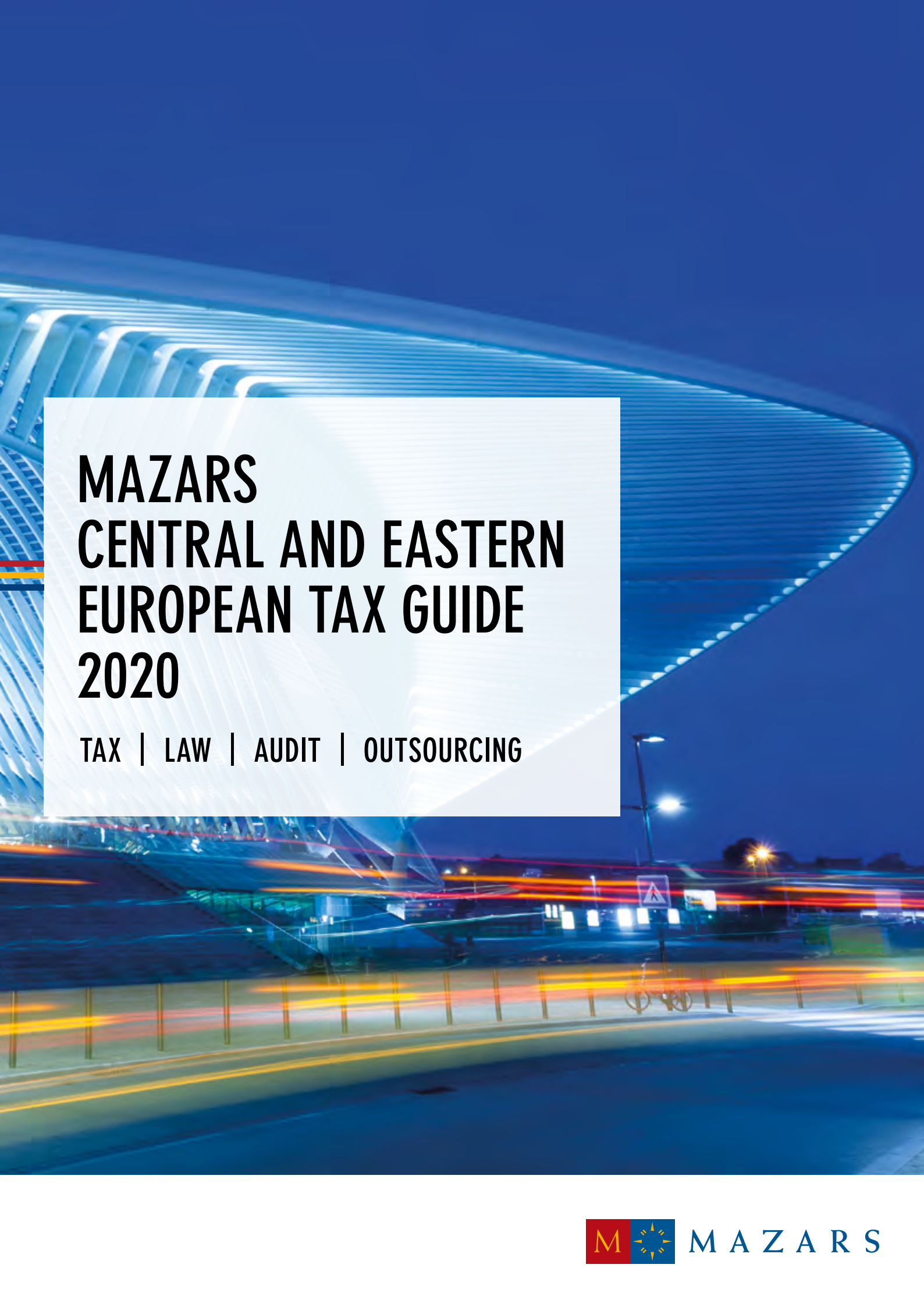




MAZARS CENTRAL AND EASTERN EUROPEAN TAX GUIDE 2020

TAX | LAW | AUDIT | OUTSOURCING



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2020: THE YEAR IN TAXES

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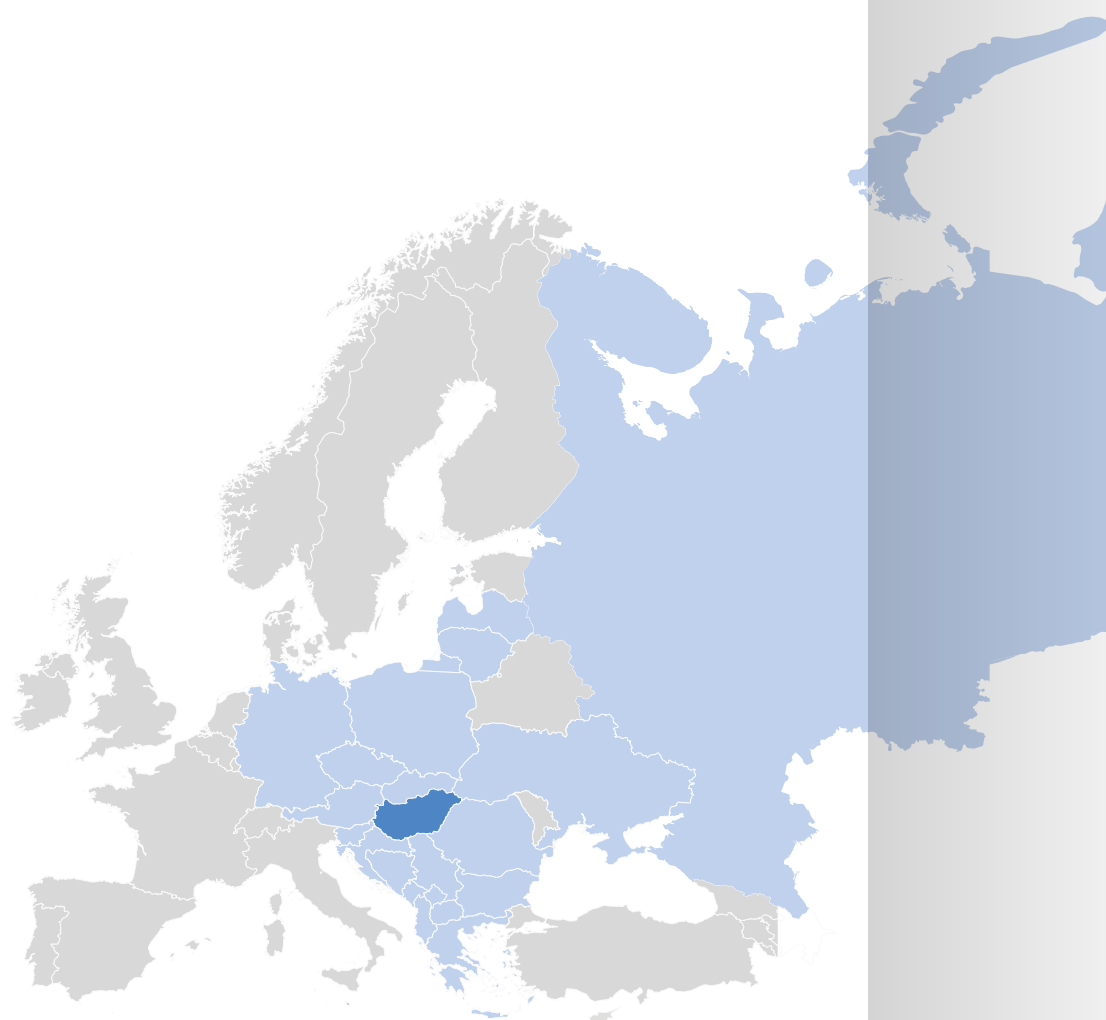
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WELCOME TO MAZARS CEE TAX GUIDE 2020

Welcome to Mazars' eighth annual Central and Eastern European tax guide. Our main purpose is to provide you with an overview of the tax systems in the CEE region. We strongly believe that this publication will help investors understand the complexities of the various CEE tax regimes, as well as highlight the latest developments and trends characterizing the tax regime of a given country.

This year's issue covers 21 CEE countries and contains information on taxation systems effective at the end of January 2020, i.e. before the pandemic started in Europe. 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.

The primary aim of the publication is to allow for comparisons to be made between the fundamental factors of competitiveness in the region. What are these factors? They primarily include the extent of taxes and contributions

on employment: in addition to listing the relevant tax and contribution rates we also show examples for various salary levels and family statuses. Other key factors are the rates and special features of turnover taxes, as well as the corporate income tax system. A separate table summarizes and compares major CIT characteristics, like tax allowances for research and development activities or loss carry forward regulations, possible group taxation, interest deduction limitations, etc. Moreover, the reader can have a quick overview on the main features of transfer pricing regulations of the countries as well.

In the following, we provide a brief summary of the tendencies in the CEE region as a whole.

Before making any strategic business decisions further discussion and detailed analysis is always required. To that end, we have included the direct contact information of 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 Szmicssek
Partner
Tax and Legal Services
Mazars Hungary

TAX REVIEW 2020

TRENDS AND FACTS IN CEE TAX REGIMES

Thanks to the cooperation of the Mazars offices of the Central Eastern European Region, our publication is delivered for the eighth time, providing current information on taxation in the concerned states. It is important to highlight that the information contained in the publication reflects the conditions as of January 2020, that is, the brochure reports on taxation systems effective prior to the pandemic. How much the taxes effective at the beginning of the year will be overwritten – not just alongside temporary measures, but in the long run – by the economic recession caused by this pandemic will be revealed in our publication

next year. This brochure focuses on long-term trends, since investment decisions are also based on these. For instance, temporary tax reliefs seen in every country to a certain extent, do not impact long-term decisions, thus their presentation is not an objective of the tax guide.

The list of participating countries was continuously extended in the past years; the 2020 edition of the tax guide contains the data of 21 countries including the so-called Visegrad countries, but also South East Europe, Russia, Ukraine and the Baltic states.

Employment taxes

Overall, the proportion of taxes and contributions on income and employment is dropping, however, their extent shows significant differences in the countries observed. Besides, the principle of taxation is also non-uniform in the region; some countries swear by the flat rate income tax (like Bulgaria, the Czech Republic, Hungary, Romania, or Ukraine), while others prefer significantly progressive tax rates (e.g. Austria, Germany, Slovenia as well as Croatia and Slovakia).

“Last year and the beginning of this year were characterized by tax reforms aiming to increase transparency and decrease tax evasion in Albania. The introduction of the Common Reporting Standard, the signing of the OECD Multilateral Convention and the introduction of a law enabling the real time transmission of transactions performed by taxpayers to the tax authorities’ platform are only some of the initiatives undertaken which are expected to give their impact later this year.”

Erinda Xhaferaj, ACCA / Head of Tax Advisory Services / Albania & Kosovo

“Over the last 5 years, the Bulgarian tax system has become stricter in the field of VAT, withholding taxes and transfer pricing. Regarding VAT, the purpose of the new legislation is to tackle VAT fraud (in particular VAT refunds for goods and services for personal use). The current trend in transfer pricing is triggered by redrafted rules in force from 01 January 2020 that require taxpayers to prepare more extensive transfer pricing documentation and additional documents.”

Milena Mladenova / Head of Audit Services, CPA / Bulgaria

“In recent years, the tax authorities in Lithuania have become even more transaction oriented. They scrutinize material mergers and acquisitions and financing structures, as opposed to the daily operations of tax payers. As a result, the implementation of debt push down and the recognition of goodwill have become more complicated and are usually subject to a tax audit or investigation. Also, the application of the principle of substance over form is being implemented more broadly than ever. The tax authorities question not only the business rationale behind the transaction, but also challenge the way the change was executed. These trends are largely visible in cross-border situations (e.g. transfer of shares to foreign shareholdings, dividend distribution to foreign shareholders, etc.).”

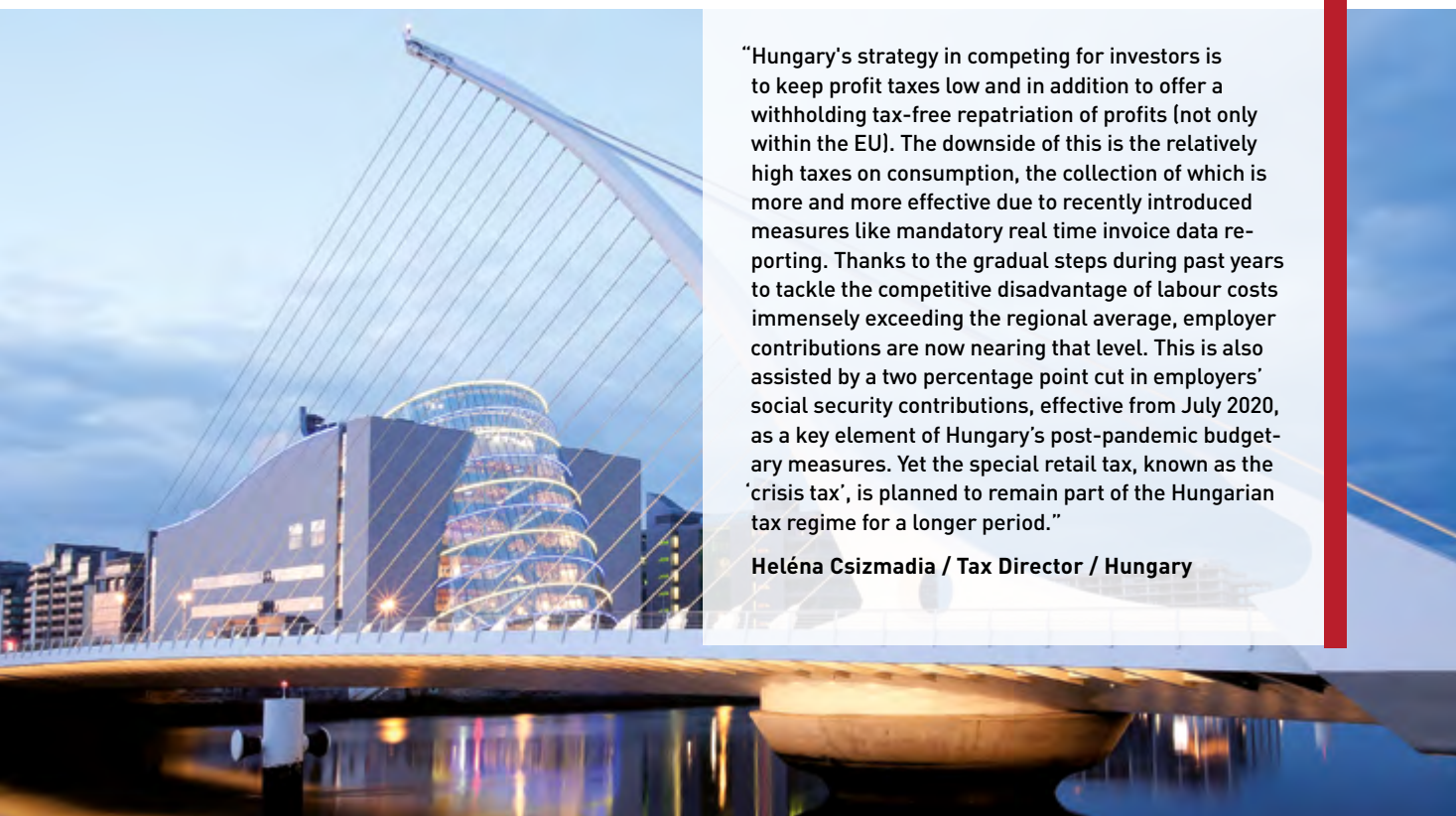
Jūratė Zarankienė / Managing Partner / Lithuania

The total labour costs of employers in the region amount to almost 160% of net salaries and wages. This value is somewhat lower in the case of lower income rates (around 155%) and higher in the case of higher rates (167%). The proportion of costs from taxes and contributions burdening employers is on average 16% of the gross salaries in the region, but there is a significant difference – over 30 percentage points – between the lowest employer burdens (e.g. Lithuania, Macedonia, Kosovo or Romania) and the highest employer contributions (e.g. the Czech Republic, Russia, Slovakia), which also highlights the fact that the systems are different and hard to compare. For instance, the picture becomes more nuanced when we look at the fact that employer contributions are especially low in Romania, because a few years back the social contribution payment system was significantly transformed in a way that technically resulted in the employee paying the majority of the contributions instead of the employer, when calculated with a constant total tax rate.

