MAZARS CENTRAL AND EASTERN EUROPEAN TAX GUIDE 2018

6TH EDITION

Albania | Austria | Bosnia and Herzegovina
Bulgaria | Croatia | Czech Republic | Estonia | FYROM
Germany | Greece | Hungary | Kosovo | Latvia
Lithuania | Montenegro | Poland | Romania | Russia
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TAX | LAW | AUDIT | OUTSOURCING

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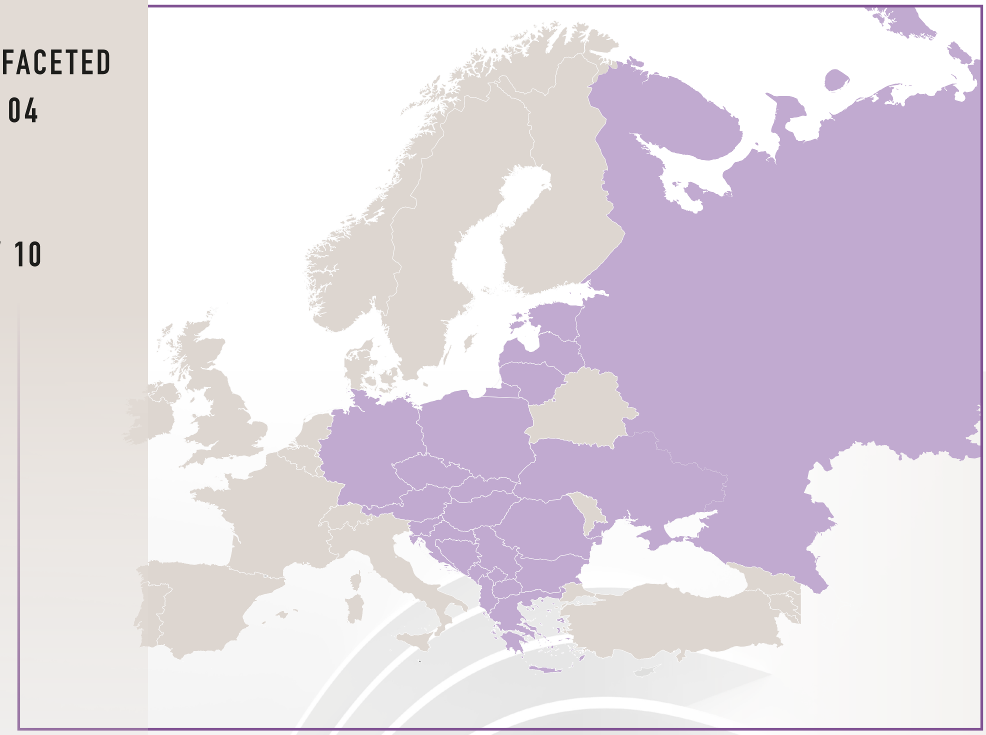


“CREATING SHARED VALUE”

WELCOME TO THE CEE TAX GUIDE 2018

Welcome to Mazars' sixth annual Central and Eastern European (CEE) tax guide.
The main purpose of this guide is to provide you with an overview of the tax systems in the CEE region. I would also highlight the expansion of our coverage: from 1th January 2018 we are proud to report that the guide has increased its scope to cover 22 CEE countries.
As always, this publication strives to help investors understand the complexities of the various CEE tax regimes. In the first section, the tax systems of the CEE region are presented country-by-country, based on data provided by the relevant Mazars offices. At the end of this guide you will find summary tables that allow side-by-side comparisons of the relevant tax environments.
Before making any strategic business decision further discussion and detailed analysis is always required. To that end, we have included direct contact information for our offices and experts. Please feel free to get in touch with the relevant people with any questions or clarifications you might have.

We hope you find this guide useful.

Sándor Szmicsek
Partner
Tax and legal services
Mazars Hungary

TAX BEYOND BORDERS – AN OVERVIEW OF THE MULTI-FACETED REGIONAL TAX LANDSCAPE

VAT collection goes digital, employers' contributions declining

This is the sixth occasion that Mazars offices around Central and Eastern Europe (CEE) and beyond have cooperated to produce and publish our report on current taxation in the region.
In actual fact, this 2018 summary extends well beyond the CEE region; each year we have added new countries to the initiative and it now numbers 22 participants, with Bulgaria, Kosovo and Germany the latest entrants.
A quick look at the map on the previous page reveals that the publication also covers the Visegrad (V4) countries, as well as South-Eastern Europe, Russia, Ukraine and the Baltic States.
Regarding the content, we can safely declare that investors interested in the region will receive a comprehensive overview of the taxation conditions in the CEE region. Our publication also allows a comparison of the fundamental factors of competitiveness.

Value-added tax

Thanks to the positive economic climate of recent years, in most CEE states the government budget balance improved and consumption has started to increase. Governments try to build upon this momentum by giving an increasingly large role to consumption-type taxes when planning fiscal revenues. Accordingly, one of the most important sources of income for the budgets is value added tax. Owing to EU regulations the rules are mostly harmonized, but the tax rates applied vary widely across the region. The average of normal VAT-rates is around 20%; in 2018, only Montenegro increased its rate by a few percentage points. The 25% and 27% rates in Croatia and Hungary, respectively, are still particularly high.

A persistent trend is that states attempt to collect value-added taxes more efficiently with the help of digital technology. Efforts are in place for the identification of transactions for which due taxes were not paid, the reduction of tax evasion and the "whitening" of the shadow economy. Further measures include the introduction of on-line cash registers and increased attention to the monitoring of transactions involving the transport of goods. From 2018 in Hungary invoicing software must be connected to the tax authority's system, which will result in the supply of relevant real-time electronic information.

"Significant changes have been introduced in the Romanian tax legislation in the last period of time below some of the highlights.
- From the 1st of January 2018 approximately 20% of the Social Security Contributions have been transferred from the employer to the employee which makes the gross to net salaries to be more transparent.
- In addition the split VAT payment system as introduced in 2017 continues to be applicable however for most business on an optional basis, being mandatory only for taxpayers under insolvency procedures or with outstanding VAT liabilities. Which is intended to improve VAT collection.
- The so called micro-company has become more beneficial as the revenue threshold is increased to EURO 1M and when having 1 employee the tax on revenue is 1%.
- Romanian Transfer Pricing audit by the Tax Authorities are intensifying which gives good grounds to concluded APA's. In addition part of ATAD has been implemented from the 1st of January 2018"

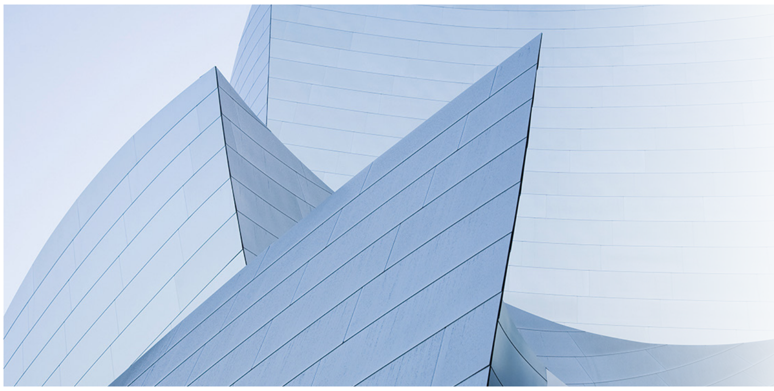
Edwin Warmerdam/ Partner / Romania

"Over the last few years the Slovak tax system is becoming stricter in the area of international taxation including transfer pricing. The current trend is taking a closer look at substance requirements as well as at beneficial ownership. During the course of tax audits in the area of transfer pricing, standard documentation is often regarded as insufficient proof by Slovak tax authorities. More extensive materials and additional documents are requested frequently."

Günter Oszwald/ Tax Partner/ Slovakia

"Following BEPS Actions' adoption, the Greek Tax Authorities are focusing on the strict implementation of anti-abuse provisions, preventing tax evasion and artificial arrangements especially through preferential tax jurisdictions in the region. The tax rates remain high and the business environment is tight, however some recent decisions of the Greek Supreme Court in the field of tax residency for individuals and statute of limitation for the unaudited years gave to the taxpayers an optimistic feeling."

Theodoros Kintis/ Director/ Greece



Taxes on employment

The proportion of taxes and contributions on employment continues to decrease. Despite these changes, the total wage cost of employers in the region is still approximately 160% of the net wages. It should be noted that Hungary has made progress in reducing the large burden on employers. Effective 2018, the Romanian system of social contributions has been completely overhauled. Further, Romania, Croatia and Montenegro each found ways to decrease personal income tax rates.
The most important challenge that the CEE region must face in the near future is increasing labour shortages. How government measures aimed at combatting this problem will impact employment costs remains an open question.

Corporate income taxes

Methods of calculating the tax base vary across the region, and some of the countries have also introduced tax schemes that are altogether different from traditional, profit-based taxation. Earlier, only Estonia had its own, unique system, whereby companies did not have to pay the 20% corporate income tax as long as there was no withdrawal of income from the company. From 2018, Latvia chose this same path, and also made distributed profits the tax base.

Across the other CEE countries it is increasingly apparent that different emphasis is placed on taxing corporate incomes. The difference between the lowest and the highest tax rates is now less than 20 percentage points. We again have one country where the corporate income tax rate decreased by a few percentage points (Croatia), while in another there was a comparable increase (in Slovenia). Overall, the average corporate income tax rate in the CEE region is a little over 17% (calculating with the highest rate in case of countries where several rates are used).
All of the CEE countries with traditional income tax schemes allow losses generated in previous years to be carried forward and used against the positive tax base of subsequent years. Generally, this amount can only be used for a limited period of time, usually 5-7 years, but in some countries only for 3-4 years. Only six countries allow losses to be carried forward indefinitely.
The majority of the countries examined used some kind of interest limitation rule, which determines what part of the interest paid on corporate loans can be deducted from the income tax base. Thanks to the EU's Anti Tax Avoidance Directive (ATAD), the earlier thin capitalisation rules are increasingly being replaced by methods linked to EBITDA-based calculations. The standardisation of the Controlled Foreign Company (CFC) rules is also due to the same directive.
States in the region have a penchant for imposing withholding taxes on payments of interest, dividends and royalties (at rates of 15%, or even 19-20%). Naturally, these may be applied with attention to the provisions of the relevant tax treaties. Lithuania, Estonia and Hungary do not impose a withholding tax on capital gains.
A clear trend of recent years is the acceptance of IFRS-based financial statements: in two-thirds of the region taxpayers are allowed to prepare IFRS-based separate financial statements and to use these also for taxation purposes. Finally, it should be noted that the tax systems of more than half of the countries surveyed support research and development (R&D) activities in some form.

Transfer pricing

The BEPS ("base erosion and profit shifting") initiative of the OECD alerted tax authorities to concentrate more on intra-group or cross-border transactions. Transfer pricing regulations have earlier appeared in the tax systems of almost all of the countries concerned, and now there is an increasing emphasis on the related documentation obligations. The fundamental aim of the "country-by-country reporting" (CBC-R) required by OECD is to improve transparency by way of providing local tax authorities with the information necessary for assessing tax risks. In the past year, taxpayers in the CEE region had to actively participate in launching the CBC reporting system.

ALBANIA

CORPORATE TAXES AND OTHER DIRECT TAXES

Resident companies are subject to corporate income tax on their worldwide income, while non-resident companies are taxed only on their income derived from sources in Albania. Resident companies and sole traders having an annual turnover above ALL 8,000,000 (EUR 57,000) are subject to corporate income tax. Capital gains, dividends, interests, and royalties are included in the income of companies and are taxed as part of corporate income tax. Income tax is assessed on a current-year basis at the rate of 15% and 5% for the entities which operate in production and development of IT software's activities. The assessment of CIT is based on the FS prepared in accordance with the National Accounting Standards or IFRS, subject to certain adjustments for tax purposes as specified in the Albanian Tax Laws and other supplementary legal acts. Fiscal losses may be carried forward up to three consecutive years. The law does not provide for consolidated tax returns. Each company forming part of a group must file a separate tax return.

The gross amount of interest, royalties, dividends, and shares of partnerships' profits paid to non-resident companies is subject to a withholding tax of 15%, unless a Double Tax Treaty (DTT) provides for a lower rate. Albania has established agreements with 41 countries for avoiding double taxation. 39 of them are ratified and currently in force.

VAT AND OTHER INDIRECT TAXES

The new law of VAT entered in force in January 1, 2015 has been harmonized with the "acquis communautaire" in almost all respects. Any person (entity or individual) that makes supplies in the course of the person's independent economic activity is required to pay VAT. For domestic supplies and for services subject to the reverse-charge mechanism. The obligation to register for VAT purposes and charge VAT until 31 March 2018 is triggered when annual turnover exceeds ALL 5 million (approximately EUR 36,000). From 01 April 2018 the threshold for VAT registration will be ALL 2 million (approx. EUR 14,800) Persons involved in import or export activities and taxpayers supplying professional services must register for VAT regardless of the amount of turnover.

Customs duty in the Republic of Albania is applied by the custom authorities on the import of goods. The liability to pay the duty is always on the importer of goods, but it is added to the cost of goods and in this way it is finally passed on to the consumers. The customs duty rates range between 0% and 15%, depending on the type of goods and the country of the origin.

Local taxes consist of different categories of taxes

TRANSFER PRICING IN ALBANIA		
Arm's length principle	✓	since 1998
Documentation liability	✓	since 2014
APA	✓	since 2014
Country-by-Country liability	No	
Master file-local file (OECD BEPS 13) applicable	No	
Penalty		
lack of documentation	✓	~ Documentation submited on delay -EUR 70 / for each month of delay
tax shortage	✓	0.06% on daily bases (not more than 365 days) on tax underpayment + late payment interest
Related parties	50% <	direct or indirect control or common managing director
Safe harbours	✓	Rational value added service from 5% to 15% mark up
Level of attention paid by Tax Authority		5/10

VAT OPTIONS IN ALBANIA	Applicable / limits
Distance selling	N/A
Call-off stock	N/A
VAT group registration	N/A
Cash accounting	N/A
Import VAT deferment	N/A
Local reverse charge	for all services from non resident entities that are subject to VAT in their country
Option for taxation	
letting of real estate	✓
supply of used real estate	N/A
VAT registration threshold*	EUR 14,800/year**

* Persons involved in import or export activities and taxpayers who supply professional services must register for VAT regardless of the amount of turnover.
**This limit of threshold for VAT registration is in force from 01 April 2018.

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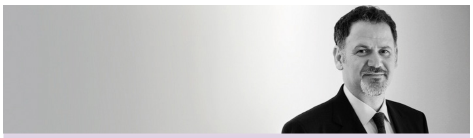
PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Mandatory social security and health insurance contributions are due on employment income. The social security contribution is calculated on a monthly gross salary, from a minimum amount of ALL 24,000 (approximately EUR 178) to a maximum amount of ALL 105,850 (approximately EUR 784). Social contribution payable by the employer is 15%; while the rate payable by the employee is 9.5%. The health insurance contribution rate is 1.7% for both the employer and the employee.

Employed persons are subject to income tax on remuneration and all benefits received from employment. Entities are required to withhold personal income tax from the gross salaries of their employees. In Albania a progressive rate is applicable since 2014; no tax is applicable up to a monthly salary of ALL 30,000; above that 13% applies between ALL 30,000 and 130,000. Above that level ALL 13,000 plus 23% of the amount above ALL 130,000 is payable.

WAGE-RELATED TAXES IN ALBANIA	Minimum wage		Average wage in private sector	
Exchange rate ALL / EUR 135	in EUR	in ALL	in EUR	in ALL
	178	**24 000**	**407**	**55 000**
TOTAL WAGE COST	**207**	**116,70%**	**475**	**116,70%**
Social Contribution tax	27	15,00%	61	15,00%
Health Insurance Contribution	3	1,70%	7	1,70%
GROSS SALARY	**177,78**	**100,00%**	**407,41**	**100,00%**
Personal income tax*	-	0,00%	24	13,00%
Employees' Social contributions	17	9,50%	39	9,50%
Employees' Health contributions	3	1,70%	7	1,70%
NET SALARY	**158**	**88,80%**	**337**	**82,79%**

*Salary 0 -30,000 ALL PIT rate 0%.
Salary 30,001 -130,000 ALL PIT rate 13% of the amount over 30,000 ALL.
Salary over 130,001 ALL PIT 13,000 All + 23% of the amount over 130,000 ALL.



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AUSTRIA

CORPORATE TAXES AND OTHER DIRECT TAXES

The Austrian corporate income tax is flat with a rate of 25%. The Austrian Corporation Tax Act defines the tax framework for corporations, setting an annual minimum tax of EUR 3,500 for public companies (AG) and a minimum tax per year of EUR 1,750 for limited liability companies (GmbH). These minimums are to be considered as a tax in advance, and as such, the amounts can be set off against any future corporate tax obligation. The company's profits are computed by summing up the income generated by business activities performed, the passive income and the capital gains. In principle, all expenses linked to the conduct of the business are deductible. Losses can be carried forward indefinitely (but only 75% of one year's profit can be offset), carry back is not permitted. Incentives concerning R&D are provided in the form of a 14% premium in cash for certain types of expenditure. An expert report from the FFG ("Forschungsförderungsgesellschaft") is compulsory to request this tax incentive.

Thin capitalization is not subject to any specific regulations. However, in order to avoid insolvency, the reorganization law stipulates guidelines. The standard tax rate on capital gains is 27.5%. Dividends paid out from resident companies to the resident shareholder (not individuals) in Austria are exempt regardless of the participation percentage. Several important exemptions exist, such as an international participation exemption for dividends from non-resident companies. These dividends are tax free if a minimum of 10% direct or indirect shareholding has existed for at least one year (applicable also for less than 10% shareholding if extensive mutual assistance exists with such countries). Royalties and licenses are also subject to exemptions in accordance with tax treaties and EU directives; otherwise the standard tax rate is 20%. Austria, with 90 tax treaties, offers double taxation conventions with a large number of countries.
Austria has a group taxation regime: profits and losses of the group members are attributed to the group holder and the aggregated balance is subject to taxation.

Losses from nonresident companies can be used in Austria (again, the 75% limitation is applicable and the foreign losses have to be calculated by applying Austrian accounting rules if extensive mutual assistance exists. These losses can be subject to a recapture in cases of liquidation or if they are used abroad.

VAT AND OTHER INDIRECT TAXES

The general rate is 20% for the sale of goods and services. A reduced rate of 10% is used for agricultural products and rentals with a residential purpose (in certain cases 13% for entertainment, art). Exemptions are in place for banking transactions, and no VAT is levied on exports. Entrepreneurs with annual sales below EUR 30,000 are exempted from VAT obligations. Non-residents trading in Austria are also subject to registration. Monthly returns are electronically recorded, and annual returns are to be completed by 30 June of the following year. Companies represented by a tax advisor can have the deadline substantially extended.

