as a government official is also a crime, punishable with up to 6 years imprisonment (8 years for high-ranking officials) or a fine up to EUR 81,000.

Fine thresholds are mentioned in Dutch criminal law using six categories. Up to EUR 81,000 means a fine of the 5th category. In general, Dutch criminal law allows increasing a criminal fine to the next higher category in case a crime was committed by a corporate entity, but only if the normal fine would not be deemed sufficient to punish the crime. If the crime in question already foresees a fine of the highest (6th) category (up to EUR 810,000), a higher fine up to 10 percent of the annual revenues of the year before sentence is being passed can be imposed.

In the Netherlands, a corporate criminal law exists. The criminal limitation period for offences related to corruption is 3 -12 years (depending on nature of the crime) and begins running when the offence is committed. The fiscal limitation period is 5 -12 years in addition to the applicable time of extension for filing. The fiscal limitation period begins running when the offense was committed or when the material tax debt came into existence.

Criminal and fiscal exemptions can be applied depending on the facts of the case at hand. There are obligations for companies that result from the subsequent knowledge of incorrect tax declarations. In case subsequent knowledge of incorrect tax declarations is gained, the company concerned has no requirement to come forward, if on the date of filing the tax return it could be considered correct. However, in case of VAT returns, incorrect returns have to be reported and adjusted.

In the Netherlands, bribes are not tax-deductible.

Compliance in our Dutch expert's business environment is defined as compliance with Dutch tax laws. In case a tax advisor perceives in the course of his client work that his client is/was involved with money laundering or financing terrorism, he is obliged to report this to the Dutch authorities (without informing his client). Money laundering can also include criminal intent not to report and pay Dutch taxes.

Under Dutch law, corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates.

Companies are neither legally required to implement a compliance management system nor are corporate bodies liable based on the single fact that they have not implemented a compliance management system and a case of corruption occurs.



Population (2013)¹
4.442 million

Gross domestic product (2013)¹
USD 181.6 billion

CPI² (2014)³
Rank: 2 | Score: 91

Annual tax revenues (2012)⁴
29.3 % of GDP

Exports⁵ (2013)¹
USD 39.2 billion

Degree of internationalisation (2013)¹
29.7 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 10 December 2003
Not ratified

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

To determine the frequency of a tax audit in New Zealand, there are a series of criteria (please see box). There is no statutory specified period to which a tax audit may be conducted. The focus of a tax audit is to ensure that they have paid the correct amount of tax and complied with their tax obligations as required by law. It is important to note that an entity may be subject to a tax audit based on random selection.

Criteria that determine the frequency of a tax audit:

- Unusual patterns in tax return information provided
- Information that suggests tax returns are not correct
- Past compliance records
- Industry or activity that an entity is involved in

The risk of bribes being detected during a tax audit is perceived to be low.

New Zealand tax authorities are not required to detect and investigate signs of corruption within tax audits. If signs of corruption are detected during a tax audit, Inland Revenue may report this to the Serious Fraud Office or the New Zealand police. Authorities are obliged to prosecute all cases of corruption as there is no de minimis threshold.

In case signs of corruption are identified during a tax audit, companies may wish to consider the need to provide tax auditors with verification of existence, background / press checks, contracts and performance as proof that outgoing payments are not potential bribes.

There are strict documentation requirements for business activities with sales agents, whether domestic or foreign based.

Tax authorities may report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit.

In general, New Zealand tax authorities would report the following information to foreign tax authorities:

- Company name
- Persons involved
- Possible sanctions

There is no statutory requirement to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved.

New Zealand legislation expressly denies the tax deductibility of bribe payments.

Risks Resulting from Sanctions and Liability

In New Zealand, sanctions are imposed on corruption / bribery. Bribery of public officials is criminalised. There are a range of fines and penalties which can be imposed and will depend on the type of crime committed.

The Crimes Act 1961 makes it an offence to corruptly accept or obtain a bribe for something done (or not done) in an official capacity. It is an offence to bribe judges, government ministers, members of Parliament, police officers and other public officials including foreign public officials.

The penalty for natural persons for bribery includes imprisonment not exceeding 14 years. Alternatively, instead of being sentenced to imprisonment, the offender may be sentenced to pay a fine (no maximum fine has currently been specified). Imposing an imprisonment penalty is always the starting point and it is only in the presence of mitigating factors that imposition of a fine will instead be considered.

Further, under the Criminal Proceeds (Recovery) Act 2009 assets can be restrained or forfeited regardless of the existence or outcome of criminal proceedings where it can be shown that they were derived from "significant criminal activity". A "significant criminal activity" is defined as activity punishable by five years' imprisonment or more. Accordingly this definition encompasses bribery offences. There is currently a bill before Parliament which is revising the foreign bribery offence, including clarifying the circumstances in which a corporation is liable for foreign bribery.

The Secret Commissions Act 1910 covers bribery offences in the private sector. The Act criminalises the bribing of an agent to act in a certain way regarding their client's affairs or business. Penalties currently range from NZD 2,000 to two years imprisonment. There is currently a bill before Parliament that will increase the penalty to a maximum of seven years imprisonment.

New Zealand's legal system does not permit the courts to impose any additional non-criminal sanctions in connection with a criminal offence.

Compliance in New Zealand's business environment is viewed as compliance with laws and transparent administrative practices.

Corporate bodies can in some cases be held liable for criminal acts of corruption committed by employees. Criminal sanctions applied are fines and prison sentences. The New Zealand Government has proposed legislation that aims at strengthening aspects of laws to combat organised crime and corruption, with a view to enhance New Zealand's compliance with a number of other international conventions including the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the United Nations Convention against Transnational Organized Crime, and the United Nations Anti-Trafficking Protocol.

Corporate bodies are still liable in the situation where they have implemented a compliance management system and a case of corruption occurs.



Population (2013)¹
 173.6 million

Gross domestic product (2013)¹
 USD 521.8 billion

CPI² (2014)³
 Rank: 103 | Score: 35

Annual tax revenues (2012)⁴
 1.6 % of GDP

Exports⁵ (2013)¹
 USD 90.6 billion

Degree of internationalisation (2013)¹
 18 % exports⁶ of GDP

Do sanctions on corruption exist?
 Yes

Does a legal requirement to implement a CMS⁷ exist?
 No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
 Signed on 9 December 2003
 Ratified on 14 December 2004

Has bribery of public officials been criminalised?
 Yes

Risks Resulting from Tax Audits

Risks Resulting from Tax Audits

In Nigeria, the frequency of tax audits is related to size and form of the organisation. Generally, tax audits for companies are performed continuously and can be carried out anytime. Multinationals, large scale companies and companies in the oil sector are audited more frequently.

