Mazars Central and Eastern European tax guide 2021

mazars

Contents

Welcome to the CEE tax guide 2021

Welcome to Mazars' ninth 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 2021. 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 value added tax, 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 Szmicsek
Partner
Tax and Legal Services
Mazars in Hungary

An overview of taxation system within CEE

Introduction

Thanks to the cooperation of the Mazars offices in the Central and Eastern European Region, our publication is now being delivered for the ninth time, providing current information on taxation in the concerned states, effective as of January 2021. This brochure focuses on long-term trends, since that is what investment decisions are based on, although the pandemic resulted in significant changes in the tax laws of all the countries. The introduction of temporary tax reliefs seen in every country to varying degrees is not a focus of this tax guide.

The list of participating countries was continuously extended in the past years; the 2021 edition of the tax guide contains the data of 21 countries, including the so-called Visegrad Group and also Southeast Europe, Germany, Austria, 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. Additionally, the principle of taxation is also not uniform in the region; some countries swear by the flat rate income tax (like Bulgaria, Hungary, Romania, or Ukraine), while others prefer significantly progressive tax rates (e.g. Austria, Germany, and Slovenia as well as Croatia and Slovakia). From 2021, the Czech Republic returned from flat to progressive taxation, with the introduction of a marginal rate of 23% (next to previously applied 15%).

The total labor costs of employers in the region varies between 100 and 200% of net salaries and wages (with an average of 160%) depending on employee salary levels and family status as well as the applicable tax advantages. This value is somewhat lower in the case of lower income rates (between 100-180%) and higher in the case of higher rates (between 120-200%). The proportion of costs from taxes and contributions burdening employers is on average 15% 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, and Romania: less than 5%) and the highest employer contributions (e.g. the Czech Republic, Russia, and Slovakia: more than 30%), which also highlights the fact that the systems are different and hard to compare.

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 Kosovo and Ukraine is under EUR 180 and is around EUR 200-350 in some of the former Yugoslavian countries, Albania, and Bulgaria, in a significant part of the region (Czech Republic, Slovakia, Hungary, Poland), the minimum wage is around EUR 400-630, obviously incomparable with the values of nearly EUR 1,700-1,900 in Germany and Austria. At the same time, there has been a significant increase in the minimum wage in Euros by 2021 (with the most significant increase in Bosnia and Herzegovina, with Serbia and Latvia also experiencing a rise of 15-50%). The average wage level in the private sector in Euros increased most significantly – by over 14% – in Germany, but the same figure is also above 5 - 10% in Slovakia, Croatia, Latvia and North-Macedonia.

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

Hungary

"An increasingly consistent application of transfer pricing can be observed in corporate taxation – or at least increasing awareness – and it is also being extended to be applied for local taxation. At the same time, growing importance is awarded to an optional solution in Hungarian income taxation, which – much like in Estonia and Poland – considers as the basis of taxation only the dividend (and capital) income with drawn from the business and not the recognition of profit/loss. This tax is the small business tax, the scope of which is increased year after year by legislators.

The process in value added taxation that resulted in the tax authority seeing all the invoice and cash register's data online has ended. On one hand, this breaks new ground for risk analysis and inspections, on the other hand, it also opens the door for interesting new state services (online invoicing "through the tax authority", VAT tax return draft on the basis of there ported invoices).

As for the economic impact of COVID, the government seems to have decided not subsidizing the economy heavily through the tax system. Nevertheless, the economic recession has put a strain on the budget, which is expected to be compensated by tax inspections of grow ingintensity."

dr. Dániel H. Nagy, Tax Director, Hungary

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 harmonized for the most part, and many non-EU member states are also trying to align themselves with the Community system. However, the applied tax rates show significant differences. In 2021, the normal tax rates averaged around 21% in the region. There have been no changes in the normal tax rate of the countries in the past year. 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 provides 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, a more efficient tax collection will also receive greater attention at the same time. Since the danger of tax evasion is the greatest in this area, governments utilize digital technologies 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 the carriage of goods may prove to be efficient tools in whitening the economy. In Hungary, the recently introduced mandatory online invoice data reporting system had a positive fiscal impact; and this liability covers now not only B2B but all B2C transactions. Similar solutions can be found in other parts of the region as well. In Romania, for instance, the use of online cash registers has also been mandatory for the past few years.

A significant change in value added taxation at the EU level is that from July 2021 the OSS system will be extended for distance selling and also for the provision of any B2C service. The previous threshold for intra-Community distance selling will be abolished; alongside the VAT rate of the country of the customer is applicable in the case of B2C transactions from mid-2021 (sellers with a total net revenue of less than EUR 10,000/year are exempted), which may be done via the OSS system.

Germany

"From increasing compliance requirements to a legally compliant cross-border tax concept: in order to be prepared for the challenges of tomorrow, the tax department must constantly reinvent itself. Topics such as TCMS, Digital Tax, Global VAT, ICAP and DAC6 need to be addressed. Fast, agile action is required. At the same time it is important to increase efficiencies and save costs."

Erekle Solomnishvili, Diplom Kaufmann, Steuerberater | Manager, Germany

Corporate income tax

It remains conspicuous that various countries place very different emphases on taxing corporate profit: there is a difference of over 22 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 race are slowly becoming visible. On the one hand, as of 2021 we cannot find any country where there was a decrease in the profit tax rate. There have been no significant changes in the CIT rates in the past three years in the region's countries (with the exception of Greece, which reduced its CIT rate from 28% to 24% in 2020). As a result, 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 that only applies to small taxpayers. Overall, the average tax rate in the examined region is 16.8%, which is the result of a continuous, small-scale decrease over the past 9 years.

On the other hand, the European Union consciously strives to limit the tax race. It attempts to create a common framework of corporate taxation in Member States, or at least to 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, including interest deduction limitations. In the majority of EU Member States in the region, the previous rules on undercapitalization were increasingly replaced or supplemented by the method tied to EBITDA-based calculation under the ATAD.

Poland

"Recent years have brought numerous changes in Poland in the area of CIT, including, among others, the extension of CIT obligations to limited partnerships and certain general partnerships, a requirement to publish information on the execution of tax strategies, and the possibility to apply a new CIT measure called "Estonian CIT", which allows the postponement of the payment of CIT until the company's earnings have been distributed. Recently, Polish tax authorities have also increased their efforts to more deeply scrutinize transfer pricing issues by introducing new TP reporting requirements in addition to TP documentation obligations. A revolutionary change took place in 2020 regarding VAT, which consisted of replacing VAT returns with a Standard Audit File, a detailed structure submitted electronically that allows Polish tax authorities to review transactions performed by Polish VAT payers on an ongoing basis."

Kinga Baran, Partner, Head of Tax Advisory Department, Poland

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

Without exception, CEE countries applying traditional corporate taxation 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. 7 countries allow unrestricted loss carry forward.

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 in 2019.

In two thirds of the CEE region, taxpayers are 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, it is good to keep in mind that corporate group taxation is available in Hungary, which was previously only an option in Austria, Poland, and Bosnia and Herzegovina. Starting from January 1, 2021, tax consolidation rules in the field of corporate taxation between two or more Romanian legal entities have been introduced. Russia, on the other hand, has recently been phasing out the option of establishing consolidated tax groups.

Russia

"The Russian tax authorities have significantly increased their expertise and are applying sophisticated and smart approaches to challenge expenses and transactions. As of today, any aggressive tax planning is, by default, assotiated with high tax risk. It is expected that more efforts will be put in to investigating cross-border transactions over the next 2-3 years, specifically in context of MLI.
Moreover, the Russian tax authorities are among of the most "hightech" in the world - even today, the Russian tax authorities have online access to almost all transactions, bank data, and management personal data, and they can track the movement of goods and creation of added value through the whole supply chain, etc., which allows them to control, identify and relatively easily prove any activity associated with an aggressive tax position."

Alexey Shvyndenkov, Head of Tax and Legal Department, Russia

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. In addition, taxpayers operating in the CEE region also had to actively participate in the implementation of the CBC reporting system (OECD's "country-by-country reporting" which promote transparency by providing the information necessary for evaluating tax risks to local tax authorities).

In relation to the transfer pricing, the biggest challenge of the past year has indisputably been reacting on the impact of the pandemic. The emerging new crisis transformed the reasonably expected profit levels, the multinational corporations had to intervene in their pricing structure. It is still a question how strongly the tax authorities will challenge the tax base levels that will fall significantly below those of previous years.

And what is coming next in corporate taxation is shown by the decision of the G7 on introducing minimum global taxation. We do not see the end of the story yet, but it is clear that there is less and less opportunity for multinationals to participate in profit shifting.

Romania

"The Romanian tax landscape in FY 2021 is marked by measures to all eviate the COVID-19 economics low down as a means to ensure a solid route for economic recovery.
Fiscal stimulus measures such as a tax amnesty aim to consolidate budgetary revenue collection coupled with an increase in tax payers' compliance.
The Romanian Tax Authorities are accelerating steps for rolling out digitalization projects which facilitate liaison and communication with tax payers with a view to also easing compliance.
Going forward, economic recovery may translate into a rising number of tax audits."

Edwin Warmerdam, Partner, Head of Tax Advisory, Romania

Albania

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

Corporate taxes and other direct taxes

Resident companies are subject to corporate income tax on their worldwide income, while non-resident companies are taxed only on their income derived from sources in Albania.

Resident companies are subject to either simplified Corporate Income Tax, applicable only to those with an annual turnover above ALL 8,000,000 (EUR 64,637), or 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;
- 0% for annual turnover up to ALL 14,000,000;
- 5% for entities which operate in software and IT development;
- 5% for entities which operate in the automotive industry;
- 5% for entities which perform their activities in accordance with the Law on Entities of Agriculture Collaboration;

Transfer pricing in Albania		
Arm's length principle	✓	Since 1998
Documentation liability	✓	Since 2014
APA	✓	Since 2014
Country-by-Country liability	✓	Since 2019
Master file-local file (OECD BEPS 13) applicable	✓	-
Penalty		
lack of documentation	✓	~ Delayed submission of documentation - EUR 80 / for each month of delay.
tax shortage	✓	0.06% on a 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 directly or indirectly controls the other company.
Safe harbors	No	-
Level of attention paid by Tax Authority		8/10

- 5% for entities which operate in the agritourism industry, for their first 10 years of activity.
Any entity which operates a 4- or 5-star brand of hotels and that acquires the status of special investor by December 2014 will be exempt from CIT for the first 10 years of their activities.
The assessment of CIT is based on the FS prepared in accordance with the National Accounting Standards or IFRS, subject to certain adjustments for tax purposes as specified in the Corporate Tax Law and other supplementary legal acts. Fiscal losses may be carried forward for 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 amounts of interest, royalties, dividends, and shares of partnerships' profits paid to non-resident companies are 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 these have been ratified and are currently in force.
Starting from 2019, tax on dividends has been decreased from 15% to 8%.

VAT and other indirect taxes

The VAT Law entered in force on January 1, 2015 and is 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 10 million (approx. EUR 80,800). 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 regimes are: zero; 6% and 20%.

Customs duty in the Republic of Albania is applied by the customs authorities on the import otf 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 consumer. Starting from 01/15/2020 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 directive of the Ministry of Finance. The customs duty rates range between 0% and 15%, depending on the type of goods and the country of origin.

VAT options in Albania	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting - yearly amount in EUR (approx.)	No
Import VAT deferment	No
Local reverse charge	For all services from non-resident entities tthat are subject to VAT in their country.
Option for taxation	
letting of real estate	✓
supply of used real estate	No
VAT registration threshold	EUR 81,300/year

Personal income tax / Social security system

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 of 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 applied up to a monthly salary of ALL 30,000; above that 13% is applied between ALL 30,000 and 150,000. Above that level, ALL 15,600 plus 23% of the amount above ALL 150,000 is payable.

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 30,000 (approximately EUR 242) to a maximum amount of ALL 132,312 (approximately EUR 1,069). The 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.

Wage related taxes in Albania		Minimum wage		Average wage in private sector	
Exchange rate ALL/EUR	123.8	in EUR	in ALL	in EUR	in ALL
		242	30,000	485	60,000
Total wage cost		**283**	**116.70%**	**566**	**116.70%**
Social Contribution Tax		36	15.00%	73	15.00%
Health Insurance Contribution		4	1.70%	8	1.70%
Gross salary		**242**	**100.00%**	**485**	**100.00%**
Personal income tax*		-	0.00%	32	13.00%
Employees' Social contributions		23	9.50%	46	9.50%
Employees' Health contributions		4	1.70%	8	1.70%
Net salary		**215**	**88.80%**	**399**	**82.29%**

* Salary 0 -30,000 ALL PIT rate 0%.
Salary 30,001 -150,000 ALL PIT rate 13% of the amount over 50,000 ALL.
Salary over 150,001 ALL PIT 15,600 ALL + 23% of the amount over 150,000 ALL.

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

Austria

Mazars GMBH
Kärnter Ring 5-7
1010 Vienna
Phone: +43 (0) 1 531 74-0
E-mail: vienna@mazars.at
www.mazars.at

Corporate taxes and other direct taxes

Austrian corporate income tax has a flat 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 considered as a tax in advance and, as such, the amounts can be set off against any future corporate tax obligation. A company's profits are calculated by summing the income generated by business activities performed, passive income and 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.