All of the above should obviously be evaluated in consideration of the wage level in the given country, and this is the factor where the countries of the region display the most significant spread. While the minimum wage in Serbia, Ukraine and Kosovo is under EUR 180 and is around EUR 200-300 in former Yugoslavian countries or Albania and Bulgaria, in a significant part of the region (Czech Republic, Slovakia, Hungary, Poland), the minimum wage is around EUR 400-500, obviously incomparable with the values of nearly EUR 1,500-2,000 in Austria and Germany. At the same time, there has been a significant increase in the minimum wage in Euros by 2020: with the most significant increase in Ukraine, but Poland, Slovakia and the Czech Republic also experienced a rise of 10-15%. The average wage level in the private sector in Euros increased most significantly – by over 30% – in Romania, Bulgaria and Ukraine, which may partly come from changes in the currency exchange rates, but the same figure is also above 10% in the Czech Republic, Austria and Germany.

Value added tax

Due to the economic upturn of the mid 2010s, the budget balance significantly improved in most CEE states, which enabled the partial phasing-out of crisis taxes. Prior to the appearance of the pandemic, governments strived to build on the increase of private consumption, and turnover taxes received an increasing role in planning fiscal revenues. Value added tax has perhaps become the most important revenue source for state budgets in recent years. This might significantly change in the future due to the economic recession caused by the pandemic. Due to EU regulations, the rules are harmonised for the most part, and many non-EU member states also try to align themselves with the Community system. However, the applied tax rates show significant differences. In 2020, the normal tax rates average around 20% in the region. ▽



“Hungary’s strategy in competing for investors is to keep profit taxes low and in addition to offer a withholding tax-free repatriation of profits (not only within the EU). The downside of this is the relatively high taxes on consumption, the collection of which is more and more effective due to recently introduced measures like mandatory real time invoice data reporting. Thanks to the gradual steps during past years to tackle the competitive disadvantage of labour costs immensely exceeding the regional average, employer contributions are now nearing that level. This is also assisted by a two percentage point cut in employers’ social security contributions, effective from July 2020, as a key element of Hungary’s post-pandemic budgetary measures. Yet the special retail tax, known as the ‘crisis tax’, is planned to remain part of the Hungarian tax regime for a longer period.”

Heléna Csizmadia / Tax Director / Hungary

There have been hardly any changes in the tax rates of countries in the past two years: from 2019 onwards only Russia increased the rate by 2 percentage points and Bosnia and Herzegovina decreased it significantly to 10% from the previous 17% by 2020. The normal VAT rate of 25% and 27% effective in Croatia and Hungary respectively still count as especially high and the 1 percentage point drop planned earlier in Croatia did not occur.

Examining the reduced tax rates, we get an even more diverse image. Every state has a lower turnover tax rate, and many countries have introduced two reduced rates, which is the maximum pursuant to Directive 2006/112/EC (VAT Directive).

If taxes related to consumption become more significant, simultaneously a more efficient tax collection also receives greater attention.

Since the danger of tax evasion is the greatest in this area, governments utilise digital technology to take steps against any abuse. The objective is the end-to-end monitoring of the sales process, the detection of untaxed transactions and curbing tax fraud. The introduction of online cash registers and the special attention paid to transactions involving transportation may prove

efficient tools in whitening the economy. In Hungary, the recently introduced mandatory online invoice data reporting had a positive fiscal impact; thus, we may expect the spread of similar solutions in the region. In Romania, for instance, the use of online cash registers has also been mandatory for the past few years.

Corporate income tax

It remains conspicuous that various countries place very different emphasis on taxing corporate profit: there is a difference of over 20 percentage points between the lowest and highest tax rate. Germany has the highest (31% - CIT + trade tax combined) and Hungary and Montenegro have the lowest (9%), while the countries of the region typically keep it around 15-20%. However, the limitations of the tax rate are slowly becoming visible. On the one hand, as of 2019 we can only find one country where there was a decrease in the profit tax rate. This was Greece where the tax rate was drastically increased to 29% in the 2016 crisis period, and then lowered to 28% by 2019 and to 24% beginning 2020. Other than that, there have been

no changes in the CIT rates in the past three years in the region’s countries, hence the systems may be considered to have been stable in this regard. It should also be noted that Poland also introduced a 9% reduced rate, but it only applies to small taxpayers. Overall, the average tax rate in the examined region is around 16% (considering the higher rate if there are multiple rates) which is the result of a continuous, small-scale decrease in the past 8 years.

On the other hand, the European Union consciously strives to limit the tax rate. It attempts to create a common framework of corporate taxation in member states, or at least prevent the use of the most harmful tax evasion techniques. An important tool in this effort is the legal act called the Anti Tax Avoidance Directive (ATAD), officially known as Directive (EU) 2016/1164. Most of its provisions must be applied by Member states since 1 January 2019. Therefore, the greatest challenge in recent times was the adoption of EU rules. The rule on interest deduction limitations deserves special mention.

A decisive majority of the examined countries had already applied some kind of method earlier to determine the amount of borrowing costs that was deductible from the corporate tax base. However, according to the judgement of the European Commission, only the regulations in Greece, Slovenia and Slovakia proved efficient enough to allow for a delayed introduction of the new regime (Slovenia introduced the new regulation in 2020). In the rest of the EU member states in the region, the previous undercapitalisation rules were increasingly replaced by the method tied to EBITDA-based calculation under the ATAD. However, it is interesting to see, how differently various member states interpret the frameworks provided by the Directive. In some places (Hungary) the lightest limitations apply, while elsewhere (Poland), the local regulation goes beyond the limitation stipulated as the minimum in the ATAD.

The standardization of offshore (controlled foreign corporation, CFC) rules can also be traced back to the ATAD. By 2020 so-called exit taxation regulation appeared in many countries (e.g. Hungary).

CEE countries applying traditional corporate taxation without exception allow the carry-over of losses acquired in previous years and putting them against the positive tax base of later years. This amount can only be used for that purpose during a predetermined

period, usually 5 to 7 years, but in some places only 3 to 4 years. 6 Countries allow unrestricted loss carryforward.

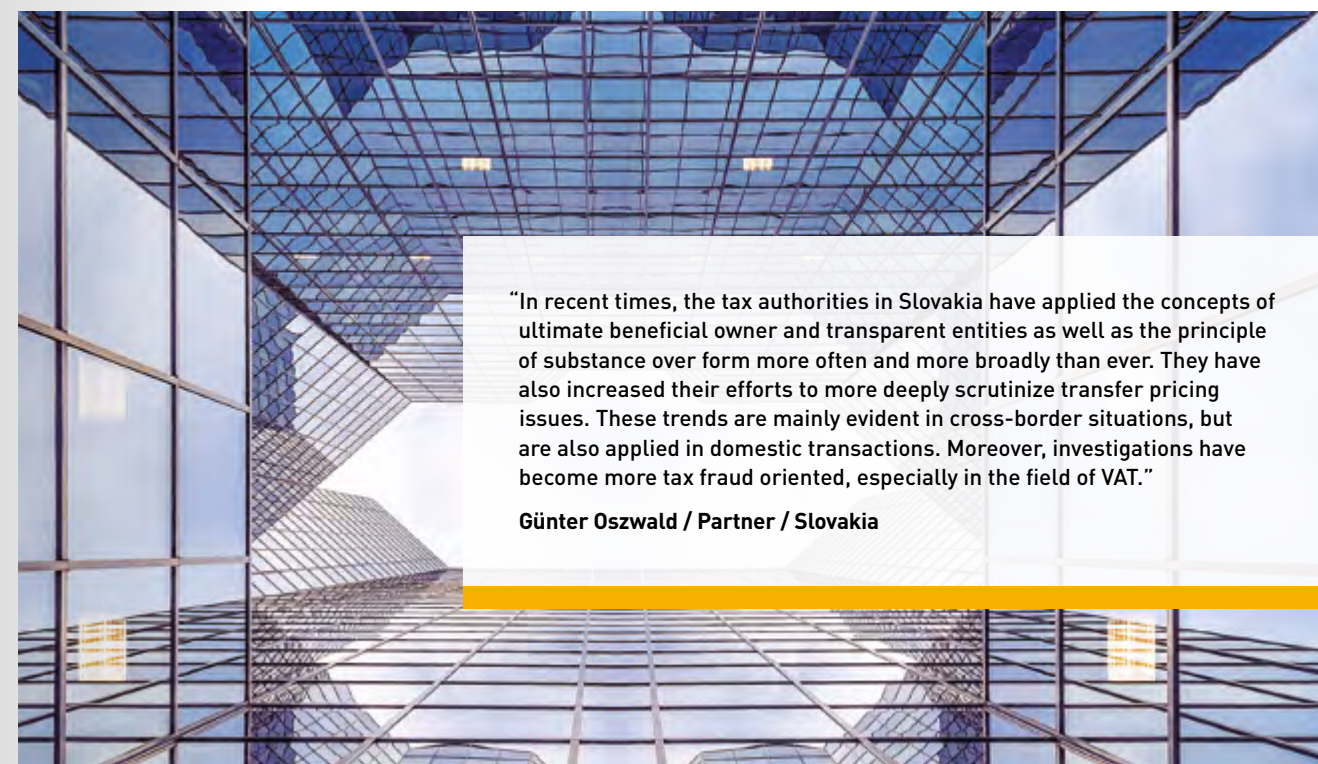
The states of the region readily apply a withholding tax on interest, dividend, and royalty revenues (at a rate of 15%, or even 19-20%). Naturally, these can only be applied in consideration of the provisions of the corresponding tax agreements. However, Lithuania and Hungary still do not apply any withholding tax on capital income, and Albania significantly decreased the rate of withholding tax on dividends starting 2019.

In two thirds of the CEE region the taxpayer is allowed to prepare an IFRS-based individual statement (separate financial statement) and use it for tax purposes as well. In over half of the countries the tax system supports Research and Development (R&D) activities in some form. Slovakia, Serbia and Poland have made steps in that direction recently.

Finally, we must mention that as of 2019, corporate group taxation is available in Hungary, which was previously only an option in Austria, Poland and Bosnia and Herzegovina. Russia, on the other hand, is currently phasing out the option of establishing consolidated tax groups.

Transfer pricing

The OECD’s BEPS (“Base Erosion and Profit Shifting”) initiative drew attention to the fact that tax authorities should concentrate more on possible cross-border transactions within corporate groups. Transfer pricing regulations had previously appeared in the tax system of practically all countries, except Montenegro and Macedonia. The most recent country to introduce documentation obligation was Bulgaria. The related documentation obligation also changed recently. The fundamental objective of the OECD’s “country-by-country reporting” (CBC-R) requirement is to promote transparency by providing the information necessary for evaluating tax risks to local tax authorities. In the past year taxpayers operating in the CEE region also had to actively participate in the implementation of the CBC reporting system. It is telling that the majority of Mazars offices presenting the tax systems of the tax system of the countries reported that the tax authority paying more and more attention to the topic. However, the question remains how the emerging new crisis will transform reasonably expected profit levels, and / or to what extent multinational corporations will have to intervene in their pricing structure and how strongly the tax authorities will challenge the tax base levels that will fall significantly below those of previous years.



“In recent times, the tax authorities in Slovakia have applied the concepts of ultimate beneficial owner and transparent entities as well as the principle of substance over form more often and more broadly than ever. They have also increased their efforts to more deeply scrutinize transfer pricing issues. These trends are mainly evident in cross-border situations, but are also applied in domestic transactions. Moreover, investigations have become more tax fraud oriented, especially in the field of VAT.”

Günter Oszwald / Partner / Slovakia

ALBANIA

CORPORATE INCOME TAX 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 are subject to either simplified Corporate Income Tax, applicable only to those having an annual turnover above ALL 8,000,000 (EUR 65,040), either to Corporate Income Tax.

Corporate Income Tax is assessed on a current-year basis at the rate of:

- 15% for annual turnover over ALL 14,000,000;
- 5% for an annual turnover up to ALL 14,000,000;
- 5% for the entities which operate in software and IT development;
- 5% for the entities which operate in the automotive industry;
- 5% for entities who perform their activity in line with the law of "Entities of agriculture collaboration";
- 5% for entities who operate in agritourism industry, for their first 10 year of activity;
- Exempted from CIT for the first 10 years of their activity any entity who operate in 4-5-star brand name hotels, that will gain the status of "Special Investor" by December 2024.

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 Corporate Tax Law and other supplementary legal acts. Fiscal losses may be carried forward up to three consecutive years. For taxpayers investing in projects worth over ALL 1 billion, the period in which the losses can be carried forward is five 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. Tax on dividend starting from 2019 has been decreased from 15 to 8%. Local taxes consist of different categories of taxes, such as infrastructure tax, publicity and cleaning tax.

VAT AND OTHER INDIRECT TAXES

The VAT law entered into force on 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 Albanian taxable person will always be liable to account for the VAT. The obligation to register for VAT purposes and charge VAT is triggered when annual turnover exceeds ALL 2 million (approx. EUR 16,260). Persons involved in import or export activities and taxpayers supplying professional services must register for VAT regardless of the amount of turnover. The applicable VAT regime are: zero; 6% and 20%. 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 transferred to the consumers. Starting from 15.01.2020 credit obligations or surpluses such as tax and customs may be offset between them. This will be possible in the special cases specified in the instruction of the Ministry of Finance. The customs duty rates range between 0% and 15%, depending on the type of goods and the country of the origin.

Exchange rate ALL/EUR	135	
TRANSFER PRICING IN ALBANIA		
Arm's length principle	✓	since 1998
Documentation liability	✓	since 2014
APA	✓	since 2014
Country-by-Country liability	✓	From 08.08.2019, Albania is a participant on BEPS project but no local law is applicable to such participation.
Master file-local file (OECD BEPS 13) applicable	✓	
Penalty		
lack of documentation	✓	~ Documentation submitted on delay. -EUR 70 / for each month of delay.
tax shortage	✓	0.06% on daily basis (not more than 365 days) on tax underpayment + late payment interest.
Related parties	50% <	A person holds or controls 50% or more of shares or voting rights in the company of the other person.
Safe harbours	N/A	
Level of attention paid by Tax Authority		
		8/10

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 16,260/year

* Persons involved in import or export activities and taxpayers who supply professional services must register for VAT regardless of the amount of turnover.



MAZARS
IN ALBANIA

MAZARS SHPK,
Rr. Emin Duraku,
Pall. "Binjaket", Nr.5, Tirana
Albania
Phone: +355 (0) 42 278 015
www.mazars.al

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 26,000 (approximately EUR 211) to a maximum amount of ALL 114,670 (approximately EUR 910). 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. Those who receive over ALL 2,000,000, should file an annual tax return. In the case of employees employed by more than one employer, they are obliged to file the aforementioned return, independently from the amount of the annual income.

Entities are required to withhold personal income tax from the gross salaries of their employees. In Albania a progressive rate is applicable; no tax is applicable up to a monthly salary of ALL 30,000; above that 13% applies between ALL 30,000 and 150,000. Above that level ALL 15,600 plus 23% of the amount above ALL 150,000 is payable.

WAGE-RELATED TAXES IN ALBANIA		Minimum wage		Average wage in private sector	
Exchange rate ALL / EUR	123	in EUR	in ALL	in EUR	in ALL
		211	26,000	488	60,000
TOTAL WAGE COST		247	116.70%	569	116.70%
Social Contribution tax		32	15.00%	73	15.00%
Health Insurance Contribution		4	1.70%	8	1.70%
GROSS SALARY		211	100.00%	488	100.00%
Personal income tax*		-	0.00%	32	13.00%
Employees' Social contributions		20	9.50%	46	9.50%
Employees' Health contributions		4	1.70%	8	1.70%
NET SALARY		188	88.80%	401	82.25%

*Salary 0 - 30,000 ALL PIT rate 0%.
Salary 30,001 - 150,000 ALL PIT rate 13% of the amount over 30,000 ALL.
Salary over 150,001 ALL PIT 15,600 ALL + 23% of the amount over 150,000 ALL.