The risk of bribes being detected during the tax audit is perceived to be low. Tax auditors are not required or obligated by law to detect or investigate signs of corruption. However, if fraud is detected during the audit process, auditors are required to ask for clarification on the books. Where the company is unable or unwilling to explain the discrepancy, the auditors will make a report of the discrepancy and potential corrupt practice to the investigation department of the tax authority for the required investigation. Tax authorities are required to report clear signs of corruption to the tax investigation office. There are no amount-related limits of criminal acts related to corruption which oblige authorities to prosecute.

For Nigerian companies, there are high documentation requirements for business activities with sales agents, both, domestic and foreign based. In case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with verification of existence, performance records as well as invoice and payment approvals as proof that outgoing payments are not potential bribes. However, there is no limit to the documentation that the tax authority may request for during the tax audit.

Tax authorities are obliged to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. In cases where Nigeria has a Double Taxation Treaty with another country, domestic tax authorities are obligated to exchange information related to fraud with foreign tax authorities. Generally, a Double Taxation Treaty does not provide details of specific documentation to be submitted to foreign tax authorities.

Risks Resulting from Sanctions and Liability

Sanctions are imposed on corrupt practices/bribery such as a fine not exceeding NGN 200,000 in addition to the payment of the amount of tax unpaid or imprisonment for a term not exceeding 3 years or, both, fine and imprisonment. Bribery of government officials is also an offence in Nigeria. Government officials found guilty will be liable on conviction to a fine equivalent to 200% of the sum in question or to imprisonment for a term not exceeding 3 years or to, both, fine and imprisonment.

In Nigeria, a corporate criminal law does exist.

There is no criminal or fiscal limitation for corruption related offences. Where the tax authority discovers corruption on the part of a company or official of a tax authority, the guilty party on conviction will be liable to the applicable penalties irrespective of the time the offence was committed.

In case subsequent knowledge of incorrect tax declarations is gained the corporate body is liable to payment of the withheld tax in addition to penalty and interest. Incorrect/false tax declaration is a tax offence. Companies are liable upon conviction to a fine of NGN 1,000 or imprisonment for 5 years or, both, fine and imprisonment in addition to the payment of the tax unpaid.

In Nigeria, bribes are not tax-deductible.

Compliance in our Nigerian experts' business environment is defined as compliance with laws, regulations and internal guidelines. These are set in place to guide both individuals and corporate bodies.

Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates.

According to Nigerian law, companies are not legally required to implement a compliance management system. Nevertheless, corporate bodies are liable in case they have not implemented a compliance management system and a case of corruption occurs.



Population (2013)¹
5.084 million

Gross domestic product (2013)¹
USD 512.6 billion

CPI² (2014)³
Rank: 5 | Score: 86

Annual tax revenues (2012)⁴
27.3 % of GDP

Exports⁵ (2013)¹
USD 146.2 billion

Degree of internationalisation (2013)¹
38.9 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 9 December 2003
Ratified on 29 June 2006

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In Norway, tax audits for companies are performed with no particular regularity. However, the risk of bribes being detected during the tax audit is perceived to be rather high.

Tax authorities are required to detect and investigate signs of corruption within tax audits. They are also required to inform the tax investigation office in case they do identify such signs. There are no amount-related limits of criminal acts related to corruption which oblige authorities to prosecute.

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with verification of existence, background / press checks, contracts, performance records, personal contact information, calculations of margin, protocols on the outcome, records of interviews as well as invoice and payment approvals.

While there are no further documentation requirements for business activities with domestic based sales agents, business activities with foreign based sales agents are required to be documented in more detail.

Norwegian tax authorities are obliged to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. Domestic tax authorities are required to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved.

In general, Norwegian tax authorities would report the following information to foreign tax authorities:

- Company name
- Persons involved
- Deducted operating expenses
- Reasons for assessing payments as potential bribes

Risks Resulting from Sanctions and Liability

In Norway, corruption is a criminal offence that can be punished with prison sentence of up to three years and fines. Severe corruption can be punished with prison sentence of up to ten years.

However, the tax office might impose under certain circumstances (please see box below) penalty taxes of up to 60 % of the amount of tax that could have been evaded, i.e. [wrongful amount claimed deducted] x [tax rate (usually 27 %)] x [60 %].

It should be noted that the penalty tax is not based by the corruption act itself, but in fact the failure to provide the tax authorities with correct information. The penalty tax is an extra tax added to the ordinary tax amount. There are also special rules for how interest on the ordinary tax amount and the penalty tax amount shall be calculated and paid.

The following requirements have to be fulfilled in order for penalty taxes to be imposed:

- 1) the corruption is not prosecuted by the prosecutor's office as an offence against the tax assessment act (together with being an offence to the general criminal offence act) and
- 2) the bribes are included in costs that are claimed tax deducted not giving correct information to the tax office.

If the breach of the tax assessment act is prosecuted as part of the corruption case prosecuted by the prosecutor's office, the tax office cannot impose penalty taxes due to the "ne bis in idem principle" (prohibition against double penalty) according to the European Convention on Human Rights.

Bribery of government officials is criminalised. However, in case government officials are involved in criminal acts related to corruption no other sanctions than the aforementioned apply. If government officials are involved, the corruption is more likely to be considered "severe".

A corporate criminal law does exist. However, not as one law act itself, but as penal provisions through different laws beside the general criminal offence act, e.g. the Private Limited Liability Corporations Act, the Securities Act, the Tax Code, the Tax Assessment Act etc.

According to Norwegian law, there is a criminal statute of limitation of five years for corruption and ten years for severe corruption. Tax assessments have a statute of limitation of ten years, i.e. the tax office must have opened an assessment case before ten years from the end of the income year in question.

There are no obligations for companies that result from the subsequent knowledge of incorrect tax declarations. However, knowledge present at lower levels in an organisation has to be expected to some degree by the tax authorities. For example, if a lower department leader has failed to report to the management and the management has not had sufficient control routines, the tax office might hold the company tax liable regardless of the actual knowledge of the CEO filing the tax return. If subsequent knowledge at higher levels (management, board of directors) is gained, the risk for penalty taxes can be avoided by voluntary notice to the tax office and paying the taxes that have been evaded. This must happen before the tax office has started an audit.

According to Norwegian tax law, bribes are not tax-deductible.

As there is no legal definition of compliance available in Norway compliance is defined as compliance with laws (normal) and with corporate governance and/or ethics.

In Norway, corporate bodies of parent companies are liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates in the form of fines, back taxes and exclusion from tendering for public contracts. There is no minimum and no maximum as the amount of fines is set by the police/prosecutor on individual basis, and then tested by the courts only if the fine is not accepted. Because of the bad press involved by having a corruption law suit before the courts, the fines are seldom tested at the courts.