Transfer pricing in Austria		
Arm's length principle	✓	Since 1988
Documentation liability	✓	Since 1988 / 2016
APA	✓	Since 2011
Country-by-Country liability	-	Notification to the tax authority, which is the reporting entity (must be submitted every year).
Penalty		
lack of documentation	✓	CbCR not provided up to EUR 50k
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 harbors	No	
Level of attention paid by Tax Authority		**8/10**

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 non-resident 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 and art). Exemptions are in place for banking transactions, and no VAT is levied on exports. Entrepreneurs with annual sales below EUR 35,000 are exempt from VAT obligations. Non-residents trading in

VAT options in Austria	Applicable / limits
Distance selling	EUR 35,000/year (until June 30, 2021) From July 1, 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	✓
Cash accounting - yearly amount in EUR (approx.)*	EUR 700,000/year
Import VAT deferment	✓
Local reverse charge	Gas, electricity, heating, emission quotas, cell 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

* Not applicable to corporate enterprises.
** Special VAT exemption for small business.

* In order to generate a liquidity effect during the Covid-19 crisis, there is an exception for 2020. Losses created in 2020 can be carried back into the financial year 2019 under certain conditions.

Austria are also subject to registration. Monthly/quarterly returns are electronically recorded, and annual returns must be completed by June 30 of the following year. Companies represented by a tax advisor can have the deadline substantially extended.

Currently, Austria applies an additional reduced rate of 5% (application limited until 12/31/2021) for certain services (e.g. hotels and restaurants).

Personal income tax / Social security system

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 20%
- from the 18,001th to the 31,000th Euro earned, the marginal tax rate is 35%,
- from the 31,001st to the 60,000th Euro earned, the marginal tax rate is 42%,
- from the 60,001st to the 90,000th Euro earned, the marginal tax rate is 48%,
- from the 90,001st Euro earned, the marginal tax rate is 50%,
- the portion of earnings which exceeds 1 million Euros is taxed at 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 interest on bank deposits).

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 ("SVS") which is used for the self-employed.

1. Salaried employees
Social security contributions are partly paid by the employee and partly paid by the employer. The base is the monthly gross salary and special payments. Generally, a maximum contribution base is in use (EUR 5,550 per month, EUR 11,100 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 a maximum contribution base is also in use (EUR 6,475 per month and EUR 77,700 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. The marginal wage threshold amounts to EUR 475,86 per month from 01/01/2021) No social security contributions are due for the employee under this amount.

Wage related taxes in Austria	Minimum wage*		Average wage in private sector	
	in EUR		in EUR	
	1,894		2,665**	
Total wage cost	**2,872**	**129.97%**	**4,041**	**129.97%**
Employer's social security and other contributions***	662	29.97%	932	29.97%
Gross salary******	**2,210**	**100.00%**	**3,109**	**100.00%**
Personal income tax	123	5.59%	337	10.85%
Employees' contributions	353	15.98%	559	17.98%
Net salary	**1,733**	**78.43%**	**2,214**	**71.20%**

* Example - Payroll accountant in Austria, 2nd professional year.
** Average monthly salary of full time employed persons in Austria in 2020.
*** In addition to social security contribution to family equalization fund, surcharge, severance pay and community tax is also payable.
**** Monthly gross salary (14 months).

Günther Mayrleitner
Partner - Tax Advisor - CPA
Phone: +43 (0) 1 531 74-840
Mobile: +43 (0) 676 849596613
E-mail: guenther.mayrleitner@mazars.at

Bosnia and Herzegovina

Mazars Cinotti Tax Consulting d.o.o.*
10000 – Zagreb, Strojarska cesta 20, Croatia
Phone: (00385) 1 4864 420
Fax: (00385) 1 4864 429
www.mazars.hr

Corporate taxes and other direct taxes

It is important to note that Bosnia and Herzegovina (BiH) is divided into three tax jurisdictions: the Federation of BiH (FBiH), the Republika Srpska (RS) and Brčko District (BD). For the sake of simplicity, we will focus on the RS and FBiH. The CIT is a flat rate of 10%. A company in FBiH/RS is resident if it is registered as legal entity in the relevant jurisdiction, or if its activities in BiH qualify as PE (PE requirements are similar to those defined by the 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 a 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.
Profit on dividends 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 have a reduced liability for corporate income tax equal to 30% of the amount in the year of investment. A taxpayer who invests more than 20 million BAM (10.2 million EU) in five consecutive years (minimum investment in first year equals to 4 million BAM (2.04 million EUR)) has a reduced CIT liability equal to 50% of the investment in each of 5 years.

The withholdings rate is 10%, for dividends it is 5% in FBiH unless a DTT applies (currently, there are around 30 active DTTs). 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 persons 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, the parent 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 the case of acquiring real estate in the FBiH, the transfer is taxable at the cantonal level. In the RS, there is no transfer tax, but the owner of the real estate has to pay property tax up to 0.20% of the market value. (Decreased rules for production RE applies).

Transfer pricing in Bosnia and Herzegovina

Arm's length principle	✓	Since 1998
Documentation liability	✓	It is necessary. It is prescribed in the content of transfer pricing documentation.
APA	No	
Country-by-Country liability	✓	Annual consolidated group revenue equal to or exceeding EUR 750 million in the previous year.
Master file-local file (OECD BEPS 13) applicable	✓	Deadline 45 (FBIH) / 30 (RS) days from the request made by the tax administration.
Penalty		
lack of documentation	✓	RS: EUR 10,226 to 30,678 for legal persons and EUR 2,556 to 7,669 EUR for responsible persons. FBIH: EUR 1,534 to 51,130 for legal persons and EUR 1,2785,113 for responsible persons.
tax shortage	No	
Related parties	≥25% (25%)	Direct or indirect control (25% for FBIH, 25% for RS) or common managing director or significant influence on decisions - directly or indirectly in the management, control or capital of that other person, etc.
Safe harbors	✓	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, employee training and education and tax advisory services.
Level of attention paid by Tax Authority		**7/10**

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 and exemption for deliveries to free zones apply. Certain thresholds are as follows.

* The Croatian office responsible for countries of the former Yugoslavia.

Amendments to the VAT rulebook were officially introduced as of August 2, 2020. The Rulebook prescribes conditions and manner in which to claim a refund on the VAT paid by non-residents in B&H (i.e. there is separate form that needs to be filled in and accompanied by supporting documentation (originals of invoices)).
VAT refund can be made only for invoiced amounts above BAM 800.

VAT options in Bosnia and Herzegovina	Applicable / limits
Distance selling	No
Call-off stock	✓
VAT group registration	No
Cash accounting - yearly amount in EUR (approx.)	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

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

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 FBiH, the lowest hourly wage cannot be less than BAM 2.31 BAM (EUR 1.18) gross.

In RS, the lowest salary is determined as a net amount and for 2019 it is equal to BAM 450 (EUR 230.08). However, for 2020 it has been agreed that the lowest salary will be equal to BAM 520 (EUR 265.87).

In the RS, the employee contributes 33% of gross salary. In the FBiH, the employer contributes 10.5%, and the employee contributes 31.5% of gross salary.

Wage related taxes in Bosnia and Herzegovina		Minimum wage in FBiH		Minimum wage in the RS	
Exchange rate BAM/EUR	1.95	in EUR	in BAM	in EUR	in BAM
		400	783.25	518	1,014
Total wage cost		**443**	**110.50%**	**518**	**100.00%**
Employer's SS and other contributions		42	10.50%	-	0.00%
Gross salary		**400**	**100.00%**	**518**	**100.00%**
Employees' contributions		124	31.00%	171	33.00%
Personal income tax*		12	3.07%	9	1.77%
Net salary		**264**	**65.93%**	**338**	**65.23%**

Wage related taxes in Bosnia and Herzegovina		Average wage in FBiH		Average wage in the RS	
Exchange rate BAM/EUR	1.95	in EUR	in BAM	in EUR	in BAM
		753	1,472	759	1,485
Total wage cost		**832**	**110.50%**	**759**	**100.00%**
Employer's SS and other contributions		79	10.50%	-	0.00%
Gross salary		**753**	**100.00%**	**759**	**100.00%**
Employees' contributions		233	31.00%	251	33.00%
Personal income tax*		37	4.86%	41	5.35%
Net salary		**483**	**61.14%**	**468**	**62.97%**

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

Pere Mioč
Partner, Tax Advisory Services
Phone: +385 (0)1 4864 424
Mobile: +385 (0)99 736 8746
E-mail: pere.mioc@mazars.hr

Bulgaria

Mazars OOD
2 Tsar Osvoboditel Boulevard,
BNP Paribas Office Building,
1000 Sofia - Bulgaria
Phone: +359 287 800 02

Corporate taxes and other direct taxes

Bulgaria has a flat corporate income tax rate of 10%, which is applied on the annual tax profit. The tax profit may be reduced by tax losses 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 results of collective investment schemes and enterprises with special purposes are not taxable through 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 and royalties (double taxation treaties between Bulgaria and other countries can also be applied in order to decrease the withholding tax rate). There is no withholding tax if the dividends, interests and royalties are paid in favor of an EU member state parent company.

Transfer pricing in Bulgaria		
Arm's length principle	✓	Since 1989
Documentation liability	✓	TP local file is obligatory for companies which exceeded at least two of the following indicators as at December 31 of the previous year: assets over BGN 38 million, revenues over BGN 76 million, over 250 employees.
APA	No	-
Country-by-Country liability	✓	-
Master file-local file (OECD BEPS 13) applicable	✓	Where the company required to prepare a Local File is MNE member, it must also have a Master File.
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 harbors	No	-
Level of attention paid by Tax Authority		**9/10**

Local taxes are determined by each municipality within the ranges stated in the Law of Local Taxes and Fees. Local taxes and fees include:
- real estate tax – its ratio is in the range 0.1% to 4.5%. The base for taxation of non-living real estates of companies is the higher of the book value or the value calculated by municipality tax valuation. The base for taxation of all living real estates is the municipality's tax valuation;
- transportation vehicle tax – determined as an exact amount, depending on vehicle type and power;
- gift tax – applied to gifts of all kinds, with very limited exemptions. Applies also to forgiven payables. There are two ranges of rates applicable – between 0.4% and 0.8% for gifts between siblings and their children; and between 3.3% and 6.6% for all other gifts;
- tax on the acquisition of property for a consideration – applies to real estate, 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 the case of exchange;
- inheritance tax - exempt to a limited extent (family members);
- patent tax – applied to micro entities or individuals whose activities are small services like tailoring, very small stores, carpentry, etc. There are fixed amounts, determined by each municipality;
- wide range of other fees (such as tourist tax; tax on the carriage of passengers by taxi; garbage fee) or other fees usually imposed for specific services, such as social services, technical and other services, rent of plots for sale at market places, sidewalks, etc.

VAT and other indirect taxes

For the year 2021, the standard VAT rate is 20%, while the reduced rate is 9% (applicable to restaurants, hotel and equivalent accommodation, 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, rental of real estate to individuals for housing, mailing services and postage stamps, education services, gambling, supplies, culture, religion, medical and social care services and 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 a monthly basis.

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

VAT options in Bulgaria	Applicable / limits
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	✓
supply of used real estate	✓
VAT registration threshold	approx. EUR 25,565/last 12 months

Personal income tax / Social security system

Personal income tax is applied at a flat rate of 10% on most of the income. The tax rate for dividends or liquidation shares paid in favor of a natural person is 5%.
The tax rate applicable to the gross amount of interest on bank accounts is 8%.
The tax rate for amounts received from the expiry of Life insurance, if its duration was more than 15 years, is 7%.

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 contribution is 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 a minimal basis for social and health contributions for each position (mostly divided by sectors of the economy). The maximum assessment base for social and health insurance contributions is BGN 3,000 BGN (approx. EUR 1,534).

Wage related taxes in Bulgaria		Minimum wage		Average wage in private sector	
Exchange rate BGN/EUR	1.96	in EUR	in BGN	in EUR	in BGN
		332	650	767	1,500
Total wage cost		**395**	**119%**	**912**	**119%**
Social security contribution - employer		47	14%	108	14%
Health insurance - employer		16	5%	37	5%
Gross salary		**332**	**100%**	**767**	**100%**
Employees' contributions		46	14%	106	14%
Calculated personal income tax after employees' contributions		29	10%	66	10%
Net salary		**258**	**78%**	**595**	**78%**

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

Croatia

Mazars Cinotti Tax 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

Corporate taxes and other direct taxes

Currently, the applicable CIT rates are 18% or 10% for enterprises with annual revenues below HRK 7.5 million (for a tax period from 2021 forward). Enterprises with annual revenues below HRK 7.5 million have the option of determining the profit tax base using the 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.

A withholding tax of 15% is applied to interest, royalty and business consultancy services paid by a Croatian company to a foreign company. WHT on dividends, profit shares and performances by foreign performers are taxed at the rate of 10%. Croatia has more than 60 active DTT treaties used to avoid WHT. A withholding tax of 20% is applied to all payments to offshore companies for the services not mentioned in law. The EU Directives on withholding tax apply.

Real estate transfer tax (RETT) is applied to the transfer of immovable property at the rate 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.