TRANSFER PRICING IN AUSTRIA		
Arm's length principle	✓	since 1988
Documentation liability	✓	since 1988 / 2016
APA	✓	since 2011
Penalty		
lack of documentation	✓	CbCR not provided up to KEUR 50
tax shortage	✓	late payment interest if fraud: fiscal penal code
Related parties	20% <	direct or indirect ownership
Safe harbours	No	
Level of attention paid by Tax Authority	increasing	8/10

VAT OPTIONS IN AUSTRIA	Applicable / limits
Distance selling	EUR 35,000/year
Call-off stock	✓
VAT group registration	✓
Cash accounting*	EUR 700,000/year
Import VAT deferment	✓
Local reverse charge	gas, electricity, heating, emission quotas, mobile phones, game consoles, construction services, scrap, compulsory auction of immovable property
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	EUR 30,000/year

* Not applicable for capital companies

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PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

The Austrian income tax rate is progressive (maximum of 55%). The personal income tax progression adds up as follows:

- annual income up to EUR 11,000 is not taxed,
- from the 11,001st to the 18,000th Euro earned, the marginal tax rate is 25%
- from the 18,001th to the 31,000th Euro earned, the marginal tax rate is 35%,
- from the 31,001st to the 60,000th Euro earned, the marginal tax rate is 42%,
- from the 60,001st to the 90,000th Euro earned, the marginal tax rate is 48%,
- from the 90,001st Euro earned, the marginal tax rate is 50%,
- part of the earnings which exceeds 1 mio. Euros is taxed with 55%.

Concerning capital gains, a 27.5% tax rate is applied to all capital income from both Austrian and foreign sources.

In Austria a statutory compulsory social security system is in use. All employees are subject to this system. The two most important schemes are the Austrian General Social Insurance Act ("ASVG"), which is used for dependent employees (blue and white-collar workers) and the Austrian Commercial Social Insurance Act ("GSVG") which is used for the self-employed.

1. Salaried employees:

Social security contributions are partly paid by the employee and partly paid by the employer. The base is the monthly gross salary and special payments. Generally, a maximum contribution base is in use (2018: EUR 5,130 per month, EUR 10,260 per year for special payments.) Based on the maximum contribution base the social security contribution amounts to 39.60% (18.12% employee and 21.48% employer). Additionally employers are obliged to pay various other payroll-related costs such as a contribution of 1.53% to the employee pension provision fund ("BVK"), a contribution of 3,9% to the family allowance fund ("DB"), a surcharge of approx. 0.40% to contribute to the family allowance fund ("DZ"), and a municipal tax of 3%.

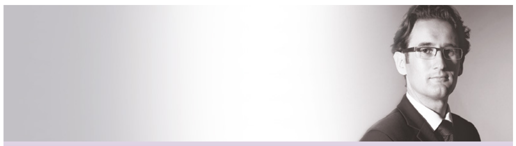
2. Self-employed persons:

For self-employed persons also a maximum contribution base is in use (2018: EUR 5,985 per month and EUR 71,820 per year). Based on the maximum contribution base the social security contribution amounts to 26.15%. This insurance covers health insurance, pension insurance and accident insurance. For the first 3 years lower contributions can be paid.

Minimum wages depend on the sector's collective agreement. Therefore, no standard minimum wage exists.

WAGE RELATED TAXES IN AUSTRIA	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	1 806,7*		3 498**	
TOTAL WAGE COST	2 746	130,27%	5 316	130,27%
Employer's SS and other contributions***	638	30,27%	1 235	30,27%
GROSS SALARY****	2 108	100,00%	4 081	100,00%
Personal income tax	41	1,95%	629	15,41%
Employees' contributions	379	17,98%	734	17,98%
NET SALARY	1 688	80,07%	2 719	66,62%

* Payroll accountant in Austria, 2nd professional year
** Average monthly salary of full time employed persons in Austria in 2016.
*** In addition to SSC contribution to family equalization fund, surcharge, severance pay and community tax is also payable
**** Monthly gross salary (12 months)



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BOSNIA AND HERZEGOVINA

CORPORATE TAXES AND OTHER DIRECT TAXES

It is important to note that Bosnia and Herzegovina (BiH) is divided into three tax jurisdictions: the Federation of BiH (FBiH), the Republika Srpska (RS) and Brčko District (BD). For the sake of simplicity we will focus on the RS and FBiH. The CIT rate is flat and amounts to 10%. A company in FBiH/RS is resident if it is registered as legal entity in the relevant jurisdiction, or in other case its activities in BiH qualify as PE (PE requirements are similar to those defined by OECD Model treaty). In all tax jurisdictions, losses can be carried forward for up to 5 years. Loss carry-back is not permitted. There are no special limitations in case of M&A transactions. In FBiH, interest expenses taken from related parties are tax deductible in debt / equity ratio of 4: 1 (thin cap rule). In RS, interest expenses are not recognized for the amount of net interest expenses exceeding 30% of the tax base (without financial items). In the RS, R&D costs are recognized in line with IAS. In FBiH and BD, R&D costs are recognized. Dividends profit is not included in the calculation of the tax base. In the FBiH, taxpayers who make investments from its own resources in production equipment worth more than 50% of the profit of the current tax period, reduces liabilities of corporate income tax for 30% of the amount in the year of investment. The taxpayer who invests more than 20 million BAM (10,2 million EU) in five consecutive years (minimum investment in first year equals to 4 million BAM (2,04 million EUR), reduces its CIT liability for 50% of the investment in each of 5 years.

Withholdings rate is 10%, for dividends amounts to 5% in FBiH unless an DTT applies (currently, around 30 active DTT's). Interests, royalties and technical fees paid by a BiH company to a foreign company are subject to withholdings at the rate of 10%. In RS there is a flat rate withholding tax (10%) on all payments to foreign legal person in which there is an obligation to pay withholding tax. The group taxation concept is allowed in BiH for a group of resident companies with a minimum of 90% (FBiH). Moreover, mother company and its subsidiaries constitute a group of companies if among them there is direct or indirect control over 50% of the shares or stakes.

In case of acquiring real estate in the FBiH, the transfer is taxable at cantonal level. In the RS, there is no transfer tax, but the owner of the real estate has to pay property tax up to 0,20% of the market value. (decreased rules for production RE applies).

TRANSFER PRICING IN BOSNIA AND HERZEGOVINA		
Arm's length principle	✓	since 1998
Documentation liability	✓	It is necessary. It is prescribed the content of transfer pricing documentation.
APA	No	
Country-by-Country liability	✓	prescribed both by FB&H Rulebook on transfer pricing as the RS since 2016
Master file-local file (OECD BEPS 13) applicable	✓	expected to be applicable from FY 2018 on
Penalty		
lack of documentation	✓	RS: 10.226,00 EUR-30.678,00 EUR for legal person and 2.556,00 EUR-7.669,00 EUR for responsible person. FBIH: 1.534,00 EUR-51.130,00 EUR for legal person and 1.278,00 EUR-5.113,00 EUR for responsible person.
tax shortage	No	There is no interest rates defined by Governmental Rulebook
Related parties	25% (25%) <	direct or indirect control (25% for FBIH, 25% for RS) or common managing director or significant influence on decisions. One person is connected with another when that person participates directly or indirectly in the management, control or capital of that other person or where the same person or the same persons participate directly or indirectly in the management, control or capital of both persons.
Safe harbours	Yes	In FB&H, safe harbour rate for support services is 5%. Support services include: IT maintenance services, accounting and auditing, administration, legal services, HR menagement, employees training and education and tax advisory services.
Level of attention paid by Tax Authority	We believe that the attention of the tax authorities will be increasing, given the new provisions of the Act and Regulations relating to transactions with related parties.	

VAT AND OTHER INDIRECT TAXES

The general rate is 17%. There are no reduced rates beside the 0% rate (mainly for the export of goods). VAT-exempt services are mainly banking services, insurance, healthcare, etc. Export exemption as well as exemption for deliveries to free zones apply. Certain thresholds are as follows.

Other indirect tax types in BiH are custom duties and excise duties on goods imported into BiH.

VAT OPTIONS IN BOSNIA AND HERZEGOVINA	Applicable / limits
Distance selling	No
Call-off stock	✓
VAT group registration	No
Cash accounting	No
Import VAT deferment	No
Local reverse charge	Yes
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	approx. EUR 25,510/year

MAZARS IN BOSNIA AND HERZEGOVINA

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PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Personal income is taxed at a flat rate of 10%, and it is applicable on the active (e.g. employment, assignment fee) and passive income (interest, real estate rental, etc.). Dividends are not taxable in BiH.

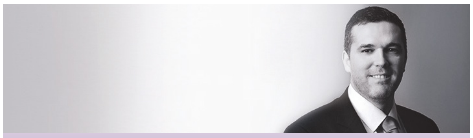
In the RS, the employee contributes 33% of the gross salary. In the FBiH, the employer contributes 10.5%, and employee contributes 31% of the gross salary.

In FBiH, the lowest hourly wage cannot be less than 1,75 BAM (0,895 EUR) net, or 2,96 BAM gross (1,51 EUR). In RS, the lowest salary is determined as a net amount in the amount of 395,00 BAM (201,96 EUR).

2018 IN FBIH AND RS		Average wage in FBiH		Average wage in the RS	
Exchange rate BAM/ EUR	1,96	in EUR	in BAM	in EUR	in BAM
		679	1 331	683	1 338
TOTAL WAGE COST		**750**	**110,50%**	**683**	**100,00%**
Employer's SS and other contributions		71	10,50%	-	0,00%
GROSS SALARY		**679**	**100,00%**	**683**	**100,00%**
Employees' contributions		211	31,00%	225	33,00%
Personal income tax*		32	4,65%	36	5,21%
NET SALARY		**437**	**64,35%**	**422**	**62,97%**

2018 IN FBIH AND RS		Average wage in FBiH		Average wage in the RS	
Exchange rate BAM/ EUR	1,96	in EUR	in BAM	in EUR	in BAM
		267	524	202	394,94
TOTAL WAGE COST		**295**	**110,50%**	**318**	**100,00%**
Employer's SS and other contributions		28	10,50%	-	0,00%
GROSS SALARY		**267**	**100,00%**	**318**	**100,00%**
Employees' contributions		83	31,00%	105	33,00%
Personal income tax*		3	1,17%	11	3,49%
NET SALARY		**181**	**67,59%**	**202**	**66,07%**

* Tax base differs from the gross salary, deductions apply.



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BULGARIA

CORPORATE TAXES AND OTHER DIRECT TAXES

Bulgaria has a flat corporate income tax rate of 10% applied on the annual tax profit. The tax profit may be also deducted by tax losses to be carried forward within five subsequent financial years. Bulgaria applies thin capitalization rules to interest expenses from loans provided or guaranteed by related parties.

The financial result of collective investment schemes and enterprises with special purposes are not taxable with corporate income tax.

Advance tax payments should be made each month or quarter, based on the estimated tax profit for the current year.

Withholding tax rates are 5 % for dividends and 10 % for interests, royalties and other (Double tax treaties between Bulgaria and other countries could also be applied in order the withholding tax rate to be decreased).

There is no withholding tax if the dividends, interests and royalties are paid in favor of EU member state parent company.

Social, representative expenses and the expenses for vehicles are also taxable with 10 % tax rate.

There is also tax for operating of ships. It applies for entities, which fulfill specific conditions. The tax rate is 10% and it is applied to the calculated base for all ships - the ship's net tonnage, by law amounts for each type of ship and the days in exploitation of the ship.

Local taxes are determined by each municipality in ranges, stated in Local taxes and fees Law. Local taxes and fees include:

- real estate tax – its ratio is in the range between 0.1 and 4.5‰. Base for taxation for non-living real estates of companies is the highest of book value or calculated by municipality tax valuation. Base for taxation of all living real estates is the municipality's tax valuation;
- transportation vehicle tax – determined as exact amount, depending on vehicle type, and power;
- tourist tax – applicable for each overnight in place of accommodation. The range of tax is between 0.20 and 3 BGN for overnight;
- gift tax – applied for gifts of all kind, with very limited exemptions. Applies also for forgiven payables. There are the two rate ranges applicable – between 0.4 and 0.8 % for gifts between brothers and sisters and their children; and between 3.3 and 6.6 % for all remaining;
- tax on the acquisition of property for a consideration – applies for real estates, vehicles and limited real estate rights, acquired for a consideration. The tax rate range is between 0.1 and 3% of the value of the property, or of the value of the more expensive property in case of exchange;
- inheritance tax - exempt in a limited extent (family members);
- tax on the carriage of passengers by taxi – fixed amount between 300 and 1 000 BGN for each car, used for providing taxi services;
- patent tax – it's applied for micro entities or individuals, which activities are small services like tailoring, very small stores, carpentry, etc. There are fixed amounts, determined by each municipality;
- garbage fee – fee collected from municipalities for maintaining of waste disposal, and cleaning the public areas (parks, streets, sidewalks, etc.);
- wide range of other fees, usually imposed for specific services, like social services, technical and other services, rent of plots for sale at market places, sidewalks, etc.

TRANSFER PRICING IN BULGARIA		
Arm's length principle	✓	since 1989
Documentation liability	No	
APA	No	
Penalty		
lack of documentation	No	
tax shortage	No	late payment interest
Related parties	50% <	direct or indirect control or personally related
Safe harbours	No	
Level of attention paid by Tax Authority		5/10

VAT OPTIONS IN BULGARIA	
Distance selling	approx. EUR 35,790/year
Call-off stock	No
VAT group registration	
Cash accounting*	500,000 EUR/last 12 months
Import VAT deferment	No
Local reverse charge	all types of waste (construction, household, production, hazardous); services related to waste processing; different types of agricultural production (seeds and grain)
Option for taxation	
Letting of real estate	✓
Supply of used real estate**	✓
VAT registration threshold	approx. EUR 25,565/last 12 months

* If specific conditions are fulfilled and after permitment from tax authorities

** 5 years time test

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VAT AND OTHER INDIRECT TAXES

For year 2018, the standard VAT rate is 20%, while the reduced rate is 9% (applicable for accommodation, provided by hotels and similar places for accommodation, including holiday accommodation and renting of places for caravans and camping). VAT-exempt services include financial and insurance services, the transfer of buildings and some land plots, and rights related to them, rent of real estate to individuals for housing, post services and post stamps, education services, gambling, supplies, related to culture, religion, medical and social care services and, also supplies, for which no tax credit has been used. VAT payers are obliged to submit VAT returns, sales and purchase registers, VIES and Intrastat declarations on monthly basis.

Other indirect taxes include excise duties (on mineral oils, spirits, beer, wine, tobacco and tobacco products, gas, electricity and solid fuels).

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Personal income tax is applied at a flat rate of 10% on most of the incomes. Income from employment and self-employment is subject to social security and health insurance contributions. In case of employment, the employee's contribution amounts to 13.78% (10.58% social security and 3.2% health insurance). For the employer, the contributions are 18.92% (14.12% and 4.8% respectively). For specific positions there are different rates for contributions.

There is minimal basis for social and health contributions for each position (mostly divided by sectors of economy). The maximum assessment base for social and health insurance contributions is BGN 2 600 BGN (app. EUR 1 329).
Tax rate for dividends or liquidation shares paid in favor of natural person is 5 %.
Tax rate applicable to the gross amount of interests, received from bank accounts, is 8 %.
Tax rate for amounts received after expiry of Life insurance, if its duration was more than 15 years, is 7 %

WAGE RELATED TAXES IN BULGARIA		Minimum wage		Average wage in private sector	
Exchange rate BGN/EUR	1,95583	in EUR	in BGN	in EUR	in BGN
		261	510	541	1059
TOTAL WAGE COST		**310**	**119%**	**641**	**118%**
Social security contribution - employer		36	13,72%	74	13,72%
Health insurance - employer		13	4,80%	26	4,80%
GROSS SALARY		**261**	**100%**	**541**	**100%**
Employees' contribution		36	13,78%	75	13,78%
Calculated personal income tax after employees' contributions		23	10,00%	47	10,00%
NET SALARY		**202**	**77%**	**419**	**77%**

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CROATIA

CORPORATE TAXES AND OTHER DIRECT TAXES

From 2017 onwards, CIT rates are 18% or 12% for enterprises with annual revenues below HRK 3 million for taxable periods which ends after 1.1.2017. The tax base is accounting profit modified by several increasing and decreasing items. Enterprises with annual revenues below HRK 3 million have the option of determining the profit tax base by cash flow principle. Losses can be carried forward within 5 years but special limitations are applicable in case of M&A transactions. Capital gains are included in the annual corporate profits tax return. Croatia uses thin capitalization (4:1), but thin capitalization does not apply if shareholders are financial institutions, CIT payers in Croatia or PIT payers in Croatia. There is a range of tax allowances for new investments and R&D (up to 150% of qualified costs), the education of employees, etc.

A withholding tax of 15% is applied on interest, royalty and business consultancy services paid by a Croatian company to a foreign company. Exceptionally, WHT on dividends and profit shares are taxed at the rate of 12%. However, Croatia has more than 60 active DTT treaties used to avoid withholding tax. A withholding tax of 20% is applied on all payments to offshore companies for the services not mentioned in Law. The EU Directives on withholding tax apply.

Real estate transfer tax (RETT) is applied on the transfer of immovable property at the rate of 4%. The taxable base is the market value of a real estate at the moment when the tax liability is incurred and the taxable person is the buyer. The acquisition of newly built real estate that is taxed according to the VAT Law is not considered the transfer of real estate. Other taxes include contribution to the Croatian Commercial Chamber (fixed monthly fee), forestry tax (annual percentage) and tourist tax (for certain activities).

TRANSFER PRICING IN CROATIA		
Arm's length principle	✓	since 2004
Documentation liability	Yes	Deliver to Tax Administration upon request. Together with tax return for 2017, taxpayers have to deliver **Report on business transactions with related parties (PD-IPO form)** (deadline is 30 April)
APA	Yes	APA is available as from January 1, 2017. The application fee will be charged.
Country-by-Country liability	✓	from FY 2017
Master file-local file (OECD BEPS 13) applicable	No	The tax authorities have not yet issued any guidance on the implementation of the Master File, but is expected and recognised in practice
Penalty		
lack of documentation	No	Not specifically stated, general rules apply (up to HRK 200,000 for a company and HRK 20,000 for the responsible individual
tax shortage	Yes	Additional tax charged and 100% of that tax is not deductible
Related parties	50% (25%) <	direct or indirect control (25% is commonly used by tax authority and advisors) or joint control functions
Safe harbours	✓	Interest on IC loans is determined by the Minister of Finance, for 2017 4,97% and for 2018 interest rate is 4,55%
Level of attention paid by Tax Authority		7/10

VAT AND OTHER INDIRECT TAXES

The tax rate is 25%; a reduced rate of 13% applies to tourist accommodation services, newspapers, specific input for agricultural production, delivery of electrical energy, etc., while a reduced rate of 5% applies on milk, books, etc. VAT-exempt services are mainly banking services, insurance, investment-related services, educational services (under certain conditions), games of luck, certain services provided by medical doctors and dentists, and certain other activities which are tax exempt with regard to their public interest or their special character. Tax is deductible on food donation to non-profit humanitarian legal entities up to 2 percent of total revenues of previous year. From 2018, taxpayers are entitled to deduct 50 % of the input VAT related to the acquisition and rental of personal cars and other means of personal transport including the acquisition of any goods or services related to those goods (but only to purchase value of HRK 400.000 per single means of transport).