Exclusion from tendering will follow Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC. In Article 57, corruption and bribery is explicitly mentioned as crimes that shall cause exclusion from tendering public contracts. Certain exceptions do apply. The directive will apply in Norway according to the EEC-agreement between EFTA and the EU effective through the Norwegian Public Tendering Act and its regulations. The regulations does not state for how long such exclusion should last. This will follow the Directive and case law from the EU-/EFTA-courts. In the Directive, the maximum exclusion period, if not otherwise is set by a court of law decision, is five years for bribery.

Even though companies are not legally required to implement a compliance management system, corporate bodies are still liable in case they have not implemented a compliance management system and a case of corruption occurs.



Population (2013)¹
 98.39 million

Gross domestic product (2013)¹
 USD 272.1 billion

CPI² (2014)³
 Rank: 85 | Score: 38

Annual tax revenues (2012)⁴
 12.9 % of GDP

Exports⁵ (2013)¹
 USD 54 billion

Degree of internationalisation (2013)¹
 27.9 % exports⁶ of GDP

Do sanctions on corruption exist?
 Yes

Does a legal requirement to implement a CMS⁷ exist?
 No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
 Signed on 9 December 2003
 Ratified on 8 November 2006

Has bribery of public officials been criminalised?
 Yes

Risks Resulting from Tax Audits

Risks Resulting from Tax Audits

Tax audits for companies are performed annually. However, there are companies selected for priority audits based on an annual audit plan released by the tax authorities.

Generally, the risk of bribes being detected during the tax audit is perceived to be rather low. Other than for purposes of allowing deductibility of the expense, tax authorities are neither required to detect or investigate signs of corruption within tax audits nor are they required to report signs of corruption to the public prosecutor's office.

However, in case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with verifications of existence, background / press checks, contracts as well as invoice and payment approvals as proof that outgoing payments are not potential bribes, otherwise the expense shall not be allowed as deduction from gross income.

With regard to business activities with sales agents, there are strict documentation requirements for such activities, whether these agents are domestic or foreign based.

Risks Resulting from Sanctions and Liability

In the Philippines, corruption is a criminal offence punishable by prison sentences ranging from six months and one day to fifteen years, penalties or fines, cancellation of license, disqualification to participate in government contracts and disqualification from holding government positions. The penalties, fines, and prison sentences imposable shall depend on the crime committed. Penalties vary on whether the corruption/bribery was committed by a private individual or public officer, or whether the crime was only attempted or consummated, direct or indirect.

The criminal limitation period for the prosecution of corruption-related offences is 10 – 15 years. As provided in Article 91 of the Revised Penal Code, prescription shall commence to run from the day on which the crime is discovered by the offended party, the authorities or their agents. For forfeiture of unexplained wealth, it does not prescribe. There is practically no prescription since the counting of the prescriptive period starts from the discovery of the crime. As to when a crime is discovered is dependent on the declaration by the authorities.

Pursuant to Philippine tax laws, bribes are not tax deductible. A taxpayer has no obligations under tax law, in case the taxpayer gains subsequent knowledge that previously filed tax declarations are incorrect. However, tax informers, or people giving information on tax evasion, non-payment or under declaration of taxes are given financial rewards not exceeding PHP 1 million.

In the Philippines, corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. Companies are neither legally required to implement a compliance management system nor are corporate bodies liable in case they have not implemented a compliance management system and a case of corruption occurs. A corporate criminal law exists.

Compliance in the participant's business environment is defined as complying with regulatory rules and laws.



Population (2013)¹
38.5 million

Gross domestic product (2014)¹
USD 552.2 billion

CPI² (2014)³
Rank: 35 | Score: 61

Annual tax revenues (2012)⁴
16.0 % of GDP

Exports⁵ (2013)¹
USD 199.7 billion

Degree of internationalisation (2013)¹
46.1 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 10 December 2003
Ratified on 15 September 2006

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

Tax offices perform routine tax audits, especially VAT refunds. Treasury control offices, on the other hand, perform tax audits in accordance with instructions of the Ministry of Finance. Such audits are focused on topics and taxpayers chosen by the Ministry of Finance. Larger companies are usually audited more often than smaller ones. The form of the company has no deciding impact on the frequency of tax audits.

The risk of bribes being detected during the tax audit is perceived to be rather low. Tax authorities are required to detect and investigate signs of corruption within tax audits. They are also required to inform the public prosecutor's office. Tax authorities are obliged to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. Furthermore, the domestic tax authority has an obligation to report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved.

In general, tax authorities' reports to foreign tax authorities contain the following information:

- Company name
- Persons involved
- Deducted operating expenses
- Reasons for assessing payments as potential bribes
- Further procedures
- Domestically imposed sanctions
- Possible sanctions

In case signs of corruption are identified during a tax audit, companies should provide tax auditors with verification of existence, background / press checks, contracts as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

There are strict documentation requirements for business with sales agents, whether domestic or foreign based.

Risks Resulting from Sanctions and Liability

In Poland, companies are neither legally required to implement a compliance management system nor are corporate bodies liable in case they have not implemented a compliance management system and a case of corruption occurs. Corporate bodies of parent companies are also not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. A corporate criminal law exists.

Compliance in the participant's business environment is defined as building and introducing procedures and rules that ensure the compatibility of behaviour with the laws, regulations and standards; i.e. introducing a tax settlement system that ensures compatibility with tax law.

Polish legislation provides for prison sentences of 12 years, fines of PLN 7,500,000 and a five year exclusion from tenders for criminal acts related to corruption. In case government officials are involved in corruption, they will face prison sentences and a prohibition to exercise a profession. The criminal limitation period is 15 years and begins running the offence starts. There is no fiscal limitation period. Fines cannot be imposed on companies after ten years from the date when the sentence in which the employee who committed bribery was sentenced becomes final. If a person who gave a bribe reports that bribe to the proper administration bodies that person will not receive any punishment.

Under tax laws possible penalties/ fines for companies that have committed criminal acts related to corruption are not tax deductible. Bribes are not tax-deductible. In case subsequent knowledge of incorrect tax declarations is gained, the company is obliged to supply to the tax office a correct tax declaration together with an explanation of the conducted correction. The company is also obliged to pay due tax (with interest).



Population (2013)¹
5.4 million

Gross domestic product (2014)¹
USD 307.1 billion

CPI² (2014)³
Rank: 7 | Score: 84

Annual tax revenues (2012)⁴
14.0 % of GDP

Exports⁵ (2013)¹
USD 410.2 billion

Degree of internationalisation (2013)¹
190.5 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No (save for specified companies in the financial industry)

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 11 November 2005
Ratified on 6 November 2009

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In Singapore, tax audits are performed randomly based on either industry (i.e. the authorities will select a sample of two to three industries annually), inconsistent financial results reports or feedback (whistle blower) from the public. The risk of bribes being detected during the tax audit is perceived to be rather low.