Transfer pricing in Croatia		
Arm's length principle	✓	Since 2004
Documentation liability	✓	Tax payers must deliver a report on business transactions with related parties (PD IPO form).
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.
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 harbors	✓	Interest on IC loans is determined by the Minister of Finance. For 2021, the interest rate is to 3% (for FY2020 it is 3.42%).
Level of attention paid by Tax Authority		8/10

VAT and other indirect taxes

In Croatia, the standard VAT rate is 25%. A reduced rate of 13% applies to services involving preparation and serving of meals, tourist accommodation services, newspapers, delivery of electrical energy, etc., while a reduced rate of 5% applies to milk, books, etc.
VAT-exempt services are mainly banking services, insurance, educational services (under certain conditions), gambling, certain services provided by medical doctors

VAT options in Croatia	Applicable / limits
Distance selling	Currently 36,000 EUR (until June 30, 2021) From July 1, 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	No
Cash accounting - yearly amount in EUR (approx.)	EUR 2,000,000/year
Import VAT deferment	Yes, available to all Croatian VAT payers who have a right to full input VAT deduction.
Local reverse charge	Construction work, the supply of used materials, the transfer of allowances to emit greenhouse gases, 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

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 a threshold of HRK 300,000.

Excise duties, special tax on motor vehicles, special tax on coffee and non-alcoholic beverages.

Personal income tax / Social security system

PIT rates are 20% (monthly tax base up to HRK 30,000) and 30% (above HRK30,000), while a 10% rate is withheld from certain types of income, e.g. dividends, capital gains, lease of real estate etc. The payment of occasional awards in the amount up to HRK 3,000 (e.g. Christmas and Easter bonus, holiday allowance) and payment of a performance award (e.g. bonuses) up to HRK 5,000 per employee per annum are deemed as non-taxable. Also, it should be noted that there are many other non-taxable receipts (employee meal costs, reimbursement of rental costs, etc.).

The examples below show the cost to the employer and the employee in the case of minimum and average wage levels in the private sector. The basic personal allowance amounts to HRK 4,000 and surtax is determined by municipality/city and varies from 0% to 18%.

Active incomes fall under the scope of the SSC system: individual pension and social contributions equal 20% (employee contribution) and health and unemployment contributions of 16.5% represent the employer contribution.
For persons under 30 years of age employed on variable-term contracts, there are no contributions on salary (16.5%) for the period of 5 years. Passive incomes are generally subject only to taxes.

Wage related taxes in Croatia		Minimum wage		Average wage in private sector	
Exchange rate HRK/EUR	7.5	in EUR	in HRK	in EUR	in HRK
		567	4,250	1,251	9,386
Total wage cost		**660**	**117%**	**1,458**	**117%**
Employer's contribution		94	17%	206	17%
Gross salary		**567**	**100%**	**1,251**	**100%**
Employee’s contributions		113	20%	250	20%
Tax and surtax*		-	0%	110	9%
Net salary		**453**	**80.0%**	**891**	**71.2%**

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

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

Czech Republic

Mazars, s.r.o.
International Business Center,
Pobřežní 620/3, 186 00 Prague 8,
Czech Republic
Phone: (+420) 224 835 730
Fax: (+420) 224 835 799
www.mazars.cz

Corporate taxes and other direct taxes

The Czech Republic has a flat corporate income tax rate of 19% applied on a general tax base. Basically, the tax base is represented by an accounting profit or loss modified by certain increasing and decreasing items. The tax base may be reduced by tax losses carried forward within five subsequent taxable periods. As a result of COVID-19, the tax losses can be also carried back to two subsequent taxable periods up to a maximum of CZK 30,000,000 in total for both taxable periods. The Czech Republic applies thin capitalization rules to loans provided by related parties (generally 4:1). Moreover, the ATAD rules for the limitation of excessive borrowing costs have been implemented.

The Czech Republic provides tax exemption for holding structures: dividends and capital gains are tax exempt, provided certain conditions are fulfilled. Moreover, under certain specific conditions, an exemption may also be granted to royalties or interest from credit and loans. A withholding tax of 15% applies to dividends, royalties, interest and generally to income received in the Czech Republic, if the conditions for tax exemptions are not fulfilled and a relevant double tax treaty does not state 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 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 was abolished on September 25, 2020 with retroactive effect from December 1, 2019 (for a proposal of the ownership transfer allowed by the real estate cadaster beginning from December 1, 2019). Inheritance tax and gift tax are incorporated into income tax, with the application of standard income tax rates (15% or 23% for individuals, 19% for legal persons). Gratuitous income from inheritance is fully exempt. Gratuitous income from giving is exempt to a limited extent (e.g. gifts within family).

Transfer pricing in the Czech Republic

Arm's length principle	✓	Since 1993
Documentation liability	✓	Since 2006 (scope of documentation is only recommended)
APA	✓	Since 2006
Country-by-Country liability	✓	From FY 2016
Master file-local file (OECD BEPS 13) applicable	✓	The recommended scope of the TP documentation corresponds to OECD Guidelines.
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 harbors	✓	Low value added services: -7% mark-up.
Level of attention paid by Tax Authority		**9/10**

VAT and other indirect taxes

For 2021, the standard VAT rate is 21%, while the reduced rates are 15% (applicable, for example, on foodstuff, non-alcoholic beverage and selected medical / sanitary goods) and 10% (applicable, for example, on baby formula and children's food, certain pharmaceuticals, certain printed books, newspapers, magazines, music sheets, food for gluten-intolerant persons, public transport, heat and cold, accommodation, food-serving services including the serving of non-alcoholic beverages or 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; entranceand insurance services, the transfer of buildings/apartments/ non-residential premises (from 5 years following the building approval), rental of real estate, mail services, radio and TV services, education services and medical and social care services.

The Czech Republic will very likely not introduce a generalized reverse charge for supplies that exceed the threshold value of EUR 17,500 unless the permission given by the Council of the European Union until June 30, 2022 is extended.

VAT options in the Czech Republic	Applicable / limits
Distance selling	Approx. EUR 44,000/year (until June 30, 2021) From July 1, 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	✓
Cash accounting - yearly amount in EUR (approx.)	No
Import VAT deferment	✓
Local reverse charge	For example, construction works, waste, gold, selected cereals and industrial crops, cell phones, integrated circuits, notebooks, tablets, videogame consoles, used real estate, supply of natural gas and electricity to traders, provision of telecommunication services to traders, outplacement of construction workers, immovable property in forced insolvency sales.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	approx. EUR 38,600/year

VAT payers are obliged to submit VAT returns, EC Sales Lists and Control Statements (detailed evidence for selected transactions) on a monthly or quarterly basis (depends on the VAT payer's status).

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

Personal income tax / Social security system

Personal income tax is applied at progressive rates of 15% and 23% on all types of income (employment, self-employment, rental income, capital gains, interest) with exemption of certain types of dividends and interest or director fees paid to non-residents, which are taxed at a flat rate of 15% only. The employees' tax base is newly equal to the gross salary (the 'supergross' salary, as the tax base has been abolished).

Income from employment and self-employment activity is subject to social security and health insurance contributions. In the case of employment, the employee's contribution is equal to 6.5% (social security) and 4.5% (health insurance). For the employer, these are equal to 24.8% and 9% respectively.
The social security contributions are not paid on income exceeding the maximum assessment base (CZK 1,701,168). The example below shows the employer's and the employee's costs in the case of the minimum wage and average wage in the private sector.

Wage related taxes in the Czech Republic		Minimum wage		Average wage in private sector	
Exchange rate CZK/EUR	25.9	in EUR	in CZK	in EUR	in CZK
		587	15,200	1,368	35,441
Total wage cost ("super gross" salary)		**785**	**133.80%**	**1,831**	**133.80%**
Social security contribution - employer		146	24.80%	339	24.80%
Health insurance - employer		53	9.00%	123	9.00%
Gross salary		**587**	**100.00%**	**1,368**	**100.00%**
Personal income tax before standard tax deduction*		88	15.00%	205	15.00%
Personal income tax after standard tax deduction**		-		116	
Employees' contributions		65	11.00%	151	11.00%
Net salary		**522**	**89.00%**	**1,102**	**80.55%**

* 15% tax rate is applied on gross salary up to annual income of EUR 65,682 (or EUR 5,473.50 monthly), income above is taxed at 23%.
** Each individual is entitled to deduct a lump sum of CZK 2,320 (app. EUR 89.60) per month from his tax liability (so called "standard tax deduction").

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

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

Corporate taxes 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. The corporate income tax rate is 15%. The solidarity surcharge of 5.5% 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. 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.

Germany has concluded Double Taxation Treaties with 96 countries. A withholding tax at a rate of 25% (15% if the recipient is a corporation) applies to dividends. Interest income is subject to a withholding tax of 25%. A withholding tax of 15% (30% under certain conditions) is levied on royalty payments and other special types of income. The withholding tax rates may be reduced under the applicable Double Taxation Treaty, the EU Parent-Subsidiary Directive or the EU Interest and Royalties Directive.

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 EUR 1 Million.
tax shortage	✓	From EUR 100,000 tax reduction - imprisonment or/and high fine.
Related parties	>25%	Direct or indirect control or personally related.
Safe harbors	No	-
Level of attention paid by Tax Authority		**9/10**

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 supplied from the EU to third countries, the supply 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 taxfree (intra-community supply). Sale 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.

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.

VAT options in Germany	Applicable / limits
Distance selling	EUR 100,000/year (until June 30, 2021) From July 1, 2021 OSS system is applicable.
Call-off stock	No
VAT group registration	No
Cash accounting - yearly amount in EUR (approx.)	No
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	No
letting of real estate	No
supply of used real estate	No
VAT registration threshold	EUR 22,000/year

Personal income tax / Social security system

Individuals 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 this case, the worldwide income of the individual 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.

Individuals 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, individuals are subject to a progressive income tax rate of 14% to 45%. The solidarity surcharge of 5.5% is levied additionally on income tax. A basic allowance of EUR 9,744 (2021) 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. Personal expenses can also be deducted under certain conditions. Investment income, e.g. interest and dividends, is generally subject to a separate tax rate of 25%, plus 5.5% solidarity surcharge.

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. The statutory minimum amount for health insurance is 14.6% and is divided equally. The contribution for retirement insurance is 18.6% and is borne equally by the employer and the employee. The sum of social contributions averages 39.65% of an employee's gross salary.

Wage related taxes in Germany	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
Total wage cost	**1,996**	**119.98%**	**4,773**	**119.98%**
Employer´s and othercontributions*	332	19.98%	795	19.98%
Gross salary	**1,664**	**100.00%**	**3,978**	**100.00%**
Employees' contributions**	204	12.28%	488	12.28%
Health care insurance	132	7.95%	316	7.95%
Personal income tax and solidarity surcharge***	93	5.59%	651	16.36%
Net salary	**1,234**	**74.19%**	**2,523**	**63.41%**

* 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.

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

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

Corporate taxes and other direct taxes

Greece has a flat corporate income tax rate of 24% applied to resident corporations for fiscal years 2020 and onwards (a reduction to 20% is expected within 2021). Non-resident corporations are taxed in Greece on any Greek-sourced 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 banking system, transfer pricing adjustments, personal consumption expenditure, bad debts without legal actions, payments to low tax rate 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.

The withholding tax rate for dividends distribution as of 01/01/2021 and onwards, is reduced from 10% to 5%

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

both for 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 if 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 the case 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 the case that the beneficial owner or the individual shareholder is not known to the Greek authorities. However, a wide list of exemptions are 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. For individuals, the capital gains tax of 15% arising from the sale of immovable property has been postponed until December 31, 2022. An individual is considered as a tax resident of Greece as of their first day of presence in Greece provided that they are present in Greece for a period exceeding 183 days cumulatively and not continuously during any twelve-month period. Moreover, permanent or principal place of residence or habitual residence or the center of vital interests being 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 recently been 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.

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 natural gas). VAT-exempt activities are the financial and banking services, insurance, medical services, and education

(under certain conditions). Pursuant to the provisions of Art.11, paragraphs 1&2 of Law 4690/2020, the reduced VAT rates were expanded to a few products and services (non-alcohol beverages, movie tickets, transportation of individuals and their luggage) from 06/11/2020 until 04/30/2021.
As for other indirect taxes, in Greece a flat stamp duty rate of 2.4% or 3.6% applies to certain transactions excluding VAT, such as non-residential rents, loans etc.

VAT options in Greece	Applicable / limits
Distance selling	EUR 35,000/year (until June 30, 2021) From July 1, 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	No
Cash accounting - yearly amount in EUR (approx.)	Optional for small companies up to EUR 2 million turnover.
Import VAT deferment	✓
Local reverse charge	Sale of waste, B2B sales for laptops,tablets wand cell phones under certain 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

Personal income tax / Social security system

Pursuant to domestic tax law, employment taxable income is considered to be any remuneration received by an employee within an employment context including benefits in cash or in kind 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 1,340 under certain conditions. 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. The vast majority of Greek employees are covered by Social Insurance Institution called E.F.K.A. from 1/1/2017. The social security contributions are calculated on the actual salary of the employee. The applicable rates are 22.54% for employers and 14.12% 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 contribution is defined as EUR 6,500 gross salary.

Wage related taxes in Greece	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
Total wage cost*	**797**	**122.54%**	**1,448**	**122.54%**
Employer's social security contribution**	147	22.54%	266	22.54%
Gross salary	**650**	**100,00%**	**1,182**	**100,00%**
Personal income tax***	-	-	74	6.22%
Employees' contributions	92	14.12%	167	14.12%
Net salary	**558**	**85.88%**	**942**	**79.66%**

* 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 tax payer based on the number of dependents in conjunction with the total tax able income.