Other indirect tax types in Croatia are excise duty and insurance tax.

VAT OPTIONS IN CROATIA	Applicable / limits
Distance selling	EUR 36,000/year
Call-off stock	✓
VAT group registration	No
Cash accounting	EUR 400,000/year
Import VAT deferment	Only in specific cases
Local reverse charge	construction work, the supply of used material, the transfer of allowances to emit greenhouse gase, the supply of immovable property in certain conditions
Option for taxation	
letting of real estate	No
supply of used real estate	✓
VAT registration threshold*	EUR 39,000/year

* Lorem ipsum Ut acculpa aut et molorep udanimus, serit, sinverum et aut iderias perspicium adipis et quam eaquatum idita.

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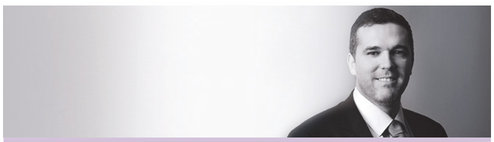
PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Personal income tax rates are 24% (monthly tax base up to HRK 17,500) and 36% (above HRK 17,500), while 12% rate is withheld from certain types of income, e.g. dividends, capital gains, lease of the real estate etc.. Active incomes fall under the scope of the SSC system: individual pension social contributions equal 20% (employee contribution) and health and unemployment contributions of 17.2% represent employer contribution.
For the person under 30 on undetermined period, there is no contributions on salary (17,2) for the period of 5 years. Passive incomes are generally subject only to taxes.
The examples below show the cost of the employer and the employee in case of minimum and average wage level in the private sector. Basic personal allowance amounts to HRK 3,800 and surtax is determined by municipality/city and amounts from 0% to 18%.

WAGE-RELATED TAXES IN CROATIA	Minimum wage		Average wage in private sector	
Exchange rate HRK/EUR 7,5	in EUR	in HRK	in EUR	in HRK
	459	**3 440**	**1 117**	**8 381**
TOTAL WAGE COST	**538**	**117,20%**	**1 310**	**117,20%**
Employer's contribution	79	17,20%	192	17,20%
GROSS SALARY	**459**	**100,00%**	**1 117**	**100,00%**
Employees' contributions	92	20,00%	223	20,00%
Tax and surtax*	-	0,00%	89	7,97%
NET SALARY	**367**	**80,00%**	**805**	**72,03%**

*Tax base differs from the gross salary, deductions apply.



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CZECH REPUBLIC

CORPORATE TAXES AND OTHER DIRECT TAXES

The Czech Republic has a flat corporate income tax rate of 19% applied on a general tax base. Basically, the tax base is represented by an accounting profit or loss modified by certain increasing and decreasing items. The tax base may be deducted by tax losses to be carried forward within five subsequent taxable periods. The Czech Republic applies thin capitalization rules to loans provided by related parties (generally 4:1).

The Czech Republic provides tax exemption for holding structures: dividends and capital gains are tax exempted, provided certain conditions are fulfilled. Moreover, under certain specific conditions, an exemption may also be granted to royalties or interest from credit and loans. A withholding tax of 15% applies to dividends, royalties, interest and generally to income received in the Czech Republic, if the conditions for tax exemptions are not fulfilled and a relevant double tax treaty states otherwise.

The Czech Republic has a wide international treaty network with more than 80 double tax treaties concluded. If the payments are realized to third countries without a double tax treaty (or a valid international agreement on exchange of information on tax matters), the withholding tax amounts to 35%.

Road motor vehicles used in connection with business, as well as trucks with a maximum gross weight exceeding 3.5 tonnes regardless of their use, are subject to a road tax if registered in the Czech Republic. A real estate tax is to be applied in relation to land and buildings, with tax rates generally depending on the type of the property, while the final amount of tax may also be influenced by local ratios (as applied by local authorities). A real estate transfer tax is to be applied at a rate of 4%. Inheritance tax and gift tax are incorporated into the income tax, with the application of standard income tax rates (15% for individuals, 19% for legal persons). Gratuitous income from inheritance is fully exempt. Gratuitous income from giving is exempt in a limited extent (e.g. gifts within family).

VAT AND OTHER INDIRECT TAXES

For 2018, the standard VAT rate is 21%, while the reduced rates are 15% (applicable, for example, on foodstuff, non-alcoholic beverage, heat, cold, public transport, accommodation and selected medical/sanitary goods and food-serving services) and 10 % (applicable, for example, on baby formula and children's food, certain pharmaceuticals, certain printed books, children's picture books, newspapers, magazines, music sheets and food for gluten-intolerant persons). VAT-exempt services include financial and insurance services, the transfer of buildings/flats/non-residential premises (after 5 years following the building approval), rent of real estate, post services, radio and TV services, education services and medical and social care services.

VAT payers are obliged to submit VAT returns, EC Sales Lists and Control Statements (evidence which reports detail on the selected transactions). All reports may be submitted on monthly or quarterly basis (depends on the subject who submits the report). The following options/limits based on the EU Directive are presented within VAT legislation:

TRANSFER PRICING IN CZECH REPUBLIC		
Arm's length principle	✓	since 1993
Documentation liability	✓	since 2006 (scope of Documentation is only recommended)
Country-by-Country liability	✓	from FY 2016
Master file-local file (OECD BEPS 13) applicable	✓	the recommended scope of the TP documentation in the Czech Republic corresponds to the general principles included in the OECD Guidelines and the Code of Conduct on Transfer Pricing Documentation for Associated Enterprises in the EU.
APA	✓	since 2006
Penalty		
lack of documentation	No	
tax shortage	✓	20% on tax underpayment + late payment interest
Related parties	25% <	direct or indirect control or personally related
Safe harbours	✓	Low value added services: 3-7% mark-up
Level of attention paid by Tax Authority		9/10

VAT OPTIONS IN CZECH REPUBLIC	Applicable / limits
Distance selling	approx. EUR 45,000/year
Call-off stock	✓
VAT group registration*	✓
Cash accounting	✓
Import VAT deferment	✓
Local reverse charge	supply of construction works, waste, gold and intermediary service related to supply of gold, supply of emission permits, selected cereals and industrial crops, mobile phones, integrated circuits, portable devices for the automated processing of data (e.g. notebooks and tablets), videogame consoles, real estate (when VAT payer voluntarily applies VAT on the sale which should be generally VAT exempt), supply of gas, electricity to trader, provision of telecommunication services to trader, outplacement of construction and assembly workers, supply of immovable property in forced insolvency sale, supply of goods originally provided as guarantee, supply of goods after assignment of reservation of ownership
Option for taxation	
letting of real estate**	✓
supply of used real estate***	✓
VAT registration threshold****	approx. EUR 39,200/year

* related parties, only for Czech legal entities
** only when let to VAT payer for perfoming of his economic activity
*** 5 years time test
**** only for Czech based legal entities

Other indirect taxes include excise duties (on mineral oils, spirits, beer, wine and tobacco) and an energy taxes (on gas, electricity or solid fuels). A 'contribution' from electricity produced via solar facilities applies to such electricity producers.

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PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Personal income tax is applied at a flat rate of 15% on active (employment, self-employment) and passive income (e.g. capital gains, dividends, interests). The employees' tax base is increased by health insurance/social security contributions paid by the employer, thus the effective tax rate amounts to approximately 20%. A "solidarity" increase of tax at the rate of 7% is applied for the part of the gross income from an employment/tax base from self-employment exceeding 48 times the amount of the average wage (for 2018 it is CZK 1,438,992). Income from employment and self-employment is subject to social security and health insurance contributions. In case of employment, the employee's contribution amounts to 6.5% (social security) and 4.5% (health insurance). For the employer, these amount to 25% and 9% respectively. The social security contributions are not paid on the income exceeding the maximum assessment base (for 2018 it is CZK 1,438,992). The maximum assessment base for the health insurance contributions has been cancelled as of 2013. The example below shows the employer's and the employee's costs in case of minimum wage and average wage in the private sector.

WAGE- RELATED TAXES IN CZECH REPUBLIC		Minimum wage		Average wage in private sector	
Exchange rate CZK/EUR	25,265	in EUR	in CZK	in EUR	in CZK
		483	**12 200**	**1 187**	**29 979**
TOTAL WAGE COST ("SUPER GROSS" SALARY)		**647**	**134,00%**	**1 590**	**134,00%**
Social security contribution - employer		121	25,00%	297	25,00%
Health insurance - employer		43	9,00%	107	9,00%
GROSS SALARY		**483**	**100,00%**	**1 187**	**100,00%**
Calculated personal income tax without standard tax deduction*		97	15,00%	239	15,00%
Personal income tax after standard tax deduction**		15		157	
Employees' contributions		53	11,00%	131	11,00%
NET SALARY		**415**	**85,88%**	**900**	**75,81%**

* 15% tax rate is applied on "super gross" salary, the effective tax rate is approximately 20%
** Each individual is entitled to deduct a lump sum of CZK 2,070 (app. EUR 82) per month from his tax liability (called "standard tax deduction")

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ESTONIA

CORPORATE TAXES AND OTHER DIRECT TAXES

In Estonia there is no traditional corporate income tax, which means that retained profits enjoy deferred taxation, which is considered as the most attractive tax incentive for companies to invest in Estonia. Corporate profits are subject to income tax upon distribution i.e. dividend payments, liquidation proceeds, etc.
In addition, certain payments, such as fringe benefits, gifts, donations, costs of entertaining guests, expenses and payments that are not business-related are also identified as profit distributions for income tax purposes. Expenses related to business are not taxable if they have been incurred for the purposes of deriving income from a taxable business or are necessary or appropriate for maintaining or developing such business and it is clearly justified that the expenses are business-related. Also, no income tax is charged on business gifts, gifts and donations to specified non-profit associations and costs of entertaining guests not exceeding limits set by law.
The corporate tax rate is fixed as 20/80 on the net amount of the payment, which means that net distribution/payment is grossed up first and then subject to a tax rate of 20%. A calculation example in case the net payment is 1,000 EUR: the tax base is 1000 / 80% = 1,250 EUR, and the corporate income tax is 1,250 EUR x 20% = 250 EUR. There are no rules regarding how losses can be carried forward because only distributed profits are subject to income tax.

There is no withholding tax on dividends, interest and royalty paid by an Estonian company to either an Estonian or foreign company, provided that certain criteria are met. Also, there is no corporate income tax applied in case of pass-through dividends corresponding to certain rules. Income tax is withheld from rent from a commercial or residential lease (20%), payments to a non-resident for services provided in Estonia (10%), and payments to a legal person located in a low-tax-rate territory for services provided to an Estonian resident (20%). Estonia has a wide international treaty network with 63 double tax treaties. Other direct taxes include a gambling tax and a land tax applicable in specific cases. Also, there is a social tax, which is described under the social security system below.

VAT AND OTHER INDIRECT TAXES

The general rate is 20%, while the reduced rate is 9% (e.g. books and workbooks used as learning materials, particular medicinal products, particular periodic publications, certain accommodation services). Exportation is zero-rated. VAT is not imposed on certain goods and services of social nature. Other VAT-exempt goods and services include insurance services, leasing or letting of immovable properties, the sale of immovable properties or parts thereof before their first use, securities and financial services. The options/limits based on the EU Directive are presented within the VAT legislation:

At the end of 2014 Estonia introduced an additional reporting form that companies need to submit together with their VAT returns for reporting all transactions exceeding 1,000 EUR with a single partner in a calendar month. Also, in 2014 new rules were introduced regarding vehicle-related VAT-deductions, which in general (with one specific exception) restrict more than 50% of total input-VAT deduction related with vehicle costs (purchase of car, fuel, repair, etc.).

Other indirect tax types in Estonia include excise duty and customs duty.

TRANSFER PRICING IN ESTONIA		
Arm's length principle	✓	since 1999
Documentation liability	✓	since 2007
APA	No	N/A
Penalty		
lack of documentation	✓	Up to EUR 3,200. A criminal penalty may also be imposed up to EUR 16 million.
tax shortage	✓	Daily interest of 0.06% on the tax underpayment
Related parties	25% <	share capital or voting rights; other special rules relating mutual business interest or control
Safe harbours	No	
Level of attention paid by Tax Authority	8/10	

VAT OPTIONS IN ESTONIA	Applicable / limits
Distance selling	EUR 35,000/year
Call-off stock	-
VAT group registration*	✓
Cash accounting	turnover < 200,000 EUR
Import VAT deferment	✓
Local reverse charge	specific real estate, metal waste, gold
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold**	EUR 16,000/year

* There must be an element of common control over the members of the group.
** If the trade is below the registration threshold, voluntary VAT registration might be possible.

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PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

In Estonia there is a flat rate of PIT, which is 20%, and it is generally applicable to active (e.g. employment, assignment fee) and passive income (e.g. capital gains, dividend and interest). Resident individuals can use a monthly tax-free amount, which is maximum 500 EUR per month starting from 2018. The monthly tax-free minimum is applicable only with lower income and the application of it goes according to the following formula: 1) annual income up to 14 400 EUR gives 6000 EUR as annual basic exemption, 2) in case annual income increases from 14 400 EUR to 25 200 EUR, basic exemption decreases according to the following formula: 6000 – 6000 ÷ 10 800 × (income amount – 14 400), 3) if annual income is above 25 200 EUR, basic exemption is 0.

In addition, there a specific list of tax deductions, which can be applied via the annual tax returns e.g. deduction of housing loan interests (in certain limits), voluntary pension payments, donations and training expenses, an additional tax allowance in case more than one child, etc.
Active incomes fall under the scope of the SSC system: individual social contributions equal altogether 1.6%-3.6% depending of the type of mandatory pension subscription; the employer's contribution is altogether 33.8% (social tax 33% and unemployment insurance 0.8%). Passive incomes are in general not subject to SSC. Benefits in kind are taxed only on the level of the employer at two rates: corporate income tax (20/80 on net amount) plus social tax 33%, which is altogether approximately 60%. The examples below show the cost of the employer and employee in case of minimum wage level and the average wage in the private sector.

WAGE TAXATION IN ESTONIA	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
TOTAL WAGE COST	**629**	**133,80%**	**1 604**	**133,78%**
Employer unemployment insurance	4	0,80%	10	0,80%
Social tax	155	33,00%	396	33,00%
GROSS SALARY	**470**	**100,00%**	**1 199**	**100,00%**
Personal income tax	54	20,00%	193	20,00%
Employees' unemployment insurance	8	1,60%	19	1,60%
Employees' pension insurance*	14	3,00%	36	3,00%
Minimum monthly tax deduction (for tax residents)	180	-	180	-
NET SALARY	**395**	**83,98%**	**951**	**79,32%**

*The rate could be 2% or 3% depending of the age and the subscription type

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FORMER YUGOSLAV REPUBLIC OF MACEDONIA

CORPORATE TAXES AND OTHER DIRECT TAXES

The general corporate income tax rate for all taxpayers in the Former Yugoslav Republic of Macedonia is flat and amounts to 10%. Exceptionally, companies with a total revenue up to 3 million denars (MKD) are exempted from the payment of CIT, and companies with a total revenue between 3,000,001 and 6,000,000 denars have the option to pay CIT in the amount of 1% of the total revenue.
The tax base is the pre-tax profit modified by several increasing and decreasing items. Losses can be carried forward within a limited period of 3 years. Loss carry-back is not permitted. No special limitations are applicable in case of M&A transactions. The tax base is reduced for the amount of investment of profits (reinvested profit) for development purposes i.e. investment in tangible assets (property, plant and equipment) and intangible assets (computer software and patents) intended to expand the activity of the taxpayer.

FYROM applies thin capitalization (3:1). Thin capitalization rules do not apply to loans received from banks and other financial institutions and for newly established companies, within first three years. In the FYROM, there is a withholding tax at the rate of 10% on dividends, interests, royalties and other incomes paid by a FYROM company to a foreign company. The entities obliged to pay withholding tax should submit a Report about the paid withholding tax on the form "DD-I" to the Public Revenue Office once a year. This form is submitted until 15 February in the following year.

FYROM has a wide international treaty (DTT) network with 45 double tax treaties, and the withholding tax rate can be reduced or abolished under the active DTT. Taxpayers are obliged to obtain approval from the Macedonian tax authorities prior to applying the tax rates from DTT.

The tax rate on sales and other transfers of real estate and rights to real estate is 2 to 4% of the market value of the property. There is also a property tax (the rate is 0.1-0.2%) paid annually by owners of immovable properties.

VAT AND OTHER INDIRECT TAXES

The general rate is 18%; a reduced rate of 5% applicable to food products, pharmaceuticals, production equipment, computers and public transportation. Exports are zero-rated. VAT-exempt services are mainly banking services, insurance, the rental of real estate, certain services provided by medical doctors and dentists, certain types of education and training, as well as some other activities which are tax exempt with regard to their public interest or their special character.
Thresholds are as follows:

TRANSFER PRICING IN FYROM		
Arm's length principle	✓	Since 2009
Documentation liability	No	Upon request by the Macedonian tax authorities
APA	No	The tax legislation does not provide for a binding APA. Companies are entitled to file an application to the tax authority for a ruling with respect to the tax position they intend to take, to which the tax authority is obliged to reply
Country-by-Country liability	No	No obligation Country-by-Country reporting
Master file-local file (OECD BEPS 13) applicable	✗	The tax authorities have not yet issued any guidance on the implementation of the Master File
Penalty		
lack of documentation	✓	~ EUR 2.500-3.000 / missing documents doubled on recurrent basis and tax authorities are entitled to suspend the taxpayer's business activity for 3 to 30 days.
tax shortage	✓	Up to 10 times the amount of the understatement of tax
Related parties		individuals and legal entities with control or significant influence - family members of owners or members of the Management Bord - all nonresident legal entities registered in low-tax jurisdictions, irrespective of whether they have control or are of significant influence to the taxpayer
Safe harbours	✓	Interest income/expense from the loans as EURIBOR + 1% (or SKIBOR +1% for loans extended in MKD)
Level of attention paid by Tax Authority		4/10

VAT OPTIONS IN FYROM	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration*	✓
Cash accounting	No
Import VAT deferment	No
Local reverse charge	Construction including maintenance, electrical installation, plumbing, etc.
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold**	MKD 1 milion per year (EUR 16,260 /year)

Other indirect taxes in FYROM are fuel tax and excise duties.

* related parties
** voluntary registration is possible

MAZARS IN FORMER YUGOSLAV REPUBLIC OF MACEDONIA

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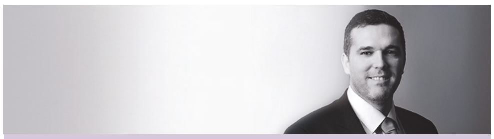
PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

There is a flat PIT rate of 10%, and it is generally applicable on the active (e.g. employment, assignment fee) and passive income (e.g. capital gains, dividend and interest). Employers are obligated to calculate, withhold from employees' gross salary, and pay into the accounts of respective funds the compulsory social contributions and personal income tax (PIT). Social security contributions payable by employees altogether amount to 27% of the gross salary: pension contribution is 18%; health care insurance is 7.30%; unemployment insurance is 1.2%; and health care at work insurance is 0.5%. The examples below show the cost of the employer and the employee in case of minimum wage level and the average wage. The personal allowance is MKD 90,372 (EUR 1.468) on an annual basis while the monthly personal allowance is in the amount of MKD 7,531. Starting from FY 18 the taxpayers are obliged to prepare and submit an Electronic calculation for advanced payment of tax (e-PPD) for the separate income they realize in the country and abroad during the calendar year.