Contact:
Teit GJINI
Managing Partner
Mobile: +355 (0) 69 20 37 456
E-mail: teit.gjini@mazars.al



AUSTRIA

CORPORATE INCOME TAX 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 interests 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 to 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 considered in Austria

(again, the 75% limitation is applicable) if an extensive mutual assistance exists and the foreign losses have to be calculated by applying Austrian accounting rules. 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 35,000 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		Two or more enterprises or business units whose tax domiciles are in different countries and which are linked directly or indirectly by ownership (capital) or control (same management, same owners).
Safe harbours	No	
Level of attention paid by Tax Authority		
		increasing
		8/10

* Not applicable for capital companies.
** Special VAT exemption for small businesses.

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 35,000/year

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 18,001st 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. (reduced rate of 25% only for interests of bank deposit)
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.

WAGE-RELATED TAXES IN AUSTRIA	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	1,866		2,583**	
TOTAL WAGE COSTa	2,829	129.97%	3,917	129.97%
Employer's SS and other contributions***	652	29.97%	903	29.97%
GROSS SALARY****	2,177	100.00%	3,014	100.00%
Personal income tax	142	6.54%	341	11.30%
Employees' contributions	348	15.98%	542	17.98%
NET SALARY	1,687	77.48%	2,131	70.73%

* Payroll accountant in Austria, 2nd professional year.
** Average monthly salary of full time employed persons in Austria in 2019.
*** In addition to SSC contribution to family equalization fund, surcharge, severance pay and community tax is also payable.
**** Monthly gross salary (12 months).



MAZARS
IN AUSTRIA

MAZARS GMBH
Am Heumarkt 10
1030 Vienna
Tel : +43 (0) 1 367 16 67 10
office@mazars.at
www.mazars.at



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 (EUR 5,370 per month, EUR 10,740 per year for special payments). Based on the maximum contribution base the social security contribution amounts to 39.35% (18.12% employee and 21.23% 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 (EUR 6,265 per month and EUR 75,180 per year). Based on the maximum contribution base the social security contribution amounts to 25.30%. 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.



Contact:
Günther MAYRLEITNER
Partner - Tax Advisor - CPA
Phone: +43 (0) 1 367 16 67 13
Mobile: +43 (0) 676 8495966 13
E-mail: guenther.mayrleitner@mazars.at

BOSNIA AND HERZEGOVINA

CORPORATE INCOME TAX 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 the 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 their own resources in production equipment worth more than 50% of the profit of the current tax period, reduce liabilities of corporate income tax by 30% of the amount in the year of investment. The taxpayer who invests more than 20 million BAM (10,2 million EUR) in five consecutive years (minimum investment in first year equals to 4 million BAM (2,04 million EUR), reduces its CIT liability by 50% of the investment in each of 5 years. The withholdings rate is 10%, for dividends, amounts to 5% in FBiH unless a 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).

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	✓
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	approx. EUR 25,560/year

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 (Applies to MNEs with annual consolidated group revenue equal to or exceeding EUR 750 million in the previous year.
Master file-local file (OECD BEPS 13) applicable	✓	First fiscal year and penalties are the same as for CbCR. MF needs to be prepared contemporaneously by the tax return submission date. Transfer pricing documentation needs to be submitted 45FBiH/30RS days from the request made by the tax administration.
Penalty		Filing requirements, language and penalties are the same as for the MF.
lack of documentation	✓	RS: EUR 10,226 - 30,678 for legal person and EUR 2,556 - 7,669 for responsible person. FBiH: EUR 1,534 - 51,130 for legal person and EUR 1,278 - 5,113 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.
Safe harbours	✓	In FB&H, safe harbour rate for support services is 5%. Support services include: IT maintenance services, accounting and auditing, administration, legal services, HR management, employees training and education and tax advisory services.
Level of attention paid by Tax Authority		
7/10		



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**THE CROATIAN OFFICE
IS RESPONSIBLE FOR EX
YUGOSLAVIAN COUNTRIES**
Mazars Cinotti Consulting d.o.o.
10000 – Zagreb,
Strojarska cesta 20, Croatia
Phone: (00385) 1 4864 420
Fax: (00385) 1 4864 429
www.mazars.hr

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 31.5 % of the gross salary.

In FBiH, the lowest hourly wage cannot be less than 2,31 BAM (EUR 1.18) gross. In RS, the lowest salary is determined as a net amount and for 2019 it amounts BAM 450 (EUR 230.08). However, for 2020 it has been agreed that the lowest salary will amount BAM 520 (EUR 265.87).

2020 IN FBiH AND RS		Minimum wage in FBiH		Minimum wage in the RS	
Exchange rate BAM/ EUR	1,95583	in EUR	in BAM	in EUR	in BAM
		268	524	230	450
TOTAL WAGE COST		296	110.50%	230	100.00%
Employer's SS and other contributions		28	10.50%	-	0.00%
GROSS SALARY		268	100.00%	230	100.00%
Employees' contributions		83	31.00%	76	33.00%
Personal income tax*		3	1.17%	5	2.26%
NET SALARY		182	67.83%	149	64.74%

2020 IN FBiH AND RS		Average wage in FBiH		Average wage in the RS	
Exchange rate BAM/ EUR	1,95583	in EUR	in BAM	in EUR	in BAM
		742	1,451	707	1,382
TOTAL WAGE COST		820	110.50%	707	100.00%
Employer's SS and other contributions		78	10.50%	-	0.00%
GROSS SALARY		742	100.00%	707	100.00%
Employees' contributions		230	31.00%	233	33.00%
Personal income tax*		36	4.83%	37	5.25%
NET SALARY		476	64.17%	436	62.97%

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



Contact:
Kristijan CINOTTI
Managing Partner
Phone: (00385) 1 4864 420
Mobile: (00385) 99 4877 112
E-mail: kristijan.cinotti@mazars.hr

BULGARIA

CORPORATE INCOME TAX 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 or leasing 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;

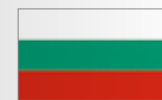
- tax on the acquisition of property for a consideration – applies for real estates, vehicles and limited real estate rights, acquired for a consideration. The tax rate range is between 0.1 and 3% of the value of the property, or of the value of the more expensive property in case of exchange;
- inheritance 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 is applied for micro entities or individuals, whose 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.

Exchange rate BGN/EUR	1,95583	
TRANSFER PRICING IN BULGARIA		
Arm's length principle	✓	since 1989
Documentation liability	✓	TP local file is obligatory for companies with assets over BGN 38 million and revenues over EUR 76 million.
APA	No	
Penalty		
lack of documentation	✓	0.5% of the transaction amount – for lack of local file; BGN 5,000 to BGN 10,000 penalty – for lack of master file.
tax shortage	✓	BGN 1,500 to BGN 5,000
Related parties	50% <	Direct or indirect control or personally related.
Safe harbours	No	
Level of attention paid by Tax Authority		9/10

Exchange rate BGN/EUR	1,95583
VAT OPTIONS IN BULGARIA	
Distance selling	EUR 35,790/year
Call-off stock	No
VAT group registration*	
Cash accounting – yearly amount in EUR (approx.)	EUR 500,000/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	✓
Option for taxation – 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.



**MAZARS
IN BULGARIA**

**2 Tsar Osvoboditel Boulevard,
BNP Paribas Office Building,
1000 Sofia- Bulgaria
Phone: +359 287 800 02
www.mazars.bg**

VAT AND OTHER INDIRECT TAXES

For the year 2020, 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).

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
		312	610	767	1,500
TOTAL WAGE COST	371	119%	912	119%	
Social security contribution - employer	44	14.12%	108	14.12%	
Health insurance - employer	15	4.80%	37	4.80%	
GROSS SALARY	312	100%	767	100%	
Employees' contribution	43	13.78%	106	13.78%	
Calculated personal income tax after employees' contributions	27	10.00%	66	10.00%	
NET SALARY	242	78%	595	78%	

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 the 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, with higher risk (miners, pilots, workers in chemical and other harmful production facilities, etc.) there are different rates for contributions. There is minimum 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 3,000 (app. EUR 1,534).

Tax rate for dividends or liquidation shares paid in favor of a natural entity 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%.



Contact:
Milena MLADENOVA
Head of Audit Services
Mobile: 00359 879435999
E-mail: milena.mladenova@mazars.bg

CROATIA

CORPORATE INCOME TAX AND OTHER DIRECT TAXES

Currently, applicable CIT rates are 18% or 12% for enterprises with annual revenues below HRK 7,5 million (for a tax period from 2020 forward). Enterprises with annual revenues below HRK 7,5 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 the case of M&A transactions. 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, the education of employees, etc. Two new institutes are introduced, namely rules on exit taxation and hybrid mismatches. Moreover, after the finalizing of liquidation process, or other

similar procedures the taxpayer is obliged to complete business books, prepare financial statements and determine tax liabilities as of the last day of the tax period. If all the assets have not been converted to cash, the tax base should include amounts that would be included in case all assets are converted to cash. A withholding tax of 15% is applied on interest, royalty and business consultancy services paid by a Croatian company to a foreign company. WHT on dividends and profit shares are taxed at the rate of 12%. Croatia has more than 60 active DTT treaties used to avoid WHT. A withholding tax of 20% is applied on all payments to offshore companies for the services not mentioned in the 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 3%.

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.

VAT AND OTHER INDIRECT TAXES

Despite the announcement of the reduction from 1 January 2020, the standard VAT will remain at 25%. A reduced rate in the amount of 13% applies to services of preparation and serving meals, tourist accommodation services, newspapers, delivery of electrical energy, etc., while a reduced rate of 5% applies on milk, books, etc. VAT-exempt services are mainly banking services, insurance, educational services (under certain conditions), gambling, certain services provided by medical doctors and dentists and certain other activities. Activities of public interest are exempt from VAT regardless of their institutional form. Entrepreneurs are obliged to register for VAT purposes during the calendar year in which the total value of supplies exceeds the threshold of HRK 300,000.

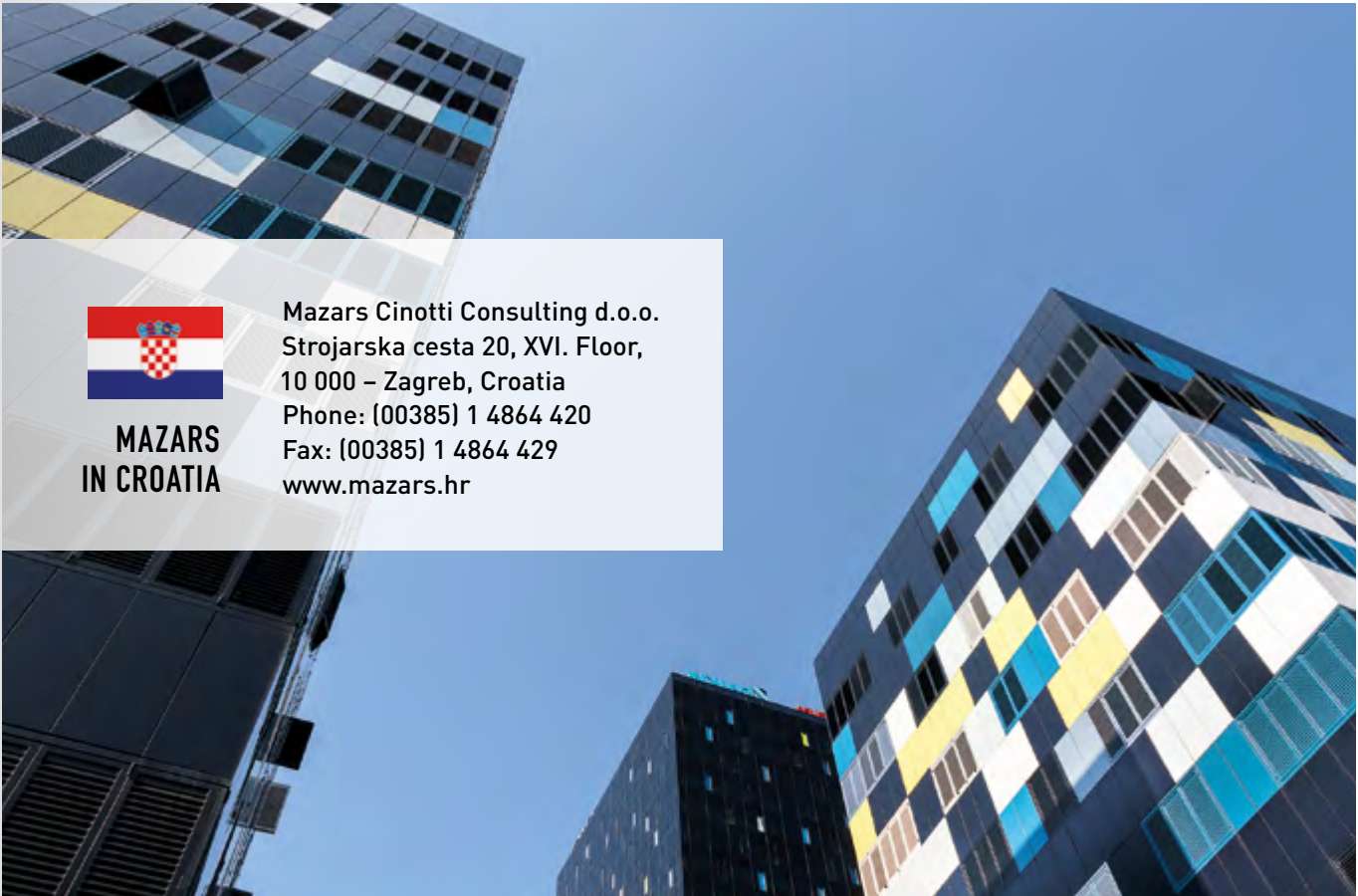
TRANSFER PRICING IN CROATIA

Arm's length principle	✓	since 2004
Documentation liability	✓	Deliver to Tax Administration upon request. Along with submission of tax return, taxpayers have to deliver Report on business transactions with related parties (PD-IPO form) (deadline is 30 April).
APA	✓	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	✓	Not specifically stated, general rules apply (up to HRK 200,000 for a company and HRK 20,000 for the responsible individual).
tax shortage	✓	Additional tax charged and 100% of that tax is non 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 2020 interest rate amounts to 3.42% (for FY19 3.96%).

Level of attention paid by Tax Authority

8/10

Exchange rate HRK/ EUR	7,5
VAT OPTIONS IN CROATIA	Applicable / limits
Distance selling	EUR 36,000/year
Call-off stock	✓
VAT group registration	No
Cash accounting	EUR 1,000,000/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 40,000/year



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Mazars Cinotti Consulting d.o.o.
Strojarska cesta 20, XVI. Floor,
10 000 – Zagreb, Croatia
Phone: (00385) 1 4864 420
Fax: (00385) 1 4864 429
www.mazars.hr

PERSONAL INCOME TAX / SOCIAL SECURITY CONTRIBUTIONS

PIT rates are 24% (monthly tax base up to HRK 30,000) and 36% (above HRK 30,000), while a 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 16.5% represent employer contribution. For the person under 30 employed on variable-term contract, there is no

contributions on salary (16.5%) for the period of 5 years. Passive incomes are generally subject only to taxes. The payment of occasional awards in the amount up to HRK 3,000 (e.g. Christmas and Easter bonus, holiday allowance, etc.) should be deemed as non-taxable. Also, it should be noted that many other non-taxable receipts have been introduced (employee meal costs, reimbursement of rental costs, etc.). One of the most significant changes related to PIT is the reduction of PIT

liability for employment income by 100% for young people up to 25 years of age and the reduction of PIT liability by 50% for young people from 26 to 30 years of age. The mentioned reduction applies only to the first tax bracket which is taxed at a rate of 24%. The examples below show the cost of the employer and the employee in the case of minimum and average wage level in the private sector. Basic personal allowance amounts to HRK 4,000 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
		542	4,063	1,184
TOTAL WAGE COST	631	116.50%	1,379	116.50%
Employer's contribution	89	16.50%	195	16.50%
GROSS SALARY	542	100.00%	1,184	100.00%
Employees' contributions	108	20.00%	237	20.00%
Tax and surtax*	-	0.00%	117	9.90%
NET SALARY	433	80.00%	830	70.10%

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



Contact:
Kristijan CINOTTI
Managing Partner
Phone: (00385) 1 4864 420
Mobile: (00385) 99 4877 112
E-mail: kristijan.cinotti@mazars.hr

CZECH REPUBLIC

CORPORATE INCOME TAX 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 ATAD rules, mainly the limitation of tax deductibility of extensive borrowing costs and CFC rules were implemented to the Czech legislation which are applicable on taxable periods starting after 31 March 2019 or from 2020. 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 exemption 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 entities). Gratuitous income from inheritance is fully exempt. Gratuitous income from gifting is exempt in a limited extent (e.g. gifts within family).

