Chartered Institute of Taxation
Excellence in Taxation

THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

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ADVANCED INTERNATIONAL TAXATION (THEMATIC)

Suggested solutions

Question 1

Part 1

Transfer pricing is the requirement in many countries to adopt pricing for goods and services between related companies at "arm's length pricing", generally meaning what would be paid if the parties were not related. The purpose of these provisions is to prevent profit shifting to reduce tax. For example, where a company in a high taxing country tries to reduce tax by paying excessive prices for goods and services purchased from a relate company in a lower taxing country, the transfer pricing provisions prevent excessive tax deductions for excessive prices by requiring the company to purchase at prices that an independent company would pay for the same goods and services.

Through transfer pricing, a taxpayer seeks to minimize income and maximize deductible expenditures in high tax jurisdictions and vice versa in low-tax jurisdictions. A transfer pricing mechanism that could affect revenue in the oil and gas sector is the creative use by firms of price hedging mechanisms perhaps involving transactions between related parties, causing great difficulty in assessing whether hedging instruments are used for transfer pricing purposes rather than to reduce risk.

More common measures to maximize expenditure deductions include:

- The provision by related parties of highly leveraged debt finance at above-market interest rates.
- Claiming excessive management fees, deductions for headquarter costs, or consultancy charges paid to related parties.
- The provision of capital goods and machinery in leasing arrangements at above-market costs charged by a related-party lessor.
- If the petroleum tax rate is above the standard tax rate, there may be an incentive to establish a domestic shell firm that will on-lend financing capital from related parties to the oil company giving rise to an interest deduction at a higher tax rate than is charged on the interest earnings in the shell company.

Part 2

Abusive transfer pricing can be very difficult to detect and prevent. Properly designing the tax code, though, is an important first step. At a minimum, the tax legislation should include safeguards requiring that transactions between related parties be assessed on an arms-length basis, or perhaps that certain deductions be capped as a share of total costs. Some countries also impose a limit on the allowable (for tax purposes) debt-leverage of a project. It is also advisable to seek close cooperation with the tax authorities in the home countries of the more important investors.

For example, the Organisation for Economic Cooperation and Development (OECD) issued suggested methodologies and procedures relating to transfer pricing. OECD transfer pricing methods proposed to determine an arm's length price include the comparable uncontrolled price (CUP), resale price method (RPM), cost plus method (CPM), transactional net margin method (TNMM), and profit split methods.

Also, the UK Government set rules relate to Transfer Pricing and arm's length transactions: The UK's transfer pricing legislation details how transactions between connected parties are handled and in common with many other countries is based on the internationally recognised 'arm's length principle'.

The UK legislation allows only for a transfer pricing adjustment to increase taxable profits or reduce a tax loss. It is not possible to decrease profits or increase a tax loss.

The UK's transfer pricing legislation also applies to transactions between any connected UK entities.
The 'arm's length principle' applies to transactions between connected parties. For tax purposes such transactions are treated by reference to the profit that would have arisen if the transactions had been carried out under comparable conditions by independent parties.

Question 2

Part 1

There are three main international oil and gas agreements: Concession, Production Sharing Agreements and service contracts.

A concession is a grant by a country to a foreign company to develop its oil and gas reserves on an exclusive basis in a defined area during the duration of the agreement. According to concession regimes, title to oil and gas is transferred to the international oil and gas company. Title is given to the extracted oil and gas but not to the total oil and gas exist in situ. Companies acquire rights to control large areas of land/sea to carry out their operations over a relatively long period of time (up to 75 years in some cases). The contractor pays all the costs associated with exploration, development and production activities without any guarantee from the host government to recover any of these costs.

According to PSA the government retains titles to oil and gas reserves but gives the contractor a share of production, known as profit oil. The international oil and gas company bears all the pre-production risks and costs and when commercial reserves are discovered the contractor is entitled to recover its costs via cost oil. The remaining oil and gas (the profit oil) is split between the international oil and gas company and the host government according to a pre-agreed formula, this can be fixed percentage or on a sliding scale basis. The company still has to pay taxes on its share of the profit oil; in some cases company's taxes is paid by host government from their profit oil share.