The minimum base for social security contributions equals 50% of the average monthly salary for the current month. The highest base for payment of mandatory social security contributions on a monthly basis is 12 average salaries paid in Macedonia.

WAGE RELATED TAXES IN FYROM		Minimal wage in MAC		Average wage in MAC	
Exchange rate MKD/EUR	61,58	in EUR	in MKD	in EUR	in MKD
		239	**14 739**	**553**	**34 079**
TOTAL WAGE COST		**239**	**100,00%**	**553**	**100,00%**
Social contribution on salary		-	0,00%	-	0,00%
GROSS SALARY		**239**	**100,00%**	**553**	**100,00%**
Employees' contributions		65	27,00%	149	27,00%
Personal income tax*		5	2,24%	28	5,11%
NET SALARY		**169**	**70,76%**	**376**	**67,89%**

*Personal income tax base differs from gross salary, deductions apply.



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GERMANY

CORPORATE TAXES AND OTHER DIRECT TAXES

Companies are subject to German taxation if they have either their statutory seat in Germany or the main management decisions are taken in Germany. In this case the worldwide income is subject to German taxation. Besides, companies with a branch or permanent establishment in Germany are taxed based on the income realised in Germany. The corporate income tax rate amounts to 15% plus solidarity surcharge of 5.5%. The solidarity surcharge was introduced to finance the German reunification. Therefore, the total tax burden is 15.825%. In addition the local municipalities collect trade tax. The average trade tax burden is 15.5%.

In Germany, the determination of the taxable income is generally based on the result of the commercial profit and loss statement. However, the taxable income (which generally represents the reference base of the main taxes) tends to differ from the profit and loss disclosed in the commercial financial statements. The taxable profit is to be established from the changes in net capital employed during the financial year, from which the deposits are deducted and to which withdrawals are added. The assessment rules governing the assets and liabilities are therefore essential when calculating the taxable profit. Capital gains on tangible assets are fully liable to corporate income tax and to trade tax. Capital losses are fully tax deductible. Some income does not have to be taken into account in the taxable income, e.g. 95% of dividends received from corporations originated in Germany or abroad by a corporation as well as capital gains from selling these (if the participation in capital amounts to at least 10% and none of few general exemptions apply). The carry-back system allows for tax losses recorded in a financial period to be offset against earlier tax profits. Losses reduced by carry-back may be carried forward without limit, whereas their offset in one year is limited to € 1 million plus 60% of the income exceeding € 1 million.

Furthermore, the tax law in Germany distinguishes between partnerships and corporations. A partnership is in general liable to trade tax. The result of a partnership will be liable to income tax, if the shareholders are individuals, and to corporate income tax, if the shareholders are corporations on the level of the shareholder. The partnership itself neither pays income nor corporate income tax.

VAT AND OTHER INDIRECT TAXES

The VAT rate is in general 19%. A reduced rate of 7% applies for certain basic foodstuffs, books, newspapers, antiques, live animals, hotel accommodation and for some other items. Banking services and insurance premiums are exempt from VAT. In addition to VAT, various excise taxes and customs duties on imported goods as well as real estate transfer tax and land tax are mentioned as so-called "indirect" taxes. If goods are exported outside the EU, the customers are not subjected to VAT. In the other hand, any related input tax may still be fully deducted from amounts payable to the tax authorities. Imports into Germany outside the EU are subject to an "import VAT" on entry. Sales within the EU are also tax-free in the B2B sector. If persons or goods are transported from or to another EU country, this carriage is subject to German VAT, unless the carrier has made the transaction subject to the VAT of another EU country.

The real estate transfer tax is levied on the sales price or other transfer value on each change of ownership in land and buildings. The basic rate of real estate transfer tax rate is 3.5%. Each federal state in Germany has the right to apply a different rate of the real estate transfer tax on his territory.

TRANSFER PRICING IN GERMANY

Arm's length principle	✓	since 1995
Documentation liability	✓	since 2003
APA	✓	since 2006
Penalty		
lack of documentation	✓	bases of taxation can be estimated by the tax authorities + surcharge between 5 % and 10 % of the income adjustment maximum of 1 Million EUR
tax shortage	✓	from EUR 100,000 tax reduction - imprisonment or/and high fine
Related parties	25% <	direct or indirect control or personally related
Safe harbours	✗	
Level of attention paid by Tax Authority		9/10

VAT OPTIONS IN GERMANY

Distance selling	EUR 100,000/ year
Call-off stock	✓
VAT group registration	✓
Cash accounting	✓
Local reverse charge	Construction works, emission permits, gold, cleaning of buildings, turnover covered by the Real Estate Transfer Tax Act, natural gas and electricity
Option for taxation	
letting of real estate	✓
Supply of real estate	✓
VAT registration threshold	EUR 17,500 /year

MAZARS IN GERMANY

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PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

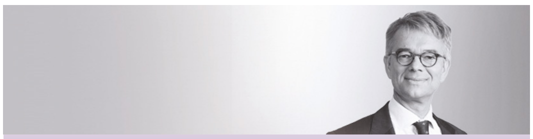
Taxable income of individuals can stem from the following categories: income from business, income from self-employment, income from dependent employment, investment income, agricultural and forestry income, income from real estate and other leases and other income. The rate of income tax varies according to progressive taxation brackets. There is a tax-free base allowance in accordance with the minimum subsistence level of € 8,820 for single individuals in 2017. The minimum tax rate has been 14% since 2009, whereas the maximum tax rate has been 45% since 2009. Some expenses, e.g. special expenses or exceptional expenses may be deducted to calculate taxable income. There is a second tax regime for investment income which mainly refers to dividends, interest etc. which is subject to 25% withholding tax. Individuals living in Germany may be liable to church tax. The rate varies between 8% and 9% of the income tax and is not collected if the taxpayer declares that he has no religious faith. Furthermore, solidarity surcharge is due of 5.5% of the payable income tax. Losses can be carried back for one assessment period up to a maximum of € 1 million (married couples € 2 million) and be carried forward indefinitely. However, minimum taxation is applicable (i.e. loss carry-forward can be utilized up to € 1 million unlimited, and the exceeding income can only be offset by 60%).

Individuals who are permanently resident - independent of citizenship - in Germany and individuals who have their customary place of residence in Germany are liable to unlimited taxation for German income tax purposes.
The tax liability relates to the worldwide income unless restrictions according to the Double Taxation Agreements are applicable. Individuals who are neither resident nor have their customary place of residence in Germany are subject to limited tax liability in Germany for income they derive from German sources.

Active incomes fall under the scope of the social security system. The German social security system is broken down into four main elements like as retirement insurance, unemployment insurance, invalidity insurance, and healthcare insurance. The social contribution is split equally between employer and employee, although childless employees over 23 are required to bear an additional 0.25% premium for the invalidity insurance. The statutory minimum for health insurance is 14.6% and is divided equally, but most health funds require a supplement of, typically, around 1% to be borne by the employee alone. The total of social contributions amounts to a minimum of 38.65% of an employee's gross salary.

WAGE-RELATED TAXES IN GERMANY	Minimum wage		Average wage in private sector	
EUR	in EUR		in EUR	
	1 540		2 900	
TOTAL WAGE COST	1 839	119,42%	3 463	119,42%
Employer´s contributions*	299	19,42%	563	19,42%
GROSS SALARY	1 540	100,00%	2 900	100,00%
Employee´s contributions**	191	12,40%	359	12,40%
Healthcare insurance	129	8,40%	244	8,40%
Personal income tax and solidarity surcharge***	92	5,95%	428	14,76%
NET SALARY	1 128	73,25%	1 870	64,44%

* consists of retirement insurance, unemployment insurance, invalidity insurance and healthcare insurance
** includes retirement insurance, unemployment insurance, invalidity insurance
*** calculation without church tax/ for a single 25 year old and without children



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GREECE

CORPORATE TAXES AND OTHER DIRECT TAXES

A flat corporate income tax rate of 29% applies for Greek businesses and foreign branches. The relative tax rate applies after the deduction of business costs, depreciations and provisions for bad debts. Major tax adjustments and non-deductible items are payments out of banking system, transfer pricing adjustments, personal consumption expenditure, bad depts without legal actions, payments to low tax rates jurisdictions (under conditions), non-paid SSC and thin cap interests to the extent that they are over 30% of EBITDA. Losses can be carried only forward for 5 years however special limitations apply in M&A transactions. A new shareholder over 33% cannot benefit from prior years losses if the change of the shares ownership has not been made for business purposes. The loss from a P.E in the EU can be recognized. Finally, Greek companies are subject to annual business tax up to 1.000€, irrespective of their profitability.
The domestic rate for dividends distribution is 15% for both individuals and legal entities shareholders. In case a DTT is in force the rate can be reduced according to the provisions of the Treaty. By adopting the EU Parent Subsidiary Directive, there is no withholding tax on dividends, interests and royalties paid on EU (including Greece) intragroup transactions, under conditions. Greece has a wide international treaty network with 57 treaties on the avoidance of double taxation.
On top of the ordinary annual real estate tax, legal entities holding real estate in Greece may under certain conditions be charged furthermore with the Special Estate Tax, calculated at a rate of 15% on the value of the property in case that the beneficial owner is not known to the Greek authorities.
Capital gains from shares and immovable property are taxed as normal business profits (29%) for businesses and with a flat rate of 15% for individuals. Especially for individuals and the capital gains arising from the sale of real estate the tax 15% has been postponed until the end of 2018.
The general transfer tax rate which applies to property transactions is 3%. The taxable base is the contract value of the real estate unless the tax nominal value of the property is higher than the contract value and the taxable person is the buyer. The acquisition of newly built real estate falls within the scope of VAT.
Greece applies the Multilateral Agreement of Principles for the Automatic Exchange of Financial Account Information, the OECD regulations for transfer pricing, CFC (Controlled Foreign Companies) rules and is line with the BEPS Actions.

Tax Residency

An individual is a tax resident of Greece, provided that his permanent or principal place of residence or habitual residence or the center of his vital interests are in Greece. Furthermore, the criteria of 183 days presence in the country does also apply. For businesses, the concept of place of effective management has been incorporated in the Greek law since 2014.

VAT AND OTHER INDIRECT TAXES

Greek VAT system is in line with the EU VAT Directives. The standard rate is 24%, while the reduced rates are 13% (e.g. agricultural services, accommodation services, certain types of food) and 6% (e.g. journals, books, medicines, plays). VAT-exempted activities are the financial and banking services, insurance, medical services, education (under conditions).
Regarding to other indirect taxes, in Greece applies a flat stamp duty rate of 2,4 or 3,6% to certain transactions excluding VAT, such as rents, loans etc. Other indirect tax types in Greece include excise duty on oil, alcohol and tobacco products, environmental protection charge on products heavily polluting the environment.
The options/limits based on the EU Directive are presented within VAT legislation:

TRANSFER PRICING IN GREECE

Arm's length principle	✓	since 1994
Documentation liability	✓	since 2008
APA	✓	since 2014
Hyerarchy in TP methods	No	Follows OECD TP Guidelines
Penalty		
lack of documentation	✓	For inaccuracy/incompleteness; 1‰ of TP transactions (min EUR 500-EUR 2,000)
tax shortage	✓	For non submission , fine of 1‰ of TP transactions (min EUR 2,500 max. EUR 10,000). Non existence of documentation file, penalty up to 20,000
Related parties	33% <	Direct or indirect control or management dependence or exercise of decisive influence
Safe harbours	No	
Level of attention paid by Tax Authority		10/10

VAT OPTIONS IN GREECE

Distance selling	EUR 35,000/year
Call-off stock	No
VAT group registration	No
Cash accounting	Optional for small companies up to 2m turnover
Import VAT deferment	✓
Local reverse charge	sale of waste,B2B sales for laptops-tablets- cell phones under conditions
Option for taxation	
letting of real estate	optional on business rents
Supply of real estate	No
VAT registration threshold	EUR 10,000/year

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PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Pursuant to domestic law as employment income is considered any remuneration received by an employee for services rendered per year under an employment agreement (benefits in cash or in kind are also included e.g. the private usage of a company car, the cost of living allowance, etc.). In Greece personal income tax (dependent employment, assignment fee) is subject to a progressive tax rate which ranges from 22% to 45%. There is a flat rate of 15% for dividend and interest income and a flat rate of 20% for royalties' income. Tax payable on active incomes is reduced by a family tax allowance.

Additionally, personal income is subject to special solidarity levy with a progressive scale from 2,2% to 10%. Regarding the tax payment, by the end of the second subsequent month of the relative payment (payroll, fee etc.). the employer must pay all tax arising. The income tax for individual income is paid in three bi-monthly remits. Persons who are self-employed, freelancers, etc. are responsible for paying their own taxes and social insurance.
Active incomes fall under the scope of the SSC system. The vast majority of the Greek employees are covered by Social Insurance Institution called E.F.K.A. from 1/1/2017.

The social security contributions are calculated on the actual salary of the employee. The applicable rates are 25,06% for employers and 16% for employees. The Social Security grants benefits in the case of unemployment, sickness, disability, retirement and death. For calculation purposes the upper limit of the social security contributions is €5.860,80 gross salary. Benefits-in-kind are taxed if the total value of benefits exceeds the amount of 300 Euro per fiscal year.
For individuals a progressive tax rate from real estate income is imposed as follows: <12.000 €15%, 12.001-35.000€35%,>35.001 €45%.

WAGE RELATED TAXES IN GREECE	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
TOTAL WAGE COST	**733**	**125,06%**	**1 478**	**125,06%**
Employer's social security contribution	147	25,06%	296	25,06%
GROSS SALARY*	**586**	**100%**	**1 182**	**100%**
Personal income tax	-	22%/29%/37%/45%	86	22%/29%/37%/45%
Employees' contributions	94	16,00%	189	16,00%
NET SALARY	**492**	**84,00%**	**907**	**76,72%**

* per payroll period (there are 14 payroll periods per year)

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HUNGARY

CORPORATE TAXES AND OTHER DIRECT TAXES

From 2017, a flat corporate income tax rate of 9% was introduced in Hungary. The tax base is the pre-tax profit modified by several increasing and decreasing items. In Hungary, the losses can be carried forward for 5 years. The losses may be used for reducing the tax base only up to 50% of the tax base calculated without the loss carried forward. Loss carryback is only possible in the agricultural sector. Special limitations are applicable in the case of M&A transactions.
Hungary applies thin capitalization (3:1) and CFC rules. There is an ever growing range of tax allowances for new investments and R&D. For example, a new incentives have been recently introduced for energy-efficiency investments and also for investing in start-up companies. Hungary provides tax exemption on holding structures: capital gains on shares and intellectual property under certain conditions are tax free, and a 50% tax allowance is applicable on royalty incomes. There is no withholding tax on dividends, interest and royalty paid by a Hungarian company to a foreign company.

Hungary has a wide international treaty network with more than 80 treaties on the avoidance of double taxation. IFRS accounting is optional for larger companies (above approx. 1 million EUR of revenue).

The local business tax of maximum 2% is payable on gross margin (sales revenue deducted by COGS, mediated services, material costs and R&D costs). A special surtax applies to the energy sector (31% of the taxable profit, payable in addition to the corporate income tax) and the bank sector (the tax is based on the total assets as of the statutory accounts of the second year prior to the tax year). The advertisement tax is only paid on the sales revenue resulting from advertisement services. Small companies may benefit from a special multi-component taxation system ("Kiva").

Transfer tax is applied in Hungary to a limited scope of transactions. The general transfer tax rate applied to real property transactions is 4%, including acquisition of real estate or 75% of the quotas of a real property holding company. There are some exceptions regarding intra-group transactions. The transfer tax is 18% on gifts and inheritance, 9% in case of flats; gifts and inheritance within family is tax-exempt.

VAT AND OTHER INDIRECT TAXES

Hungary runs a VAT system complying with the EU VAT Directives. The standard rate is 27%, while the reduced rates are 18% (e.g. bread, accommodation services) and 5% (e.g. milk, eggs, journals, books, medicines, certain meat products, new homes, internet access service and restaurant services). The options/limits based on the EU Directive are presented within VAT legislation. Due to the limited voluntary compliance in certain sectors (e.g. retail business and certain services), Hungary introduced a number of measures aiming at enforcing the law, such as the online control of cash registers, domestic sales reports are also required.

Exchange rate HUF/EUR	310	
TRANSFER PRICING IN HUNGARY		
Arm's length principle	✓	since 1996
Documentation liability	✓	since 2003
APA	✓	since 2007
Country-by-Country liability	✓	from FY 2016 (with transitional rules)
Master file-local file (OECD BEPS 13) applicable	✓	from FY 2018 on
Penalty		
lack of documentation	✓	~ EUR 6,500 / missing documentation doubled on recurrent basis
tax shortage	✓	50% on tax underpayment + late payment interest
Related parties	50% <	direct or indirect control or common managing director
Safe harbours	✓	Low value added services: 3-7% mark-up
Level of attention paid by Tax Authority		9/10

VAT OPTIONS IN HUNGARY	Applicable / limits
Distance selling	EUR 35,000/year
Call-off stock	✓
VAT group registration*	✓
Cash accounting – yearly amount in EUR (approx.)	appr. EUR 400,000/year
Import VAT deferment	✓
Local reverse charge	sale of waste, agricultural products, emission quotas, pawn, construction services, handing over of a constructed structure
Option for taxation – letting of real estate	✓
Option for taxation – supply of used real estate	✓
VAT registration threshold**	No

* Available only for related parties
** Special VAT exemption applies for small businesses

MAZARS IN HUNGARY

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In order to prevent "carousel" fraud, an online registration of the international transportation of products has been required since 1 January 2015. Although all of these measures aim to reduce the extent of the black economy and tax evasion in Hungary, they also cause a relatively high VAT administration burden for the taxpayers. As from mid-2017 taxpayers will be required to use billing software capable of providing the tax authority with real-time data online. Other indirect tax types in Hungary include excise duty on oil, alcohol and tobacco products, environmental protection charge on products heavily polluting the environment (e.g. all kinds of electric equipment, accumulators and batteries, packaging materials, etc.), financial transactional tax (payable by the banks completing such transactions), insurance tax and 'chips tax' (levied on unhealthy foods and drinks).

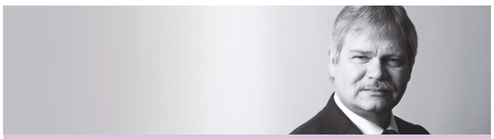
PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

There is a flat rate of PIT since 2013, which has been reduced to 15%, and it is generally applicable both to active (e.g. employment, assignment fee) and passive incomes (e.g. capital gains, dividend and interest). Tax payable on active incomes is reduced by a family tax allowance.

The amount of the family tax allowance is HUF 17,500/month/child up to 2 children (appr. EUR 56)/child); and from 3 children HUF 33,000 (EUR 110)/ child). The family tax allowance may be also deducted from the social security contributions payable by the employee (up to 17% of the gross salary), if the PIT base does not allow to fully benefit from the family tax allowance.