VAT AND OTHER INDIRECT TAXES

For 2020, the standard VAT rate is 21%, while the reduced rates are 15% (applicable, for example, on foodstuff, non-alcoholic beverage, 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, food for gluten-intolerant persons and public transport). The 10% VAT rate (instead of 15%) is newly applied on heat and cold from January 2020. From May 2020 the 10% VAT rate (instead of 15%) will be applied on e.g. catering services, including the serving of non-alcoholic beverages or draught (keg) beer; e-books and audiobooks, including lending; tap water, water and sewer charges; the repair of shoes, leather products, clothing and textile products, repairs of bicycles; hairdresser and barber services; home care for children, the elderly, ill and disabled people; services for cleaning and washing windows in households. 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. The Council of the European Union has permitted the Czech Republic to introduce a generalised reverse charge for the period from 1 January 2020 until 30 June 2022 for fulfilment that exceeds the threshold value of EUR 17,500.

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	✓	Scope of the TP documentation corresponds to the OECD Guidelines and the EU Code of Conduct on TPD.
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 44,800/year
Call-off stock	✓
VAT group registration*	✓
Cash accounting	✓
Import VAT deferment	✓
Local reverse charge	supply of construction works, waste, gold, emission permits, selected cereals and industrial crops, mobile phones, integrated circuits, notebooks, videogame consoles, etc. supply of gas, electricity to trader, telecommunication services to trader, outplacement of construction and assembly workers, etc.
Option for taxation	
letting of real estate**	✓
supply of used real estate***	✓
VAT registration threshold****	approx. EUR 39,400/year

* Related parties, only for Czech legal entities.

** Only when let to VAT payer for performing of his economic activity.

*** 5 years time test.

**** Only for Czech based legal entities.



**MAZARS
IN THE CZECH
REPUBLIC**

**MAZARS S.R.O.
INTERNATIONAL BUSINESS CENTER**
186 00 Prague 8, Pobřežní 620/3,
Czech Republic
Phone: (+420) 224 835 730
Fax: (+420) 224 835 799
www.mazars.cz

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

The legislation will most likely be introduced during 2021 at the earliest. VAT payers are obliged to submit VAT returns, EC Sales Lists and Control Statements (detailed evidence for selected transactions) on monthly or quarterly basis (depends on the VAT payer's status). The following options/limits based on the EU Directive are presented within VAT legislation. Other indirect taxes include excise duties (on mineral oils, spirits, beer, wine and tobacco products) and energy taxes (on gas, electricity or solid fuels). A 'contribution' from electricity produced via solar facilities applies to such electricity producers.

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 (CZK 1,672,080). 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 24.8% and 9% respectively. The social security contributions are not paid on the income exceeding the maximum assessment base (CZK 1,672,080). The example below shows the employer's and the employee's costs in the 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	25,41	in EUR	in CZK	in EUR	in CZK
		575	14,600	1,371	34,835
TOTAL WAGE COST ("SUPER GROSS" SALARY)		769	133.80%	1,834	133.80%
Social security contribution – employer		142	24.80%	340	24.80%
Health insurance – employer		52	9.00%	123	9.00%
GROSS SALARY		575	100.00%	1,371	100.00%
Calculated personal income tax without standard tax deduction*		115	15.00%	275	15.00%
Personal income tax after standard tax deduction**		35	11.00%	195	11.00%
Employees' contributions		63	82.85%	151	74.77%
NET SALARY		476	84.32%	1,025	75.43%

* 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 80) per month from his tax liability (called "standard tax deduction").



Contact:
Pavel KLEIN
Leading Partner of Tax Department
Corporate tax / VAT
Mobile: (+420) 721 461 394
E-mail: pavel.klein@mazars.cz

GERMANY

CORPORATE INCOME TAX AND OTHER DIRECT TAXES

Corporations are subject to unlimited corporate income tax liability in Germany if they have either their registered seat or their effective place of management in Germany. In this case the worldwide income of the corporation is subject to German corporate income tax. Corporations that are not subject to unlimited corporate income tax liability in Germany but receive income from German sources are subject to limited corporate income tax liability with these sources. This applies in particular to income from German permanent establishments or branches. The corporate income tax rate is 15%. The solidarity surcharge of 5.5%, which was introduced to finance German reunification, is levied additionally on corporate income tax. The total corporate income tax burden is 15.825%. In addition, the German municipalities levy trade tax if the company has a domestic permanent establishment. The average trade tax burden is 15.5%. In Germany, the determination of taxable income is generally based on the result of the income statement under commercial law. However, taxable income generally differs from the profit and loss reported in the commercial balance sheet. Capital gains on property, plant

and equipment are fully subject to corporate income tax and trade tax. Any resulting losses on disposal are fully deductible for tax purposes. German tax law provides tax exemptions for certain income, e.g. dividends and capital gains are generally 95% exempt from German corporate income tax (minimum holding > 10%) and trade tax (minimum holding > 15%). Tax losses of a fiscal year can be offset against the profits of the previous year up to an amount of EUR 1 million (loss carryback). Any loss exceeding this amount can be carried forward indefinitely and offset in the following fiscal years (loss carryforward). In subsequent years, the remaining losses can be deducted without limitation up to an amount of EUR 1 million. In addition, a loss offset of up to 60% of the total amount of income exceeding EUR 1 million is possible. In Germany, partnerships are not subject to either income or corporate income tax at company level but may be subject to trade tax. The profit of a partnership is subject to either income tax or corporate income tax at the level of the partners.

VAT AND OTHER INDIRECT TAXES

The VAT rate in Germany is 19%. A reduced rate of 7% applies to certain basic foodstuffs, books, newspapers, antiques, live animals, hotel accommodation, railway transport services and some other items. Banking services and insurance premiums are generally exempt from VAT. If goods are delivered from the EU to third countries, the delivery is generally not subject to German VAT (export). The input tax associated with the goods can nevertheless be claimed by the domestic company against the tax office. If goods are imported into Germany from a third country (import), they are subject to an "import VAT" on entry. Sales of goods within the EU in the B2B sector are tax-free (intra-Community supply). Sales of goods to a private person are generally subject to German VAT. In addition to VAT, there are various excise duties on imported goods as well as real estate transfer tax. These are also known as "indirect" taxes. Real estate transfer tax is levied on the selling price or other disposal value of land and or building whenever there is a change of ownership. The base rate of the real estate transfer tax is 3.5%. Each federal state additionally levies an individual assessment rate.

TRANSFER PRICING IN GERMANY

Arm's length principle	✓	since 1993
Documentation liability	✓	since 2003
APA	✓	since 2006
Country-by-Country liability	✓	from FY 2016
Master file-local file (OECD BEPS 13) applicable	✓	from FY 2017
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	Applicable / limits
Distance selling	EUR 100,000/year
Call-off stock	✓
VAT group registration*	✓
Cash accounting	✓
Import VAT deferment	No
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 used real estate	✓
VAT registration threshold **	EUR 22,000/year

* Available only for related parties.

** Special VAT exemption applies for small businesses.



**MAZARS
IN GERMANY**

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Alt-Moabit 2 | 10557 Berlin |
Deutschland
Phone: +49 30 208 88-1878
Fax: +49 30 208 88-1999
www.mazars.de



PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Natural persons are subject to unlimited income tax liability in Germany if they have their residence or habitual abode in Germany. Nationality is irrelevant for German income tax liability. In the case of unlimited income tax liability, the worldwide income of the natural person is subject to German income tax. Individuals who are not subject to unlimited income tax liability in Germany, but receive income from German sources, are subject to limited income tax liability with these sources. Natural persons can earn the following types of income in Germany: Income from business operations, income from self-employed or employed work, income from capital assets, income from agriculture and forestry, income from renting and leasing and other income. In Germany, natural persons are subject to a progressive income tax rate of 14% to 45%. The solidarity surcharge of 5.5%, which was introduced to finance German reunification, is levied additionally on

income tax. A basic allowance of EUR 9,408 (2020) to secure the minimum subsistence level is exempt from German income tax. In principle, taxable income is calculated as the surplus of income over income-related expenses or of operating income over operating expenses. When calculating taxable income, personal expenses can also be deducted, e.g. as special expenses or extraordinary charges. Investment income, e.g. interest and dividends, is generally subject to a separate tax rate of 25%, plus 5.5% solidarity surcharge. Tax losses of a fiscal year can be offset against the profits of the previous year up to an amount of EUR 1 million (married / partnered couples: EUR 2 million) (loss carryback). Losses exceeding this amount can be carried forward indefinitely and offset in subsequent fiscal years (loss carryforward). In the following years the remaining losses can be deducted without limitation up to an amount of EUR 1 or 2 million. In

addition, a loss offset of up to 60% of the total amount of income exceeding EUR 1 or 2 million is possible. In addition, persons living in Germany who belong to a recognised religious or ideological community are subject to church tax. The church tax amounts to 8 or 9% of income tax. Income from employment falls within the scope of the German social security system. This system is divided into unemployment, pension, health, accident and nursing care insurance. Social security contributions are usually paid half by the employer and half by the employee. Childless employees over 23 years have to pay an additional insurance premium of 0.25% for unemployment insurance. The statutory minimum amount for health insurance is 14.6% and is divided equally. However, most health insurance companies charge a supplement of 1.1%, half of which is borne by the employee and half by the employer. The sum of social contributions averages 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	
	1,620		3,480	
TOTAL WAGE COST	1,942	119.88%	4,172	11.88%
Employer´s and other contributions*	322	19.88%	692	19.88%
GROSS SALARY	1,620	100.00%	3,480	100.00%
Employee´s contributions**	199	12.28%	427	12.28%
Healthcare insurance	127	7.85%	273	7.85%
Personal income tax and solidarity surcharge***	94	5.78%	559	16.05%
NET SALARY	1,200	74.10%	2,221	63.82%

* 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.



Contact:
Dr. Christian BIRKHOLZ
Attorney, Tax advisor
Partner
Phone: +49 30 208 88-1880
E-mail: christian.birkholz@mazars.de

GREECE

CORPORATE INCOME TAX AND OTHER DIRECT TAXES

Greece has a flat corporate income tax rate of 24% applied to resident corporations for fiscal years 2019 and onwards. Non-resident corporations are taxed in Greece on any Greek-source income they generate. 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 the banking system, transfer pricing adjustments, personal consumption expenditure, bad debts without legal actions, payments to low tax rates jurisdictions, non-paid SSC and thin cap interests to the extent that they are over 30% of EBITDA and EUR 3 million. Greek corporations are also subject to annual business tax up to EUR 1,000, irrespective of their profitability. Finally, Greek Companies are subject to tax prepayment equal to 100% of the tax corresponding to the revenues of the tax year for which the return is filed. For newly established companies, the prepayment is reduced to 50% for the first three years of operations. Withholding tax rate for dividends distribution as of 01.01.2020 and onwards, is reduced to 5% from 10% for both individuals and legal entity shareholders, while interest payment is subject to a tax rate of 15%

and the corresponding rate for royalties is 20%. Greece has a wide international treaty network with 57 treaties on the avoidance of double taxation and therefore, since a DTT is in force, the above rates 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. Referring to property taxation a uniform real estate property tax generally applies in cases of immovable property ownership, while legal entities holding real estate located in Greece may be charged additionally with the Special Estate Tax, imposed at a rate of 15% on the objective value of the property in case that the beneficial owner or the individual shareholder is not known to the Greek authorities. However, a wide list of exemptions is provided under certain conditions. Capital gains from shares and immovable property are taxed as normal business profits (24%) for corporations and with a flat rate of 15% for individuals. Especially for individuals the capital gains arising from the sale of immovable property the tax of 15% has been postponed until the 31st of December 2022. In order to reduce the extent of the black economy and tax evasion and defend artificial arrangements, Greece has gradually incorporated in the domestic legal framework proposed international anti-abuse and anti-avoidance clauses and adopted BEPS Actions of the Organization for Economic Cooperation and Development

(OECD) by applying, among others, the European Union Directive called Multilateral Agreement of Principles for the Automatic Exchange of Financial Account Information, Transfer Pricing documentation liability, CbC (Country by Country) report provisions concerning the exchange of information by parent companies of large multinational groups and additionally the CFC (Controlled Foreign Companies) rules.

TAX RESIDENCY

An individual is considered as a tax resident of Greece as of his or her first day of presence in Greece provided that he or she is present in Greece for a period exceeding the 183 days cumulatively and not continuously during any twelve-month period. Moreover, his permanent or principal place of residence or habitual residence or the centre of his vital interests are in Greece are critical as well. For corporations, the concept of place of effective management has been incorporated in Greek law since 2014. A new non-dom regime has been recently introduced, providing for an alternative taxation on foreign sourced income earned by individuals and/or their relatives transferring their tax residence to Greece, subject to various conditions intending to attract high net worth physical persons.

TRANSFER PRICING IN GREECE

Arm's length principle	✓	since 1994
Documentation liability	✓	since 2008
APA	✓	since 2014
Hierarchy 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 EUR 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 used real estate	No
VAT registration threshold	EUR 10,000/year



MAZARS
IN GREECE

MAZARS CERTIFIED PUBLIC ACCOUNTANTS BUSINESS ADVISORS S.A.
14 Amfitheas Ave, 17564,
Palaio Faliro, Athens – Greece
Phone: +30 2106993749
Fax: +30 2106983708
www.mazars.gr

VAT AND OTHER INDIRECT TAXES

The standard Greek VAT 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, supply of electricity and gas). VAT-exempted activities are the financial and banking services, insurance, medical services, education (under conditions). As for other indirect taxes, in Greece there applies a flat stamp duty rate of 2.4 or 3.6% to certain transactions excluding VAT, such as non residential rents, loans etc.

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Pursuant to domestic tax law employment taxable income includes any remuneration received by an employee within employment context including benefits in cash or in kind granted, such as the private usage of a company car, the cost of living allowance and other benefits exceeding the amount of EUR 300 per fiscal year. In Greece, personal income tax is subject to a progressive tax rate, which ranges from 9% to 44%. Additionally, tax payable on employment income is reduced by a family tax allowance from EUR 777 to EUR 1,340 under certain conditions. Additionally, personal income is subject to special solidarity

levy with a progressive scale from 2.2% to 10%. As for individuals, real estate income is taxed at a progressive rate of 15% to 45%.

Active incomes fall under the scope of the SSC system. A vast majority of Greek employees are covered by the 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 24.81% for employers and 15.75% 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 defined to EUR 6,500 gross salary.

WAGE-RELATED TAXES IN GREECE		Minimum wage		Average wage in private sector	
	in EUR		in EUR		
TOTAL WAGE COST*	811	124.81%	1,475	124.81%	
Employer's social security contribution**	161	24.81%	293	24.81%	
GROSS SALARY	650	100%	1,182	100%	
Personal income tax***	-	9% / 22% / 28% / 36% / 44%	74	9% / 22% / 28% / 36% / 44%	
Special Solidarity Contribution ****		2.2% / 5% / 6.5% / 7.5% / 9% / 10%	3	2.2% / 5% / 6.5% / 7.5% / 9% / 10%	
Employees' contributions	102	15.75%	186	15.75%	
NET SALARY	548	84.31%	922	78.03%	

* Per payroll period (there are 14 payroll periods per year).
** Most common social security contributions rate regarding usual employment properties.
*** A tax reduction is provided for the taxpayer based on the number of dependents in conjunction with the total taxable income.
**** Applicable over EUR 12,000 annual income.