In service contracts the international oil and gas company is paid a fee by the host government for providing services in the form of exploration, development and production activities – these are called non-risk service contracts. In risk-service contracts the oil and gas company receives its fees only upon discoveries of commercial oil and gas reserves. Oil rich countries use these types of contracts due to their lack of technical experience in the oil investment businesses. Under these contracts the contractor may receive his fee in cash or kind (oil and gas), while under PSA no cash is paid by host government to the contractor for his share – profit oil and gas (in kind payments) is shared between the parties.

Part 2

Structure of fiscal regimes vary according to the type of oil and gas agreements in place.

Under concessions, Royalties at a higher rate are an essential part of the petroleum taxation regime. Gross revenues less royalty payments equal net revenues. To arrive at the taxable income, expenses deducted from net revenues, these are (for example) operating costs, DD&A, and intangible drilling costs. Taxable income may be subject to two different types of taxes: provincial taxes and federal taxes. These can be special oil and gas taxes besides the normal corporation taxes levied by a given country on company profit. For example, the Petroleum Revenue Tax (PRT) in the UK.

Under PSA, the contractor may still have to pay royalties to the host government, but these are usually at a lower rate than of those under concession agreements – many PSA do not have a royalty. After paying royalties the international oil and gas company is entitled to recover its costs (these include operating costs, DD&A, expensed capital costs etc). It is normal to see a limit on cost recovery in PSA (40% for example) which is not the case under concessions. Deducting royalties and allowable cost recovery from the gross production gives the profit oil. Profit oil then is split between the host government and the contractor based on an agreed formula. The contractor has to pay income taxes on his share of the profit oil (in some cases the host government pays this tax on behalf of the contractor). Bonus payments are a commonly used element of the PSA; bonuses are not cost recoverable. Main difference between fiscal regimes under concessions and PSA is royalty rates, the cost recovery limit and profit oil split.

Under service contracts, the contractor may be liable to income taxes based on the income he receives from the services provided to the host government.

Question 3

Part 1

Contracts with governments may provide for state equity, which refers to the government share of the oil and gas development. This right to an interest in the project is generally combined with other taxation methods as follows.

State equity can take several forms, including:

- a full working interest—paid-up equity on commercial terms, which places the government on a par with a private investor;
- paid-up equity on concessional terms, where the government acquires its equity share at a below-market price, possibly being able to buy into the project after a commercial discovery has been made;
- a carried interest, where the government pays for its equity share out of production proceeds, including an interest charge;
- tax swapped for equity, where the government's equity share is offset against a reduced tax liability;
- equity in exchange for a non-cash contribution, for example by the government providing infrastructure facilities; and
- so-called "free" equity, which is a bit misleading since even - the non-cash provision of equity may result in some, more or less transparent, off-setting reduction in other taxes.

Part 2

State equity may be in the form of a full working interest, where government equity is paid up on commercial terms. State equity may be made on concessional terms, where the government acquires its equity share at a below-market price.

The government may have an option to acquire an interest if the project is successful, for example after a commercial discovery has been made.

The government may have a carried interest, in which the government's share of exploration and development expenses is paid by the oil and gas company. The government may pay for its equity share and share of expenses from the proceeds of oil or gas production if the project proceeds to the production stage. The oil and gas company carries the risk of not being reimbursed for the expenses if the project does not result in significant production.

State equity may be acquired in return for a reduced tax liability on the oil and gas company.

State equity may also be acquired for a non-cash contribution, such as government provision of project infrastructure, such as harbour facilities, roads and pipelines.

State equity is quite significant for the financial model of an oil and gas project. The structure of state equity is not a tax, sharing of profit oil, or a royalty. However, the state may effectively obtain an additional large portion of profits, for example by exercising an option to acquire a 25% share of a project.

This is often an issue with new investments and for mergers and acquisitions, where the state equity, or the option for the government to acquire state equity, will significantly affect the oil and gas company's net return from the investments.

State equity participation is mainly motivated by a desire to share in any upside of a project, but can also reflect non-economic reasons. These can relate to nationalistic sentiment, to facilitate transfer of technology and know-how, or to provide more direct control over project development. But full equity participation can become a costly option when consideration is given to the resulting cash-calls. There are also possible conflicts of interest arising from the government's role as regulator overseeing the environmental or social impact of a project, which may differ from its objectives as a shareholder. In many instances, the government may be better off by focusing on taxing and regulating a project rather than being directly involved as an equity participant. It should also be kept in mind that tax instruments can replicate the economic impact of an equity share. For example, a carried interest is equivalent to a resource rent tax with the equity share equal to the tax rate and the interest rate on the carry equal to the threshold discount rate.