Active incomes fall under the scope of the SSC system: social security contributions payable by the individuals concerned equal altogether 18.5%; the employer's contribution has been further reduced to 19.5%. Passive incomes are subject to different rates of health care tax depending on the income type: 14% with a low threshold (e.g. on dividends, capital gains, real estate rental income); or 19,5% (e.g. income on selling rights); or they are exempt from health care tax (e.g. capital gain on shares of stock exchange, or interest). Benefits-in-kind are taxed at two rates: PIT plus health care tax calculated on a special tax base altogether amounting to 40,71% or 43.66% and payable only by the employer.

WAGE RELATED TAXES IN HUNGARY	Minimum wage		Average wage in private sector	
Exchange rate HUF/ EUR 310	in EUR	in HUF	in EUR	in HUF
	445	138 000	1 042	323 000
TOTAL WAGE COST	**539**	**121,00%**	**1 261**	**121,00%**
Vocational training contribution	7	1,50%	16	1,50%
Social contribution tax	87	19,50%	203	19,50%
GROSS SALARY	**445**	**100,00%**	**1 042**	**100,00%**
Personal income tax	67	15,00%	156	15,00%
Employees' contributions	82	18,50%	193	18,50%
NET SALARY	**296**	**66,50%**	**693**	**66,50%**



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KOSOVO

CORPORATE INCOME TAX

Resident companies are subject to corporate income tax on their worldwide income, while the object of taxation for a non-resident taxpayer is taxable only income generated from a source in Kosovo. The Corporate Income Tax (CIT) system in Kosovo adheres to the principles of worldwide taxation.
Resident companies and sole traders whose gross annual income exceeding EUR 50,000 are subject to CIT. Below the threshold taxpayers can opt for a special quarterly payment on their gross income.
The CIT rate for annual turnover is 10%. This tax is paid every three months depending on the annual turnover.
Taxable Income for CIT period is the difference between gross income received or accrued during the tax period and the deductions allowable with respect to such gross income.
Tax Period for CIT is the calendar year.
Losses can be carried forward for six consecutive tax periods.

TRANSFER PRICING

Transfer pricing (TP) effective from 2017 regulated the intra-companies pricing arrangement between related business entities. A controlled taxation is considered to be whenever a minimum 50% ownership or voting right test exist for the transaction. Controlled transactions include all types of transactions that may affect the taxable income of a taxpayer.
Taxpayers performing controlled transactions above the amount of EUR 300,000 within a calendar year must submit with the tax authorities an annual controlled transactions form by 31 March of the following year.
The regulation excludes internal controlled transactions (it applies only to cross border transactions) and has provided for certain safe harbors to prove that the arm's length principle is respected. The safe harbors involve calculating, on an annual basis, total costs of all group members for the low value-adding intra-group services. For such services, there is no need to prepare a transfer pricing study, but instead a profit mark-up to a maximum 7% on costs is allowable.

VAT AND OTHER INDIRECT TAXES

A transaction is subject to VAT taxation in Kosovo, if the supply of goods or supply of services, against the payment made within the territory of Kosovo by a taxable person acting as such. Further on, the import of goods pursuant to the Law is subject to VAT taxation.
Taxable person is any person regardless if this person is natural or legal person, or organized in any other form recognized by law in Kosovo, which independently carries out an economic activity pursuant to the law, regardless of the place, purpose, or result this activity.
In line with EU and VAT principles, exports are exempted from VAT with the right of deduction of input VAT. VAT on imports is collected in state borders of Kosovo. Holder of Transaction pays VAT on the basis of the customs value and any other import duty (customs and excise tax, if applicable) regardless of their origin. VAT is levied on imports and any supply of goods or services, except those which by law are considered as exempted supplies.
VAT rate has escalated into two fixed rates: the standard rate of 18% and the reduced rate of 8% of the value of supplies of imported and domestic taxable supplies, except for exempted supplies and supplies treated as exports.

TRANSFER PRICING IN KOSOVO		
Arm's length principle	✓	since 2017
Documentation liability	✓	since 2017
APA	✓	since 2017
Country-by-Country liability	✓	from FY 2017 (with transitional rules)
Master file-local file (OECD BEPS 13) applicable	✓	from FY 2018 on
Penalty		
lack of documentation	✓	A maximum of EUR 2,500
tax shortage	✓	n.a.
Related parties	50% <	direct or indirect control or common managing director
Safe harbours	✓	Low value added services: mark-up to a maximum 7%
Level of attention paid by Tax Authority		9/10

VAT OPTIONS IN KOSOVO	Applicable / limits
Distance selling	n.a.
Call-off stock	n.a.
VAT group registration*	n.a.
Cash accounting - yearly amount in EUR (approx.)	n.a.
Import VAT deferment	✓
Local reverse charge	Supply of construction and construction-related works; construction activities.
Option for taxation - letting of real estate	n.a.
Option for taxation - supply of used real estate	n.a.
VAT registration threshold**	EUR 30,000/year

* Available only for related parties
** Special VAT exemption applies for small businesses

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PERSONAL INCOME TAX AND OTHER DEDUCTIONS

The object of taxation for a resident taxpayer is taxable income from a source in Kosovo and from a foreign source. The object of taxation for a non-resident taxpayer is taxable income from a source in Kosovo.
With the exception of income that is exempted from tax under the law, gross income shall mean all income received or accrued from any source, including: wages, rent, business activity, the use of the intangible asset, interest, capital gains, lotteries and other games of chance, pensions paid by an employer, or in line with the Law on pensions in Kosovo and any other income that increases the taxpayer's net worth.
Taxpayers are natural persons, resident and non-resident, personal businesses, partnerships and companies who receive or create gross income from all sources, including wages, business activity, rents, lottery winnings, interest, dividends, capital gains, use of intangible property, pensions, and any other income that increases the taxpayers' net worth. The taxable period for Personal Income Tax is the calendar year. Personal Income Tax is applicable at the progressive rates (rates from 0% to 10%).

Other Deductions

Kosovo Pension Savings Fund is responsible for administering and managing the individual pension saving accounts. This fund obliges the employee and the employer to contribute in financing the employee's pension at the rate of 5% from the employee's salary and 5% from the employer.

WAGE-RELATED TAXES IN KOSOVO	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	170		400	
TOTAL WAGE COST	**179**	**104,76%**	**420**	**104,76%**
Vocational training contribution	-	0,00%	-	0,00%
Social contribution tax	9	4,76%	20	4,76%
GROSS SALARY	**170**	**100,00%**	**400**	**100,00%**
Personal income tax	4	2,12%	19	4,70%
Employees' contributions	9	5,00%	20	5,00%
NET SALARY	**158**	**92,88%**	**361**	**90,30%**

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LATVIA

CORPORATE TAXES AND OTHER DIRECT TAXES

As of 2018, the corporate income tax (hereinafter - CIT) system in Latvia has changed – CIT is payable only upon distribution of profit, deemed profit or deemed dividends.
Generally, the following payments (distributions) are subject to CIT:

- dividends (also interim dividends),
- deemed dividends,
- non-business expenses,
- loans issued to related parties,
- interest payments subject to thin capitalization rules,
- bad debts to be written off,
- transfer pricing adjustments,
- liquidation quota, etc.

The CIT rate is 20% from gross taxable value (expense/distribution value) or 25% from net value (i.e., rate 20/80).
The Latvian companies are allowed to apply tax incentives for donations to public benefit organizations. The tax rebate is also applied in case donations are made to non-governmental organizations registered in a member state of the European Union or the European Economic Area with which Latvia has concluded a double tax treaty.
In Latvia, tax losses accrued until 31 December 2017 can be utilized over the following five taxation years (i.e. till 2022). The companies may use 15% of these losses to decrease CIT payable for dividends but not more than 50% of CIT payable on dividends.
As of 2018 the following thin capitalization rules will apply:
1) the debt/equity ratio exceeds 4 to 1,
2) the amount of interest paid exceeds EUR 3 million and it exceeds 30% of EBITDA.
If any of the thin capitalization rules is exceeded, the interest payment will be treated as deemed dividends and will be subject to 25% CIT from net excess interest value.
Tax exempt capital gains - starting from 2018 distributed profit from the sale of shares (except for shares of low/tax free companies) is not subject to CIT unless the company has held the relevant shares for less than 36 months. The exemption will not apply in case the main purpose of setting up of the taxpayer or the structure is to benefit from the holding regime (i.e. tax optimization or avoidance of taxes has taken place).
Tax exemption is not applicable to profits from the sale of financial instruments (e.g. investment fund notes, securities, bonds, etc.) as well as to royalties and interest received.
Latvian companies are obliged to document the arm's length character of intra-group transactions. If the turnover of a Latvian company exceeds 1.4 million euros and the amount of its intra-group transactions exceeds 14 thousand euros, the structure of the transfer pricing documentation needs to be in compliance with the recommendations of the OECD Guidelines. Furthermore, Latvia has adopted country-by-country reporting requirements.

Withholding tax of 20% is applied on management and consulting service fees paid by Latvian companies to foreign companies.

A 3% withholding tax will be applied to remuneration paid to a foreign company for the disposal of real estate located in Latvia.
Still, under the active international treaty network consisting of more than 61 double tax treaties, the withholding tax might be avoided. A withholding tax of 20% is applied on all payments to offshore companies.

TRANSFER PRICING IN LATVIA		
Arm's length principle	✓	since 2005
Documentation liability	✓	since 2013
APA	✓	since 2013
Country-by-Country liability	✓	since 2017
Master file-local file (OECD BEPS 13) applicable		To be adopted in 2018
Penalty		
lack of documentation	✓	~ EUR 1,000 administrative penalty
tax shortage	✓	20% on tax underpayment + late payment interest
Related parties	20% <	direct control for foreign companies or common managing director
	50% <	indirect control for foreign companies or common managing director
Safe harbours	No	
Level of attention paid by Tax Authority		8/10

VAT OPTIONS IN LATVIA	Applicable / limits
Distance selling	EUR 35,000/year
Call-off stock	No
VAT group registration	✓
Cash accounting	EUR 300,000/year, applicable to private enterpreneurs or agricultural companies
Import VAT deferment	✓ if conditions are met
Local reverse charge	construction works and deals with the scrap metal, metal products and related services, timber and related services, electronic goods (computers, mobile phones), grain crops, electronic communications, broadcasting and electronically provided services, household electronic appliances
Option for taxation	
letting of real estate	No
- supply of used real estate	✓
VAT registration threshold	40,000/year voluntary registration is possible

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VAT AND OTHER INDIRECT TAXES

The general rate is 21% for the sale of goods and services. A reduced rate of 12% is used, for example, for medical goods, periodicals, accommodation services, and thermal energy supplied for private individuals. Furthermore, reduced 5% VAT rate is applicable to supply of fruits and vegetables, which are typically grown in Latvia. Basically, a 0% rate is applicable for the export of goods. Exemptions are in place for postal services, medical and health services, certain financial services, etc. Entrepreneurs with annual sales below EUR 40,000 are exempted from VAT obligations. Monthly returns are electronically recorded. The options/ limits based on the EU Directive are determined in the VAT Act.

Other indirect tax types in Latvia are excise and customs duties. Also some transactions related to public administrative actions (e.g. submitting application forms, issuing certificates, granting permissions, etc.) are subject to stamp duty.

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Starting from 1 January 2018, a progressive PIT rate has been introduced. It foresees the following: 20% should be applied for income not exceeding EUR 20 004 per year (or EUR 1 667 per month); 23% - for income between EUR 20 004 to EUR 55 000 per year (or EUR 1 667 - EUR 4 583.33 per month); 31.4% for income exceeding EUR 55 000 per year (or more than € 4 583.33 per month).
The tax on annual income of more than EUR 55 000 per year will be calculated in a recapitulative order when submitting the annual income declaration.

If a payroll tax book is not submitted at a place of employment, the salary tax rate will be 23% regardless of monthly income.
Income from capital and capital gains is taxed at 20% PIT rate.
Active incomes fall under the scope of the SSC system: individual social contributions equal altogether 35.09% out of which employer's contribution is 24.09% and employee's contribution is 11%. Benefits in kind are taxed with PIT and SSC at standard rates. The examples below show the cost of the employer and employee in case of minimum wage level and the average wage in the private sector.

WAGE-RELATED TAXES IN LATVIA	Minimum wage		Average wage in private sector	
EUR	in EUR		in EUR	
	430		915	
TOTAL WAGE COST	**534**	**124,09%**	**1 135**	**124,09%**
Vocational training contribution	-	0,00%	-	0,00%
Social contribution tax	104	24,09%	220	24,09%
GROSS SALARY	**430**	**100,00%**	**915**	**100,00%**
Personal income tax*	76	20,00%	163	20,00%
Personal income tax**	89	23,00%	190	23,00%
Employees' contributions	47	11,00%	101	11,00%
NET SALARY*	**294**	**68,37%**	**624**	**68,23%**
NET SALARY**	**307**	**71,40%**	**651**	**71,19%**

*if employee has not submitted salary tax book to the employer
**if the employee has submitted salary tax book to the employer

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LITHUANIA

CORPORATE TAXES AND OTHER DIRECT TAXES

The general corporate income tax rate is 15% in Lithuania. An incentive corporate income tax rate of 5% is applied for small companies with an annual turnover up to EUR 300,000 and having not more than 10 employees. In addition, since 1 January 2018 it was introduced that small companies could apply 0% rate of corporate income tax for the first financial year.
In Lithuania, the ordinary losses incurred may be carried forward to the subsequent taxable periods for an unlimited time, as long as the entity continues the activities that generated the losses. The amount of losses carried to the subsequent taxable periods is limited to the 70% of taxable income of the corresponding taxable period. The 70% limit does not apply for small companies. Capital losses incurred associated with the transfer of derivative financial instruments and securities may only be carried forward for 5 years and can only be covered from future capital gains.

Lithuania applies thin capitalization (4:1) and CFC rules. Tax allowances apply for certain new investments and R&D. Furthermore, Lithuania provides a tax exemption on holding structures: capital gains on shares and dividends received under certain conditions are tax-free. Under certain conditions there is no withholding tax on dividends, interest and royalty paid by a Lithuanian company to a foreign company.
Lithuania has a wide international treaty network with more than 50 double tax treaties.
Companies are also subject to two types of taxes on capital:

→ Immovable property tax – tax on property, deemed to be immovable by law and located in Lithuania (buildings, constructions, except unfinished constructions). The annual tax rate varies from 0.3% to 3% of the taxable value of immovable property. Tax rates are set by municipalities according to the territory where the immovable property is located. The tax period is a calendar year.

→ Land tax – tax on land owned in Lithuania, to be paid by both resident and non-resident entities and individuals. The tax rate varies from 0.01% to 4% of the taxable value of the land. Tax rates are set by municipalities and depend on the location of the land. The tax period is a calendar year.

VAT AND OTHER INDIRECT TAXES

The general rate is 21%, the reduced rates are 9% (e.g. journals, newspapers, books, central heating, public transportation, tourist accommodation (until 31 December 2022) and 5% (medicine). The options/limits based on the EU Directive are presented within the VAT legislation.

Other indirect tax types in Lithuania include excise duty, environmental protection charge and data storage device tax.

TRANSFER PRICING IN LITHUANIA		
Arm's length principle	✓	since 2004
Documentation liability	✓	since 2004
APA	✓	since 2012
Country-by-Country liability	✓	from FY 2016
Master file-local file (OECD BEPS 13) applicable		to be implemented in 2018
Penalty		
lack of documentation	✓	EUR 1.400 - 4.300/EUR 2.900 - 5.800 (missing documents on recurrent basis)
tax shortage	✓	10% - 50% on tax underpayment +late payment interest
Related parties	25% <	direct or indirect control
Safe harbours	✓	Low value added services: 5% mark-up
Level of attention paid by Tax Authority		9/10

VAT OPTIONS IN LITHUANIA	Applicable / limits
Distance selling	EUR 35,000/year
Call-off stock	✓
VAT group registration	No
Cash accounting	No, only optional regime for agricultural producers
Import VAT deferment	✓
Local reverse charge	Taking over the property as a transfer of contribution to a legal entity; taking over a material improvement of a building; supply of goods and services from a supplier which is under bankruptcy; supply of certain metal scraps and certain timber materials, supply of construction services
Option for taxation	
- letting of real estate	✓
- supply of used real estate	✓
- certain financial services	✓
VAT registration threshold	Local taxable person - 45,000 EUR/12 months; Foreign taxable person - No

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PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

There is a flat rate of PIT, which is 15%, and it is generally applicable to active (e.g. employment, assignment fee) and passive income (e.g. capital gains, dividend and interest). Income in general is recognized at the moment of its actual receipt.

The employee's gross salary is subject to a mandatory health insurance contributions of 6%, and the employer is required to withhold this tax. The employer also has to pay a 3% mandatory health insurance contribution on top of the employee's gross salary. The employer deducts 3% from the employee's gross salary as the social insurance contribution paid by the employee.

Employers must also pay social insurance contributions equalling to 31.18% of the gross salary. An additional 2% contribution may be paid by individuals who have decided to accumulate an additional pension using the formula 2+2+2.

Lithuania is subject to EU regulations laying down social security principles for persons migrating between EU Member States.

The examples below show the cost of the employer and employee in case of minimum wage level and the average wage in the private sector.

WAGE- RELATED TAXES IN LITHUANIA	Minimum wage		Average wage in private sector	
TOTAL WAGE COST	525	131,18%	1 116	131,18%
Social contribution tax	125	31,18%	265	31,18%
GROSS SALARY	400	100,00%	850	100,00%
Personal income tax*	3	15,00%	104	15,00%
Employees' contributions	36	9,00%	77	9,00%
NET SALARY**	361	90,25%	670	78,73%

* Non taxable allowance of EUR 380,0 (minimum wage) and EUR 154,8 (average wage)

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MONTENEGRO

CORPORATE TAXES AND OTHER DIRECT TAXES

The general corporate income tax rate is a flat rate amounting to 9% and it applies to both resident and non-resident companies. Resident companies are taxed on their worldwide income, while non-residents are taxed only on income generated in Montenegro. The tax base is the pre-tax profit modified by several increasing and decreasing items. Capital gains are included in the annual corporate profits tax return and are subject to a 9% tax. In Montenegro, losses can be carried forward for 5 years while the carry back of losses is not permitted.
A tax incentive (profit tax rate for the first eight years is 0%) is applied for newly founded legal entities engaged in manufacturing in economically underdeveloped municipalities.

The total amount of the tax exemption may not exceed 200.000 € for a period of eight years. In Montenegro, there are no specific thin capitalization rules, except that interests paid to a non-resident must be on arm's length terms.

Withholding tax at the rate of 9% is applicable on dividends, interests, capital gains, royalties and other intellectual property rights, fees for the lease of movable and immovable property, consulting services, market research and audit services which are paid to a non-resident legal entity. Montenegro has a wide international treaty network with 42 double tax treaties.

A transfer tax of 3% is levied on the transfer of immovable property. There is no surtax or alternative minimum taxes. Property tax is levied on the ownership/use of property at rates ranging from 0,25% to 1%.