Contact:
Aspasia MALIAGKA
Tax Director LLM
Phone: +30 210 6993749
Mobile: +30 697 6862 887
E-mail: aspasia.maliagka@mazars.gr

HUNGARY

CORPORATE INCOME TAX AND OTHER DIRECT TAXES

In Hungary, a corporate income tax rate of 9% is applicable, which is the lowest rate in the EU. 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. The CIT advance top-up liability was abolished from the tax year starting in 2019. From 2019, the previous thin capitalization rules have been replaced by the interest limitation rules set out by ATAD (30 per cent of EBITDA or EUR 3 million). In addition, the already existing CFC rules have been adjusted to match the provisions of the Directive. From 2020, exit tax was also implemented, as well as the regulation aiming to limit the tax avoidance in relation to hybrid mismatch structures. As of 2019, group taxation is available in Hungary also for CIT purposes.

This allows related parties to avoid some of the transfer pricing documentation obligations. Also, the profit of group members can be compensated by losses generated by other members of the group. There is an ever growing range of tax allowances for new investments. For example, incentives have been introduced for energy-efficiency investments and also for investing in start-up companies. The benefits of the R&D incentive can now be shared between the taxpayer who is providing R&D services and its customers. 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 royalties 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. EUR 1 million 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). 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 the 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 are 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) and 5% (e.g. milk, eggs, journals, books, medicines, certain meat products, new homes, internet access service, accommodation services and restaurant services). The options/limits based on the EU Directive are presented within VAT legislation:

Exchange rate HUF/EUR	330
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 2017 optional, from 2018 obligatory
Penalty	
lack of documentation	✓ ~ EUR 6,000 / 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	

Exchange rate HUF/EUR	330
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 380,000/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

MAZARS HUNGARY IS THE TRANSFER PRICING CENTER IN THE MAZARS NETWORK
Mazars Kft.
1123 Budapest, Nagyerd utca 8-14.
Hungary
Phone: +36 (1) 429 3010
Fax: +36 (1) 235 0481
www.mazars.hu



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, and domestic sales reports are also required. Online registration of the transportation of certain products is required (EKÁER system). As of mid-2018, taxpayers have been required to use billing software capable of providing the tax authority with real-time data automatically. The scope of this reporting liability is expanded step by step, from 2021, basically each invoice will be seen by the tax authority in real-time. 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, batteries, packaging materials, etc.), financial

transactional tax (payable by the banks completing such transactions), insurance tax and the 'chips tax' (levied on unhealthy foods and drinks).

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

There is a flat-rate PIT of 15%, and it is generally applicable both to active (e.g. employment, assignment fee) and passive incomes (e.g. capital gains, dividends and interest). Tax payable on active incomes is reduced by a family tax allowance. The amount of the family tax allowance is HUF 20,000 (appr. EUR 60)/month/child up to 2 children; and from 3 children HUF 33,000 (EUR 100)/child). As of 1 January 2020 lifelong personal income tax exemption for the labour income was introduced for mothers

raising or having raised four or more children. Active incomes fall under the scope of the SSC system: social security contribution payable by the individuals concerned is 18.5%; the employer's contribution was reduced to 17.5% from mid 2019 (previously it was 19.5%); in addition 1.5% vocational training contribution is also payable by the employer. Some passive incomes are also subject to a 17.5% SSC, however, in the case of dividends, there is an upper limit. Other types of passive income (e.g. capital gain on shares of stock exchange, or interest) are exempt from SSC. Benefits-in-kind are taxed at two rates: PIT plus SSC calculated on a special tax base altogether amounting to 38.35% or 32.5% and payable only by the employer. However, as of 2019, most types of benefits-in-kind shall be taxed as normal employment income.

WAGE-RELATED TAXES IN HUNGARY		Minimum wage		Average wage in private sector	
Exchange rate HUF/ EUR	330	in EUR	in HUF	in EUR	in HUF
		488	161,000	1,156	381,600
TOTAL WAGE COST	581	119.00%	1,376	119.00%	
Vocational training contribution	7	1.50%	17	1.50%	
Social contribution tax	85	17.50%	202	17.50%	
GROSS SALARY	488	100.00%	1,156	100.00%	
Personal income tax	73	15.00%	173	15.00%	
Employees' contributions	90	18.50%	214	18.50%	
NET SALARY	324	66.50%	769	66.50%	



Contact:
Sándor SZMICSEK
Tax and legal partner
Mobile: +36 (20) 579 0450
E-mail: sandor.szmicsek@mazars.hu

KOSOVO

CORPORATE INCOME TAX AND OTHER DIRECT TAXES

Resident companies are subject to corporate income tax on their worldwide income, while a non-resident taxpayer is taxable only on income generated from a source in Kosovo. The Corporate Income Tax (CIT) system in Kosovo adheres to the principles of worldwide taxation. The annual turnover threshold for taxation has been reduced from an annual turnover of EUR 50,000 to EUR 30,000. Resident companies and sole traders whose gross annual income exceeding EUR 30,000 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 a 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. The Tax Period for CIT is the calendar year. Losses can be carried forward for six consecutive tax periods.

Transfer pricing (TP) effective from 2017 regulated the intra-company pricing arrangement between related business entities. Among others, one example of related business entities is when one person holds or controls 50% or more of the shares or voting rights in the other person's company. 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 to 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 has been 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. A taxable person is any person, regardless if this person is a natural or legal entity, 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 of 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 at the state borders of Kosovo. The 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. The VAT rate has developed 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
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.



MAZARS
IN KOSOVO

MAZARS
Rr. Pashko Vasa, No.45/6,
Prishtina, Kosovo
Phone: +381 38 609 029
www.mazars.al

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

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 an 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. Withholding tax on payments made to non-business persons including farmers and collectors of recycled materials has been reduced from 3% to 1%. Personal Income Tax is applicable at the progressive rates (rates from 0% to 10%).

The 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%



Contact:
Violeta HAXHILLAZI
Managing Director
Mobile: +377 (0) 44 82 37 85,
+355 (0) 69 20 33 984
Email: violeta.haxhillazi@mazars.al



LATVIA

CORPORATE INCOME TAX 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). 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 for dividends. Since 2018 the following thin capitalization rules are applicable: (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 two thin capitalization thresholds are 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) are 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. Withholding tax of 20% is applied on management and consulting service fees paid by Latvian companies to foreign companies. Still, under the active international treaty network consisting of more than 61 double tax treaties, the withholding tax might be avoided. A 3% withholding tax will be applied to remuneration paid to a foreign company for the disposal of real estate located in Latvia or disposal of shares, holding real estate located in Latvia. A 5% withholding tax will be applied to remuneration paid to a foreign company for renting or leasing of real estate in Latvia. 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		since 2018
Penalty		
lack of documentation	✓	Penalty up to 1% of the controlled transaction total turnover, but not exceeding EUR 100,000.
tax shortage	✓	20% tax on gross value of 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 entrepreneurs or agricultural companies.
Import VAT deferment	✓
Local reverse charge	construction works and goods, deals with the scrap metal, metal products and related services, precious metals, 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*	EUR 40,000/year

* Voluntary registration is possible.



SIA TAXLINK BALTIC
Duntes iela 6-213,
Riga, Latvia, LV-1013
Phone: +371 67379031
www.taxlink.lv

VAT AND OTHER INDIRECT TAXES

The general VAT 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, a reduced 5% VAT rate is applicable to the 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.

WAGE-RELATED TAXES IN LATVIA	Minimum wage		Average wage in private sector	
EUR	in EUR		in EUR	
	430		1,062	
TOTAL WAGE COST	534	124.09%	1,318	124.09%
Vocational training contribution	-	0.00%	-	0.00%
Social contribution tax	104	24.09%	256	24.09%
GROSS SALARY	430	100.00%	1,062	100.00%
Personal income tax*	88	23.00%	217	23.00%
Personal income tax**	17	20.00%	189	20.00%
Employees' contributions	47	11.00%	117	11.00%
NET SALARY**	366	85.15%	756	71.20%
NET SALARY*	295	68.53%	728	68.53%

*If employee has not submitted salary tax book to the employer (net non-taxable minimum of EUR 300 has not been applied to the net minimum wage calculation).
**If the employee has submitted salary tax book to the employer (net non-taxable minimum of EUR 300 has been applied to the net minimum wage calculation).

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; 23% - for income between EUR 20,004 to EUR 62,800 per year; 31.4% for income exceeding EUR 62,800 per year. The tax on annual income of more than EUR 62,800 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 the case of minimum wage level and the average wage in the private sector.



Contact:
Andris JAUNZEMIS
Tax partner
Mobile: +371 29635522
E-mail: andris@taxlink.lv

LITHUANIA

CORPORATE INCOME TAX 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 no more than 10 employees. Small companies can apply for a 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 70% of the taxable profit 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 to 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 0.5% 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 one 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 one calendar year.

VAT AND OTHER INDIRECT TAXES

The general rate is 21%, the reduced rate are 9% (e.g. books, central heating, public transportation, tourist accommodation (until 31 December 2022) and 5% (e.g. medicine, journals, newspapers, technical support means for the disabled). 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		since 2019
Penalty		
lack of documentation	✓	EUR 1,820 - 5,520 (EUR 3,770 - 6,000 on recurrent basis).
tax shortage	✓	10% - 50% on tax underpayment + late payment interest; fines could be doubled on recurrent basis.
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 optional only 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; supply of mobile phones, tablets, laptops (until 30 June 2022) and hard drives (until 28 February 2022) to Lithuanian VAT payer.	
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; Foreing taxable person - No	



**MAZARS
IN LITHUANIA**

**CORRESPONDENT
OF MAZARS IN LITHUANIA**
Persense Tax UAB
Lvovo str. 25, Vilnius,
Lithuania
Phone: +370 615 44 719
www.persense.lt

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Employment related income, board member fees, royalties received from employer, income under civil agreement received by a manager of a small partnership who is a member of such small partnership is taxed at the rate of 20% in case the income does not exceed EUR 104,278 per calendar year in 2020. PIT at the rate of 32% (27% in 2019) is applied for the exceeding amount.

Income from profit distribution is taxable at a flat PIT rate of 15%.

Other income (e.g. interest, royalties, capital gains, rental income) is taxable at a PIT rate of 15% in case such income does not exceed EUR 148,968 per calendar year in 2020. PIT at the rate of 20% is applied for the exceeding amount.

Income in general is recognized at the moment of its actual receipt.

The employee's gross salary is also subject to social contributions at the rate of 19.5%, and the employer is required to withhold this tax. The employer also has to pay 1.77% social contributions on top of the employee's gross salary. An additional 2.1 or 3% contribution may be paid by individuals who have decided to accumulate an additional pension (the employer is required to withhold this tax).

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 the 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	
	in EUR		in EUR	
TOTAL WAGE COST	618	101.77%	1,341	101.77%
Social contribution tax	11	1.77%	23	1.77%
GROSS SALARY	607	100.00%	1,318	100.00%
Personal income tax*	51	20.00%	218	20.00%
Employees' contributions	118	19.50%	257	19.50%
NET SALARY	437	72.03%	843	63.98%

* Non taxable allowance of EUR 350 (on minimum wage) and EUR 229.20 (on average wage).



Contact:
Jūratė ZARANKIENĖ
Managing Partner
Mobile: +370 658 10 343
E-mail: jurate.z@persense.lt

MONTENEGRO

CORPORATE INCOME TAX 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 EUR 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 rate is 7% (e.g. bread, milk, accommodation services, medications), and there is VAT-exemption for exports and banking services. Taxpayers with a 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 economic 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	✓
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**

**THE CROATIAN OFFICE
IS RESPONSIBLE FOR EX
YUGOSLAVIAN COUNTRIES**
Mazars Cinotti Consulting d.o.o.
10000 – Zagreb,
Strojarska cesta 20, Croatia
Phone: (00385) 1 4864 420
Fax: (00385) 1 4864 429
www.mazars.hr

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 salaries exceeding a gross amount of EUR 765 are 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: individuals' 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 assessed, 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 a 13% rate. The examples below show the cost of the employer and the employee in the 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	371	109.80%	859	109.80%
Employer's contributions	35	10.70%	82	10.70%
GROSS SALARY	331	100.00%	767	100.00%
Employees' contributions	79	24.00%	184	24.00%
Personal income tax	30	9.00%	69	9.01%
Surtax	4	15.00%	10	15.00%
NET SALARY	222	67.00%	514	66.99%

Contact:
Kristijan CINOTTI
Managing Partner
Phone: (00385) 1 4864 420
Mobile: (00385) 99 4877 112
E-mail: kristijan.cinotti@mazars.hr

NORTH MACEDONIA

CORPORATE INCOME TAX AND OTHER DIRECT TAXES

The general corporate income tax rate for all taxpayers in North 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 MKD 3,000,001 and MKD 6,000,000 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.

North Macedonia applies thin capitalization (3:1). Thin capitalisation rules also apply to loans from banks if they are granted in relation to a deposit of the shareholder in that particular bank. Also thin capitalisation rules do not apply for newly established companies within the first three years of operation. In North Macedonia, there is a withholding tax at the rate of 10% on dividends, interests, royalties and other incomes paid by a North Macedonian 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. North Macedonia has a wide international treaty (DTT) network with 49 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% is 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. Other indirect taxes in North Macedonia are fuel tax and excise duties.

TRANSFER PRICING IN NORTH MACEDONIA

Arm's length principle	✓	Since 2009
Documentation liability	✓	The CIT payer has to submit a report on business and financial transactions with related parties until 30 September the current year for the previous year. The taxpayer may submit either a) a full report, or b) a brief form report if certain criteria are met. There is no obligation to submit this report if the transactions are conducted between residents of North Macedonia, as well as if the taxpayer has generated a total annual income of up to MKD 300 million (approx. EUR 4,879,000).
APA	No	The tax legislation does not provide 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 regarding Country-by-Country reporting yet. However, as a new member of the Inclusive Framework, Macedonia has committed to the implementation of the four minimum BEPS standards including Action 13.
Master file-local file (OECD BEPS 13) applicable	✓	The Transfer Prices Report Rulebook was recently introduced. The report has to contain: information on the group of multinational companies (Master File), information on the taxpayer (Local File), and (iii) attachments.
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	20% <	- individuals and legal entities with control or significant influence - family members of owners or members of the Management Board - 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		
		7/10

* Related parties.
** Voluntary registration is possible.



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THE CROATIAN OFFICE IS RESPONSIBLE FOR EX-YUGOSLAVIAN COUNTRIES
Mazars Cinotti Consulting d.o.o.
Strojarska cesta 20, XVI. Floor,
10 000 – Zagreb
Phone: (+385) 1 4864 420
Fax: (+385) 1 4864 429
www.mazars.hr

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

With the latest amendments to the Law on Personal Income Tax (PIT Law), progressive taxation of personal income is put on hold for 36 months starting 1 January 2020. The PIT Law amendments from 1 January 2019 introduced progressive tax rates for work-related income (such as salaries, pensions, etc.), income from copyrights and related rights, income from an independent activity and income from the sale of agricultural products (Labour Income). With the amendments of the PIT Law, Labour Income will be subject to tax at a flat tax rate of 10% until January 2023 regardless of the tax base amount.

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 27.5% of the gross salary: pension contribution is 18.40%; health care insurance is 7.40%; unemployment insurance is 1.20%; and health care at work insurance is 0.5%. The examples below show the cost of the employer and the employee in the case of minimum wage level and the average wage. The personal allowance is MKD 96,000

(EUR 1,560) on an annual basis while the monthly personal allowance is in the amount of MKD 8,000. 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 NORTH MACEDONIA		Minimal wage in MAC		Average wage in MAC	
Exchange rate MKD/EUR	61,58	in EUR	in MKD	in EUR	in MKD
		325	20,029	622	38,319
TOTAL WAGE COST		325	100.00%	622	100.00%
Social contribution on salary		-	0.00%	-	0.00%
GROSS SALARY		325	100.00%	622	100.00%
Employees' contributions		89	27.50%	171	27.50%
Personal income tax*		11	3.53%	33	5.30%
NET SALARY		224	68.97%	418	67.20%

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



Contact:
Kristijan CINOTTI
Managing Partner
Phone: (+385) 1 4864 420
Mobile: (+385) 99 4877 112
E-mail: kristijan.cinotti@mazars.hr

POLAND

CORPORATE INCOME TAX AND OTHER DIRECT TAXES

Subject to taxation are limited liability and joint stock companies, as well as limited joint-stock partnerships that are Polish residents. Other partnerships are neither CIT nor PIT payers, and income generated by partnerships is directly attributed to shareholders (in proportion of their shares) and – depending on their status (companies or natural entities) – 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%; alternatively a lower rate of 9% is applicable for selected entities (additional requirements are prescribed). In 2020 the reduced rate will be applied to income earned in 2019.