Aspasia Maliagka
Tax Director LLM
Phone: +30 210 6993 749
Mobile: +30 697 6862 887
E-mail: aspasia.maliagka@mazars.gr

Hungary

Mazars Kft.
1123 Budapest, Nagyenyed utca 8–14.
Hungary
Phone: +36 (1) 429 3010
Fax: +36 (1) 235 0481
www.mazars.hu

Corporate taxes 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 up to a maximum of 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.
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). Exit tax and hybrid mismatch regulations are also applied.
Group taxation is also available in Hungary for CIT purposes, which allows related parties to avoid some of the transfer pricing documentation obligations.
IFRS accounting is optional for larger companies (above approx. EUR 1 million of revenue) and obligatory for financial institutions and listed companies.
There is a wide range of tax allowances for new investments (for example for energy-efficiency investments and for investing in start-up companies) as well as for R&D facilities.
Hungary provides a tax exemption for 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.

Transfer pricing in Hungary		
Arm's length principle	✓	Since 1996
Documentation liability	✓	Since 2003
APA	✓	Since 2007
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 2018
Penalty		
lack of documentation	✓	~ EUR 6,000 / missing documentation doubled on a recurrent basis.
tax shortage	✓	50% on tax underpayment + late payment interest
Related parties	>50%	Direct or indirect control or common managing director.
Safe harbors	✓	Low value-added services: 3-7% mark-up.
Level of attention paid by Tax Authority		**9/10**

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.

The local business tax of maximum 2% is payable on gross margin (sales revenue minus COGS, mediated services, material costs and R&D costs). However, due to the pandemic, special rules apply to SMEs in 2021 as the local business tax is temporarily maximized at 1%.
Transfer tax is applied in Hungary to a limited scope of transactions. The general transfer tax rate applied to real property transactions is 4%, including acquisition of real estate or 75% of the shares 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 the case of residential real estate; gifts and inheritance within a family is tax-exempt.

VAT and other indirect taxes

The standard VAT rate is 27%, while the reduced rates are 18% (e.g. bread) and 5% (e.g. milk, eggs, newspapers, books, medicines, certain meat products, new homes, internet access services, accommodation services and restaurant services). Due to the limited voluntary compliance in certain sectors (e.g. retail business and certain services), Hungary introduced a number of measures aimed at enforcing the law, such as the online checking of cash registers and domestic sales reports. The scope of online registration of the transportation of certain products (EKÁER system) has been significantly narrowed down since 2021. Taxpayers are required to use billing software capable of providing the tax authority with real-time invoice data automatically. The scope has been gradually expanded since 2018: from 2021 essentially each invoice is seen by the tax authority in real-time.
From July 2021, the OSS system will be extended for distance selling and also for the provision of any B2C service. The EUR 35,000 threshold for intra-Community

distance selling will be abolished; alongside the VAT rate of the country of the customer is applicable in the case of B2C transactions from mid-2021 (sellers with a total net revenue of less than EUR 10,000/year are exempted), which may be done via the OSS system. The VAT liability of electronic platforms is also implemented in the domestic VAT law.

Other indirect tax types in Hungary include excise duty on oil, alcohol and tobacco products, environmental protection charges on products heavily polluting the environment (e.g. all kinds of electric equipment, accumulators and batteries, packaging materials, etc.), financial transactional tax (payable by the banks completing such transactions), insurance tax and 'chips tax' (levied on unhealthy foods and drinks).

VAT options in Hungary	Applicable / limits
Distance selling	EUR 35,000/year (until June 30, 2021) From July 1, 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	✓
Cash accounting - yearly amount in EUR (approx.)	approx. EUR 345,000/year
Import VAT deferment	✓
Local reverse charge	Sale of waste, agricultural products, emission quotas, collateral, construction services, handing over of a constructed structure.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	No

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, dividend 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 (approx. EUR 55)/month/child up to 2 children; and from 3 children HUF 33,000 (EUR 90)/child. As of January 1, 2020, a lifelong personal income tax exemption for employment income was introduced for mothers raising or having raised at least four or more children. Benefits-in-kind are taxed at two rates: PIT plus SSC calculated on a special tax base altogether amounting to 35.99% or 30.5% and payable only by the employer. As of 2019, most types of benefits-in-kind are taxed as normal employment income.

Active incomes fall under the scope of the SSC system: the social security contribution payable by the individuals concerned is 18.5%; the employer's contribution was reduced to 15.5% from mid-2020 (previously it was 17.5%); in addition, a 1.5% vocational training contribution is also payable by the employer. Some passive incomes are also subject to 15.5% SSC; however, in the case of dividends there is an upper limit. Other types of passive income (e.g. capital gains on shares in stock exchange companies, or interest) are exempt from SSC.

Wage related taxes in Hungary		Minimum wage		Average wage in private sector	
Exchange rate HUF/EUR	365	in EUR	in HUF	in EUR	in HUF
		459	167,400	1,147	418,700
Total wage cost		**537**	**117.00%**	**1,342**	**117.00%**
Vocational training contribution		7	1.50%	17	1.50%
Social contribution tax		71	15.50%	178	15.50%
Gross salary		**459**	**100.00%**	**1,147**	**100.00%**
Personal income tax		69	15.00%	172	15.00%
Employees' contributions		85	18.50%	212	18.50%
Net salary		**305**	**66.50%**	**763**	**66.50%**

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

Kosovo

Mazars Kosova sh.p.k
Rr. Ukshin Hoti, No.45/6,
Prishtina, Kosovo
Phone: +383 38 609 029
www.mazars.al

Corporate taxes and other direct taxes

Resident companies are subject to corporate income tax on their worldwide income, while the object of taxation for a non-resident taxpayer is taxable only income generated from a source in Kosovo. The Corporate Income Tax (CIT) system in Kosovo adheres to the principles of worldwide taxation.
The annual turnover threshold for taxation is reduced from an annual turnover of EUR 50,000 to EUR 30,000. Resident companies and sole traders whose gross annual income exceeds 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 the 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 regulates the intra-companies pricing arrangement between related business entities. A controlled taxation is considered to be whenever a minimum 50% ownership or voting right test exists for the transaction. Controlled transactions include all types of transactions that may affect the taxable income of a taxpayer. Taxpayers performing controlled transactions above the amount of EUR 300,000 within a calendar year must submit with the tax authorities an annual controlled transactions form by March 31 of the following year.
The regulation excludes internal controlled transactions (it applies only to cross border transactions) and provides 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.

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 harbors	✓	Low value-added services: mark-up to a maximum 7%.
Level of attention paid by Tax Authority		9/10

VAT and other indirect taxes

A transaction is subject to VAT taxation in Kosovo if it is for the supply of goods or services against payment made within the territory of Kosovo by a taxable person acting as such. Furthermore, the import of goods pursuant to the law is subject to VAT taxation.
A taxable person is any person regardless of whether this person is natural or legal person, or organized in any other

VAT options in Kosovo	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting - yearly	
Import VAT deferment	✓
Local reverse charge	Supply of construction and construction-related works; construction activities.
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	EUR 30,000/year

form recognized by law in Kosovo, who 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 the 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 exempt supplies.
The VAT rate has escalated into two fixed rates: the standard rate of 18% and the reduced rate of 8% of the value of supplies of imported and domestic taxable supplies, except for exempt supplies and supplies treated as exports.

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 exempt from tax under the law, gross income is all income received or accrued from any source, including: wages, rent, business activity, the use of intangible assets, interest, capital gains, lotteries and other games of chance, pensions paid by an employer, or in line with the Law on Pensions in Kosovo and any other income that increases the taxpayer's net worth. Taxpayers are natural persons, resident and non-resident, personal businesses, partnerships and companies who receive or create gross income from all sources, including wages, business activity, rents, lottery winnings, interest, dividends, capital gains, use of intangible property, pensions, and any other income that increases the taxpayers' net worth. The taxable period for Personal Income Tax is the calendar year. Personal Income Tax is applicable at 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 to 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	
Total wage cost	**179**	**105%**	**420**	**105%**
Vocational training contribution	-	0%	-	0%
Social contribution tax	9	5%	20	5%
Gross salary	**170**	**100%**	**400**	**100%**
Personal income tax	4	2%	19	5%
Employees' contributions	9	5%	20	5%
Net salary	**158**	**93%**	**361**	**90%**

Violeta Haxhillazi
Managing Director
Mobile: +383 (0) 44 82 37 85
Email: violeta.haxhillazi@mazars.al

Latvia

Sia Taxlink Baltic
Duntes str 6-213, Riga,
Latvia, LV-1013
Phone: +371 67379031
www.taxlink.lv

Corporate taxes and other direct taxes

As of 2018, the corporate income tax (hereinafter - CIT) system in Latvia has changed – CIT is payable only on 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. a 20/80 rate).

Latvian companies are allowed to apply tax incentives for donations to public benefit organizations. The tax rebate is also applied where 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.until 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) is not subject to CIT unless the company has held the relevant shares for less than 36 months or for the shares of a company the majority of whose assets by value is formed by a real estate located in Latvia. The exemption does not apply where the main purpose of setting up 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.) nor to royalties and interest received.

A withholding tax of 20% is applied to management and consulting service fees paid by Latvian companies to foreign companies. However, under the active international treaty network consisting of more than 61 double tax treaties, the withholding tax may be avoided. A 3% withholding tax is applied to remuneration paid to a foreign company for the disposal of real estate located in Latvia or to the 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 to 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, but not exceeding EUR 100,000.
tax shortage	✓	20% tax on gross value of underpayment + late payment interest
Related parties	>50%	Generally, the related parties shall be two or more natural or legal persons or a group of such persons related under a contract, or representatives of such persons or group under specified conditions listed by the law (e.g. parent and subsidiary; shareholding; majority of votes; etc.).
Safe harbors	No	
Level of attention paid by Tax Authority		8/10

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 to private individuals. Furthermore, a reduced 5% VAT rate is applicable for the supply of fruits and vegetables which are typically grown in Latvia. A 0% rate is applicable for the export of goods and for the supply of Covid-19 vaccines and devices and services related to Covid-19 treatments. Exemptions are in place for postal services, medical and health services, certain financial services, etc. Entrepreneurs with annual sales below EUR 40,000 are exempt from VAT obligations.

VAT options in Latvia	Applicable / limits
Distance selling	EUR 35,000 (until 30 June 2021) From July 1, 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	✓
Cash accounting - yearly amount in EUR (approx.)	EUR 300,000/year applicable to private entrepreneurs or agricultural companies.
Import VAT deferment	✓
Local reverse charge	Timber and related services, deals with scrap metal, construction services, grain crops, precious metals, game console supplies, supplies of ferrous and non-ferrous semi-finished metal products.
Option for taxation	
letting of real estate	No
supply of used real estate	✓
VAT registration threshold	EUR 40,000/year

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 include excise and customs duties, and some transactions related to public administration (e.g. submitting application forms, issuing certificates, granting permissions, etc.) are also subject to stamp duty.

Personal income tax / Social security system

Starting from January 1, 2018, a progressive PIT rate was introduced. It provides for the following: 20% is applied for income not exceeding EUR 20,004 per year; 23% - for income between EUR 20,004 and EUR 62,800 per year; 31% for income exceeding EUR 62,800 per year.
The tax on annual income of more than EUR 62,800 per year is 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 a total of 34.09% of which the employer's contribution is 23.59% and the employee's contribution is 10.5%. Benefits in kind are taxed with PIT and SSC at standard rates. The examples below show the cost to the employer and employee in case of the minimum wage and the average wage in the private sector.

Wage related taxes in Latvia	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
Total wage cost	**618**	**123.59%**	**1,413**	**123.59%**
Vocational training contribution	-	0.00%	-	0.00%
Social contribution tax	118	23.59%	270	23.59%
Gross salary	**500**	**100.00%**	**1,143**	**100.00%**
Personal income tax*	29,50	20.00%	205	20.00%
Employees' contributions	52,5	10.50%	120	10.50%
Net salary	**418**	**83.60%**	**818**	**71.60%**

* It is assumed that the employee has a submitted salary tax book to the employer (net non-taxable minimum of EUR 300 has been applied to the net minimum wage calculation).

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

Lithuania

Persense Tax UAB
Lvovo str. 25, Vilnius,
Lithuania
Phone: +370 615 44 719
www.persense.lt

Corporate taxes and other direct taxes

The general corporate income tax rate is 15% in Lithuania. An incentive corporate income tax rate of 5% is applied to small companies with an annual turnover up to EUR 300,000 and with no more than 10 employees. Small companies can apply a 0% rate of corporate income tax for their 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 taxable profit for the corresponding taxable period. The 70% limit does not apply to small companies. Capital losses 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.

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

VAT and other indirect taxes

The general rate is 21%, the reduced rates are 9% (e.g. books, central heating, public transportation, tourist

Transfer pricing in Lithuania		
Arm's length principle	✓	Since 2004
Documentation liability	✓	Since 2004
APA	✓	Since 2012
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 2019
Penalty		
lack of documentation	✓	EUR 1,820 - 5,590 (EUR 3,770 - 6,000 on recurrent basis).
tax shortage	✓	10% - 50% on tax underpayment + late payment interest; fines can be doubled on recurrent basis.
Related parties	>25%	direct or indirect control
Safe harbors	✓	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 (until June 30, 2021) From July 1, 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	No
Cash accounting - yearly amount in EUR (approx.)	No, only optional regime for agricultural producers.
Import VAT deferment	✓
Local reverse charge	Taking over the property as a transfer of contribution to a legal entity; taking over a material improvement of a building; supply of goods/services from a supplier which is under bankruptcy; supply of certain types of scrap metal and certain timber materials; supply of construction services; supply of mobile phones, tablets, laptops and hard drives.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	Local taxable person –EUR 45,000 /12 months; Foreign taxable person – No.

accommodation (until 31 December 2022) and 5% (e.g. medicine, journals, newspapers, and technical aids 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, the environmental protection charge and data storage device tax.