Question 4

Seller Warranties

Warranties are essentially promises that circumstances apply. A breach of a warranty gives rise to the right to damages under the SPA. The following are examples of seller warranties which may be included in the SPA (candidates need to provide five clear examples to qualify for full mark on this part of the question):

- The companies being sold have field with the appropriate Governmental Bodies and all Tax Returns required to be filed on or before the Valuation Date with respect to its assets, income or operations;
- All items of income, gain, loss, deduction, credit and other tax items (the Tax Items) required to be included in each such Tax Return have been so included;
- All Taxes owed by the Companies or owed with respect to its assets, income or operations or owed in connection with the Block Interest Documents, or which are paid on behalf of the Company by the Operator, including all Taxes required to be withheld or deposited with a Governmental Body, have been timely paid in full;
- There are no Encumbrances (other than Permitted Encumbrances) on any of the Company Assets that arose in connection with any failure (or alleged failure) to pay any such Tax;
- As of the Execution Date, neither Seller nor the Companies have been served on any claim, and to Seller’s knowledge, there are no claims threatened by any applicable Governmental Body in connection with any such Tax;
- As of the Execution Date and to the Seller’s knowledge, none of such Tax Returns is now under audit or investigation by any Governmental Body;
- As of the Execution Date and Closing, except as provided under the JOAs, the Companies are not a party to any Tax indemnity or make a payment to any Person in respect of any Tax for any past, current or future period;
- As of the Execution Date, Seller has never been served of any claim made by a Governmental Body in a jurisdiction in which the Company does not file Tax Returns that it is or may be required to file a Tax Return in that jurisdiction;
- As of the Execution Date and Closing, the Companies have been treated as a tax resident of the country of oil operations only;
- As of the Execution Date an Closing, to Seller’s knowledge, the Companies will not be required to include any amount of income for any taxable period ending after the Execution Date as a result of a change in accounting method for any taxable period ending on or before the Execution Date or pursuant to any agreement with any Governmental Body with respect to any such taxable period, or to include any period ending after the Execution Date any income that accrued in a prior period but was not recognised in the prior period;
- As of the Execution Date and Closing, the Companies have no permanent establishment outside the country of oil operations; and
- Seller has not been notified of any failure of Operators to operate in full compliance with all Tax incentive programs applicable to the oil and gas industry in the country of oil operations.

Grossing Up

The seller may seek to make the buyer responsible for capital gains and transfer taxes, for example by inserting a “grossing up” clauses in the SPA. In general, the responsibility for tax on the sale should full to the seller, as seller has made the profit on the transaction. Accordingly, clauses such as the grossing up clause are generally not used. The parties may, potentially, agree that the buyer is responsible for the seller’s tax if that is the result of the related commercial negotiations. However, this is not the usual commercial outcome. Caution is also required that the liability is capped to a certain amount, for example, tax on the sale may be substantially increased by penalties and interest if there is a significant dispute with the related tax authorities.

Indemnity Clauses

The seller may agree to provide buyer with protection on capital gains and transfer taxes by an indemnity clause in the SPA to confirm that the seller is responsible for these taxes.

The clause includes liability for taxes prior to closing, but is then extended to liability for tax on the sale. The clause also extends to potential tax on previous transfers of oil and gas assets which have not yet been paid.

The actual benefit of such protection depends on whether the company giving the indemnity has sufficient assets to meet the potential obligations, whether the total of indemnities under the contract is capped at a sufficiently high amount, and whether there is a sufficient time limit on indemnities under the SPA.

Question 5

Part 1

The IOCs have been using and requesting for stabilization clauses in oil and gas contracts as a protection tool of the investment made in a host state which is long term and high risk. The purpose of the stabilization clause for the IOCs is to create a legal or tax enclave which renders any future change in law ineffective against the oil and gas company forecasted revenue. For the host state the benefit of stability clauses is to encourage investment by providing the investor with stability assurances as being seen as a country with an unstable fiscal regime may negatively affect the confidence of investors in government policy.

In theory, the clauses allow investors to invoke the contract entered into between the parties to guarantee the tax framework agreed at the time of the contract is applied and even sue the host state if it fails to honour the agreement or the stability clause.