Starting from 1 January 2020 many amendments have come into force, particularly:

- so called ‘bad debt relief’. This solution will be helpful to entrepreneurs whose contractors do not cover their liabilities on time. It concerns e.g. the statutory definitions of maximum periods of payment or enables the creditor whose payment is not covered within a specific period to reduce the tax base by the amount of the debt;

- the changes regarding profits retained in the company shall be an incentive for the partners to finance the companies internally. It may be done through additional contributions or lack of dividends and retaining the profit in the company. The company is entitled to deduct tax deductible expenses, even though it does not bear the responsibility for the cost itself;
- deferment of the application of regulations regarding withholding tax (WHT) refers to a new WHT procedure concerning the payments for the benefit of one contracting party, which exceed the limit of PLN 2 million during a tax year. The procedure, deferred until 30th June 2020, imposes an obligation to collect WHT from payments exceeding the above limit and gives a possibility to have it later refunded upon the tax remitter’s or taxpayer’s request. Starting from 1st January 2020 there were no far reaching changes in regulations relating to transfer pricing in comparison with 2019. There is a general duty to collect WHT from dividends, interests, royalties and fees for certain kinds of immaterial services paid by a Polish company to a foreign company. WHT on dividends should be collected with 19% rate, on

interest, royalties and certain kinds of immaterial services WHT should be collected with 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 be 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 a 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% and 5% 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:

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	✓
Option for taxation	
- letting of real estate	No
- supply of used real estate	✓
VAT registration threshold	PLN 200,000 /year (approx. EUR 50,000)

TRANSFER PRICING IN POLAND		
Arm’s length principle	✓	since 1997
Documentation liability	✓	since 2001
APA	✓	since 2006
Country-by-Country liability	✓	since 2017
Master file–local file (OECD BEPS 13) applicable	✓	since 2017
Penalty		
lack of documentation	✓	20% (30%) of the amount of overstated loss or understated income (is over PLN 15,000,000) + late payment interest + personal liability of the members of the Company’s Board.
tax shortage	✓	10% of the amount of overstated loss or understated income + late payment interest / incorrect pricing in controlled transaction. 20% of the amount of overstated loss or understated income + late payment interest/ incorrect pricing in controlled transaction is over PLN 15,000,000 or lack of documentation. 30% of the amount of overstated loss or understated income + late payment interest / incorrect pricing in controlled transaction is over PLN 15,000,000 and lack of documentation.
Related parties	25% <	Direct or indirect capital relations, personal relations.
Safe harbours	No	Low value added services: 5% mark-up Loans: basic interest rate on IC loans is determined by the Minister of Finance, for 2020 basic interest rate from the loans as WIBOR 3M, LIBOR USD 3M, EURIBOR 3M, LIBOR CHF 3M, LIBOR GBP is 2%.
Level of attention paid by Tax Authority		10/10



MAZARS AUDYT SP. z o.o.
00 - 549 Warsaw, Piękna 18, Poland
Phone: + 48 22 25 55 200
Fax: + 48 22 25 55 299
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Split payment mechanism is followed in Poland: firstly there is a payment of net amount of sales value resulting from the invoice to the bank account of a seller, and secondly, a payment of VAT to a separate bank account of seller. Split payment mechanism could be mandatory or voluntary. Mandatory split payment applies to domestic B2B transactions involving several defined types of supplies (e.g. accessories and parts of car vehicles, fuel, machines and electric facilities, construction services), if the gross amount of a transaction is equal to or greater than PLN 15,000. Voluntary split payment applies, to domestic B2B transactions. 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 of 17% to 32%. A specific rate applies also 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). Personal income falls under the social insurance system: employee’s social contributions (capped) equal 13.71%; employer’s contributions equal altogether approximately 20.48%. Additionally, the individual is required to pay 9% health insurance contribution, out of which 7.75% is deductible from the tax. The examples below show the employer’s and the employee’s costs in case of minimum wage level and the average wage in the private sector. The tax free amount is PLN 8,000 (dependable on the value of the tax base).

WAGE-RELATED TAXES IN POLAND	Minimum wage		Average wage in private sector****	
Exchange rate PLN / EUR***	4,3			
	in EUR	in PLN	in EUR	in PLN
	605	2,600	1,303	5,604
TOTAL WAGE COST	728	120.48%	1,570	120.48%
Employer’s social security *	108	17.93%	234	17.93%
Other insurance (approx.)	15	2.55%	33	2.55%
GROSS SALARY	605	100.00%	1,303	100.00%
Employees’ contributions	83	13.71%	179	13.71%
Healthcare insurance	47	9.00%	101	9.00%
Personal income tax**	28	17.00%	84	17.00%
NET SALARY	447	73.91%	939	72.06%

* Capped at income of PLN 156,810 - over this amount only the accident insurance (max 1.67%) and other insurance (2.55%) are paid by the employer and the sick and healthcare insurances are paid by the employee.
** Taxable base = gross salary – employee’s contributions – statutory tax deductible costs.
*** Average exchange rate announced by National Bank of Poland as at February 3, 2020.
**** Average wage in private sector in December 2019 according to Central Statistical Office.



Contact:
Kinga BARAN
Partner
Head of Tax Advisory Department
Phone: + 48 22 25 55 326
Mobile: +48 691 20 70 58
E-mail: k.baran@mazars.pl

ROMANIA

CORPORATE INCOME TAX AND OTHER DIRECT TAXES

The general corporate income tax is 16%. 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.

As of the 1st of January 2018 the Anti-Tax Avoidance Directive (ATAD) has been implemented, that introduces new rules in respect of the fiscal treatment of the interest and exchange rate losses related to loans. As such, starting from 2019, the exceeding cost of indebtedness recorded, that exceeds the EUR 1,000,000 threshold, is deductible within 30% of the designated computation base within the respective fiscal period.

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 PE).

Capital gains arising from the sale of the participations held in a state with whom Romania has concluded a DTT are non-taxable.

Starting with 1st of January 2018 CFC rules are applicable in Romania. From February 2020, hybrid mismatches have been transposed into domestic legislation as per the provisions set out in Council Directive (EU) 2017/952 amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries. Romania transposed Council Directive 2018/822/EU ("DAC6") into its domestic tax legislation in January 2020. As a result, mandatory disclosure requirements are introduced in the context of enhancing tax transparency at the EU level by means of identifying potentially aggressive cross-border tax arrangements.

Romania has a treaty network consisting of approximately 85 double tax treaties. The withholding tax rate on dividends is 5% whilst for interest and royalties is 16%.

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.
- A microenterprise may opt for corporate income tax regime if it fulfils the following conditions:
- has a share capital of at least RON 45,000 (approx. EUR 9,500);
 - has more than two 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 and certain residential sales). Starting with 1st of November 2018 the 5% VAT reduced rate has been extended to the accommodation services, restaurant and catering services (with the exception of alcoholic beverages other than beer), admission to amusement and recreational parks and the right to use sporting facilities.

Starting with 1st of June 2019, the VAT rate for the supply of high-quality food products - eco, mountain and traditional products authorized by the Ministry of Agriculture and Rural Development - is subject to 5% VAT rate.

TRANSFER PRICING IN ROMANIA

Arm's length principle	✓	since 2003 (Act 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, including notification submission requirements.
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).
tax shortage	✓	Regular tax regime: adjustment of tax base plus late payment interest and penalties may be applicable.
Related parties	25% <	direct or indirect control
Safe harbours	No	
Level of attention paid by Tax Authority		

10/10

*Optional for SME.

**Optional VAT registration below the threshold is allowed.

VAT OPTIONS IN ROMANIA	Applicable / limits
Distance selling	RON 118,000/ EUR 25,000
VAT group registration	✓
Cash accounting*	RON 2,250,000/year - approx. EUR 470,000/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**	RON 300,000 / approx. EUR 62,500



MAZARS
IN ROMANIA

MAZARS CONSULTING S.R.L.
4b and 2-4 Ing. George
Constantinescu Street,
Building B, Globalworth Campus Pipera,
RO-020339, Bucharest
Phone: (+40) 21 528 57 57
Fax: (+40) 21 528 57 50
www.mazars.ro

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.

The VAT cash accounting system is optional for companies having an annual adjusted turnover of less than RON 2,250,000 (approx. EUR 474,000). Other indirect taxes applicable in Romania include excise tax and environmental tax.

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

A 10% flat tax rate is applicable 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 monthly revenue from such activities is higher than the minimum salary (i.e. RON 2,080 for the year 2019). Otherwise, the SSC is optional for the taxpayer. The Health Fund Contribution is capped at the level of the minimum salary per country. Starting with 1st of January 2020, the minimum monthly gross wage guaranteed in payment, without including bonuses or other additions, will increase to RON 2,230. For high education studies having at least one

year of seniority in the higher education area, the minimum monthly gross wage will be RON 2,350. The minimum monthly gross wage for the period 1st of January 2020 – 31st of December 2028 in the construction sector is of RON 3,000 per month.

For the period of 1st of January 2019 – 31st of December 2028, the following tax exemptions are granted for the salary income realized by individuals in the field of constructions:

- Payment of income tax for the salary revenue is fully exempted;
- Social security contribution is reduced to 21.25%, from 25%;
- Payment of health contribution if fully exempted;
- Work insurance contribution is reduced to 0.337%.

In order to apply the exemptions, certain conditions should be cumulatively met.

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
		474	2,230*	1,155	5,429
TOTAL WAGE COST		485	102.25%	1,181	102.25%
Employer contributions		11	2.25%	26	2.25%
GROSS SALARY		474	100.00%	1,155	100.00%
Employees' contributions		166	35.00%	404	35.00%
Personal Deduction **		123		0	
Personal income tax***		19	10.00%	75	10.00%
NET SALARY		290	61.10%	676	58.50%

* The minimum monthly gross wage guaranteed in payment, without including bonuses or other additions, will increase to RON 2,230 for a normal working schedule. For the employees assigned in positions for which high education studies are required and having at least one year of seniority in the higher education area, the minimum monthly gross wage will be of RON 2,350. In the construction sector, the minimum monthly gross wage for the period 1st of January 2020 – 31st of December 2020 is RON 3,000 per month (without including other bonuses and additional payments).

** 1 family member is assumed.

*** Personal income tax base is: gross salary - employee's contribution - personal deduction.



Contact:
Edwin WARMERDAM
Partner, Head of Tax Advisory
Phone: 0040 21 528 57 57
E-mail: edwin.warmerdam@mazars.ro

RUSSIA

CORPORATE INCOME TAX AND OTHER DIRECT 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: value-added tax (VAT), excise tax, personal income tax, profit tax, water tax, levies for natural and biological resources consumption, stamp duty, tax on additional income from extraction, mineral extraction tax.
- Regional taxes: corporate property tax, transport tax, gambling tax.
- Municipal taxes: land tax, individual property tax, trade tax.
- Social contributions (classified as separate category).

There are special tax regimes in Russia which are intended for smaller businesses and special categories of taxpayers, e.g. simplified tax system, unified agricultural tax etc.

The tax rate is flat and generally equals 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 as of 01 January 2017 tax losses could be carried 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 since 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.

Russia has concluded double tax treaties (DTTs) with more than 80 countries. Starting from 2021, it is supposed that the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) will limit tax benefits granted by most treaties to which Russia is a party. Russia has chosen PPT and S-LOB (simplified LOB) rules, which will be applied if the Russian company pays out passive income.

There are many profits tax incentives in Russia in regard of some companies' activities: federal and regional tax incentives as well as incentives related to the defined industries or activities (for example, investment activities, medical or educational activities).

VAT AND OTHER INDIRECT TAXES

Generally VAT applies to goods (property rights) sold, work performed and services rendered, if supplied on Russian territory. Examples of other taxable events are (i) the importation of goods into the territory of the Russian Federation; (ii) the transfer of goods (performance of work, rendering of services) in the territory of the Russian Federation for own requirements, expenses for which are not deductible (whether through amortization deductions or otherwise) in calculating tax on the profit of organizations; (iii) free of charge transfer of goods (services, works). Tax base is calculated based on sales prices applied by the taxpayer or imputed market price (in case of free-of-charge transfers).

VAT payable to (receivable from) the budget is calculated as the difference between VAT accrued on taxable revenue and VAT claimed for offset with regard to VATable purchases.

In order to be eligible for VAT offset the taxpayer should book goods (property rights) sold, work performed and services rendered in its accounting, have supporting document such as VAT invoice and ensure that mentioned purchases will be used in activities subject to VAT

in the future or for the purposes of "export" of services not subject to VAT. Payments in favour of foreign suppliers that are not registered in Russia as taxpayers are subject to reverse charge VAT where the Russian customer should withhold and pay VAT to the tax authorities.

The standard VAT rate is 20%. However, sale of certain food products, goods for children, medical and pharmaceutical products is taxable at a 10% rate. 0% VAT rate applies to export sales and cross-border services (e.g. international transportation and freight).

There are non-taxable (tax-exempt) operations in Russia, the closed list of which is defined in the Tax Code. Foreign companies, providing electronic services (via Internet) to Russian individuals and legal entities as well as foreign companies' foreign intermediaries (agents) taking part in settlements are obliged to register with the Russian tax authorities and independently calculate and pay VAT on the value of services rendered. Registration is mandatory even if the services provided are exempt from Russian VAT.

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

Russian tax residents are individuals who have spent 183 days on more in Russian territory for the subsequent 12 months and are taxable on their worldwide income at a 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

WAGE-RELATED TAXES IN RUSSIA		Minimum wage		Average wage in private sector	
Exchange rate RUB/EUR	72,4	in EUR	in RUB	in EUR	in RUB
		279	20,195	636	46,071
TOTAL WAGE COST		363	130%	827	130%
Employer's contributions		84	30%	191	30%
GROSS SALARY		279	100%	636	100%
Personal income tax (for tax resident)	36	13%	83	13%	
NET SALARY		243	87%	553	87%



**MAZARS
IN RUSSIA**

**Nizhniy-Susalniy pereulok,
5, bld.19 Moscow, 105064
Russian Federation**
Phone: (+7) 495 792 52 45
Fax: (+7) 499 753 18 24
www.mazars.ru

Russian source income. Salary paid for the performance of a labor function in Russia is deemed a Russian source income. Non-residents are subject to personal income tax at a 30% at 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 obligatory 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 RUB 1,292,000 (~EUR 17,845), above - 10%	exempt	22% on gross annual remuneration not exceeding RUB 1,292,000 (~EUR 17,845), above - 10%
Social Security Fund	2.9% on gross annual remuneration not exceeding RUB 912,000 (~EUR 12,597), above - 0%	exempt	1.8% on gross annual remuneration not exceeding RUB 912,000 (~EUR 12,597), 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 an HQS work permit and employed without such permit) at a rate that could vary from 0.2% to 8.5% of the gross annual remuneration payable to employees.