Even though tax authorities are not required to detect and investigate signs of corruption within tax audits, they will nevertheless inform the Corrupt Practices Investigation Bureau in case they identify such signs. There is no legal obligation to report signs of corruption but as a matter of course, tax authorities will report to or collaborate with other authorities in cases where there are clear suspicions of criminal acts related to corruption which are identified during a tax audit. Authorities vigorously prosecute all cases of corruption as there is no de minimis threshold.

In a case where signs of corruption are identified during a tax audit, companies should provide tax auditors with adequate verification of contracts, performance records and calculations of margins to prove that outgoing payments are not potential bribes.

There are no specific documentary requirements for business activities conducted through sales agents, whether domestic or foreign based.

Risks Resulting from Sanctions and Liability

Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. Save for specified companies such as Financial Institutions or Financial Share Trading or Dealing Companies, there is generally no legal requirement to implement a compliance management system nor are corporate bodies liable in case they have not implemented a compliance management system and a case of corruption occurs.

Compliance in the participant's business environment is defined as compliance with all provisions in the law and written rules.

The offence of Corruption is covered under the Prevention of Corruption Act [Cap 241]. This is a robust piece of legislation which was introduced in 1960 and has been amended 13 times over the years to make it current. There are various parties caught under these provisions:

- The "giver" and the "taker". In this situation, the penalty upon conviction can range between a fine not exceeding SGD 100,000 and/or imprisonment of up to 5 years.
- Corruption conducted through third party agents. In this situation, the penalty upon conviction can range between a fine not exceeding SGD 100,000 and/or imprisonment of up to 5 years.
- In cases where the corruption involves a public body or government contract or tender (whether government or private), the potential imprisonment is increased to up to 7 years (the ceiling of fine to remain).
- In cases where Members of Parliament are involved, the potential imprisonment is increased to up to 7 years (the ceiling of fine to remain).

There are also financial penalties (which are in addition to a fine) if the sum of the bribe can be ascertained. Finally, there is also a provision that the principal (affected party) may recover from the accused the value of the secret gift.

It is noticeable that there is neither a criminal nor a fiscal statute of limitations on offences related to corruption / bribery. Furthermore, there are no criminal or fiscal exemptions from punishment which can be applied in case of criminal acts related to corruption.

In case subsequent knowledge of incorrect tax declarations is gained, the tax payer may be sentenced to a fine of up to 4 times the tax underpaid and potential jail term. Bribes are not tax-deductible.



Population (2013)¹

46.6 million

Gross domestic product (2013)¹

USD 1,358.7 billion

CPI² (2014)³

Rank: 37 | Score: 60

Annual tax revenues (2012)⁴

7.1 % of GDP

Exports⁵ (2013)¹

USD 311.0 billion

Degree of internationalisation (2013)¹

34.1 % exports⁶ of GDP

Do sanctions on corruption exist?

Yes

Does a legal requirement to implement a CMS⁷ exist?

No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸

Signed on 16 September 2005

Ratified on 19 June 2006

Has bribery of public officials been criminalised?

Yes

Risks Resulting from Tax Audits

Tax audits of large enterprises might be performed every three years.

Even though tax authorities are required to detect or investigate signs of corruption within tax audits the risk of bribes being detected during the tax audit is perceived to be rather low. Furthermore, they are required to report clear signs of corruption to the tax investigation office and the public prosecutor's office. In addition, domestic tax authorities are obliged to report to foreign authorities when affiliated companies are involved in criminal acts related to corruption.

In general, tax authorities' reports to foreign tax authorities contain the following information:

- Company name,
- Persons involved,
- Deducted operating expenses,
- Reasons for assessing payments as potential bribes, and
- Further procedures.

Tax authorities are also obliged to collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. Authorities will prosecute all cases of corruption as there are no amount-related limits of criminal acts related to corruption.

In case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with verification of existence, background/press checks, contracts, performance records and personal contact as well as invoice and payment approvals as proof that outgoing payments are not potential bribes.

Regarding business activities with sales agents, whether domestic or foreign based, companies should be aware that there are high documentation requirements.

Risks Resulting from Sanctions and Liability

In Spain, a corporate criminal law exists. Even though companies are not legally required to implement a compliance management system, corporate bodies are, nevertheless, liable in case they have not implemented a compliance management system and a case of corruption occurs. Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates.

Compliance in the participant's business environment is defined as compliance with law, internal guidelines and corporate protection.

Bribery and corruption is criminalised. Regarding commercial bribery, prison sentences range from six months to four years.

In case government officials are involved in cases of corruption, the sanctions imposed are even stricter. The prison sentences range from three to six years, if a government official receives, requests or accepts remuneration for doing an act against to the duties attached to his office or if he doesn't perform or unreasonably delay what he should do. The prison sentences range from two to four years, if a government official receives, requests or accepts remuneration for doing his work. In case a government official accepts gifts given in consideration of his position or function, the prison sentences range from one to three years.

There are neither criminal nor fiscal exemptions for criminal acts related to corruption.

Pursuant to the Spanish Penal Code, the limitations period is calculated from the date on which the punishable offence was committed. In the case of a "continuous" offence, the period is calculated from the date on which the last offence took place, and in the case of a "permanent" offence it is calculated from the date on which the illegal activity ceased. Hence, pursuant to said Penal Code, the limitations period is interrupted where criminal proceedings are initiated, and the term begins to run anew when the proceedings are stayed or conclude without a conviction. There is no provision under Spanish law for the suspension of the limitations period where the accused person is outside of Spain. The statute of limitations applicable to an offence depends upon whether it is "serious" or "less serious". Offences that are punishable by a maximum term of imprisonment of more than 5 years and less than 10 years have a limitation period of 10 years. All "other serious offences" have a limitation period of 5 years and "less serious offences" have a limitation period of three years.

It should be noted that currently there is a draft law in the Spanish Parliament which increases the statute of limitation and in general increases penalties related on corruption / bribery.

In case subsequent knowledge of incorrect tax declarations is gained new tax assessments and sanctions are issued by the tax authorities. If said new tax declarations can be considered as a penal offense, new sanctions can be imposed by the judge. Bribes are not tax-deductible.



Population (2013)¹
 67.01 million

Gross domestic product (2013)¹
 USD 387.3 billion

CPI² (2014)³
 Rank: 85 | Score: 38

Annual tax revenues (2012)⁴
 16.5 % of GDP

Exports⁵ (2013)¹
 USD 228.5 billion

Degree of internationalisation (2013)¹
 73.6 % exports⁶ of GDP

Do sanctions on corruption exist?
 Yes

Does a legal requirement to implement a CMS⁷ exist?
 No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
 Signed on 9 December 2003
 Ratified on 1 March 2011

Has bribery of public officials been criminalised?
 Yes

Risks Resulting from Tax Audits

Thailand's tax system is characterized by tax audits for companies that are not related to form and size of the organisation and are performed randomly every three to five years. The risk of bribes being detected during the tax audit is perceived to be rather high.