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 the small partnership is taxed at the rate of 20% in case income does not exceed EUR 81,162 per calendar year in 2021. PIT at the rate of 32% is applied to mount that exceeds this. 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 162,324 per calendar year in 2021. PIT at the rate of 20% is applied to amount that exceeds this. 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.

Wage related taxes in Lithuania	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
Total wage cost	**653**	**101.77%**	**1,377**	**101.77%**
Social contribution tax	11	1.77%	24	1.77%
Gross salary	**642**	**100.00%**	**1,353**	**100.00%**
Personal income tax*	48	20.00%	216	20.00%
Employees' social contributions	125	19.50%	264	19.50%
Net salary	**468**	**72.96%**	**873**	**64.52%**

* Non taxable allowance of EUR 400 (on minimum wage) and EUR 272 (on average wage).

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

Montenegro

Mazars Cinotti Tax Consulting d.o.o.*
10000 – Zagreb, Strojarska cesta 20, Croatia
Phone: (00385) 1 4864 420
Fax: (00385) 1 4864 429
www.mazars.hr

Corporate taxes and other direct taxes

The general corporate income tax rate is a flat rate amounting to 9% and it applies to both resident and non-resident companies. Resident companies are taxed on their worldwide income, while non-residents are taxed only on income generated in Montenegro. The tax base is the pre-tax profit modified by several increasing and decreasing items. Capital gains are included in the annual corporate profits tax return and are subject to a 9% tax. In Montenegro, losses can be carried forward for 5 years while the carry back of losses is not permitted. A tax incentive (profit tax rate for the first eight years is 0%) is applied for newly founded legal entities engaged in manufacturing in economically underdeveloped municipalities. The total amount of the tax exemption may not exceed EUR 200,000 for a period of eight years. In Montenegro, there are no specific thin capitalization rules, except that interest paid to a non-resident must be on arm's length terms.

Withholding tax at the rate of 9% is applicable to 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.

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

A transfer tax of 3% is levied on the transfer of immovable property. There is no surtax or alternative minimum taxes. Property tax is levied on the ownership/use of property at rates ranging from 0.25% to 1%.

VAT and other indirect taxes

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

VAT options in Montenegro	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting - yearly amount in EUR (approx.)	No
Import VAT deferment	No
Local reverse charge	No
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	EUR 18,000/year

* The Croatian office is responsible for Montenegro.

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 generated in Montenegro. There is a flat rate of 9%, and it is generally applicable to the active (e.g. employment, assignment fee) and passive income (e.g. capital gains, dividend and interest).
Monthly salary exceeding a gross amount of EUR 765 is taxed at rate of 11%. It is important to state that non-resident income on interest is taxed at 5%.

Active income falls under the scope of the SSC system: an individual's social contributions equal 24% in total. 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%), and contributions to the Labor fund (0.2%) and Labor union fund (0.2%). Also, a local surtax, which is calculated on PIT assessed, is paid by the employer to the municipality of the taxpayer's seat. Surtax rates range from 10% to 15%, depending on the municipality, with most municipalities having a 13% rate.

Wage related taxes in Montenegro	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
Total wage cost	**371**	**109.80%**	**880**	**109.80%**
Employer's contributions	35	10.70%	84	10.70%
Gross salary	**331**	**100.00%**	**786**	**100.00%**
Employees' contributions	79	24.00%	189	24.00%
Personal income tax	30	9.00%	69	8.80%
Surtax	4	15.00%	10	15.00%
Net salary	**222**	**67.00%**	**528**	**67.20%**

Pere Mioč
Partner, Tax Advisory Services
Phone: +385 (0)1 4864 424
Mobile: +385 (0)99 736 8746
E-mail: pere.mioc@mazars.hr

North Macedonia

Mazars Cinotti Tax 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

Corporate taxes 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 MKD 3 million are exempt from the payment of CIT, and companies with a total revenue between MKD 3,000,001 and 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 capitalization 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 capitalization rules do not apply to 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. Entities obliged to pay withholding tax should submit a Report about the paid withholding tax on the “DD-I“ form to the Public Revenue Office once a year. This form should be submitted by February 15 of the following year.
Additionally, there were changes approved at the end of 2020 which were applicable to FY 2020. This includes the following: companies with total revenue up to MKD 5 million are exempt from CIT, while companies with revenue of MKD 5 to 10 million can choose between 1% on total revenue or 10% on taxable income.

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. Entities obliged to pay withholding tax should submit a Report about the paid withholding tax on the “DD-I“ form to the Public Revenue Office once a year. This form should be submitted by February 15 of the following year.
North Macedonia has a wide international treaty (DTT) network with 50 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.

Transfer pricing in North Macedonia		
Arm’s length principle	✓	Since 2019
Documentation liability	✓	The CIT payer has to submit a report on the previous yearby September 30 of the current year.
APA	No	The tax legislation does not provide binding APA.
Country-by-Country liability	No	No obligation regarding Country-by-Country reporting yet.
Master file-local file (OECD BEPS 13) applicable	No	The report has to contain: Master File, Local File and 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.
Safe harbors	✓	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**

* The Croatian office is responsible for North Macedonia.

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, 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. A reduced rate of 10% was recently introduced for hotel and restaurant services.

Other indirect taxes in North Macedonia are fuel tax and excise duties.

VAT options in North Macedonia	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	✓
Cash accounting - yearly amount in EUR (approx.)	No
Import VAT deferment	No
Local reverse charge	Construction including maintenance, electrical installation, plumbing, etc.
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	MKD 2 million per year (EUR 32,415 /year)

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 from January 1, 2020. The PIT Law amendments from January 1, 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 (Labor Income). With the amendments of the PIT Law, Labor Income will be subject to tax at a flat tax rate of 10% until January 2023 regardless of the amount of the tax base. 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 amount to a total of 28% of the gross salary: pension contribution is 18.80%; health care insurance is 7.50%; unemployment insurance is 1.20%; and health care at work insurance is 0.5%. The examples below show the cost to the employer and the employee in case of the minimum wage level and the average wage. The personal allowance is MKD 101,256 on an annual basis while the monthly personal allowance is MKD 8,438.

The minimum base for social security contributions equals 50% of the average monthly salary for the current month. However for the self-employed the minimum base is the average salary.

The highest base for payment of mandatory social security contributions on a monthly basis is 18 average salaries paid in Macedonia for employees and members of managing and supervisory bodies and 12 average salaries for the self-employed.

Wage related taxes in North Macedonia		Minimum wage in MAC		Average wage in MAC	
Exchange rate MKD/EUR	61.695	in EUR	in MKD	in EUR	in MKD
		353	21,776	667	41,141
Total wage cost		**353**	**100.00%**	**667**	**100.00%**
Social contribution on salary		-	0.00%	-	0.00%
Gross salary		**353**	**100.00%**	**667**	**100.00%**
Employees' contributions		97	27.50%	183	27.50%
Personal income tax*		12	3.38%	36	5.44%
Net salary		**244**	**69.12%**	**447**	**67.06%**

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

Pere Mioč
Partner, Tax Advisory Services
Phone: +385 (0)1 4864 424
Mobile: +385 (0)99 736 8746
E-mail: pere.mioc@mazars.hr

Poland

Mazars Audyt SP. z o.o.
00 - 549 Warsaw,
Piękna 18, Poland
Phone: +48 22 25 55 200
Fax: +48 22 25 55 299
www.mazars.pl

Corporate taxes and other direct taxes

Limited liability and joint stock companies and limited joint-stock partnerships that are Polish residents are subject to taxation. Other partnerships pay neither CIT nor PIT, and income generated by partnerships is directly attributed to shareholders (in proportion to their shares) and – depending on their status (companies or natural persons) – subject to CIT or PIT. CIT in Poland is payable on the income, i.e. on revenues decreased by tax-deductible costs. Standard CIT rate is 19%; alternatively a lower rate of 9% is applicable for selected entities (additional requirements should be met). In 2021 the reduced rate is applied to income earned in 2020.

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 (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/ understated income + late payment interest / incorrect pricing in controlled transaction.
Related parties	>25%	Direct or indirect capital relations, personal relations.
Safe harbors	✓	Low value added services: 5% mark-up. Loans: basic interest rate on IC loans is determined by the Minister of Finance. For 2021 basic interest rate from the loans as WIBOR 3M, LIBOR USD 3M, EURIBOR 3M, LIBOR CHF 3M, LIBOR GBP plus margin up to 2.3 pp (the Borrower) and minimum of 2.0 pp (the Lender).
Level of attention paid by Tax Authority		10/10

Starting from January 1, 2021 many amendments came into force, e.g.:
- taxation of limited partnerships and general partnerships
- the profit earned by a limited partner in the limited partnership will be subject to double taxation: at the stage when it is earned by the partnership and when such profit is distributed to the partner.
- changes in tax depreciation - the regulations refer particularly to entities which benefit from tax exemption from operating in the area of SEZ. The subject changes limit the possibility to lower or to increase depreciation rates regarding fix assets or intangible and legal values which will be entered into the records after January 1st, 2021. The changes also introduce restrictions on the possibility of applying individual rates for used fixed assets.
- introducing a legal solution including a postponement of the collection of income tax for as long as the income remains in the enterprise and is intended for investment. In order to benefit from this solution, the fulfillment of additional criteria is required.

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 at a 19% rate, on interest, royalties and certain kinds of immaterial services WHT should be collected at 20% and 10%, respectively. However, the WHT rate can be reduced by double tax treaties. Poland has a wide international treaty network with approximately 90 double tax treaties. In accordance with the EU interest and royalties directive, interest and royalties paid by Polish corporate residents to associated EU companies may by subject to full exemption of WHT (on certain conditions). Since 2016 a "small anti-abuse 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 at a 0.035% 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 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.

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%.

VAT options in Poland	Applicable / limits
Distance selling	PLN 160,000 /year (approx. EUR 40,000) (until June 30, 2021) From July 1, 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	No
Cash accounting - yearly amount in EUR (approx.)	PLN 20,000/year (approx. EUR 5,000)
Import VAT deferment	✓
Obligatory split payment mechanism	Local sale of specific services and commodities, i.e.: construction services, supplies of scrap; paper waste; engines; certain types of electronics above limit of PLN 15,000 (approx. EUR 3,500).
Option for taxation	
letting of real estate	No
supply of used real estate	✓
VAT registration threshold	PLN 200,000 /year (approx. EUR 50,000)

Transactions related to filling a power of attorney and public administration (submitting application forms, issuing certificates, granting permissions, etc.) are subject to stamp duty.

Personal income tax / Social security system

PIT is calculated on income. 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 rate of 17% to 32%. A specific rate also applies to individuals pursuing business activities as sole proprietorships or partners in partnerships, who may opt for a flat 19% PIT rate. Due to the above flat rate, as well as other rules applicable to this type of income, the taxation of sole traders is based on similar provisions as described in the previous chapter on corporate income tax (CIT). The tax free amount is PLN 8,000 (depending on the value of the tax base).
Employee Capital Plan (ECP): Payments to PPK are made both by the employer and the plan participant. The basic payment to PPK made by the plan participant is equal to 2% of the salary used as the base for the calculation of retirement and disability SSC, while the employer pays 1.5% of the salary used as the base for the calculation of retirement and disability SSC.
The examples below show the employer's and the employee's costs in case of the minimum wage level and the average wage in the private sector.

Wage related taxes in Poland		Minimum wage		Average wage in private sector****	
Exchange rate PLN/EUR*	4.4867	in EUR	in PLN	in EUR	in PLN
		624	2,800	1,331	5,973
Total wage cost		**762**	**121.98%**	**1,624**	**121.98%**
	Employer's social security**	112	17.93%	239	17.93%
	Other insurance (approx.)	17	2.55%	34	2.55%
	Contribution to the PPK 1,5%	10	1.50%	20	1.50%
Gross salary		**624**	**100.00%**	**1,331**	**100.00%**
	Employees` contributions	86	13.71%	183	13.71%
	Healthcare insurance	48	9.00%	103	9.00%
	Personal income tax***	31	17.00%	87	17.00%
	Contribution to the PPK 2%	12	2.00%	27	2.00%
Net salary		**447**	**71.58%**	**932**	**70.02%**

* Average exchange rate announced by National Bank of Poland as of February 8th, 2021.
** Capped at income of PLN 157,770.00 for pension and retirement contributions.
*** Taxable base = gross salary – employee's contributions – statutory tax deductible costs.
**** Average wage in private sector as of December 2020 announced by the Main Statistical Office.