Contact:
Alexey SHVYNDENKOV
Head of Tax and Legal Department
Mobile: (+7) 903 181 20 70
E-mail: Alexey.Shvyndenkov@mazars.ru

TRANSFER PRICING IN RUSSIA		
Arm's length principle	✓	since 1999
Documentation liability	✓	since 2012 The taxpayers are obliged to submit it within 30 working days from the date of the tax authorities' request (not earlier than 1 June of the next calendar year).
APA with Russian Tax authorities	✓	since 2012
BAPA and MAPA in respect of a cross-border transaction *	✓	since 2018
Master file and Local file	✓	since 2017
Penalty	✓	
Tax underpayment	✓	40% on tax underpayment
Notification on Controlled transactions	✓	RUB 5,000 (~EUR 69) fine for non-filing of TP Notification.
Country-by-Country liability	✓	RUB 100,000 (~EUR 1,381) starting from 2020.
Master file and Local file	✓	Russian RUB 100,000 (~EUR 1,381) starting from 2020.
Local file		RUB 100,000 (~EUR 1,381) starting from 2018.
CbCR Notification		RUB 50,000 (~EUR 691) starting from 2020.
Related parties	(25%) >	direct or indirect control plus other criteria
Safe harbors	✓	Interest
Level of attention paid by Tax Authority		
*Bilateral and multilateral APAs		
		6/10

SERBIA

CORPORATE INCOME TAX 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, investing into the capital of newly incorporated companies performing innovative activities and income from the use of deposited IP rights. 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 a tax rate of 25% applicable to revenues realized by non-resident legal entities from jurisdictions with a preferential tax system. Serbia has a wide international treaty network with more than 50 double tax treaties. 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 a revenue in excess of approximately EUR 67,000 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: The other indirect tax type in Serbia is excise duty.

TRANSFER PRICING IN SERBIA		
Arm's length principle	✓	since 2013
Documentation liability	✓	since 2013 Transfer pricing documentation is to be prepared and submitted together with the CIT return.
APA	No	-
Country-by-Country liability	✓	Resident taxpayers who are the ultimate parent entities of international groups of related legal entities will be obliged to submit to the Tax Authority annual report (Country-by-Country Report) on controlled transactions of the international group of related legal entities from 2020.
Master file-local file (OECD BEPS 13) applicable	No	-
Penalty		
lack of documentation	✓	~ EUR 16,900 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 67,000 are not subject to TP rules.
Level of attention paid by Tax Authority		
8/10		

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 16.65%. The difference is that contributions for

pension and disability insurance are 11.5% (2.5% less than the employee's obligation) and the contribution for unemployment (0.75%) is not payable by the employer. Personal deductions are applicable. The examples below show the cost of the employer and the employee in the 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	118,2716	in EUR	in RSD	in EUR
Non-taxable amount	138	16,300	138	16,300
	254	30,022	658	77,879
TOTAL WAGE COST	296	116.65%	768	116.65%
Social contribution tax	42	16.65%	110	16.65%
GROSS SALARY	254	100.00%	658	100.00%
Personal income tax	12	4.57%	52	7.91%
Employees' contributions	51	19.90%	131	19.90%
NET SALARY*	192	75.53%	475	72.19%

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

Contact:
Kristijan CINOTTI
Managing Partner
Phone: (+385) 1 4864 420
Mobile: (+385) 99 4877 112
E-mail: kristijan.cinotti@mazars.hr

SLOVAKIA

CORPORATE INCOME TAX AND OTHER DIRECT TAXES

In Slovakia, the corporate income tax is charged at a tax rate of 21%. Starting from 1 January 2020 a new 15% tax rate is applied for taxpayers if their income does not exceed the amount of EUR 100,000 in the relevant tax period. If the income exceeds the amount of EUR 100,000 in the relevant tax period, the 21% tax rate will be applied on the whole amount of the tax base. The tax base is calculated from an accounting profit or loss modified by certain increasing and decreasing items. The tax losses can be deducted from 1 January 2020 for five years, however, only up to 50% of the taxpayer's tax base. Tax incentives may be provided in the cases of starting new production or modernizing existing production, or doing research or development. Taxpayers undertaking a research and development project are eligible for an extra allowance by applying a so-called "super deduction". As of 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.

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 noncontracting 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 a taxpayer from a non-contracting state are subject to taxation within the separate tax base at a 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.

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). As of 2018, participation exemption rules for capital gains on sales of shares and ownership interest apply under specific conditions. In relation to the transposition of the ATAD 2 Directive, new rules are introduced in 2020 encompassing hybrid mismatches between EU member states and third countries.

VAT AND OTHER INDIRECT TAXES

The general VAT rate is 20%, while the reduced rate is 10% (e.g. accommodation services, pharmaceutical products, books, music, spectacle and contact lenses, basic food items such as bread, butter, milk and cream, freshwater fish and meat). As of 2020, a reduced VAT rate of 10% is applied also to some periodicals and so-called healthy food-stuffs such as milk products, natural honey, selected types of vegetables, fruits or pastries.

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 as of 2016. Other indirect tax types in Slovakia are excise taxes on wine, beer, tobacco, spirits, mineral oils, electricity, coal and natural gas.

The options/limits based on the EU Directive:

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	✓	Applicable 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 at 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

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 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; sale of 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

** Except apartment and family house.

MAZARS
IN SLOVAKIA

MAZARS TAX k.s.,
Europeum Business Center,
Suché myto 1,
811 03 Bratislava
Phone: +421 2 59 20 4700
Fax: +421 2 59 20 4703
www.mazars.sk

PERSONAL INCOME TAX / SOCIAL SECURITY SYSTEM

The personal income tax rate is progressive 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 (called "the limit" – for 2020, that amount is EUR 37,163.36 per year) and 25% for the part of the tax base exceeding the limit. Starting from 1 January 2020, a new 15% tax rate applies for natural entities achieving an income from a business and other self-employment income and for legal entities, if their income does not exceed the amount of EUR 100,000 in the relevant tax period.

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 a rate of 7% (capped by DTAT rate) or 35% if the recipient or payer of the dividend is from a non-contracting state.

Both employers and employees are subject to social security and health insurance 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 7,091. 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	
	580		1,064	
TOTAL WAGE COST	784	135.20%	1,439	135.20%
Vocational training contribution	-		-	
Social contribution tax	204	35.20%	375	35.20%
GROSS SALARY	580	100.00%	1,064	100.00%
Personal income tax*	26	19.00%	105	19.00%
Employees' contributions	78	13.40%	143	13.40%
NET SALARY	477	67.60%	816	67.60%

* The gross salary is decreased by the total amount of a general allowance (367.85 EUR/monthly) and by social contribution tax.



Contact:
Günter OSZWALD
Partner
Phone: +421 259 204 700
E-mail: gunter.oszwald@mazars.sk

SLOVENIA

CORPORATE INCOME TAX AND OTHER DIRECT TAXES

The general corporate income tax rate is 19%. 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 the 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. Provisions governing the general anti-avoidance rule and CFC as a part of the European Union's Anti-Tax Avoidance Directive (ATAD I) are applicable in Slovenia from 2019. In light of the initiative against base erosion and profit shifting (BEPS) project and Directive 2016/1164/EU, two new institutes are introduced, namely rules on exit taxation and hybrid mismatches aimed at curbing tax avoidance practices that affect the tax base. The first determines a tax on the unrealized appreciation of assets gained in Slovenia. In other words, it is a matter of taxing hidden reserves in the case of transferring business activity or assets from Slovenia to another country. The amendment to the CIT Act introduce a limitation on the reduction of the tax base (due to tax losses and various tax relieves for R&D etc.) and it is limited to a maximum of 63% of the tax base in the tax period. The maximum reduction of the tax base is limited to 63% of the tax base for a tax period, which means setting a minimum corporate tax rate of 7%. The limitation will apply for tax periods after 1 January 2020.

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 the 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, water supply, carriage of passengers and their personal luggage, and a reduced rate of 5% applies to books, newspapers, regardless of whether they are delivered on physical media or in electronic form. 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.

TRANSFER PRICING IN SLOVENIA		
Arm's length principle	✓	since 2005
Documentation liability	✓	since 2006
APA	✓	
Country-by-Country liability	✓	since 2016
Master file-local file (OECD BEPS 13) applicable	✓	The notion of Master File and Local File comprising the transfer pricing documentation has been implemented in the Slovene tax law in the year 2006.
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	✓
- supply of used real estate	✓
VAT registration threshold	EUR 50,000/year *

* Special rules for agricultural activities.



MAZARS IN SLOVENIA



Mazars Slovenia
Verovškova ulica 55A
1000 Ljubljana, Slovenia
Phone: +386 59 049 500
www.mazars.si

For cross-border sales the consumer threshold of EUR 10,000 is applied in Slovenia. Electronically supplied services to consumers worth less than EUR 10,000 are subject to Slovenian VAT rules. From 2019 Slovenia incorporated the requirements of the EU Vouchers Directive (Directive 2016/1065) into domestic law. The EU has gradually introduced amendments to VAT rules. In this regard, a number of new rules have recently been adopted. The most notable is the introduction of the expected swift solutions in the field of intra-Community supplies. Also important is the introduction of new rules on VAT rates applicable to books,

newspapers and periodicals as well as the inclusion of two Italian enclaves in the application of EU VAT rules. Other indirect tax types in Slovenia are excise duty, insurance tax, motor vehicle tax, customs, etc.

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 a flat rate (dividends at 27.5%, interest at

27.5%, capital gains from 0% to 27.5%, depending on holding period, rental income at 27.5% (15 % 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 the 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			
	8,500			16%
8,500	25,000	1,360	+ 26%	above 8,500
25,000	50,000	5,650	+ 33%	above 25,000
50,000	72,000	13,900	+ 39%	above 50,000
72,000		22,480	+ 50%	above 72,000

WAGE-RELATED TAXES IN SLOVENIA	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
TOTAL WAGE COST	1,092	116.10%	2,203	116.10%
Employer's contribution	151	16.10%	306	16.10%
GROSS SALARY	941	100.00%	1,898	100.00%
Employees' contributions	208	22.10%	419	22.10%
Tax and surtax*	71	7.50%	238	12.53%
NET SALARY	662	70.40%	1,241	65.37%

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



Contact:
Teja PAULIN
Head of Tax and AOS
Phone: +386 59 049 500
Mobile: +386 40 534 522
E-mail: teja.paulin@mazars.si

UKRAINE

CORPORATE INCOME TAX AND OTHER DIRECT TAXES

In Ukraine the standard CIT rate is 18%. CIT is applicable for worldwide income of resident companies, while for non-resident companies only for income received from Ukrainian sources. 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 an additional 0% or 3% income tax for life insurance and other insurance respectively. Tax losses can be carried forward with no limitation period, while loss carryback is not permitted. Companies with annual income not exceeding UAH 20 million (approximately EUR 757 thousand as of 1 January 2020) are entitled not to make any adjustments (except for tax losses carry forward). Companies with an annual income not exceeding UAH 3 million (approximately

EUR 114 thousand as of 1 January 2020) may apply a 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 tax transparent in their country of residence. Ukraine has not yet adopted country-by-country and masterfile reporting standards in local legislation. Changes in TP reporting are expected from 1 January 2021, but still should be adopted by the Parliament. Sole traders, companies with an annual income not exceeding UAH 5 million (approximately EUR 189 thousand as

of 1 January 2020) 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 a non EU member, Ukraine does not comply with EU VAT Directives. The standard VAT rate is 20% (7% for supply of 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. for 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. The taxpayer is entitled to issue VAT invoices for the amount within the certain cap.

Exchange rate EUR/UAH		31,71
TRANSFER PRICING IN UKRAINE		
Arm's length principle	✓	since 2013
Documentation liability	✓	since 2013
APA	✓	Since 2013 (applicable for large taxpayers, nor cases of application in practice).
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 576,300 (app. EUR 21,810).
lack of documentation	✓	Up to 3% of the value of controlled transactions, but not more than UAH 384,200 (app. EUR 14,540).
tax shortage	✓	25% of tax underpayment; 50% in case of recurrent violation during 1,095 days + late payment interest.
Related parties	20% <	Direct or indirect or common control; (formalized or de-facto); low-tax non-related non-resident operations also fall under transfer pricing control.
Safe harbours	No	
Level of attention paid by Tax Authority		
		7/10

Exchange rate EUR/UAH		26,42
VAT OPTIONS IN UKRAINE		Applicable / limits
Distance selling		No
Call-off stock		No
VAT group registration		No
Cash accounting*		✓
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 37,850)

* For certain types of operations (e.g., construction works; supply of heat, water, gas to individuals or governmental agencies).
** Voluntary registration is allowed without any limitations.



MAZARS UKRAINE LLC
15A Kyrylivska Street,
Kyiv, 04080, Ukraine
Phone: +38 044 390 71 07
www.mazars.ua

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 a unified register with chronological order of repayment. There are a number of temporary VAT incentives, such as VAT exemption for supply of certain goods and services (software, electric vehicles, waste and scrap metals, certain equipment for renewable energy etc.). The other indirect tax in Ukraine is excise tax. The excisable goods are spirits, beer, tobacco, petroleum, cars, trailers, motorcycles, electricity.

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 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 on the monthly income at the rate of 1.5%. Most active incomes fall under the scope of SSC with an employer's contribution of 22%, there is no employee's contribution. Maximum chargeable amount per month is 15 months' minimum wages – UAH 70,845 (approximately EUR 2,681 as of 1 January 2020). The examples below show the cost of the employer and the employee in the 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 (as of 1 January 2020)	26,42	in EUR	in UAH	in EUR	in UAH
		179	4,723	568	15,000
TOTAL WAGE COST		218	122.0%	693	122.0%
Social contribution tax		39	22.0%	125	22.0%
GROSS SALARY		179	100.0%	568	100.0%
Personal income tax		32	18.0%	102	18.0%
Military tax		3	1.5%	9	1.5%
NET SALARY		144	80.5%	457	80.5%