There are two ways that stabilization clauses can work. The stabilization clause may:

- Freeze the tax framework at the time signing of the contract guaranteeing that the tax regime will continue for a specified period of time. These are commonly referred as freezing stability clauses; or
- Compensate the IOC for any changes to the stabilized tax framework. These are commonly referred as economic stabilization clauses.

In the economic stabilization clauses, changes to legislation affect the investment but in that case the parties may adjust other aspects of the contract (e.g. production allocation) to compensate for the return lost by the introduction of the new laws. This adjustment would obtain a rebalance of the contract economic terms.

One possible alternative to stabilization clauses is to enter into a Production Sharing Contract (PSC) with a tax paid deal. These tax paid PSCs foresee that any tax obligation arising from the income derived from petroleum operations shall be paid from the Government's share of profit oil. This guarantees that the profit share of the contractor is not affected by changes in the tax framework. This is normally agreed together with an exemption from all other types of taxes, duties or fees. In these contracts the Contractor still has to submit its tax returns to assess the tax due.

Part 2

It should be noted that the mere inclusion of these provisions in oil and gas contracts is not sufficient to attain the desired result. In the context of a dispute between an IOC and a state, the latter may render this clause ineffective by using its sovereign power to deny the IOC the desired protection.

These types of clauses may potentially also have administrative challenges as keeping track of the stabilized tax regime and the effective way to compensate companies when new measures affect the return of the investment. Other problems to mention are possible hurdles for host states when trying to introduce a reform of the tax regime applicable to oil and gas contracts as the reforms could only apply to future agreements and create different tax regimes for oil and investment depending of the time the contract was agreed.

Because of the issues mentioned above these types of clauses have been considered to be very intrusive of the sovereignty powers of host states and are becoming more difficult to accept in the negotiation of contracts.

When an issue with the stability clause arises the IOC have the option of relying in the national courts or international arbitration to uphold its contractual rights.

Question 6

Part 1

Ring fencing imposes a limitation on deductions for tax purposes across different activities or projects undertaken by the same oil and gas company. This forces contractors or concessionaries to restrict all cost recovery and or deductions associated with a given license (or sometimes a given field) to that particular cost. This means that all costs associated with a particular block or licence must be recovered from revenues generated within that block.

Ring fencing can be applied on different scopes. Some countries ring-fence their oil and gas activities from other activities performed by the same entity (as downstream operations) in the country whilst others ring fence individual projects from other projects held by the same company. Thus, the ring fence may be individual licenses or on a field-by-field basis. In a ring fencing situation exploration expenses in one non-producing block could not be deducted against income for tax calculations in another block. Under Production Sharing Contracts normally ring-fencing acts in the same way as cost incurred in one ring fenced block cannot be recovered from another block outside the ring fence.

As mentioned above some countries ring-fence their oil and gas activities (usually under corporate income tax) whilst others ring-fence individual projects (usually under special petroleum taxes).

Denmark applies ring fencing provisions so that losses from non-oil or gas activities cannot offset profits from hydrocarbon production. In Greenland there is no field ring fencing but oil and gas explorations income or costs may not be offset against income and cost from other activities. Kazakhstan applies ring fencing between Production Sharing Contracts individually and also between oil and gas production and exploration and other activities. Norway has a different way of applying ring fencing limitation. In Norway only 50% of onshore losses may be used to offset offshore profits in a clear incentive to prefer offshore exploration. In Qatar which uses Production Sharing Contracts, ring fencing provisions do not allow the communication of costs to offset profits pertaining to a different contract. The ring fencing provisions in the UK provide that onshore losses may not offset offshore profits but there is a first year capital allowance of 100% for capital expenditure from the ring fenced trade.

Cases of oil and gas producing jurisdictions without ring fencing provisions include Brazil, Saudi Arabia and the United States.