In Thailand, there are neither amount-related limits of criminal acts related to corruption which oblige authorities to prosecute nor are the tax authorities required to detect or investigate signs of corruption within tax audits.

Nevertheless, there are high documentation requirements for business activities with sales agents. Documentation requirements for foreign based sales agents are even stricter, e. g. further details may be required on the adequacy of the remuneration.

In case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with verification of existence, contracts and performance records as well as protocols on the outcome as proof that outgoing payments are not potential bribes.

Thailand's tax authorities have no obligation to report clear suspicions of criminal acts related to corruption.

Risks Resulting from Sanctions and Liability

Pursuant to Thai law, sanctions are imposed on corruption / bribery such as prison sentences up to five years and penalty taxes of 30% plus interest.

In general, bribery of public officials is criminalised in Thailand. However, in case public officials are involved in criminal acts related to corruption no other sanctions than the aforementioned apply.

A corporate criminal law does not exist in Thailand. The criminal limitation period for offences related to corruption is six months, starting upon discovery of the crime, whereas the fiscal limitation period is ten years, starting at the end of the fiscal year.

There are no criminal or fiscal exemptions from punishment for criminal acts related to corruption. In case subsequent knowledge of incorrect tax declarations is gained, the company concerned is obliged to adjust the tax return upon discovery as well as to submit an interest of 1.5% per month on the additional taxes. In Thailand bribes are not tax-deductible.

Compliance in the Thai business environment is defined as compliance with laws and international guidelines. In this context, corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates.

Companies in Thailand are neither legally required to implement a compliance management system nor are corporate bodies liable in case they have not implemented a compliance management system and a case of corruption occurs.



Population (2013)¹
1.34 million

Gross domestic product (2013)¹
USD 27.7 billion

CPI² (2014)³
Rank: 85 | Score: 38

Annual tax revenues (2010)⁴
28.3 % of GDP

Exports⁵ (2010)¹
USD 11.0 billion

Degree of internationalisation (2013)¹
63.2 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 11 December 2003
Ratified on 31 May 2006

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In Trinidad and Tobago, tax audits for companies are performed annually related to form and size of the company. However, the frequency depends on criteria based on the annual revenue. Companies which fall within the purview of the petroleum and large tax payers business unit generally are audited annually.

The risk of bribes being detected during the tax audit is perceived to be low. In Trinidad and Tobago, corruption is unlikely to be an issue in a tax audit. Tax authorities are not required to investigate signs of corruption within tax audits. Furthermore, there is neither a governmental body tasked with investigating corruption nor are there amount-related limits of criminal acts related to corruption which would oblige authorities to prosecute.

Since corruption is not an issue during the tax audit, there is no need for a company to provide the tax auditor with sufficient proof that outgoing payments are not potential bribes. Nevertheless, business activities with sales agents are required to be documented, regardless of whether foreign based or not.

In terms of reporting obligations and lines, tax authorities are not obliged to report clear suspicions of criminal acts related to corruption.

Risks Resulting from Sanctions and Liability

In Trinidad and Tobago, there are sanctions imposed on corruption / bribery and a corporate criminal law respectively a corporate criminal code for tax offences exists. Sanctions imposed are up to 10 years imprisonment and fines up to TTD 500,000.

In case government officials are involved in criminal acts related to corruption, the public official has to forfeit office.

For summary conviction (trial in Magistrate's Court-without jury), the fiscal and criminal limitation period is one year and begins running after the first discovery of the offence by the Prosecutor.

Bribes are not tax deductible in Trinidad and Tobago.

Compliance in the business environment in Trinidad and Tobago is defined as compliance with the various tax laws and documentary evidence thereof.

In terms of the liability, corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates.

In Trinidad and Tobago, companies are not legally required to implement a compliance management system. Furthermore, corporate bodies are not liable in case they have not implemented a compliance management system and a case of corruption occurs.



Population (2013)¹
74.9 million

Gross domestic product (2013)¹
USD 820 billion

CPI² (2014)³
Rank: 64 | Score: 45

Annual tax revenues (2012)⁴
20.4 % of GDP

Exports⁵ (2013)¹
USD 151.8 billion

Degree of internationalisation (2013)¹
25.7 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 10 December 2003
Ratified on 9 November 2006

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

In Turkey, the new era of tax governance by the Tax Administration asserts that each corporate tax payer will have an audit every three years. Furthermore, tax audits can be conducted due to industry specifics, cross checks, systematics of e-declaration database as well as notification made by third parties regarding any non-compliance.

Turkish tax authorities are required to detect or investigate signs of corruption within tax audits as well as report clear signs of corruption to the public prosecutor's office. Authorities are obliged to prosecute all cases of corruption as there is no de minimis threshold. However, the risk of bribes being detected during the tax audit is perceived to be rather low.

There are strict documentation requirements for business activities with sales agents, whether domestic or foreign based. In case signs of corruption are identified during a tax audit, the audited companies should provide the tax auditor with verifications of existence, background / press checks, contracts, performance records, personal contact information, calculations of margin, protocols on the outcome and records of interviews as proof that outgoing payments are not potential bribes.

In general, Turkish tax authorities are obliged to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit.

Domestic tax authorities are not obliged to report criminal acts related to corruption to foreign tax authorities in case affiliated companies are involved.

Risks Resulting from Sanctions and Liability

Bribery - only in connection with public officials - is a criminal act that is subject to criminal investigation. The Turkish Criminal Code promulgates prison sentences between 4 to 12 years for those officials who accept bribery and their counters who provide bribery. The Turkish criminal law does not grant any exemption from the bribery offence.

In case signs of corruption are identified during a tax audit, procedural tax fines as well as tax loss penalties are applicable. In case of intentional incorrect tax declarations, tax loss penalties are applied as three fold of the unpaid tax amount. Tax evasion is a criminal act that is subject to 3 years of imprisonment in addition to fines. As is the case in many other countries, bribes are not tax deductible in Turkey.

Corporate bodies of parent companies are liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. Sanctions imposed can be fines and prison sentences, both if applicable, back taxes or exclusion from tendering for public contracts.

In this context, board of directors (for joint stock corporations operating in Turkey) and corporate directors (for those companies formed as limited liability company) are liable for criminal acts of corruption committed by their employees.