VAT AND OTHER INDIRECT TAXES

The general rate is 21%, the reduced rates is 7% (e.g. bread, milk, accommodation services, medications), and there is VAT-exemption for exports and banking services. Taxpayers with revenue in excess of EUR 18,000 must register for VAT purposes. The options/limits based on the VAT Act in Montenegro:

TRANSFER PRICING IN MONTENEGRO		
Arm's length principle	✓	since 2002
Documentation liability	No	At the moment of request from the tax authorities.
APA	No	-
Country-by-Country liability	No	-
Master file-local file (OECD BEPS 13) applicable	No	-
Penalty		
lack of documentation	No	Not specifically stated, general rules apply
tax shortage	No	Not specifically stated
Related parties	25% <	The parties between whom special relations exist, which could directly impact the conditions or economical results of the transaction between them.
Safe harbours	No	-
Level of attention paid by Tax Authority		2/10

VAT OPTIONS IN MONTENEGRO	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting	No
Import VAT deferment	No
Local reverse charge	Yes
Option for taxation – letting of real estate	
- letting of real estate	No
- supply of used real estate	No
VAT registration threshold	EUR 18,000/year

MAZARS IN MONTENEGRO

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PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

In Montenegro, resident individuals are taxed based on their worldwide income, and non-residents are taxed only on income provided in Montenegro. There is a flat rate of 9%, and it is generally applicable on the active (e.g. employment, assignment fee) and passive income (e.g. capital gains, dividend and interest).
Monthly salary exceeding a gross amount of EUR 765 is taxed at rate of 11%. It is important to state that non-resident income on interest is taxed by 5%. Active incomes fall under the scope of the SSC system: individual's social contributions equal altogether 24%. These include contributions for pensions (15%), health (8.5%) and unemployment (0.5%). The employer's contribution is at the rate of 10.7% of the employee's salary. It includes pensions (5.5%), health contributions (4.3%) unemployment (0.5%), contributions to the Labour fund (0.2%) and Labour union fund (0.2%). Also, local surtax, which is calculated on PIT assesed, is paid by the employer to the municipality of taxpayer's seat. Surtax rates range from 10% to 15%, depending on municipality, with most municipalities having the 13% rate.
The examples below show the cost of the employer and the employee in case of minimum wage level and the average wage in the private sector.

WAGE- RELATED TAXES IN MONTENEGRO	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
TOTAL WAGE COST	322	109,80%	854	109,80%
Employer's contributions	30	10,30%	79	10,30%
GROSS SALARY	288	100,00%	765	100,00%
Employees' contributions	69	24,00%	184	24,00%
Personal income tax	26	9,00%	69	9,04%
Surtax	4	15,00%	10	15,00%
NET SALARY	193	67,00%	512	66,96%

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POLAND

CORPORATE TAXES AND OTHER DIRECT TAXES

Subject to taxation are limited liability and joint stock companies, as well as limited joint-stock partnerships (since 2014) that are Polish residents. Other partnerships are neither CIT nor PIT payers, and income generated by partnerships is directly attributed to shareholders (in proportion to their shares) and – depending on their status (companies or natural persons) – subject to CIT or PIT. CIT in Poland is payable on the income, i.e. on revenues decreased by tax-deductible costs. The standard CIT rate is 19%. From 2017 there is also applicable a new 15% CIT rate for small taxpayers (whose revenue on sales in the previous year did not exceed EUR 1,200,000) and for new taxpayers in the first year of their activities. Tax-deductible costs exceeding the revenues in the given financial year constitute a loss, which may be carried forward for five years, but the deduction in a given year may not exceed 50% of the loss incurred in the previous five years.

Starting with 2018 came into force many important amendments, in particular:

- were defined two separate sources of revenues: from 'capital gains' and 'other revenues' (mainly revenues from operating activities). In consequence, the taxpayers will also have to allocate tax deductible costs to appropriate source of income ('capital gains' or 'others');
- came into force the new regulations regarding the tax credit for R&D. The amount of the maximum deduction of all such costs from the tax calculation base is increased to 100% (for enterprises with the status of a research and development center - 150%.);
- new regulation according to which provisions on CFC (in Poland since 2015) apply only when the taxpayer has
- directly or indirectly – 50% company's foreign capital (rather than 25% as yet). At the same time reduced - from 50% up to 33% - the level of passive income that a foreign company can achieve to be recognized as CFC;
- was introduced new method of calculation of thin capitalization (the new limit is going to be calculated in reference to 30% of EBITDA)
- was introduced a new commercial property tax imposed on certain commercial real estates located on the territory of Poland (e.g. shopping malls, office buildings).

Starting from 1 January 2017 the taxpayers are obliged to prepare more extensive TP documentation.

There is a withholding tax on dividends, interests and royalties paid by a Polish company to a foreign company. The general withholding tax (WHT) on dividends is 19%; on interest and royalties paid to non-residents it is 20% and 10%, respectively. However, the WHT rate can be reduced by double tax treaties. Poland has a wide international treaty network with approximately 90 double tax treaties. In accordance with the EU interest and royalties directive interest and royalties paid by Polish corporate residents to associated EU companies may by subject to full exemption of WHT (on certain conditions). Since 2016 a "small anti abusive clause" has been implemented for dividends related to activities whose only purpose was to gain tax benefits and which were not real.

Real property tax and transport tax are charged as local taxes in Poland. Real property tax is paid by owners of real estate. Banks and financial institutions tax is taxable with 0.0366% rate (monthly levy) of the total assets (exceeding indicated minimal value).

VAT AND OTHER INDIRECT TAXES

The standard VAT rate is 23%. Preferential rates of 8% and5% apply to certain goods and services. Other goods and services (e.g. exports, intra-Community supplies of goods, international transport services) may be zero-rated or exempt. The options/limits based on the EU Directive and Polish VAT regulations:

TRANSFER PRICING IN POLAND		
Arm's length principle	✓	since 1997
Documentation liability	✓	since 2001
APA	✓	since 2006
Country-by-Country liability	✓	from FY 2017
Master file-local file (OECD BEPS 13) applicable	✓	from FY 2017
Penalty		
lack of documentation	✓	personal liability of the members of the Company's Board
tax shortage	✓	50% on tax underpayment + late payment interest
Related parties	25% <	direct or indirect control personal, family relations
Safe harbours	No	
Level of attention paid by Tax Authority		10/10

VAT OPTIONS IN POLAND	Applicable / limits
Distance selling	PLN 160,000 /year (approx. EUR 40,000)
Call-off stock	✓
VAT group registration	No
Cash accounting	PLN 20,000/year (approx. EUR 5,000)
Import VAT deferment	✓
Local reverse charge	supplies of scrap; paper waste; certain kind of electronics above limit of PLN 20,000 (approx. EUR 5,000)
Option for taxation	
- letting of real estate	No
- supply of used real estate	✓
VAT registration threshold	PLN 200,000 /year (approx. EUR 50,000)

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From 1 July 2018 will come into force in Poland so called split payment mechanism. Mentioned mechanism assumes that the payment for purchased goods or services would be split between two accounts (i.e. the purchaser would pay VAT into special VAT account and the remainder net sales value to the supplier's company bank account).

Other indirect tax types in Poland are excise duty and gambling tax. Some civil acts such as contracts of sale, loan agreements, foundation deeds of partnership or company, if not subject to VAT, may be subject to civil law activity tax (CLAT), the rates of which are from 0.1% to 2%. Transactions related to filling a power of attorney and public administrative actions (submitting application forms, issuing certificates, granting permissions, etc.) are subject to stamp duty.

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

PIT is generally calculated on the income (i.e. on revenues reduced by tax-deductible costs). However, the income calculation differs depending on the source from which the income is earned (for example, employment contract, sole traders' activity, personally performed activities, etc.). PIT is calculated according to the progressive tax scale at the rates 18% to 32%. A specific rate applies to individuals pursuing business activities as sole proprietorships or partners in partnerships, who may opt for a flat 19% PIT rate. Due to the above flat rate, as well as other rules applicable to this type of income, the taxation of sole traders is based on similar provisions as described in the previous chapter on corporate income tax (CIT).

Active incomes fall under the scope of the SSC system: individual social contributions (capped) and other insurances equal altogether 13.71%; employer's contributions equal altogether approximately 21%. Additionally, the individual is obligated to pay a 9% contribution to health insurance, out of which 7.75% is deductible from the tax and 1.25% from the net income. The examples below show the cost of the employer and of the employee in case of minimum wage level and the average wage in the private sector.
Since 2018 came into force the new regulations about tax free amount (dependable on the value of the tax base).

WAGE- RELATED TAXES IN POLAND		Minimum wage		Average wage in private sector	
Exchange rate PLN / EUR	4,4	in EUR	in PLN	in EUR	in PLN
		477	2 100	1 130	4 973
TOTAL WAGE COST		**577**	**121,00%**	**1 367**	**121,00%**
Employer's social security *		78	16,26%	184	16,26%
Other insurance (approx.)		23	4,74%	54	4,74%
GROSS SALARY		**420**	**100,00%**	**934**	**100,00%**
Employees` contributions		65	13,71%	155	13,71%
Healthcare insurance		32	9,00%	88	9,00%
Personal income tax**		21	18,00%	65	18,00%
NET SALARY		**301**	**63,19%**	**627**	**55,45%**

* capped at income of PLN 133 290 zł - over this amount only other insurance and healthcare insurance is charged
**taxable base = gross salary – employee's contributions – statutory tax deductible costs – health insurance (tax deductible part)

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ROMANIA

CORPORATE TAXES AND OTHER DIRECT TAXES

The general corporate income tax is a flat rate of 16% in Romania. In order to compute the taxable profit, the accounting profit is adjusted upwards (with non-deductible expenses) or downwards (with non-taxable revenues). A maximum 50% additional deduction can be applied for certain R&D expenses. The loss recorded by a company can be carried forward for 7 years.
Starting with 1 January 2013, the transferred loss can be carried forward from a merger or spin-off operation.
As of the 1st of January 2018 the Anti Tax Avoidance Directive (ATAD) has been implemented, one of the consequences is that as of now there are new rules in respect of the fiscal treatment of the interest and exchange rate losses related to loans. As such, the exceeding cost of indebtedness recorded, that exceeds EUR 200.000 threshold, are deductible within 10% of the designated computation base within the respective fiscal period. The tax base is computed as the difference between the income and expenses accrued under the applicable accounting regulations within the fiscal period, excluding non-taxable income and including CIT expenses, as well as the exceeding costs of indebtedness and the deductible tax depreciation. If the tax base is negative or nil, the expenses that exceed the aforementioned threshold are non-deductible within the fiscal period and can be carried forward in the following fiscal periods, without time limit and under the same deduction rules.
By exception, the borrowing costs can be fully deductible if the taxpayer is an independent entity (i.e. it is not part of a consolidated group for financial accounting purposes and has no related entity or permanent establishment).

Adjustments are expected to the above mentioned restriction during 2018.
Capital gains arising from the sale of the participations held in a state with whom Romania has concluded a DTT are non-taxable (certain conditions apply).
Starting with 1st of January 2018 CFC rules are applicable in Romania.
Romania has an international treaty network consisting of approximately 85 double tax treaties. The Romanian withholding tax rate on Dividends, Interest, Royalties is 16%.
The Interest & Royalty Directive and Parent Subsidiary Directive has been implement in Romanian law, thus subject to these conditions, the withholding taxes are reduced to nil.
The capital gain from the sale of shares is tax exempt (certain conditions apply).
In all other relations for withholding tax the general tax rate and the relevant double tax treaty are applicable.
A compulsory micro company scheme is applicable for companies obtaining revenues lower than EUR 1,000,000 as follows:

- 1% if the company has at least 1 employee;
- 3% if the company has no employees.

VAT AND OTHER INDIRECT TAXES

The general rate is 19%. Reduced rates are 9% (e.g. medicines, bread, flour, food etc.) and 5% (e.g. for journals, books, medicines, applied to residential sales under certain conditions). The following options/limits based on the EU Directive are presented in the Romanian VAT legislation:

VAT-exempted activities consist of hospital and medical services, financial and banking services, insurance and reinsurance, sale and rental of real estate, certain types of educational and training activities, and other activities of public interest.

TRANSFER PRICING IN ROMANIA		
Arm's length principle	✓	since 2003 (Law 227/2015)
Documentation liability	✓	since 2003 (Order 222/2008, Order 442/2016)
APA	✓	since 2007 (Order 3735/2015)
Country-by-Country liability	✓	from FY 2017 (with transitional rules)
Master file-local file (OECD BEPS 13) applicable	✓	Only the local file rules are applicable
Penalty		
lack of documentation	✓	For large and medium tax payers – RON 12,000-14,000 (approx. EUR 2,700-3,100) Other tax payers – RON 2,000-3,500 (EUR 450-800) Separately, adjustment of tax base plus late payment interest and penalties may be applicable.
tax shortage	✓	regular tax regime
Related parties	**minimum of 25%**	direct or indirect control
Safe harbours	**No**	
Level of attention paid by Tax Authority		**10/10**

VAT OPTIONS IN ROMANIA	Applicable / limits
Distance selling	approx. EUR 26,300/year at the current exchange rate
Call-off stock	✓
VAT group registration	✓
Cash accounting*	**EUR 500,000/year**
Import VAT deferment	Certificate of payment deferral
Local reverse charge	Sale of certain types of waste, certain types of cereal, wood, greenhouse gas emission certificates, electricity, green certificates, land and buildings, laptops, mobile phones
Option for taxation	
- letting of real estate	✓
- supply of used real estate	✓
VAT registration threshold**	**approx. EUR 48,890**

*Optional for SME
**Optional VAT registration below the threshold is allowed

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The VAT cash accounting system is optional for companies having an annual adjusted turnover of less than RON 2,250,000 (approx. EUR 500,000).

Starting 2018 Romania has implemented the split VAT mechanism as optional. The system refers to the actual payment of the VAT into a special VAT account (with certain exceptions such as cash payments). However, the mechanism is mandatory for the taxpayers for whom the insolvency procedures or insolvency prevention procedures have started, the taxpayers who have outstanding VAT debts at 31 December 2017 or after the 1st of January 2018 (that have overdue VAT debts older than 60 working days) that exceed certain thresholds depending on the category of taxpayer. If the taxpayer opts to apply the split VAT mechanism, it may benefit from a discount of 5% of the profit tax or micro company tax.
Other indirect taxes applicable in Romania include excise tax and environmental tax.

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

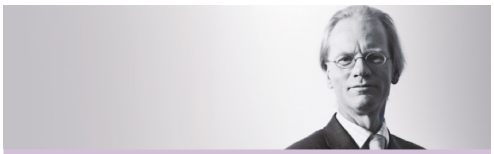
Romania applies a 10% flat tax rate to revenues obtained from dependent activities (e.g. employment or activities assimilated to employment) or independent activities (e.g. freelancers). Dividends are subject to a 5% tax rate.

Starting with 1st of January 2018, the SSC are the following: Social Security Contribution (25% - employee part, Health Insurance Contribution (10% - employee part) and Work Insurance Contribution (2,25% - employer part). Dependent activities are subject to SSC at the employee (35 %) and the employer level (2.25%).

Independent activities are subject to SSC only if the revenue from such activities is higher than the minimum salary (i.e. RON 1,900). Otherwise, the SSC is optional for the taxpayer. The Social Security Contribution tax rate (25%) is applied on a tax base that is equal to the minimum salary per country. By the option of the taxpayer, the Social Security Contribution can be applied on a tax base higher than the minimum salary. The Health Insurance Contribution tax rate (10%) is applied on o tax base capped at the level of the minimum salary per country.

WAGE- RELATED TAXES IN ROMANIA		Minimum salary		Average salary in private sector	
Exchange rate RON/ EUR	4,7	in EUR	in RON	in EUR	in RON
		404	1900 *	886	4 162
TOTAL WAGE COST		**415**	**102,75%**	**910**	**102,75%**
Employer contributions		11	2,75%	24	2,75%
GROSS SALARY		**404**	**100,00%**	**886**	**100,00%**
Employees` contributions		141	35,00%	310	35,00%
Personal Deduction **		143		0	
Personal income tax***		12	10,00%	58	10,00%
NET SALARY		**251**	**62,03%**	**518**	**58,50%**

* As of 01.01.2018, the minimum gross salary is 1,900 RON
** 1 family member is assumed
*** Personal income tax base is: gross salary - employee's contribution - personal deduction



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RUSSIA

CORPORATE AND OTHER TAXES

Russian legislation on taxes and levies consists of the Tax Code of the Russian Federation (hereinafter, the Tax Code) and laws adopted in accordance with it. Taxes and levies in Russia could be categorized as federal, regional and local. Federal taxes and levies are those established by the Tax Code, they are payable throughout the Russian Federation. Federal taxes include value-added tax (VAT), excise tax, personal income tax, profits tax, mineral extraction tax, water tax, levies for natural and biological resources consumption, stamp duty.

PROFITS TAX

The tax rate is flat and generally equals to 20%. The tax base is calculated as income less expenses, which should be economically justified and duly documented.
Certain expenses could be deducted for tax purposes within specific limits (e.g., interest, advertising expenses, representation expenses, etc.).
Starting 01 January 2017 tax losses could be carries forward without timing limitations. However, for the tax periods from 01 January 2017 to 31 December 2020 it is not allowed to carry forward tax losses exceeding 50% of the taxable profit for the respective tax period.
Russia applies thin capitalization rules that have been significantly amended starting 2017 inter alia by extending definition of the controlled debt. Starting from 2015, several new anti-tax avoidance concepts were introduced in the Russian tax legislation such as: (1) the concept of beneficial owner of income for application of DTT benefits; (2) CFC rules; (3) the concept of tax residency for companies.

VAT

VAT applies to goods (property rights) sold, work performed and services rendered, if supplied on the Russian territory. Tax base is calculated based on sales prices applied by the taxpayer or imputed market price (in case of free-of-charge transfers). VAT is also payable with regard to goods imported into the Russian territory as established by the customs legislation.
VAT payable to (receivable from) the budget is calculated as the difference between VAT accrued on taxable revenue and VAT claimed for refund with regard to VATable purchases.

The standard VAT rate is 18%. However, sale of certain food products, goods for children, medical and pharmaceutical products is taxable at a 10% rate.
A 0% VAT rate applies to export sales and cross-border services (e.g. international transportation and freight).
Starting from 01 January 2018, exporters and taxpayers offering international transportation services may elect to apply the general VAT rate of 18% instead of 0%.

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Russian tax residents are individuals who spent 183 days on more in the Russian territory for the subsequent 12 months and are taxable on their worldwide income at the flat rate of 13% on most types of income.
Individuals that do not meet the above physical stay criteria are non-residents. Non-residents are only taxable on their Russian source income. Salary paid for the performance of a labor function in Russia is deemed a Russian source income.