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

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

Corporate taxes and other direct taxes

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. Capital gains arising from the sale of the participations held in a state that Romania has concluded a DTT with are non-taxable. Starting from January 1, 2021, tax consolidation rules in the field of corporate taxation between two or more Romanian legal entities have been introduced. Once tax consolidation has been opted for it must be applied for a period of 5 years. A series of measures to support the economy and companies affected by the pandemic have been adopted, such as: discounts applied to the timely payment of corporate income tax conditions apply), additional deductible expenses related to teleworking, rules on payment rescheduling, and postponement of interests and penalties related to fiscal obligations. Romania has a treaty network consisting of approximately 85 double tax treaties. The withholding tax rate on Dividends is 5% while for Interest and Royalties it is 16%. Capital gains 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:
- 1% if the company has at least 1 employee;
- 3% if the company has no employees.

A microenterprise may opt for the 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.

Transfer pricing in Romania		
Arm's length principle	✓	Since 2003 (Law 227/2015)
Documentation liability	✓	Since 2003 (Order 222/2008, Order 442/2016)
APA	✓	Since 2007 (Order 3735/2015)
Country-by-Country liability	✓	Applicable starting from FY 2017, including notification submission requirements (Form R405).
Master file-local file (OECD BEPS 13) applicable	✓	Only Local File rules are applicable.
Penalty		
lack of documentation	✓	For large and medium tax payers – RON 12,000-14,000 (approx. EUR 2,500-2,900). Other tax payers – RON 2,000-3,500 (EUR 410-720). Separately, adjustment of tax base plus late payment interest and penalties may be applicable.
tax shortage	✓	regular tax regime
Related parties	>25%	direct or indirect control
Safe harbors	No	Preparation of benchmark studies is also mandatory for assessing the arm's length nature of low value adding services. OECD's simplified approach on value adding services is not applicable in Romania.
Level of attention paid by Tax Authority		10/10

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).
VAT-exempt activities include 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 entities with an annual adjusted turnover of less than RON 4,500,000 (EUR 923,000). The turnover amount has recently been increased in the context of the pandemic in order for more taxable persons to be able to qualify and benefit from this facility. In the context of the pandemic, a tax amnesty on interest and penalties for taxpayers who pay the main outstanding debts owed as at March 31, 2020 has been implemented. The purpose of this facility is to prevent accumulation of new debts to the state, avoid the opening of new insolvency proceedings due to measures enacted during the state of emergency, and avoid technical issues due to measures enacted during the state of emergency, and avoid technical issues due to the large number of declarations being submitted, as well as to increase the degree of compliance by taxpayers.

The VAT legislation applicable to the EU cross border transactions has been aligned at the level of the EU, as of January 1, 2020 when the so called "EU VAT quick fixes" entered into force. The aim of the new piece of legislation was to avoid different approaches among Member States, which in certain instances lead to double taxation. Romania has implemented such provisions as well, as of July 17 when the Order no. 103/2016, which details the conditions for the application of the VAT exemption for intra-Community supplies, was amended in order to reflect the amendments implemented at the EU level.
Other indirect taxes applicable in Romania include excise tax and environmental tax.

VAT options in Romania	Applicable / limits
Distance selling	Approx. EUR 35,000/year (until June 30, 2021) From July 1, 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	✓
Cash accounting - yearly amount in EUR (approx.)	EUR 923,000/year
Import VAT deferment	Certificate of payment deferral / AEO / simplified customs procedure / products subject to VAT r/c.
Local reverse charge	Sale of certain types of waste, certain types of cereal, wood, greenhouse gas emission certificates, electricity, natural gas, green certificates, land and buildings, laptops, mobile phones.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	approx. EUR 88,500

Personal income tax / Social security system

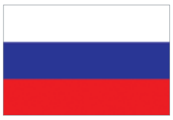
A 10% flat tax rate is applicable to revenues obtained from dependent activities (e.g. employment or activities assimilated to employment) or independent activities (freelancers).
Starting from January 1, 2018, the SSC are the following: Social Security Contribution (25% - employee part), Health Insurance 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 2,230 for the year 2020). Otherwise, the SSC is optional for the taxpayer. The Health Fund Contribution is capped at the level of the minimum salary per country.
Starting from January 1, 2021, the minimum monthly gross wage guaranteed in payment, without including bonuses or other additions, is increased to RON 2,300.
The minimum monthly gross wage for the period January 1, 2020 – December 31, 2028 in the construction sector is RON 3,000 per month.
Special measures were introduced in order to alleviate some adverse effects of the pandemic at the level of employees, and to encourage changes in the way people work, as follows:
- employers can offer a non-taxable allowance of up to RON 400 per month/individual to employees whose activity is conducted in teleworking conditions (i.e. working from their home or any other place that is not organized by the employer), according to the number of days worked under this regime;
- employers can offer a non-taxable allowance to support early education (i.e. specific to 0 to 6 years-old) of employees' children which is generally limited at RON 1,500/month/child.

Wage related taxes in Romania		Minimum wage		Average wage in private sector	
Exchange rate RON/EUR	4.87	in EUR	in RON	in EUR	in RON
		472	2,300*	1,115	5,429
Total wage cost		**483**	**102.25%**	**1,140**	**102.25%**
Employer contributions		11	2.25%	25	2.25%
Gross salary		**472**	**100.00%**	**1,115**	**100.00%**
Employees' contributions		165	35.00%	390	35.00%
Personal Deduction**		138	-	-	-
Personal income tax***		17	10.00%	72	10.00%
Net salary		**290**	**61.41%**	**652**	**58.50%**

* The minimum monthly gross wage guaranteed in payment, without including bonuses or other additions, was increased to RON 2,300 for a normal working schedule. In the construction sector, the minimum monthly gross wage for the period January 1, 2021 – December 31, 2021 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.

Edwin Warmerdam
Partner, Head of Tax Advisory
Phone: +40 21 528 57 57
E-mail: edwin.warmerdam@mazars.ro

Russia



Mazars JSC
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

Corporate taxes and other direct taxes

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 can be deducted for tax purposes within specific limits (e.g., interest, advertising expenses, representation expenses, etc.).
Starting January 1, 2017 tax losses can be carried forward without timing limitations. However, for the tax periods January 1, 2017 to at least December 31, 2021 it is not allowed to carry forward tax losses exceeding 50% of the taxable profit for the respective tax period.

Transfer pricing in Russia		
Arm's length principle	✓	Since 1999, updated in 2011 for periods since 2012.
Documentation liability	✓	Within working 30 days from the date of the request (not earlier than June 1 of the following year).
APA	✓	Since 2012
Country-by-Country liability	✓	Since 2017 - within 3 months in XML format at request not earlier than 12 months after the year-end.
Master file-local file (OECD BEPS 13) applicable	✓	Since 2017 - within 3 months at request not earlier than 12 months after the year-end.
Penalty		
lack of documentation	✓	Since 2020 MNE Notification - RUB 50,000 (~EUR 559) CbCR - RUB 100,000 (~EUR 1,119) Master-file - RUB 100,000 (~EUR 1,119) since 2018 Local file - RUB 100,000 (~EUR 1,119) since 2012 TP Notification - RUB 5,000 (~EUR 56)
tax shortage	✓	40% of the tax amount unpaid due to the arm's length deviations (not applicable if a TP documentation is prepared).
Related parties	>25%	1) direct or indirect ownership by >25% 2) self-recognition 3) recognized by court 4) other criteria based on control principles.
Safe harbors	✓	Loan interest rates: Art. 269 of the Tax Code general ALR calculation: formula under Clause 4, Art.105.8 or Clause 3, Art.105.9 of the Tax Code
Level of attention paid by Tax Authority		**7/10**

Russia applies thin capitalization rules as other rules and concepts aimed at limitation of expenses. Starting from 2015, several new anti-tax avoidance concepts were introduced into 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; (4) concept of allowable expenses (justified tax benefit) and others.

Russia has concluded double tax treaties (DTTs) with more than 80 countries. WHT rates are primarily defined by the terms of the respective DTT. Starting from 2021, Amendments to the DTT have come into force with 34 countries based on the MLI (the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting).
Starting from 2021, Amendments to the DTTs with Cyprus, Luxembourg and Malta have come into force, according to which the withholding taxes on dividends and interest have been increased to 15% (with some exceptions). The Netherlands refused to accept the changes proposed by Russia; Russia is preparing to terminate the respective DTT.

There are many profits tax incentives in Russia with regard to some companies' activities: federal and regional tax incentives as well as incentives related to the defined industries or activities (for example, investment activities, small and medium-sized businesses, medical or educational activity).
For IT companies in Russia starting from 2021, there are additional tax benefits including: a reduced rate of profit tax (up to 3%) and social contributions (up to 7.6%).

VAT and other indirect taxes

Generally VAT applies to goods sold, work performed and services rendered, if supplied on Russian territory. Examples of other taxable events are: (i) the importation of goods; (ii) free-of-charge transfer. The tax base is calculated based on actual sales prices applied by the taxpayer or imputed market price (in case of free-of-charge transfers).
There are a number of non-taxable (tax-exempt) operations in Russia, a closed list of which is defined in the Tax Code. Payments in favor 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, the sale of certain food products, goods for children, medical and pharmaceutical products is taxable at a 10% rate. A 0% VAT rate applies to export sales and cross-border services (e.g. international transportation and freight).
There are non-taxable (tax-exempt) operations in Russia, a closed list of which is defined in the Tax Code.
The provision of electronic services (software, etc. via the internet) to Russian individuals or legal entities results in an obligation to register with the Russian tax authorities and independently calculate and pay Russian VAT. Registration is mandatory even if the underlying services provided are exempt from Russian VAT.

VAT options in Russia	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting - yearly amount in EUR (approx.)	No
Import VAT deferment	No
Local reverse charge	No
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	No

Personal income tax / Social security system

Russian tax residents are taxable on their worldwide income at the flat rate of 13% on most types of income. Starting from 2021, yearly income over RUB 5 million is taxable at a tax rate of 15%. Non-residents are only taxable on their Russian source income. Non-residents are subject to personal income tax at a 30% rate, unless otherwise provided in the Tax Code or DTT. 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.
Dividends payable to a non-resident individual are subject to personal income tax at a 15% rate, unless the lower tax rate applies under the applicable DTT.
Russian law provides for a personal income tax deduction: for children, education, medical services, property, investments, etc.

Rates for the calculation of obligatory social contributions vary depending on the type of social fund and the status of an employee.
Social contributions include:
1) For pension insurance for payments of less than RUB 1,465,000 - 22%, over this amount - 10%;
2) For medical insurance - 5.1%;
3) For social insurance for payments of less than RUB 966,000 - 2.9%, over - not paid. Accrued within the established limit value at the 1.8% tariff in respect of payments and other remuneration in favor of foreign citizens and stateless persons temporarily staying in the Russian Federation (with the exception of highly qualified specialists).
Usually, the amount of social contributions is 30% of the salary (excluding accident insurance contributions).
In case of exceeding the limit of RUB 966,000 - 27.1%.
In case of exceeding the limit of RUB 1,465,000 - 15.1%.
Accident insurance contributions are payable at a rate that can vary from 0.2% to 8.5% of the gross annual remuneration payable to employees.

Wage related taxes in Russia		Minimum wage		Average wage in private sector	
Exchange rate RUB/EUR	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%**

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

Serbia

Mazars Cinotti Tax Consulting d.o.o.*
Strojarska cesta 20,
10 000 – Zagreb, Croatia
Phone: (+385) 1 4864 420
Fax: (+385) 1 4864 429
www.mazars.hr

Corporate taxes and other direct taxes

The general corporate income tax rate is flat and amounts to 15%. Tax is applied to both resident and non-resident companies. Resident companies are taxed on their worldwide income, and non-residents are taxed only on income generated in Serbia. The tax base is the pre-tax profit modified by several increasing and decreasing items. Capital gains are also 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 interest paid to a non-resident must be on arm's length terms.

Transfer pricing in Serbia		
Arm's length principle	✓	Since 2013
Documentation liability	✓	Since 2013, transfer pricing documentation is submitted along with the CIT return.
APA	No	-
Country-by-Country liability	✓	Tax resident that is the ultimate parent entity of an international group of related legal entities.
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 harbors	✓	Interest as described in Governmental Rulebook, transactions (other than financial) below EUR 67000 are not subject to TP rules.
Level of attention paid by Tax Authority		8/10

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. There is also tax rate of 25% applicable to revenues realized by non-resident legal persons from jurisdictions with a preferential tax system. Serbia has a wide international treaty network with more than 50 double tax treaties.
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 to 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.)

VAT options in Serbia	Applicable / limits
Distance selling	No
Call-off stock	✓
VAT group registration	No
Cash accounting - yearly amount in EUR (approx.)	approx. EUR 405,000/year
Import VAT deferment	No
Local reverse charge	Sale of secondary raw materials and services that are directly related to these goods, transactions of construction buildings, construction work.
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	approx. EUR 67,000/past 12 months

* The Croatian office is responsible for Serbia.

and VAT-exemption for exports, transport and other services which are associated with the importation of goods. Taxpayers with revenue in excess of approximately EUR 67,000 must register for VAT purposes. Non-residents may register for VAT purposes only through a tax representative.

Other indirect tax type in Serbia is excise duty.

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 equaling 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%). The employer's contributions amounts 16.65%. The difference is that contributions for pension and disability insurance are 11.5% (2.5% less than employee's obligation) and the contribution for unemployment (0.75%) is not payable by the employer. Personal deductions are applicable.