Foreign shareholder corporate bodies are liable if the following criteria are met: The Turkish parent company has to be formed as a shareholding company in Turkey and the foreign shareholder corporate bodies have to be appointed as a member of the board of directors in this company. Moreover, the board of directors' membership is executed via a real person proxy that acts on behalf of concerned corporate body. In case of a corruption act, the appointed real person who is acting on behalf of the foreign corporate body could be investigated in case of a bribery act that considers the inclusion of the board of directors' consent.

In terms of the exclusion from tendering for public contracts, technical explanations and conditions are announced by the tender committees prior to each public bidding where the precautions and limitations of bribery are also mentioned. Those corporations and/or real persons who are sentenced as result of bribery acts are not allowed to take part in public biddings.

In Turkey, companies are neither legally required to implement a compliance management system, nor are corporate bodies liable in case they have not implemented a compliance management systems and a case of corruption occurs. However, it is mandatory for Turkish corporations that are subject to capital market board regulations to implement corporate governance principals.



Population (2013)¹
9.3 million

Gross domestic product (2013)¹
USD 402.3 billion

CPI² (2014)³
Rank: 25 | Score: 70

Annual tax revenues (2012)⁴
0.4 % of GDP

Exports⁵ (2011)¹
USD 252.6 billion

Degree of internationalisation (2012)¹
95.2 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 10 August 2005
Ratified on 22 February 2006

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

There are no Federal Tax Authorities in the UAE. Tax is administered at the level of the individual Emirates. Several Emirates have general tax decrees, but tax is only applied to foreign oil producers and branches of certain foreign banks. Such tax is administered by the relevant Emirate Department of Finance. Oil companies and foreign banks may be subject to a tax audit.

Companies are not required to document business activities with sales agents, whether domestic or foreign based. However, for tax purposes, oil companies and foreign banks are required to document business activities.

Departments of Finance would collaborate or cooperate with the Emirates' Prosecution Office or other Government bodies (at local or federal level) on corruption matters.

Risks Resulting from Sanctions and Liability

The UAE at both Federal and Emirate level takes a very strong stance against corruption and fully honours its commitments to the UN Convention and various bilateral agreements signed with other countries. Consequently, compliance with domestic laws on corruption etc. is enforced and this includes allowing the authorities to comply with international compliance obligations. There are, for example, very strict reporting requirements for the transfer of any amounts above USD 10,000 and Central Bank clearance may be required for carrying cash outside the UAE. Employees of foreign companies are expected to comply with the laws of the country in which they are resident; however, the UAE authorities will only prosecute where the action contravenes UAE law.

Compliance in the participant's business environment is defined as compliance with company laws and guidelines.

Compliance management systems are only required for certain types of companies such as banks. These are strictly enforced. Other companies are neither legally required to implement a compliance management system nor are corporate bodies liable in case they have not implemented a compliance management system and a case of corruption occurs. Corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates.



Population (2013)¹
45.49 million

Gross domestic product (2013)¹
USD 178.3 billion

CPI² (2014)³
Rank: 142 | Score: 26

Annual tax revenues (2012)⁴
18.2 % of GDP

Exports⁵ (2013)¹
USD 63.3 billion

Degree of internationalisation (2013)¹
46.9 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
No

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 11 December 2003
Ratified on 2 December 2009

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

There are several types of tax audits in Ukraine: cameral tax audits, documentary tax audits, and actual tax audits.

In the case of cameral tax audits tax authorities audit the data of all tax reports submitted by the tax-payers.

Documentary tax audits focus on whether the tax-payer paid taxes in due terms and in full amount and calculated tax liabilities based on reliable data as well as adhered to the requirements of currency control and other legislation under control of the tax authorities. Such audits may be scheduled and non-scheduled.

Under the general rule, scheduled documentary tax audits are carried out based on the schedule of tax audits. The tax authorities develop this schedule based on the risk category of the taxpayer's business activities. There are three categories of risks: high, middle and minor. Minor risk tax-payers are included in the schedule of tax audits no more than once during three calendar years. Middle risk taxpayers are included no more than once during two calendar years while high risk taxpayers are included no more than once during one calendar year. The tax authorities estimate the risk category of the tax-payer depending on various criteria.

Non-scheduled tax audits might be carried out at any time based on the respective decision of the tax authorities, in case grounds for such audit appear. Among such grounds are failure of the tax-payer to provide documents, which were requested by the tax authorities, within 10 days upon receipt of the request; failure to submit tax-returns in due terms; and reporting negative differences in VAT return exceeding UAH 100 000.

Actual tax audits are carried out in respect of companies using cash registers and tax-payers with business activities related to excise products.

In 2015 and 2016, effective tax payers with an income for the preceding year not exceeding UAH 20 million might be audited based on the decision of the Cabinet of Ministers of Ukraine, the application of the tax-payer for such an audit, a court decision or according to the requirements of the Code of Ukraine on Criminal Procedure. Companies with income exceeding the mentioned threshold during the preceding calendar year are audited under the general rules. However, the aforementioned rule does not apply to the tax audits of tax-payers which import into the customs territory of Ukraine and/or produce and/or sell excise products as well as to tax audits of adherence to the laws related to licensing, tax audits of personal income tax, uniform social security contribution, VAT refund.

As tax authorities are not required to detect or investigate signs of corruption within tax audits, the risk of bribes being detected during the tax audit is perceived to be rather low. Although legislation does not provide for obligations of the tax authorities to report or collaborate with the public prosecutor's office in cases related to corruption, the tax authorities might report to the prosecutor's office about signs of corruption. However, tax authorities are required to report clear signs of corruption to the militia (departments of the Ministry of Internal Affairs).

Authorities are obliged to prosecute criminal acts of corruption related to private legal entities and officials of such entities in cases exceeding UAH 913.50. In case criminal acts of corruption are related to state officials, authorities are always obliged to prosecute. In case signs of corruption are identified during a tax audit, the audited companies do not need to provide the tax auditor with documentation as proof that outgoing payments are not potential bribes, since tax auditors are not in charge of investigating potential bribes.

Regarding business activities with sales agents, whether domestic or foreign based, it should be noted that there are no specific documentation requirements.

Risks Resulting from Sanctions and Liability

Companies are not legally required to implement a compliance management system, unless such companies are more than 50 % in state ownership, have more than 50 employees and have income exceeding UAH 70 million during one reporting year. Corporate bodies might be liable in case corruption occurs, regardless of whether they have or have not implemented a compliance management system. However, corporate bodies of parent companies are not liable for criminal acts of corruption committed by employees of foreign subsidiaries / affiliates. In Ukraine, a corporate criminal law exists.

Compliance in the participant's business environment is defined as compliance with laws and internal guidelines.