TRANSFER PRICING IN RUSSIA		
Arm's length principle	✓	since 1999
Documentation liability	✓	since 2012
APA	✓	since 2012
Country-by-Country liability	✓	from FY 2018 (with transitional rules)
Master file-local file applicable	✓	from FY 2018 (with transitional rules)
Penalty		
lack of documentation	✓	~EUR75 fine for non-filing of TP Notifications
tax shortage	✓	40% on tax underpayment starting 2017 + late payment interest
Related parties	50% <	direct or indirect control plus other criteria
Safe harbours	✓	Interest
Level of attention paid by Tax Authority		5/10

Russia has concluded double tax treaties (DTTs) with more than 80 countries.
Withholding income tax rates are as follows:

Type of income	General rate	Tax rates under DTT
Dividends	15%	15/12/10/5%
Interest	20%	15/10/7.5/7/5/0%
Royalty	20%	18/15/13.5/10/ 7.5/7/5/4.5/0%

Income from international freight, including lease of property used in international transportation and lease of sea craft and aircraft vehicles is subject to withholding income tax at a 10% rate.

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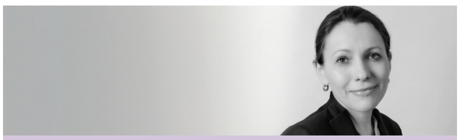
Non-residents are subject to personal income tax a 30% rate, unless otherwise provided in the Tax Code. However, individuals holding a work permit of highly qualified specialist (HQS) are subject to a 13% tax with regard to employment income received from the Russian company for which they obtained this migration status. Dividends payable to an individual being non-resident are subject to personal income tax at a 15% rate, unless the lower tax rate applies under the applicable DTT. Rates for the calculation of social contributions vary depending on the type of social fund and the status of an employee as presented in the table below:

SOCIAL FUND	Russian citizen (foreigner with residency permit)	Foreigner temporary staying in the RF	
		HQS	non-HQS
Pension Fund	22% on gross annual remuneration not exceeding 1 021 KRUR (~15.47 KEUR), above - 10%	exempt	22% on gross annual remuneration not exceeding 1 021 KRUR (~15.47 KEUR), above - 10%
Social Security Fund	1.8% on gross annual remuneration not exceeding 815 KRUR (~12.35 KEUR), above KEUR), above - 0%	exempt	1.8% on gross annual remuneration not exceeding 815 KRUR (~12.35 KEUR), above - 0%
Medical Fund	5.1% on gross annual remuneration	exempt	exempt

Accident insurance contributions are payable to Social Security Fund in addition to social contributions (including foreign employees both holding the HQS work permit and employed without such permit) at the rate that could vary from 0,2% to 8,5% of the gross annual remuneration payable to employees.

WAGE-RELATED TAXES IN RUSSIA	Minimum wage		Average wage in private sector	
Exchange rate RUB/EUR 66	in EUR	in RUB	in EUR	in RUB
	284	18 742	596	39 355
TOTAL WAGE COST	**369**	**130%**	**775**	**130%**
Employer's contribution	85	30%	179	30%
GROSS SALARY	**284**	**100%**	**596**	**100%**
Personal income tax (for tax resident)	37	13%	78	13%
NET SALARY	**247**	**87%**	**519**	**87%**



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SERBIA

CORPORATE TAXES AND OTHER DIRECT TAXES

The general corporate income tax rate is flat and amounts to 15%. Tax is applied to both resident and non-resident companies. Resident companies are taxed on their worldwide income, and non-residents are taxed only on income generated in Serbia. The tax base is the pre-tax profit modified by several increasing and decreasing items. Also, capital gains are included in the annual corporate profits tax return. Losses can be carried forward for 5 years while the carry back of losses is not permitted. There are several tax deductions available on investments in relation to the number of employed persons and investment funds. Serbia applies thin capitalization ratios 4:1 (10:1 for banks). Also, there is a requirement that interests paid to a non-resident must be on arm's length terms.

A withholding tax at the rate of 20% is applicable on dividends, interests, capital gains, royalties and other intellectual property rights, income from rent of immovable and movable property and income from specific services such as market research, accounting, audit and other services related to business and legal consulting. Also, there is tax rate of 25% applicable to revenues realized by non-resident legal persons from jurisdictions with a preferential tax system. Serbia has a wide international treaty network with more than 50 double tax treaties.

Transfer pricing is a relatively new topic in Serbia. Transactions between related parties must be at arm's length. The comparable uncontrolled price method may be used, but in the absence of this method, the taxpayer may use the cost-plus, the resale price method, the profit sharing method or the net profit method.

There is an obligation to enclose transfer pricing documentation with the annual tax returns.
The transfer tax of 2.5% is applied on transfers listed in the Property Tax Act. There is no surtax or alternative minimum taxes.

VAT AND OTHER INDIRECT TAXES

The general rate is 20%, reduced rates are 10% (e.g. bread, milk, accommodation services, medications, fertilizer, etc.) and VAT-exemption for exports, transport and other services which are associated with the importation of goods. Taxpayers with revenue in excess of approximately EUR 65,000 must register for VAT purposes. Non-residents may register for VAT purposes only through a tax representative.
The options/limits based on the Serbian VAT Act are as follows:

TRANSFER PRICING IN SERBIA		
Arm's length principle	✓	since 2013
Documentation liability	✓	since 2013, prepare and submit transfer pricing documentation together with the CIT return
APA	No	-
Country-by-Country liability	No	-
Master file-local file (OECD BEPS 13) applicable	No	-
Penalty		
lack of documentation	✓	~ EUR 16.200 for missing documentation
tax shortage	✓	30% on tax underpayment + late payment interest
Related parties	25% <	direct or indirect control or common managing director, close family members, non-resident entities from tax havens
Safe harbours	✓	Interest as described in Governmental Rulebook, transactions (other than financial) below EUR 65.000 are not subject to TP rules
Level of attention paid by Tax Authority		8/10

Exchange rate RSD/EUR	123,5
OPTIONS	Applicable / limits
Distance selling	No
Call-off stock	✓
VAT group registration	No
Cash accounting	approx EUR 405,000/year
Import VAT deferment	No
Local reverse charge	sale of secondary raw materials and services that are directly related to these goods, transactions of construction buildings, construction work
Option for taxation	
- letting of real estate	No
- supply of used real estate	No
VAT registration threshold	approx EUR 65,000/past 12 months

Other indirect tax type in Serbia is excise duty.

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PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

In Serbia, resident individuals are taxed based on their worldwide income, while non-residents are taxed only on income in Serbia. There is a flat rate of 10% for gross salaries. Capital gains are taxed at 15%. Furthermore, the tax rate on income from agriculture and forestry is 10%. Income from the letting of real estate is taxable at 20%, but before that, the gross basis is reduced by standardized costs equalling 25%.

The tax rate on income from royalties and other intellectual property amounts to 20%. Active incomes fall under the scope of the SSC system: individual social contributions are 19.90% of the gross salary. These include contributions for pension and disability insurance (14%), health insurance (5.15%) and unemployment insurance (0.75%). Employers contributions amounts 17.90%.

Only difference is that contributions for pension and disability insurance are 12% (2% less than employee's obligation). Personal deductions are applicable.
The examples below show the cost of the employer and the employee in case of minimum wage level and the average wage in the private sector:

WAGE- RELATED TAXES IN SERBIA	Minimum wage		Average wage in private sector	
Exchange rate RSD/EUR 123,1179	in EUR	in RSD	in EUR	in RSD
Non-taxable amount	96	11 790	96	11 790
	247	30 465	500	61 559
TOTAL WAGE COST	**292**	**117,90%**	**590**	**117,90%**
Social contribution tax	44	17,90%	90	17,90%
GROSS SALARY	**247**	**100,00%**	**500**	**100,00%**
Personal income tax	15	6,13%	40	8,08%
Employees' contributions	49	19,90%	100	19,90%
NET SALARY*	**183**	**73,97%**	**360**	**72,02%**

Net salary differs on monthly basis approximately +/- 15 EUR

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SLOVAKIA

CORPORATE TAXES AND OTHER DIRECT TAXES

In Slovakia, the corporate income tax is charged at a flat rate 21%. The tax base is calculated from an accounting profit or loss modified by certain increasing and decreasing items. The tax losses can be deducted evenly for four years, i.e. a maximum one quarter from the total amount annually. Tax incentives may be provided in cases of starting new production or modernizing existing production, doing research or development. Taxpayers undertaking a research and development project are eligible for an extra allowance by applying a so-called "super deduction".

Starting from 1 January 2015 thin capitalization rules are applied. The maximum amount of tax-deductible interest and related expenses from loans provided by related parties is calculated as 25% of EBITDA. Taxpayers (legal entities) generating tax losses or tax base below minimal amount are obliged to pay tax licenses ranging from EUR 480 to EUR 2,880, which represent the minimum current tax. As of 2018, the tax licenses should be abolished.

A withholding tax of 19% is applicable to interest, winnings and other income from passbook deposits, income of authors for their articles, etc. A 35% withholding tax rate applies for payments to taxpayers from non contracting states which do not have either a double tax treaty or a treaty on information exchange with Slovakia. Interests and royalties paid by Slovak tax residents to closely related EU entities are under specific rules exempted from taxation.

Dividends and other incomes paid to legal entities being Slovak tax residents by taxpayer from a non-contracting state are subject to taxation within the separate tax base at rate of 35%. Dividends and other income are also subject to taxation if paid to a taxpayer from a non-contracting state by a Slovak legal entity. Taxation does not apply to the dividends paid from the profit from 2004 until 2016, i.e. such dividends shall not be subject to tax even if paid after 1 January 2017.
Country-by-Country (CbC) Reporting obligations are applicable in Slovakia for periods from 1 January 2016.

In 2018, exit tax and patent box special regime were introduced in Slovakia. Starting from 2018, business restructurings (mergers, acquisitions, in-kind contributions, de-merges) can be carried out solely in fair market values (only for some specific cases historic value method can be applied)

VAT AND OTHER INDIRECT TAXES

The general VAT rate is 20%, while the reduced rate is 10% (e.g. pharmaceutical products, books, music, spectacle and contact lenses, basic food items such as bread, butter, milk and cream, freshwater fish and meat).

Starting from 1 January 2016 a special tax voluntary arrangement based on the receipt of payment for goods and services (called "cash accounting") can be applied by certain VAT payers.
Other indirect tax types in Slovakia are excise taxes on wine, beer, tobacco, spirits, mineral oils, electricity, coal and natural gas.

TRANSFER PRICING IN SLOVAKIA		
Arm's length principle	✓	since 1999
Documentation liability	✓	since 2009
APA	✓	since 2004
Country-by-Country liability	✓	from FY 2016
Master file-local file (OECD BEPS 13) applicable	✓	Already implemented since 2015 for specific taxpayers
Penalty		
lack of documentation	✓	up to EUR 3 000 / missing documentation (recurrent basis)
tax shortage	✓	10% p.a. of tax underpayment
Related parties	25% <	direct or indirect control or common managing director, close relatives or other control aimed purely on circumvention of tax
Safe harbours	✓	Not officially published/accepted - but generally accepted: Low value added services: 5% mark-up
Level of attention paid by Tax Authority		9/10

The options/limits based on the EU Directive:

VAT OPTIONS IN SLOVAKIA	Applicable / limits
Distance selling	EUR 35,000/year
Call-off stock	✓
VAT group registration*	✓
Cash accounting - yearly amount in EUR (approx.)	appr. EUR 100,000/year
Import VAT deferment	No
Local reverse charge	construction works; deliveries of goods and certain types of services in the Slovakia by a taxable person who is not established in Slovakia (foreign VAT payers); sale of waste, specific metal products, emission quotas; sale of agricultural products, specific electronic devices if the tax base on the invoice exceeds 5 000 EUR, etc.
Option for taxation - letting of real estate	✓
Option for taxation - supply of used real estate	✓
VAT registration threshold	EUR 49,790

* Available only for domestic related parties

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PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

The personal income tax rate is progressive in Slovakia and it is based on the amount of income. The income tax rate of 19% is applicable on the tax base below 176.8 times the amount of the subsistence minimum in effect (for year 2018, that amount is EUR 35,268.06 per year) and 25% for the part of the tax base exceeding 176.8 times the valid subsistence minimum.
Dividends and other income (including shares on liquidation balances of business companies and/or cooperatives) and shares of members of land communities paid out after 01 January 2017 are subject to taxation at rate 7% (capped by DTAT rate) or 35% if recipient or payer of dividend is from a non-contracting state. Further, dividends distributed to employees without participation on the registered capital of the company and/or cooperative are classified as employment income taxable by tax advances.
Both employers and employees are subject to social security and health contributions on the employee's gross monthly wage. The rates are 35.2% for employers (social security 25.2% and health insurance 10%) and 13.4% for employees (social security 9.4% and health insurance 4%). Social security contributions are capped by a maximum assessment base of EUR 6,384. There is no maximum assessment base for health insurance contributions. Health insurance allowance (annually to 4,560 EUR) can be applied by low-income employees on employee's contributions..
The examples below show the cost of employers and employees in case of minimum wage level and the average wage in private sector.

WAGE- RELATED TAXES IN SLOVAKIA	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	480		925	
TOTAL WAGE COST	**649**	**135,20%**	**1 251**	**135,20%**
Vocational training contribution	–		–	
Social contribution tax	169	35,20%	326	35,20%
GROSS SALARY	**480**	**100,00%**	**925**	**100,00%**
Personal income tax*	20	19,00%	92	19,00%
Employees' contributions**	57	11,90%	124	13,40%
NET SALARY	**403**	**69,10%**	**709**	**67,60%**

* The gross salary is decreased by the total amount of a general allowance (319,17 EUR/monthly) and by social contribution tax
** Social and health insurance paid by employee (special health contribution for low-income employees)

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SLOVENIA

CORPORATE TAXES AND OTHER DIRECT TAXES

The general corporate income tax rate is 19% from 2017 on. A special rate of 0% applies to investment funds, pension funds and insurance undertakings for pension plans, under certain conditions. The tax base is the pre-tax (accounting) profit modified by several increasing and decreasing items. A company may request to be subject to tonnage tax instead of corporate tax if it meets certain conditions (i.e. it operates in international maritime shipping) and notifies the tax authorities in advance. The tax base for tonnage tax is the sum of the tax bases for each of an entity's ships that are included in the tonnage tax regime. In addition, taxpayers whose revenue in the previous year did not exceed EUR 50,000 (or EUR 100 000 if employing at least one full-time person for a minimum of five months) can elect to take a lump sum deduction equivalent to 80% of annual revenue, in lieu of actual expenses. Losses can be carried forward without limitations and can be used only up to 50% of the tax base. In addition special rules apply in case of M&A transactions. Slovenia uses thin capitalization (4:1), but thin capitalization does not apply if shareholders are financial institutions and if the taxpayer provides evidence that they could have received the loan surplus from a lender that is a non-associated enterprise. There is a range of tax allowances for new investments and R&D, new employments and employments of disabled persons, as well as investment incentives.

A withholding tax of 15% is applied on dividend, interest, royalty and rental income paid for by a Slovenian company to a foreign company. However, if conditions are met, an exemption is applicable to payments to EU residents (under parent subsidiary directive & interest and royalty directive) and under international double taxation treaties (currently over 50 treaties).

Real estate transfer tax (RETT) is applied on the transfer of immovable property at the rate of 2%. The tax base is the selling price of the transferred property and the taxable person is the seller. No tax if transaction is subject to VAT.

VAT AND OTHER INDIRECT TAXES

The general tax rate is 22%; a reduced rate of 9.5% applies to some goods, e.g. food, books, water supply, carriage of passengers and their personal luggage, etc. VAT-exempt services are services of public interest, as well as banking services, insurance, investment-related services, gambling, certain services provided by medical doctors and dentists, etc. EC Sales lists (IC report) are obligatory in Slovenia and should be submitted by the 20th day of the month following the taxable period.

Other indirect tax types in Slovenia are excise duty, insurance tax, motor vehicle tax, customs, etc.

TRANSFER PRICING IN SLOVENIA		
Arm's length principle	✓	since 2005
Documentation liability	✓	since 2006
APA	✓	Available
Penalty		
lack of documentation	✓	~ up to EUR 30.000/ missing documents
tax shortage	✓	up to 45% of the unpaid tax, but no more than EUR 300.000; EUR 5.000 for the responsible person
Related parties	25% <	direct or indirect control or common managing director
Safe harbours	✓	For interest rates in line with Governmental Rulebook, for thin cap 1 : 4 ratio
Level of attention paid by Tax Authority		8/10

VAT OPTIONS IN SLOVENIA	Applicable / limits
Distance selling	EUR 35,000/year
Call-off stock	✓
VAT group registration	No
Cash accounting	EUR 400,000/year
Import VAT deferment	✓
Local reverse charge	construction works and supply of staff in relation to construction works, supply of immovable property (limited), supply of waste and used material based on specification, transfer of greenhouse gas emission allowances
Option for taxation	
- letting of real estate	Yes
- supply of used real estate	✓
VAT registration threshold	EUR 50,000/year *

* special rules for agricultural activites

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PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Personal income tax rates are progressive from 16% to 50%, and apply on active income sources (employment, business income, agriculture and forestry, other income. Income from capital and rental income is taxed at flat rate (dividends at 25%, interest at 25%, capital gains from 0% to 25%, depending on holding period, rental income at 25% (10 % lump sum costs or actual costs deductible)).

Social security contributions apply on income from employment and are 16.10% for the employer and 22.10% for the employee. Self-employed individuals (business income) pay their own social security contributions depending on the circumstances of the case.
The examples below show the cost of the employer and the employee in case of minimum wage level and the average wage in the private sector. There are a number of personal allowances that apply individually depending on the personal status of the individual.

IF A YEARLY TAX BASE AMOUNTS TO		THE TAX AMOUNTS TO		
above	below			
	8.021,34	116,10%		16%
8.021,34	20.400,00	1.283,41	+ 27%	8.021,34
20.400,00	48.000,00	4.625,65	+ 34%	20.400,00
48.000,00	70.907,20	14.009,65	+ 39%	48.000,00
70.907,20		22943,46	+ 50%	70.907,20

WAGE- RELATED TAXES IN SLOVENIA	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
TOTAL WAGE COST	**978**	**116,10%**	**2 040**	**116,10%**
Employer's contribution	136	16,10%	283	16,10%
GROSS SALARY	**843**	**100,00%**	**1 757**	**100,00%**
Employees' contributions	186	22,10%	388	22,10%
Tax and surtax*	61	7,24%	222	12,64%
NET SALARY	**596**	**70,66%**	**1 147**	**65,26%**

*Tax base differs from the gross salary, deductions apply.

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UKRAINE

CORPORATE TAXES AND OTHER DIRECT TAXES

CIT in Ukraine is taxed at the flat rate of 18%. Taxable profit is calculated as financial profit before tax (reported in P&L statement according to Ukrainian GAAP or IFRS) adjusted by certain tax adjustments (depreciation, accruals and provisions, thin capitalization, tax losses, etc.). Thin capitalization rules apply to loans granted by non-resident related parties (debt-to-equity ratio is 3.5). Insurance companies are liable to pay additional 0% or 3% income tax for life insurance and other insurance respectively. Tax losses can be carried forward, while loss carryback is not permitted.
Companies with annual income not exceeding UAH 20 million (approximately EUR 597 thousand as of 1 January 2018) are entitled not to make any adjustments (except for tax losses carryforward).
Companies with annual income not exceeding UAH 3 million (approximately EUR 90 thousand as of 1 January 2018) may apply 0% CIT rate, if certain additional conditions are met.