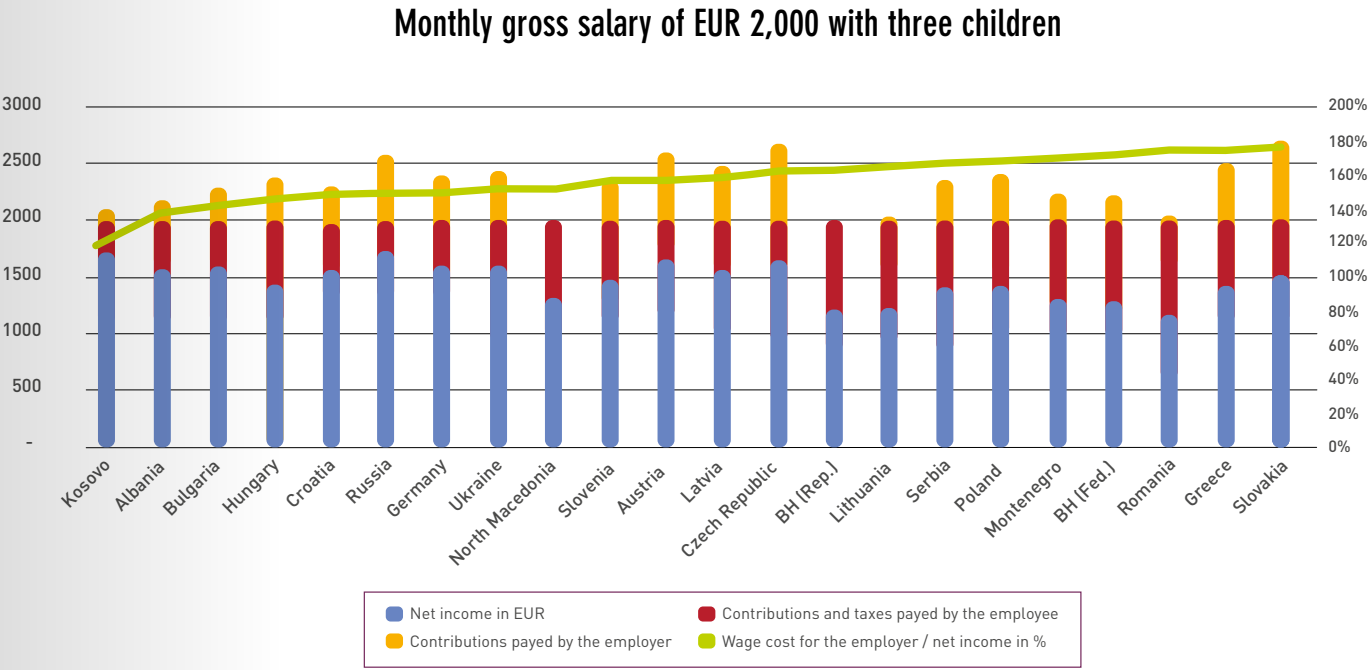
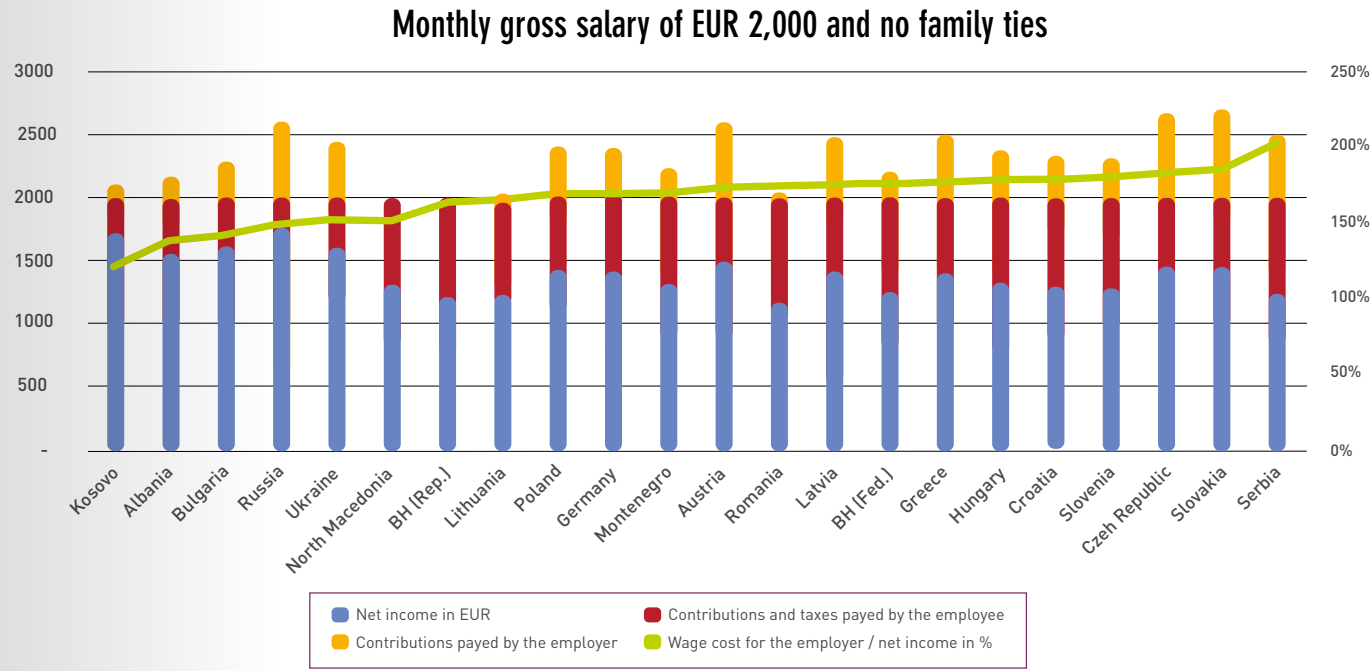
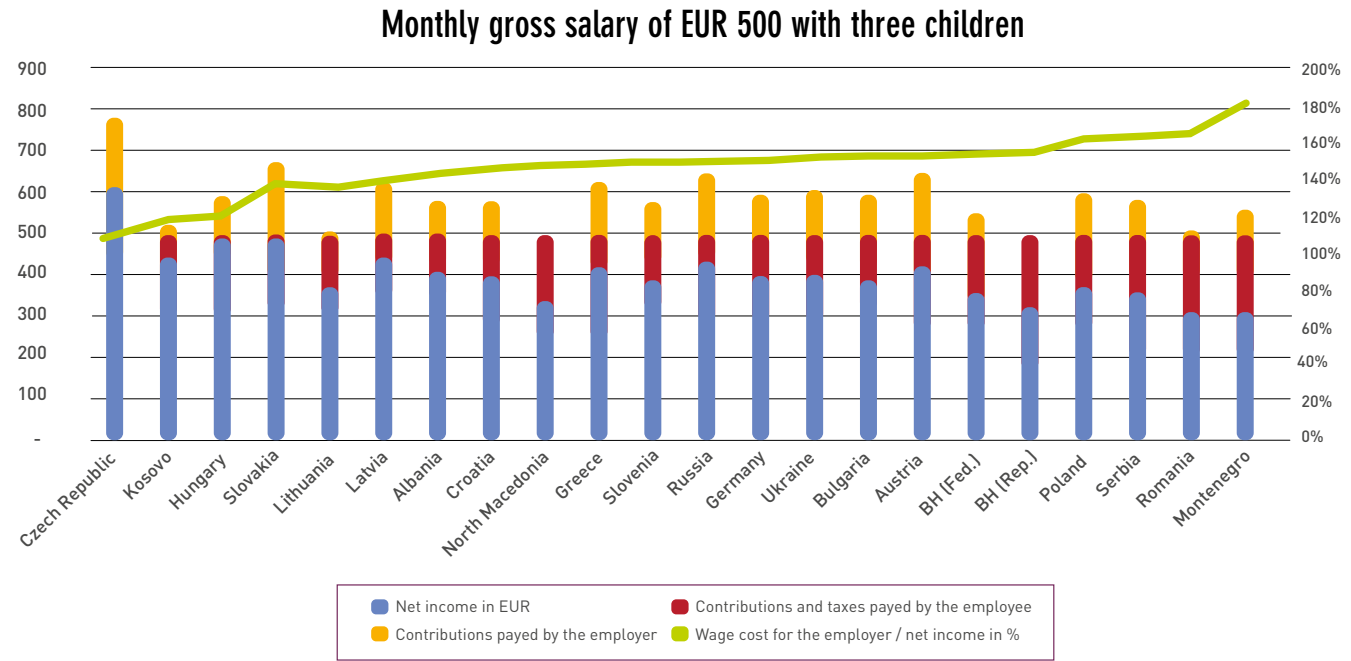
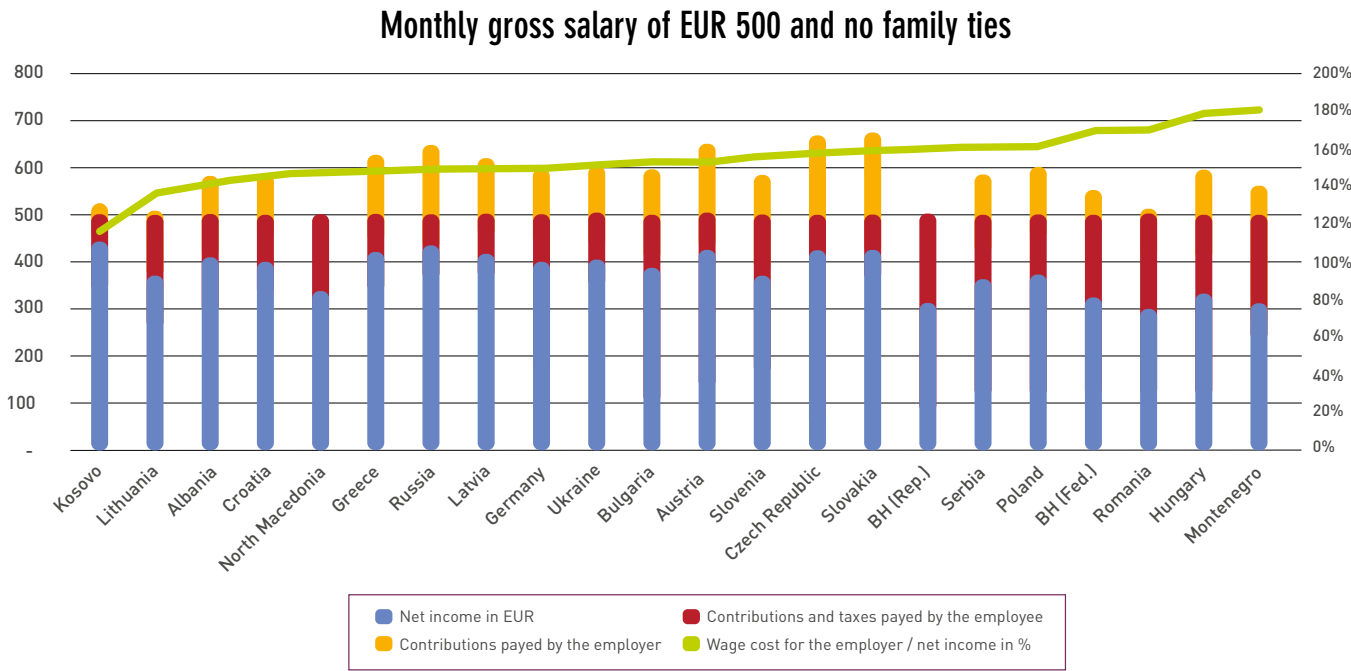


Contact:
Gregoire DATTEE
Managing Partner
Phone: +38 044 390 71 07
E-mail: gregoire.dattee@mazars.ua

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 it costs for the employer to provide the same level of net income to the employees in the various tax jurisdictions.



We can find some interesting results if we compare the order of the countries for two options within each income category, i.e. in the case of employees with and without families, as we can immediately see which countries provide a family tax credit and to what extent.

The comparison of the various levels of income categories is also telling, since the various 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 the case of the various income levels.

TAX RATES IN THE COUNTRIES OF THE CEE REGION

2020	VAT	PIT	SSC
	Value added tax rates	Personal income tax rate(s)	Social security and other contribution payable by the employer
Albania	0% / 20% / 6%	progressive; 0% / 13% / 23%	16.70%
Austria	20% / 10% /13%	0% - 55%	21.23%
Bosnia and Herzegovina	10%	10.5%* / No**	10.5%* / No**
Bulgaria	20% / 9%	10%	18.92%
Croatia	25% / 13% / 5%	24% / 36%	16.5%*
Czech Republic	21% / 15% / 10%	15% + 7% solidarity surcharge*	33.8% / 9%**
Germany	19% / 7%	14%-45%*	19.88%
Greece	24% / 13% / 6%	progressive 9%/22%/28%/36%/44% & 2.2%-10% Special solidarity levy	24.81%
Hungary	27% / 18% / 5%	15%	19.0%
Kosovo	18% / 8%	progressive 0% / 4% / 8% / 10%	5%
Latvia	21% / 12% / 5% or 0%	20 / 23% / 31.4%*	24.09%
Lithuania	21% / 9% / 5%	15% / 20% / 32%	1.77%
Montenegro	21% / 7%	9% / 11%	10.7%
North Macedonia	18% / 5%	10%*	No
Poland	23% / 8% / 5% / 0%	17% / 32%	20.48%*
Romania	19% / 9% / 5%	10%	2.25%
Russia	20% / 10% / 0%	13% / 30%*	30% / 15.1% / 10%**
Serbia	20% / 10%	10%	16.50%
Slovakia	20% / 10%	15% / 19% / 25%	35.2%
Slovenia	22% / 9.5% /5%	progressive 16% - 50%	16.1%
Ukraine	20% / 7% / 0%	18%*	22%**

BOSNIA AND HERZEGOVINA * In Federation of BIH. ** In Republika Srpska. *** 0% - *** Small taxpayers in Republika Srpska. CROATIA * For the person under 30 employed on variable-term contract, there is no contributions on salary (16.5%) for a period of 5 years. CZECH REPUBLIC * Only on part of the gross income from an employment/tax base from self-employment exceeding CZK 1,672,080 (approx. EUR 65,804) in 2020. ** Applicable on income exceeding CZK 1,672,080 (approx. EUR 65,804) in 2020. GERMANY * In addition, a trade tax is levied, the amount of which depends on the respective municipality; as a rule, the amount of tax is approx. 31% (CIT + TT). LATVIA * 20% on income up to EUR 20,004 per year, 23% on income over EUR 20,004 up to EUR 62,800 per year, 31.4% on income over EUR 62,800 per year. NORTH MACEDONIA * Introduction of progressive rates expected in 2023. POLAND * approximately RUSSIA * Tax rates of 9% / 15% / 35% are applicable to specific types of income. **regressive rate depends on annual amount of remuneration. SLOVAKIA *19% on annual income up to EUR 37,163.36; 25% on annual income over EUR 37,163.36; 15% if the income from a business and other self-employment income of natural person exceeds the amount of EUR 100,000 in the relevant tax period, the progressive tax rate of 19% or 25% will be calculated based on the amount of tax base. UKRAINE * Additionally 1.5% temporary military tax should be withheld from the same base as PIT. ** Maximum monthly SSC is UAH 15,586 (app. EUR 590).

CORPORATE INCOME TAX KEY FEATURES

	Corporate income tax rate(s)	IFRS accounting available (for all companies)	Group taxation available	Interest limitation (Thin Cap or EDITDA based)	Withholding tax on interest, dividend or royalty	R&D/patent box incentive	Loss carry-forward (years)	Transfer pricing documentation liability	Other comments, recent developments
Albania	Exempted/ 0% / 15% / 5%	Y		Y	Y		3/5	✓	Tax exemption for 4 and 5-star hotels for a time frame of ten years; 5% CIT rate for small turnover companys, software and IT development, automotive industry, "Entities of agriculture collaboration" and agritourism industry (for 10 years).
Austria	25%		Y		Y	Y	no limitation period	✓	Government plans to reduce the corporate income tax to 21%.
BH (Fed.)	10% / 0%		Y	Y	Y	Y	5	✓	
BH (Rep.)	10% / 0%				Y		5	✓	0% for small taxpayers in Republika Srpska.
Bulgaria	10%	Y		Y	Y		5	✓	TP local file is obligatory for companies with assets over EUR 19 million and revenues over EUR 38 million.
Croatia	18% / 12%	Y		Y	Y	Y	5	✓	ATAD rules are introduced. A threshold of realized annual revenues for the payment of corporate profit tax at the lower rate of 12% increased from HRK 3 million to HRK 7,5 million.
Czech Republic	19%	Y		Y	Y	Y	5	✓	ATAD rules are introduced.
Germany	15%* (31%)	Y		Y	Y		no limitation period	✓	Loss carry back * together with trade tax.
Greece	24%	Y		Y	Y	Y	5	✓	Reduced CIT from 28 to 24% and dividends distribution from 10% to 5%. Introduction of non dom regime for high net worth individuals.
Hungary	9%	Y	Y	Y		Y	5		ATAD rules are introduced.
Kosovo	10% / 9% / 3%				Y		4	✓	The loss carry forward period for tax losses was reduced from 6 to 4 years. The basis and rate of taxation of insurance companies has changed from a 5% tax on gross premiums to a 10% tax on income.
Latvia	20%*	Y		Y			3	✓	Special deferred taxation as of 2018: CIT payable upon distribution of profit, deemed profit or deemed dividends. *The taxbase of CIT divided by 0.8 and then calculate with a rate of 20% means that the effective CIT rate is 25% of the taxable base.
Lithuania	15% / 5%	Y		Y	Y	Y	no limitation period	✓	0% rate for small companies for the first financial year.
Montenegro	9%	Y			Y		5	No	
North Macedonia	10%	Y		Y	Y		3	✓	The Transfer Prices Report Rulebook was recently introduced.
Poland	9% / 19%		Y	Y	Y	Y	5	✓	Bad debt relief. Profits retained in the Company. Deferment of the application of regulations regarding withholding tax. New limit for 'small taxpayers'.
Romania	16%			Y	Y	Y	7	✓	ATAD rules are introduced.
Russia	20%	Y	Y	Y	Y	Y	no limitation period	✓	For the tax periods of 2017-2020 offsetting of tax losses is limited. Group taxation may be applied only by limited number of Groups.
Serbia	15%	Y		Y	Y	Y	5	✓	Introduction of Country-by-Country Reporting.
Slovakia	15% / 21%			Y	Y	Y	5	✓	Exit tax, special regime for patent box, participation exemption rules. 15% tax rate for incomes up to EUR 100,000. Tax loss deduction extended to 5 years, however max. up to 50% of the tax base. ATAD rules are introduced.
Slovenia	19%	Y		Y	Y	Y	no limitation period	✓	ATAD rules are introduced. Introduction of general limitation of tax base reduction for tax periods after 1 January 2020. The maximum reduction of the tax base is limited to 63% of the tax base for a tax period, which means setting a minimum corporate tax rate of 7%.
Ukraine	18%	Y		Y	Y		no limitation period	✓	New anti-BEPS law is expected to be adopted. Introducing 3-level transfer pricing reporting. GAAR, controlled foreign companies taxation rules.

NOTES

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