Wage related taxes in Serbia		Minimum wage		Average wage in private sector	
Exchange rate RSD/EUR	118	in EUR	in RSD	in EUR	in RSD
		333	39,371	670	79,220
Total wage cost		**388**	**116.65%**	**781**	**116.65%**
	Social contribution tax	55	16.65%	112	16.65%
Gross salary		**333**	**100.00%**	**670**	**100.00%**
	Personal income tax	20	5.86%	53	7.94%
	Employees' contributions	66	19.90%	133	19.90%
Net salary*		**247**	**74.24%**	**483**	**72.16%**

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

Pere Mioč
Partner, Tax Advisory Services
Phone: +385 (0)1 4864 424
Mobile: +385 (0)99 736 8746
E-mail: pere.mioc@mazars.hr

Slovakia

Mazars Tax k.s.
Europeum Business Center,
Suchémýto 1, 811 03 Bratislava
Phone: (+421) 2 59 20 4700
Fax: (+421) 2 59 20 4700
www.mazars.sk

Corporate taxes and other direct taxes

In Slovakia, the corporate income tax is charged at a tax rate of 21%. Starting from January 1, 2021 a 15% tax rate is applied for taxpayers if their income does not exceed the threshold stipulated for the obligatory VAT registration in Slovakia, i.e. the amount of EUR 49,790 in the relevant tax period. If the income exceeds the amount of EUR 49,790 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 incurred in the tax period beginning after January 1, 2020 can be deducted for a maximum of five consecutive tax periods, up to amaximum of 50% of the taxpayer's tax base. Tax incentives may be provided in cases of starting new production or modernizing existing production, doing research or development. Taxpayers undertaking a research and development project are eligible for an extra allowance by applying a so-called "super deduction".

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 or 20% in case of aggressive tax planning in transfer pricing
Related parties	>25%	direct or indirect control or common managing director, close relatives or other control aimed purely on circumvention of tax
Safe harbors	✓	Not officially published/ accepted - but generally accepted: Low value-added services: 5% mark-up.
Level of attention paid by Tax Authority		**9/10**

In order to prevent the adverse effect of the COVID-19 pandemic on the business environment, starting from 2021 the tax exemption is applied to state aid provided to entrepreneurs related to supporting the retention of jobs and employees in their employment.

Dividends and other incomes paid to legal entities that are 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.

Country-by-Country (CbC) Reporting obligations are applicable in Slovakia for periods from January 1, 2016.

In 2018, exit tax and patent box special regimes were introduced in Slovakia. Starting from 2018, business restructurings (mergers, acquisitions, in-kind contributions, de-merges) can be carried out solely at fair market values (only for some specific cases can the historic value method be applied). As of 2018, participation exemption rules for capital gains on sales of shares and ownership interest apply under specific conditions.

As of 2019 Control Foreign Company (CFC) rules are applicable in Slovakia. CFC rules will be extended also to natural persons, effective from 2022.

In relation to the transposition of the ATAD 2 Directive, new rules were introduced in 2020 encompassing hybrid mismatches between EU member states and third countries. As of 2022, with respect to the transposition of the ATAD 2 Directive, the definition of reverse hybrid subject and transparent subject will also be introduced.

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 to payments to taxpayers from non-contracting states which do not have either a double tax treaty or a treaty on information exchange with Slovakia. Interests and royalties paid by Slovak tax residents to closely related EU entities are, under specific rules, exempt from taxation.

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

foodstuffs 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.
The possibility of correcting the tax base of the supply of goods or services if the taxpayer has not received full or starting from January 1, 2021.

VAT options in Slovakia	Applicable / limits
Distance selling	EUR 35,000/year (until June 30, 2021) From July 1, 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	✓
Cash accounting - yearly amount in EUR (approx.)	approx. EUR 100,000/year
Import VAT deferment	No
Local reverse charge	construction works; deliveries of goods and certain types of services in the Slovakia by a taxable person who is not established in Slovakia (foreign VAT payers); sale of waste, specific metal products, emission quotas; sale of agricultural products; sale of specific electronic devices if the tax base on the invoice exceeds EUR 5,000, etc.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	EUR 49,790

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

Personal income tax / Social security system

The personal income tax rate is progressive and is based on the amount of income. The income tax rate of 19% is applicable to the tax base below 176.8 times the amount of the subsistence minimum in effect (called "the limit" - for 2021, that amount is EUR 37,981.94 per year) and 25% for the part of the tax base exceeding the limit. A new 15% tax rate applies for natural persons achieving an income from a business and other self-employment income and for legal persons, if their income does not exceed the amount of EUR 49,790 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 January 1, 2017 are subject to taxation at 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 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 7,644. There is no maximum assessment base for health insurance contributions.
A health insurance allowance (annually up to EUR 4,560) can be applied by low-income employees on employee's contributions.

Wage related taxes in Slovakia	Minimum wage		Average wage in private sector	
	in EUR		in EUR**	
Total wage cost	**842**	**135.20%**	**1,505**	**135.20%**
Vocational training contribution	-		-	
Social Contribution Tax	219	35.20%	392	35.20%
Gross salary	**623**	**100.00%**	**1,113**	**100.00%**
Personal income tax*	31	19.00%	112	19.00%
Employees' contributions	83	13.40%	149	13.40%
Net salary	**508**	**81.61%**	**852**	**76.56%**

* The gross salary is decreased by the total amount of a general allowance (EUR 375.95 EUR/monthly) and by social contribution tax.
** For 3rd quarter 2020.

Kvetoslava Čavajdová
Partner
Phone: (+421) 259 204 700
E-mail: kvetoslava.cavajdova@mazars.sk

Slovenia

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

Corporate taxes 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 case of M&A transactions.

Transfer pricing in Slovenia		
Arm's length principle	✓	Since 2005
Documentation liability	✓	Since 2006
APA	✓	Available
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 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 harbors	✓	For interest rates in line with Governmental Rulebook, for thin cap 1:4 ratio.
Level of attention paid by Tax Authority		**8/10**

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 European Union Anti-Tax Avoidance Directive (ATAD I) are applicable in Slovenia from 2019.

A withholding tax of 15% is applied on dividend, interest, royalty and rental income paid 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 & the 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. There is no tax if the 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 electronic form. VAT-exempt services include 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. For cross-border sales to consumersa 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.

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

VAT options in Slovenia	Applicable / limits
Distance selling	EUR 35,000/year (until June 30, 2021) From July 1, 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	No
Cash accounting - yearly amount in EUR (approx.)	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

Personal income tax / Social security system

Personal income tax rates are progressive from 16% to 50%, and apply on active income sources (employment, business income, agriculture and forestry, other income). Income from capital and rental income is taxed at flat rate (dividends at 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 case of the 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.

Wage related taxes in Slovenia	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
Total wage cost	**1,189**	**116.10%**	**2,354**	**116.10%**
Employer's contribution	165	16.10%	326	16.10%
Gross salary	**1,024**	**100.00%**	**2,027**	**100.00%**
Employees' contributions	226	22.10%	448	22.10%
Tax and surtax*	81	7.91%	264	13.02%
Net salary	**717**	**69.99%**	**1,315**	**64.88%**

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

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

Ukraine

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

Corporate taxes and other direct taxes

In Ukraine the standard CIT rate is 18%. CIT is applicable to worldwide income of resident companies, while for non-resident companies it is 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-residents (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.

Transfer pricing in Ukraine		
Arm's length principle	✓	Since 2013
Documentation liability	✓	Since 2013
APA	✓	Since 2013 (applicable to large taxpayers, no cases of application in practice)
Country-by-Country liability	✓	Since 2021
Master file-local file (OECD BEPS 13) applicable	✓	Since 2021
Penalty	✓	up to 1% of the value of controlled transactions, but not more than UAH 681,000 (approx. EUR 19,603)
lack of documentation	✓	up to 3% of the value of controlled transactions, but not more than UAH 454,000 (approx. EUR 13,069)
tax shortage	✓	25% of tax underpayment; 50% in case of recurrent violation during 1095 days + late payment interest
Related parties	>25%	Direct or indirect or common control; (formalized or de-facto); low-tax non-related non-resident operations also fall under transfer pricing control.
Safe harbors	No	-
Level of attention paid by Tax Authority		**7/10**

Companies with annual income not exceeding UAH 40 million (approximately EUR 1.15 million as of January 1, 2021) are entitled not to make any adjustments (except for tax losses carry forward). Companies with annual income not exceeding UAH 3 million (approximately EUR 86,000 as of January 1, 2021) may apply a 0% CIT rate until the end of 2021, if certain additional conditions are met.

There is a 15% withholding tax on dividend, interest, royalty, income from "indirect real estate disposal" 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. In 2021 the "principal purpose test" was introduced to disallow benefiting from double tax treaties if obtaining such benefits was one of the main purposes of the transaction.

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. Three-tiered TP reporting was introduced from January 1, 2021 including Master File, TP documentation (Local File) and Country-by-Country Report. Sole traders, companies with annual income not exceeding UAH 7 million (approximately EUR 201,000 as of January 1, 2021) 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 did not implement the 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. Taxpayer is entitled to issue VAT invoices for the amount within the certain cap. To get VAT credit a taxpayer should receive from the supplier a VAT invoice in electronic form, which is registered in the Unified Register of VAT invoices. VAT refunds are provided under a unified register with a chronological order of repayment.
There are a number of temporary VAT incentives, such as VAT exemption for the supply of certain goods and services (software, electric vehicles, waste and scrap metals, certain equipment for renewable energy etc.).

VAT options in Ukraine	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting - yearly amount in EUR (approx.)	✓
Import VAT deferment	No
Local reverse charge	Imported services
Option for taxation	
letting of real estate	✓
supply of used real estate	No
VAT registration threshold	Revenue of UAH 1 million (approx. EUR 28,785).

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

Personal income tax / Social security system

The 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 to the monthly income at the rate of 1.5%.

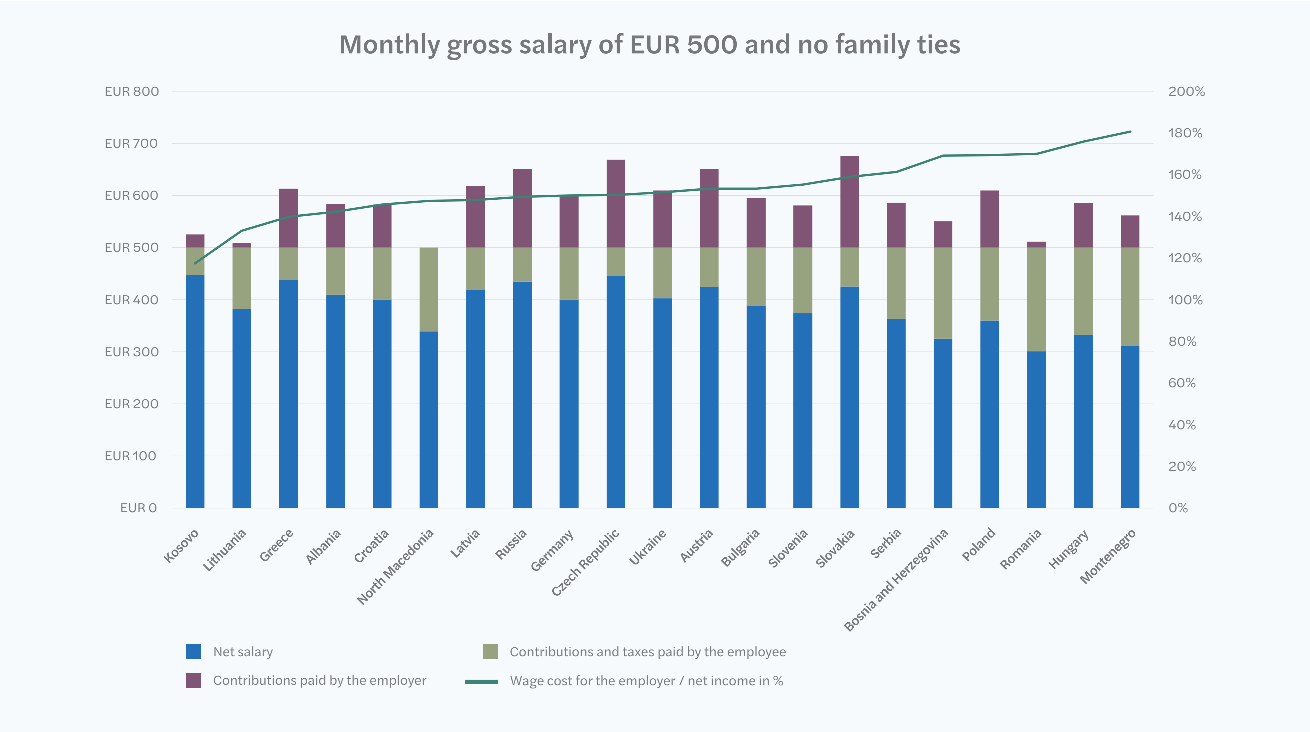
Most active incomes fall under the scope of SSC with an employer's contribution of 22%; there is no employee's contribution. The maximum chargeable amount per month is 15 months' minimum wages – UAH 90,000 (approximately EUR 2,591 as of January 1, 2021).