Corruption and bribery is punishable by prison sentences up to ten years (depending on the qualification of the criminal act related to corruption) as well as corrective works, public works, arrest, restraint and seizure. Furthermore, fines for legal entities can be imposed ranging from UAH 85,000 to UAH 850,000. In case government officials are involved in criminal acts related to corruption stricter prison sentences and additional sanctions than the aforementioned apply. Additional sanctions include arrest, restraint and seizure. The length of the prison sentence depends on the qualification of the criminal act and status of the person committing the crime, i.e. state official or not, and depending on the status of the state official. A prison sentence up to 10 years might be applied for bribing state officials of the highest level (e.g., the President of Ukraine, the Head and Deputy Head of the Supreme Rada of Ukraine, deputies, the Prosecutor General, the Deputy Prosecutor General and some other).

The criminal limitation period for offences related to corruption is three to fifteen years. The criteria for determining the length of limitation period is the level of gravity of the criminal offence. This is estimated depending on the sanctions which might be imposed on the perpetrator. The more severe the sanctions are the longer the period of limitation. The limitation period begins running on the date the crime was committed. There is no fiscal limitation period as criminal liability in Ukraine includes fiscal sanctions such as fines and seizure and such sanctions fall under the same rules of criminal limitation period as discussed above.

If a person who offered, promised or gave a bribe was pressed to do so, criminal exemptions can be applied. This requires that this person notified the prosecutor and/or investigator of what had happened before the notification on suspicion was issued. General exemptions from criminal liability, depending on the qualification of the criminal act, can be expiry of the criminal limitation period, confession, admission to bail or change of circumstances.

In case subsequent knowledge of incorrect tax declarations is gained, the taxpayer (individuals and/ or legal entities) shall make respective adjustments. However, this only applies in cases where the taxpayer himself / herself found out the mistakes in the tax declarations. It should be noted that bribes are not tax-deductible.



Population (2013)¹
89.71 million

Gross domestic product (2013)¹
USD 170.6 billion

CPI² (2014)³
Rank: 119 | Score: 31

Annual tax revenues⁴
Not available

Exports⁵ (2012)¹
USD 114.5 billion

Degree of internationalisation (2012)¹
80 % exports⁶ of GDP

Do sanctions on corruption exist?
Yes

Does a legal requirement to implement a CMS⁷ exist?
Yes

Has the UN Convention against Corruption dated 9 December 2003 been signed and ratified?⁸
Signed on 10 December 2003
Ratified on 19 August 2009

Has bribery of public officials been criminalised?
Yes

Risks Resulting from Tax Audits

Tax audits are carried out regularly and often cover a number of tax payers. Prior to an audit, the tax authorities send the tax payer a written notice indicating the time and scope of the audit inspection. They can re-inspect tax audit results within one year from the date the first audit minutes were signed. Tax authorities can collect under-declared and unpaid tax at any time.

Under the Law on tax administration, tax audits shall be conducted:

- on a regular basis no more than once a year for enterprises with diversified business lines and a wide scope of business;
- when there is a sign of tax violation;
- to settle complaints or denunciations or upon request of heads of tax administration agencies at all level.

As tax authorities are required to detect and investigate signs of corruption within tax audits, the risk of bribes being detected during the tax audit is perceived to be rather high. Furthermore, they are also required to inform the tax investigation office in case they do identify such signs during an audit. In these cases, companies should provide tax auditors with financial statements, tax reports, accounting records, legal documentation, contracts, performance records, personal contact information, calculations of margin, records of interviews as well as invoice and payment approvals as proof that outgoing payments are not potential bribes. Regarding business activities with sales agents, whether domestic or foreign based, companies should be aware that there are high documentation requirements.

Apart from the task to detect and investigate signs of corruption within tax audits tax authorities are also required to report to and collaborate with the public prosecutor's office in case clear suspicions of criminal acts related to corruption are identified during a tax audit. Though, domestic tax authorities are not required to

report criminal acts related to corruption to foreign tax authorities when affiliated companies are involved.

It is noticeable that authorities are always obliged to prosecute cases of corruption as there are no amount-related limits of criminal acts related to corruption. Formal rulings can be sought through the local/provincial tax department. Any issue requiring an internal approval will be escalated to higher authorities to resolve. Official rulings and decisions issued by the tax authorities are publicly available on the local tax departments' website and the General Department of Taxation's website.

Risks Resulting from Sanctions and Liability

The laws of Vietnam do not expressly provide that having adequate compliance procedures in the context of anti-corruption is an express defence or a mitigating factor concerning the liability of corporate bodies of companies. If the anti-corruption programme or compliance procedures help to prevent or reduce the violation then these procedures can be taken into account by the court as a mitigating circumstance. Furthermore, companies are not liable for the acts of their intermediaries, such as their subsidiaries because under Vietnamese laws only individuals can be subject to criminal liability – companies can only be administratively sanctioned – and a subsidiary is usually regarded as a separate legal person from its parent company and is, therefore, responsible for its own conduct only.

Compliance in the participant's business environment is defined as the action or fact of complying with laws and to provide transparency and reasonable evidence.

Under the Penal Code and Law on Anti-Corruption of Vietnam, corruption and bribery may be punished by, depending on the circumstances, administrative sanctions, imprisonment, life-sentence, death sentence. According the revised Penal Code of 2009, a Vietnamese company or individual would be subject to criminal liability in accordance with Vietnamese law, if such a company or individual gives bribes to a foreign public official:

- a Vietnamese citizen who pays a bribe to a Vietnamese public official when abroad may be subject to criminal or administrative liability under Vietnamese laws;

In certain sectors such as audit, accounting, construction and medical examination and treatment, a corrupt action may be subject to administrative sanction as mentioned above.

- a foreign citizen paying a bribe to a Vietnamese public official outside of Vietnam's territory may also be subject to criminal liability under the Penal Code;
- a bribe receiver may be liable for criminal penalties of: (a) up to 20 years' or life imprisonment or capital punishment; and in addition (b) a monetary fine of up to five times of the bribe value; (c) confiscation of all or part of the properties; and (d) prohibition from holding a position for up to five years;
- a bribe giver may be liable for criminal penalties of: (a) up to 20 years' or life imprisonment; and (b) a monetary fine of up to five times of the bribe value;
- a bribe intermediary may be liable for criminal penalties of: (a) up to 20 years; and (b) a monetary fine of up to five times of the bribe value.