Part 2

The impact of ring fencing in the taxation of oil and gas companies is that it may lead to a higher tax on the projects. If a company operates in several ring-fenced areas it has to calculate profits separately for each of them and cannot consolidate them for tax purposes. However, if all the projects held by the company are economic profitable it would only constitute a timing issue as the costs will still be recovered but this would happen latter on the project in case ring fencing applies. Allowing companies to offset those costs might give an advantage to existing industry players over new entrants with only one license. For governments these rules have impact because the absence of ring fencing can postpone government tax receipts as the company that undertakes a series of projects is able to deduct exploration and development costs from each new project against the income of projects that are already generating taxable income. Thus, by introducing ring fencing the government revenue will be accelerated. If no ring fencing applier this would potentially reduce the (higher) taxes intended to be collected from those operations. Also if there is no ring fencing and different tax regimes apply to different areas, companies could allocate costs disproportionately to higher taxed areas to reduce tax. One other aspect is that where countries impose progressive taxes, area ring-fencing can mean that companies pay high taxes on “excess profits” from one area, even though they have not made excess profits (or have even suffered a loss) in the country as a whole.

Ring-fencing adds significant administrative complexity and risk, particularly when license areas or even individual projects are ring-fenced, as is true in many countries. Also, ring-fencing may hamper companies undertaking further exploration and development activities due to the inability to claim deductions for such activities on new projects. It may also encourage tax planning if the ring-fenced tax regime is more onerous than the standard tax regime. For example, locating lower-taxed downstream activities outside the ring fence, including in another jurisdiction, or transfer pricing to shift profits outside the ring fence or costs inside the ring fence. Another concern with ring-fencing is that it can be especially complex where one tax (such as a resource rent tax) is ring-fenced but another tax (such as the CIT) is not.

Question 7

The funding of the alternatives considered by the company can in both options be made through use debt or equity.

The funding of a Brazilian entity through debt requires the oil and gas company to use its own funds or obtain a loan from a third party so that it may then make a loan contract with a Brazilian entity. In this case the interest would be a tax deductible cost in Brazil and a taxable profit at the level of the borrower company. In Brazil, interest payments to non-resident companies are subject to withholding tax of 15%. In the alternative of acquiring a target company in Brazil with a license, the financing of the acquisition may benefit from a debt push down to allow the deduction of the interest payments due on the debt obtained for the acquisition against future profits obtained by the target company. This allows the use of the target profits to pay the debt raised for the acquisition deal. This is specially the case when the acquirer does not have enough profits available (tax capacity) to offset the interest payments due. For this purpose it would be necessary to set up a Brazilian company which would obtain the funding from related or third party. After the acquisition this local company would be merged with the target to allow the debt push down.

One other interesting tax aspect of investing in Brazil is the use of a holding company in the Netherlands as the double tax treaty with Brazil allows for specific tax treatment that can optimize the operation. The double tax treaty between the Netherlands and Brazil includes a tax sparing provision which grants a tax credit for tax paid in Brazil of 20% on interest payments when the withholding tax on interest payments is only 15% (obtaining an additional 5%).

The funding of a Brazilian entity may also be made through a capital injection/increase. In this option the company would use its own or third party obtained funds to buy an equity participation in a company or increase the current equity. This equity contribution would provide the Brazilian company with funds for its work commitments. Normally, equity contributions are different from loans because they do not give rise to interest payments. However, in Brazil there is a possibility of paying interest on equity. This possibility is subject to certain requirements but if these are complied with it allows the Brazilian company to deduct the interest payments paid with relation to the equity. One tax aspect of paying interest on equity is that is used in conjunction with a Dutch shareholder there is the possibility of having an hybrid solution in which the interest payment will be deductible in Brazil but considered dividends at the level of the Dutch company. If the participation regime applies this would mean that the interest payments would not be subject to any additional tax in the Netherlands and the final tax on these payments would the 15% withholding tax due in Brazil.

In either of the alternatives (debt or equity) IOF may apply at rates varying between 0% and 25%.

On potential risks it has to be mentioned that the financing costs may be considered excessive under thin capitalization rules in place. Thin capitalization rules were introduced in Brazil in 2011. These rules generally apply a 2:1 ratio of debt to net equity ratio limit on related party debt. This ratio may be reduced 0.3:1 where the lender is established in a tax haven jurisdiction. If the debt to equity ratio is not complied with any interest payments in excess of the ratio would be disallowed for tax purposes in Brazil.

The interest payments also need to comply with transfer pricing rules applicable in Brazil. In Brazil if we have a transaction entered into between a Brazilian company and a resident of a low or privileged tax jurisdiction it will be subject to transfer pricing rules even if the parties are not related. The thing to notice on transfer pricing is that the Brazil regime does not follow the transfer pricing guidelines outlined by the OECD model and instead adopt fixed profit margins on transactions carried out between related parties. Because of this special attention must be paid to the safe harbour measures to avoid any adjustments on the transactions agreed between related parties.