There is 15% withholding tax on dividend, interest, royalty, etc., paid to a foreign company. However, in most cases a lower rate or exemption may be applied under the respective double tax treaty. Ukraine has a wide double tax treaty network with more than 70 countries.
TP rules in Ukraine apply not only to controlled transactions with related non-resident parties, but also to transactions with non-related non-resident companies, which are registered in low-tax jurisdictions or which are considered as non-payers of CIT. Ukraine has not yet adopted country-by-country and masterfile reporting standards in local legislation.

Sole traders, companies with annual income not exceeding UAH 5 million (approximately EUR 149 thousand as of 1 January 2018) and agricultural producers may apply for a simplified taxation system (paying single tax instead of CIT).
Property tax, which consists of real property tax and land tax, is charged as a local tax in Ukraine, and respective tax rates are set by local authorities.

VAT AND OTHER INDIRECT TAXES

As non EU member, Ukraine does not comply with EU VAT Directives. Standard VAT rate is 20% (7% for pharmaceuticals and medicinal products; 0% for export of goods).
There is no concept of B2B and B2C services in Ukraine. Under the general rule, the place of the supply of services is the place where the supplier is registered. However, there are some exceptions (e.g. in respect consulting, marketing, information services, etc.).
In respect of services provided by a non-resident, the reverse-charge mechanism is applicable.
Ukraine introduced the electronic VAT administration system in 2015. Taxpayer is entitled to issue VAT invoices for the amount within the certain cap. To get VAT credit a taxpayer should receive from the supplier a VAT invoice in electronic form, which is registered in the Unified Register of VAT invoices. VAT refund is provided under unified register with chronological order of repayment.
There are number of temporary VAT incentives, such as exemptions for supplies of certain goods and services (software, electric vehicles, waste and scrap metals etc.) or possibility to defer VAT payment on certain transactions (e.g. import of equipment).

Exchange rate EUR/UAH	33.5	
TRANSFER PRICING IN UKRAINE		
Arm's length principle	✓	since 2013
Documentation liability	✓	since 2013
APA	✓	since 2013 (applicable for large taxpayers)
Country-by-Country liability	No	
Master file-local file (OECD BEPS 13) applicable	No	
Penalty		
lack of report	✓	up to 1% of the value of controlled transactions, but not more than UAH 528,600 (app. EUR 15,780)
lack of documentation	✓	up to 3% of the value of controlled transactions, but not more than UAH 352,400 (app. EUR 10,520)
tax shortage	✓	25% of tax underpayment; 50% in case of recurrent violation during 1095 days + late payment interest
Related parties	20% <	Direct or indirect or common control; or control in practice independently from the ratio
Safe harbours	No	
Level of attention paid by Tax Authority	7/10	

VAT OPTIONS IN UKRAINE	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting*	✓
Import VAT deferment**	✓
Local reverse charge	Imported services
Option for taxation – letting of real estate	✓
Option for taxation – supply of used real estate	No
VAT registration threshold**	Revenue of UAH 1 million (app. EUR 29,850)

* For certain types of operations (e.g., construction works; supply of heat, water, gas to individuals or governmental agencies)
** Possibility to pay VAT on import of certain equipment by monthly instalments for up to 2 years
** Voluntary registration is allowed without any limitations

The other indirect tax in Ukraine is excise tax. The excisable goods are spirits, beer, tobacco, petroleum, cars, trailers, motorcycles, electricity.

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PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

PIT rate applicable to both active income (e.g. employment, benefits in kind, assignment fee) and passive income (e.g. interest, royalties, investment income) for both residents and non-residents is 18%. Tax residents of Ukraine pay PIT on their worldwide income. Non-residents pay PIT on their Ukrainian source income. Dividends are subject to 9% PIT, except for dividends distributed by Ukrainian CIT payers, which are subject to 5% PIT. For the specific types of passive income, the tax rates of 5% and 0% may be applied.

There is a temporary military tax (until the completion of the military reform) applied to the monthly income at the rate of 1.5%.
Most active incomes fall under the scope of SSC with employer's contribution of 22%, no employee's contribution. Maximum chargeable amount per month is 15 months' minimum wages – UAH 55,845 (approximately EUR 1,667 as of 1 January 2018).
The examples below show the cost of the employer and the employee in case of minimum wage level and the average wage in the private sector.

WAGE- RELATED TAXES IN UKRAINE		Minimum wage		Average wage in private sector	
Exchange rate UAH/EUR	33,5	in EUR	in UAH	in EUR	in UAH
(as of 1 January 2018)		111	3 723	328	11 000
TOTAL WAGE COST		**135**	**122,0%**	**400**	**122,0%**
Social contribution tax		24	22,0%	72	22,0%
GROSS SALARY		**111**	**100,0%**	**328**	**100,0%**
Personal income tax		20	18,0%	59	18,0%
Military tax		2	1,5%	5	1,5%
NET SALARY		**89**	**80,5%**	**264**	**80,5%**

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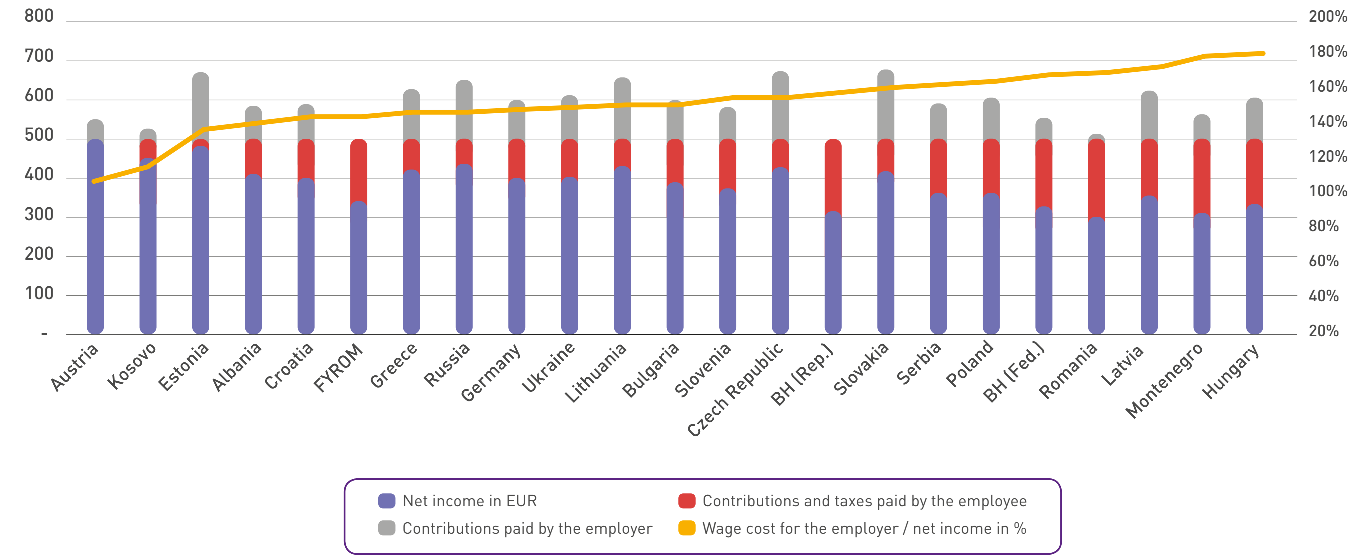
LABOUR-RELATED TAX BURDENS IN THE CEE REGION

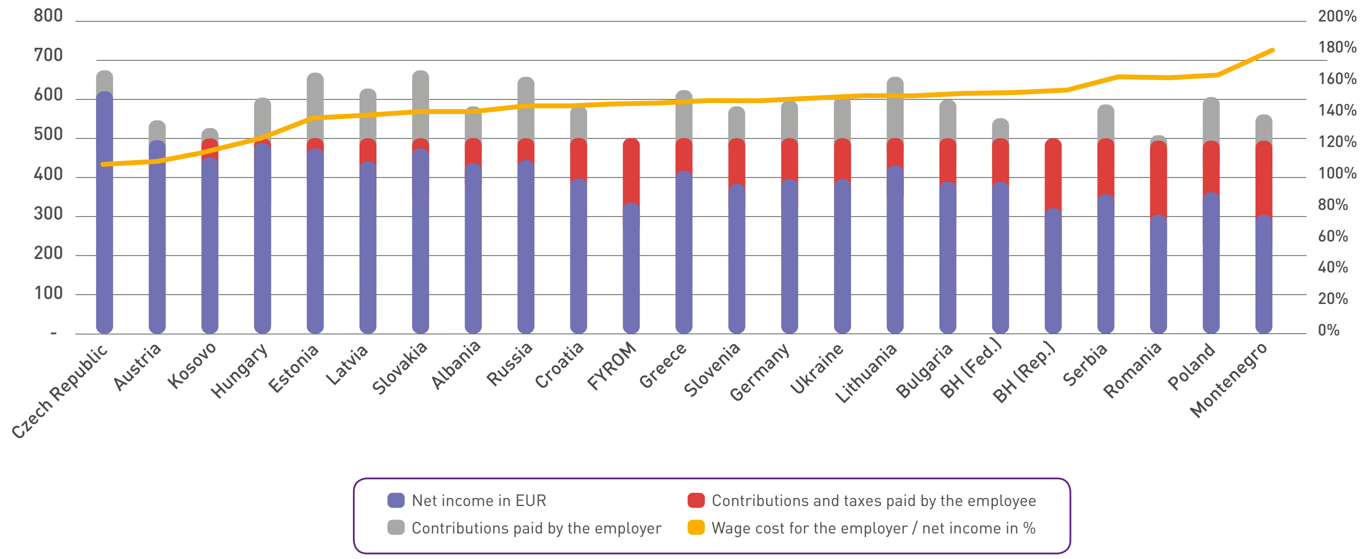
The charts below show the wage-related tax and contribution burdens in each country, for two different monthly gross income levels: EUR 500 and EUR 2,000 and for two different options for each income category: for an individual having no family ties and for someone who has three children.

The ratio of the total related costs of the employer and the employee's net income (on the chart "wage cost for the employer / net income") is particularly suitable for comparison, as it shows how much does it cost for the employer to provide the same level of net income to the employee in the different tax jurisdiction.

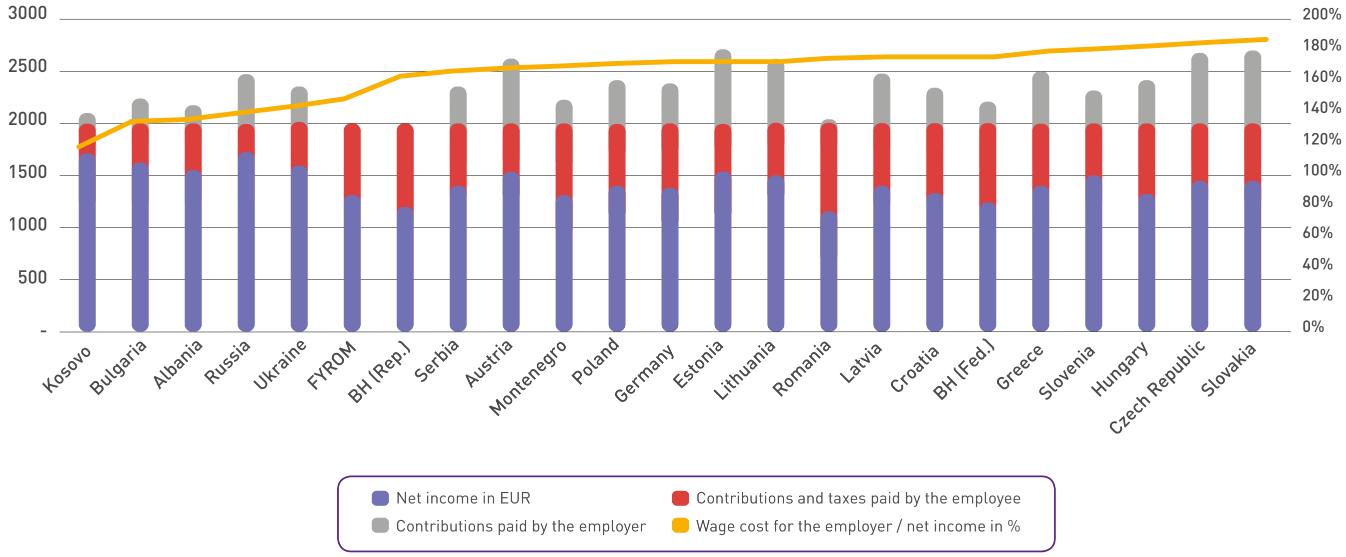
Monthly gross salary of EUR 500 and no family ties



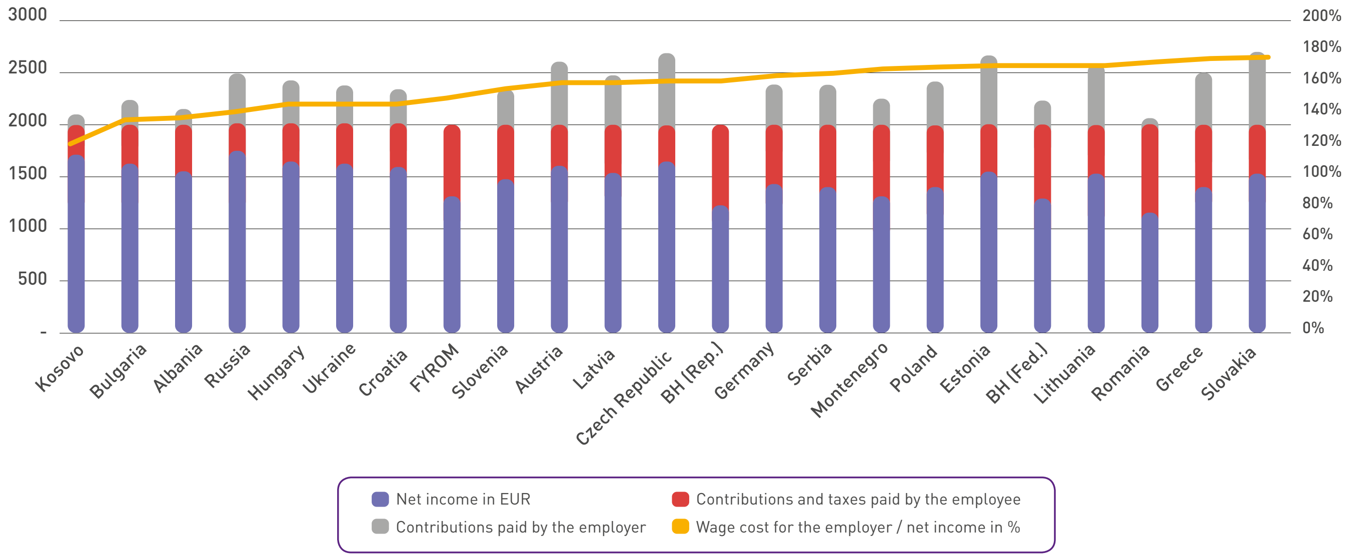
Monthly gross salary of EUR 500 with three children



Monthly gross salary of EUR 2000 and no family ties



Monthly gross salary of EUR 2000 with three children



We can find some interesting results if we compare the order of the countries for two options within each income category, i.e. in case of employees with and without families, as we can immediately see which countries provide a family tax credit and in what extent. The comparison of the various levels of income categories is also telling, since the different countries may provide tax benefits and tax credits, typically in the lower income category, or may have a progressive taxation system, as a result of which the proportion of the net income relative to the gross income, or even in comparison with the employer's total cost, may show significant differences in case of the various income levels.

TAX RATES IN THE COUNTRIES OF THE CEE REGION

2018	VAT	CIT	TP DOC	PIT	SSC
	Value added tax rates	Corporate income tax rate(s)	Transfer pricing documentation liability	Personal income tax rate(s)	Social security contribution payable by the employer
Albania	0%/20%/6%	15%/5%	✓	progressive 0%/13%/23%	16,70%
Austria	20% / 10% /13%	25%	✓	0% - 55%	20,63%
Bosnia and Herzegovina	17%	10%/0%***	✓	10%	10.5%* / No**
Bulgaria	20%/9%	10%	No*	10%	18,92%
Croatia	25% / 13% / 5%	18%/12%	✓	24% / 36%	17.2%*
Czech Republic	21% / 15% / 10%	19%	✓	15% + 7% solidarity surcharge*	34% / 9%**
Estonia	20%/9%	20%*	✓	20%	33,80%
FYR Macedonia	18% / 5%	10%	No	10%	No
Germany	19% / 7%	15%	✓	14%	19,42%
Greece	24% / 13% / 6%	29%	✓	22%/29%/37%/45% & 2,2-10,0 Additional solidarity tax	25,06%
Hungary	27% / 18% / 5%	9%	✓	15%	21,0%
Kosovo	18%/8%	10%/9%/3%	✓	progressive 0%/4%/8%/10%	5%
Latvia	21%/12% or 5%	20%*	✓	20/23%/31.4%**	24,09%
Lithuania	21%/9%/5%	15%/5%	✓	15%	31,18%
Montenegro	21% / 7%	9%	No	9%/11%	10.2%
Poland	23% / 8% / 5% / 0%	15%/ 19%	✓	18% / 32%	21%*
Romania	19%/9%/5%	16%	✓	10%	2,25%
Russia	18%/15,25%/10%/0%	20%	✓	9%/13%/ 15%/30%/35%	30% /15,1%/ 10%*
Serbia	20% / 10%	15%	✓	10%	17.9%
Slovakia	20%/10%	21%	✓	19%/25%	35.2%
Slovenia	22% / 9.5%	19%	✓	progressive 16% - 50%	16.1%
Ukraine	20% / 7% / 0%	18%	✓	18%*	22%**

BOSNIA AND HERZEGOVINA *In Federation of BIH; ** In Republika Srpska *** 0% *** small taxpayers in Republika Srpska
BULGARIA *TP doc liability upon request by the tax authorities
CROATIA *for the person under 30 on undetermined period, there is no contributions on salary (17,2) for the period of 5 years
CZECH REPUBLIC * Only on part of the gross income from an employment/tax base from self-employment exceeding CZK 1,438,992 (approx. EUR 56,955) in 2018 ** Applicable on income exceeding CZK 1,438,992 (approx. EUR 56,955) in 2018
ESTONIA * No classical income taxation. 20% is calculated 20/80 from net amount and applicable only for distributed profit and certain costs.
LATVIA *CIT rate is 20% from gross profit; ** 20% on income up to EUR 20 004 per year, 23% on income over EUR 20 004 per year, 31.4% on income over EUR 55 000 per year.
POLAND * appoximately
RUSSIA *regressive rate depends on annual amount of remuneration
UKRAINE *Additionally 1.5% temporary military tax should be withheld ** * Maximum monthly SSC is UAH 12 286 (app. EUR 367)

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NOTES

Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, advisory, tax and legal services.

As of 1st January 2018, Mazars operates throughout the 86 countries and territories that make up its integrated partnership.

Mazars draws upon the expertise of 20,000 women and men led by 980 partners working from 300 offices worldwide. We assist clients of all sizes, from SMEs to mid-caps and global players as well as start-ups and public organisations, at every stage of their development.

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