In case subsequent knowledge of incorrect tax declarations is gained and pursuant to Decree No. 166/2013/TT-BTC dated 15 November 2013, for every act of tax-law violation, the violating individuals or organizations are liable to one of the following forms of sanctions:

- If taxpayers discover errors in a tax declaration for a period that has not yet been audited by the tax authorities, and voluntarily declare and pay additional tax, they will only be subject to late payment interest on the additional tax (i.e. no penalties). However, if the errors relate to a period that has already been audited, then the tax payers will be subject to both late payment interest and penalties.
- A fine of 0.05 percent per day is applicable to the tax liabilities in arrears which were incurred before 1 July 2013. Effective 1 July 2013, a fine of 0.05 percent per day is applicable to tax liabilities in arrears for a period up to 90 days, and 0.07 percent per day for tax amounts in arrears for more than 90 days.
- The maximum penalty for tax procedural violations is doubled to VND 200 million (equivalent to USD 9,500) and VND 100 million (equivalent to USD 4,750) for business entities and individuals, respectively.
- A fine of 20 percent is applicable to tax shortfalls detected by tax auditors (unless the tax shortfalls are rectified and settled by the taxpayer prior to a tax audit).
- The late submission of various tax returns for the same type of tax is now considered to be one act of violation for the purpose of calculating administrative penalties.
- Tax returns submitted 1-5 days late or late tax registration made within 1-10 days without extenuating circumstances will now be penalised whereas beforehand just warning was usually issued.
- With respect to tax evasion, a penalty of one to three times of the evaded tax will be applied.

- If the tax authorities discover an underpayment of tax or an over-claim of tax refund, a taxpayer will be subject to a penalty of 20% of the total adjusted tax liabilities, applicable to both business entity and individual taxpayers, a 100% increase in the penalty rate.

However, reprimands are applicable to first-time violations or second-time violations due to extenuating circumstances.

It should be noted that bribes are not tax-deductible.

The Statute of limitations (SOL) for tax procedural violations still remains at two years and 5 years for underpayment of tax liabilities and excess tax refund claim. These SOL periods are counted from the date the violation is committed, and are defined either as a day following the tax filing due date or the date the tax refund is issued. In terms of the collection of the outstanding tax liabilities, a ten-year SOL will apply, counting from the date the act of violation is detected; whereas the prior regulations provided no SOL.

WTS Alliance is a global network of selected consulting firms represented in more than 100 countries worldwide. Within our service portfolio we are focused on tax, legal and consulting. In order to avoid any conflict of interest, we deliberately refrain from conducting annual audits. Our clients include multinational groups, national and international medium-sized companies, non-profit organisations and private clients.

We aim to provide high quality consulting services in the fields of tax, legal and management consultancy. To meet the needs and goals of our clients, we take a multidisciplinary approach to detecting corruption, ranging from its tax or legal assessment through to setting up compliance management systems to prevent further harmful activity. To ensure the quality of our work, our employees have broad specialist knowledge and professional experience gained internationally in other consulting firms, industry and public authorities. This enables us to take a practical approach to consulting when developing client-specific concepts and solutions, allowing us to make a positive contribution to our clients' development and to their business success.

Our Compliance & Investigations consultants are experienced in managing international projects in cooperation with our WTS network partners. In addition to carrying out independent internal investigations for possible white-collar criminal activity, our Compliance & Investigations services also include the development and operation of compliance management systems.

Our individual consulting services are listed below:

- Special forensic investigations/internal investigations
- Internal audit support (fraud, tax and compliance)
- ICS and processes
- Crisis management and communication
- Forensic investigations for insolvency
- Tax compliance
- Compliance risk analysis
- Developing compliance management systems (CMS)
- Interim management of compliance functions
- Compliance due diligence for transactions

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List of Abbreviations

Abbreviations	Explanation
BRL	Brazilian Real
CMS	Compliance Management System
CNY	Yuan Renminbi
CPI	Corruption Perception Index by Transparency International
CZK	Czech Koruna
e.g.	exempli gratia, for example
EEC	European Economic Community
EFTA	European Free Trade Association
EU	European Union
EUR	Euro
GDP	Gross domestic product
HKD	Hong Kong Dollar
i.e.	id est, that is to say
ILS	New Israeli Sheqel
MUR	Mauritius Rupee
n.a.	not applicable
NGN	Nigerian Naira
NZD	New Zealand Dollar
OECD	Organisation for Economic Co-operation and Development
PHP	Philippine Peso
PLN	Polish Zloty
PRC	People's Republic of China
SGD	Singapore Dollar
TTD	Trinidad and Tobago Dollar
UAE	United Arab Emirates
UAH	Ukraine Hryvnia
USD	US Dollar
VND	Vietnam Dong
XOF	CFA Franc BCEAO (for Benin, Burkino Faso, Cote D'Ivoire, Mali, Niger, Senegal and Togo). One of two African currencies which are guaranteed by the French treasury.

No. Footnote

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| 1 | Cf. Federal Statistical Office (Statistisches Bundesamt), available at: https://www.destatis.de/EN/FactsFigures/CountriesRegions/InternationalStatistics/Country/Country.html;jsessionid=A3CF0EBC7501DBC728B2988859BD207A.cae4 (last accessed: 21.04.2015); Please note: The Federal Statistical Office regularly revises figures. Therefore, differences to the data stated in this survey are possible. |
| 2 | Corruption Perception Index by Transparency International |
| 3 | Cf. Transparency International, CPI Corruption Perception Index 2014, available at: http://www.transparency.org/cpi2014/results (last accessed: 20.04.2015) |
| 4 | Cf. Worldbank, available at: http://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS (last accessed: 17.12.2014) |
| 5 | Exports of goods |
| 6 | Exports of goods and services |
| 7 | Compliance management system |
| 8 | UNODC, United Nations Convention against Corruption Signature and Ratification Status, available at: http://www.unodc.org/unodc/en/treaties/CAC/signatories.html (last accessed: 17.12.2014) |
| 9 | Cf. Federal Foreign Office (Auswärtiges Amt), available at: http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/01-Nodes_Uebersichtsseiten/Hongkong_node.html (last accessed: 02.06.2015) |
| 10 | Cf. Hong Kong SAR Census and Statistics Department, available at: http://www.censtatd.gov.hk/hkstat/sub/sp250.jsp?tableID=031&ID=0&productType=8 (last accessed: 02.06.2015) |
| 11 | The figures relate to the tax year from 1 April 2013 to 31 March 2014. Cf. Hong Kong SAR Census and Statistics Department, available at: http://www.censtatd.gov.hk/hkstat/sub/sp110.jsp?tableID=192&ID=0&productType=8 (last accessed: 02.06.2015) |
| 12 | The figures contain both domestic and re-exports. Cf. Hong Kong SAR Census and Statistics Department, available at: http://www.censtatd.gov.hk/hkstat/sub/sp230.jsp?tableID=055&ID=0&productType=8 (last accessed: 02.06.2015) |
| 13 | As a special administrative region of the People's Republic of China, Hong Kong is subject to directives from the Chinese government with regard to international affairs. The data provided here therefore relate to China. Cf. United Nations Treaty Collection, available at: <a "="" href="https://treaties.un.org/Pages/HistoricalInfo.aspx?#">https://treaties.un.org/Pages/HistoricalInfo.aspx?#"China" (last accessed: 04.12.2014) |
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