One risk to avoid the application of anti-abuse provisions is making sure any companies set up for this acquisition operation have the right amount of people and resources to pursue its activity and are effectively managed in their country of residence.

A final risk to mention is the currency exchange risk as Brazil currency fluctuates intensively. By using capital contributions the parent company is bearing all the risk of currency exchange fluctuations. However, in case debt instruments are used this risk will be transfer to the Brazilian entity. In Brazil, currency losses or gains may be tax on cash meaning that unrealized currency losses are not recognized for tax purposes. This shifting of the currency risk may influence the choice of funding the Brazilian entity with equity or debt as tax consequences can be different depending on where that risk lies.

Question 8

Part 1

The Corporate Income tax payable by IOC BV in 2014 and 2015 should be calculated as follows:

2014
Tax costs: 170*50%=85
Revenue: 400*50%=200
Taxable amount: 115
CIT due: 115*45%=51.75

2015
Tax costs: (170+20)*50%=95
Revenue: 800*50%=400
Taxable income: 400-95=305
CIT due: 305*45%=137.25

Part 2

The Corporate Income tax payable by IOC BV in 2014 and 2015 assuming hypothetically that the first year of continuous production was 2011 should be calculated as follows:

2014
Tax costs: 420*50%=210
Revenue: 400*50%=200
Taxable amount: -10
CIT due: no CIT due

2015
Tax costs: (170+20)*50%=95
Revenue: 800*50%=400
Taxable income: 400-95-10(loss 2014)=295
CIT due: 305*45%=132.75

Part 3

The company would pay a final tax of $8,5m which would be withheld by IOC BV according to article 12.3 of the Model Petroleum Agreement and Section 27(1) of the Petroleum Income Tax Law. The Oil Service Company would not pay any additional CIT tax in Ghana under Section 27(3) of the Petroleum Income Tax Law when the aggregate amount has been subjected to withholding rate under Section 27(1) the company is not liable, in respect of that aggregate amount, for tax under any other law in force in Ghana.

Part 4

Under Section 7 of the Capital Allowances Schedule of the Petroleum Income Tax Law the capital allowances to which IOC BV would otherwise have been entitled to in respect to the Petroleum Capital Expenditure and incurred before the assignment will need to be reduced for that year and subsequent years in 15%. The assignee would see its capital allowances increased for an amount equal to the amount by which the capital allowances of IOC BV have been reduced.

Part 5

The article which addresses taxation leaves some room for uncertainty with respect to some taxes the usually apply to oil and gas activity. Even if 12.1 states that no other taxes other than as provided in the rest of the article apply it is always preferable to address the main tax impacting the operations directly in the taxation article.

The first example would be the VAT/GCT eventually due on services provided or goods acquired. Considering that at the initial phase of the project there is not output VAT/CGT and even when production starts the export of oil is as a main rule exempt or 0% rated it would be important to clearly foresee in the article that services and goods imported or domestically acquired should be exempt from VAT/CGT.

The clarification of this aspect in the wording of the article eliminated any uncertainty and interpretation of the article later in the project.

Another example which may be given is withholding tax on interest payable for financing of the oil and gas project. As a general, rule oil and gas projects will require financing during exploration and development phases. This financing may be granted by third parties as banking institutions or by group companies. It is important that the interest charged from these loans in not encumbered by additional local taxation which in practice removes funds from the project which could have been invested in the exploration or development. Considering the above, a clarification should be added to the wording excluding the application of any withholding taxes on interest payments on loans to group companies or at least to non-related entities as banks (should this relief not already exist through the application of double tax treaties).

One final aspect it could be changed is the use of opened definitions or concepts. The best example in the article is the definition of “impost of a minor nature” and “minor nature administrative charges”. The use of this wording without a clear value indication of what is understood as minor may create tax issues in the future as it may relate to amounts but also to percentages. Considering the normal very high value of the equipment imported for petroleum operations (e.g. FPSO) even a small percentage or charge of 0.5% may still be a very significant tax leakage. It would be recommendable that these concepts are clearly limited in maximum amounts or caps.