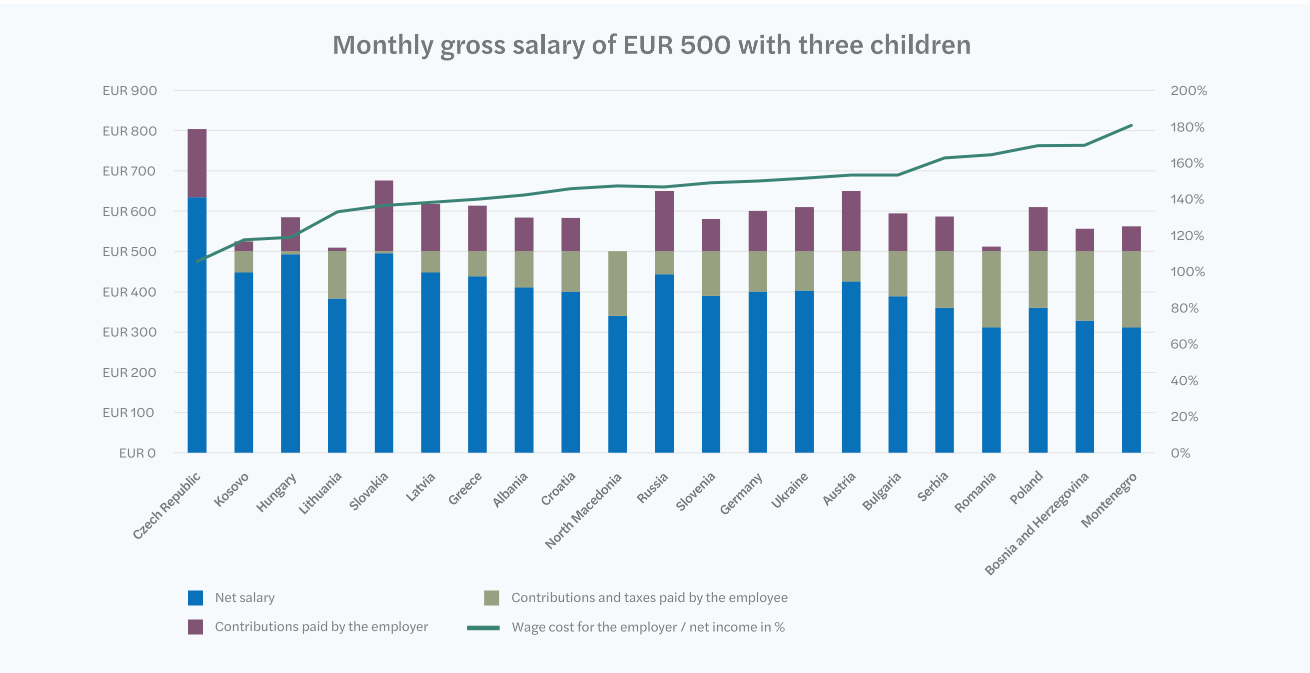
Wage related taxes in Ukraine		Minimum wage		Average wage in private sector	
Exchange rate UAH/EUR	34.74	in EUR	in UAH	in EUR	in UAH
		173	6,000	432	15,000
Total wage cost		**211**	**122%**	**527**	**122%**
Social contribution tax		38	22%	95	22%
Gross salary		**173**	**100%**	**432**	**100%**
Personal income tax		31	18%	78	18%
Military tax		3	2%	6	2%
Net salary		**139**	**80%**	**348**	**81%**

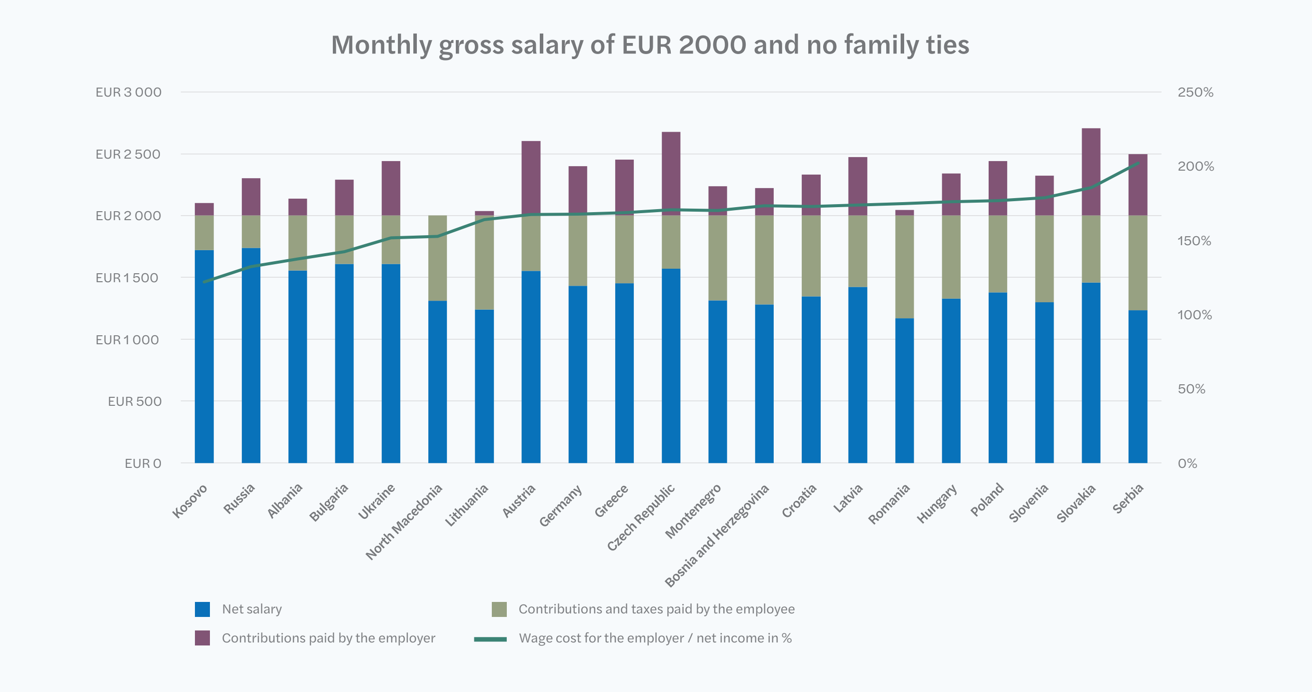
Gregoire Dattee
Managing Partner
Phone: +38 044 390 71 07
E-mail: gregoire.dattee@mazars.ua

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 does it cost for the employer to provide the same level of net income to the employee in the different tax jurisdiction.







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

The comparison of the various levels of income categories is also telling, since the different countries may provide tax benefits and tax credits, typically in the lower income category, or may have a progressive taxation system, as a result of which the proportion of the net income relative to the gross income, or even in comparison with the employer's total cost, may show significant differences in case of the various income levels.

Tax rates in the countries of the CEE region

2021	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% / 5% limited until 12/31/2021	0% - 55%	21.23%
Bosnia and Herzegovina	17%	10.5%* / No**	10.5%* / No**
Bulgaria	20% / 9%	10%	18.92%
Croatia	25% / 13% / 5%	20% / 30%	16.5%*
Czech Republic	21% / 15% / 10%	15% / 23%*	33.8% / 9%*
Germany	19% / 7%	14% - 45%	19.98%
Greece	24% / 13% / 6%	Progressive 9% / 22% / 28% / 36% / 44% & 2.2%-10% Special solidarity levy (Abolished for 2021 in the private sector).	22.54%
Hungary	27% / 18% / 5%	15%	17.00%
Kosovo	18% / 8%	progressive 0% / 4% / 8% / 10%	5%
Latvia	21% / 12% / 5% or 0%	20% / 23% / 31%	23.59%
Lithuania	21% / 9% / 5%	15% / 20% / 32%	1.77%
Montenegro	21% / 7%	9% / 11%	10.7%
North Macedonia	18% / 10% / 5%	10%*	Yes
Poland	23% / 8% / 5% / 0%	17% / 32%	21.98%
Romania	19% / 9% / 5%	10%	2.25%
Russia	20% / 10% / 0%	13% / 30%*	30% / 27.1% / 15.1% **
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. **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** * On income exceeding approx. EUR 65,682 yearly in 2021. **North Macedonia** * Introduction of progressive rates expected in 2023. **Russia** * Tax rates of 9% / 15% / 30% / 35% are applicable to specific types of income. ** Regressive rate depends on annual amount of remuneration. **Ukraine** * Additionally 1.5% temporary military tax should be withheld from the same base as PIT. ** Maximum monthly SSC is UAH 19,800 (approx. EUR 570).

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, explanations and recent developments
Albania	Exempted / 0% / 15%	✓	No	✓	✓	No	3/5	✓	Tax exemption for 4 and 5-star hotels for a time frame of ten years; 5% CIT for software and IT development, automotive industry and agritourism industry (for 10 years).
Austria	25%	No	✓	No	✓	✓	No	✓	-
BH (Fed.)	10% / 0%	No	✓	✓	✓	✓	5	✓	-
BH (Rep.)	10% / 0%	No	No	No	✓	No	5	✓	0% for small taxpayers in Republika Srpska.
Bulgaria	10%	✓	No	✓	✓	No	5	✓	TP local file is obligatory for companies above a threshold defined by the law.
Croatia	18% / 10%	✓	No	✓	✓	✓	5	✓	-
Czech Republic	19%	✓	No	✓	✓	✓	5 (backward 2 years)	✓ (optional)	ATAD rules were implemented.
Germany	15% (31%*)	✓	No	✓	✓	No	No	✓	Loss carry back * together with trade tax.
Greece	24%	✓	No	✓	✓	✓	5	✓	Introduction of non dom regime for high net worth individuals. Also, introduction of non dom regime for pensioners. Introduction of the call-off stock regime. Introduction of DAC 6 legislation.
Hungary	9%	✓	✓	✓	No	✓	5	✓	ATAD regulation is implemented. Service PE concept is introduced from 2021.
Kosovo	10% / 9% / 3%	No	No	No	✓	No	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%*	✓	No	✓	No	No	No	✓	Special deferred taxation as from 2018: CIT payable upon distribution of profit, deemed profit or deemed dividends. *The taxbase of CIT divided by 0.8 and then multiplied by 20% means that the effective CIT rate is 25% of the taxable base.
Lithuania	15% / 5%	✓	No, (losses can be transferred to another group entity)	✓	✓	✓	No	✓	0% rate for small companies for the first financial year.
Montenegro	9%	✓	No	No	✓	No	5	No	-
North Macedonia	10%	✓	No	✓	✓	No	3	✓	The Transfer Prices Report Rulebook was recently introduced.
Poland	9% / 19%	No	✓	✓	✓	✓	5	✓	Taxation of limited partnerships and general partnerships. Estonian CIT. Changes in tax depreciation. An obligation to prepare and publish information on the tax strategy.
Romania	16%	No	✓	✓	✓	✓	7	✓	Tax consolidation rules are introduced.
Russia	20%	✓	No (suspended)	✓	✓	✓	No	✓	-
Serbia	15%	✓	No	✓	✓	✓	5	✓	Introduction of Country-by-Country Reporting.
Slovakia	15% / 21%	No	No	✓	✓	✓	5	✓	Exit tax, special regime for patent box, participation exemption rules. CFC rules applicable. Tax loss deduction during 5 years, up to a maximum of 50% of the tax base. ATAD rules.
Slovenia	19%	✓	No	✓	✓	✓	No	✓	ATAD rules are introduced. General limitation of tax base reduction for tax periods after January 1, 2020, resulting in setting a minimum corporate tax rate of 7%. Country-by-country (CbC) reporting from January 2017 onwards. As of January 1, 2020, exit taxation applies.
Ukraine	18%	✓	No	✓	✓	No	No	✓	Taxation of payments to non-residents that are equated to dividends at a 15% rate. Taxation of profit of controlled foreign companies for Ukrainian residents will be implemented in 2022.

Contacts

Albania

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

Austria

Günther Mayrleitner
Partner - Tax Advisor - CPA
Phone: +43 (0) 1 531 74-840
Mobile: +43 (0) 676 849596613
E-mail: guenther.mayrleitner@mazars.at

Bosnia and Herzegovina

Pere Mioč
Partner, Tax Advisory Services
Phone: +385 (0)1 4864 424
Mobile: +385 (0)99 736 8746
E-mail: pere.mioc@mazars.hr

Bulgaria

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

Croatia

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

Pere Mioč
Partner, Tax Advisory Services
Phone: +385 (0)1 4864 424
Mobile: +385 (0)99 736 8746
E-mail: pere.mioc@mazars.hr

Czech Republic

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

Jaroslav Křivanek
Partner of Tax Department
Corporate tax
Mobile: (+420) 606 785 779
E-mail: jaroslav.krivanek@mazars.cz

Germany

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

Prof. Dr. Adrian Cloer
Attorney, Tax advisor
Partner
Phone: +49 30 208 88-1262
E-mail: adrian.cloer@mazars.de

Erekle Solomnishvili
Tax advisor Manager
Phone: +49 30 208 88-1878
E-mail: erekle.solomnishvili@mazars.de

Greece

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

Theodoros Papadakis
Tax Assistant MSc
Phone: +30 210 6993749
Mobile: +30 698 2150 478
E-mail: theodoros.papadakis@mazars.gr

Hungary

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

Dr. János Mátyás Borsy
Corporate lawyer, attorney-at-law
Mobile: (+36-30) 968 0642
E-mail: janos.borsy@mazars.hu

Heléna Csizmadia
Tax Director
Mobile: (+36-20) 209 9224
E-mail: helena.csizmadia@mazars.hu

Gabriella Nagy
Head of International Transfer Pricing Center
Mobile: (+36-20) 974 9889
E-mail: gabriella.nagy@mazars.hu

dr. Dániel H. Nagy
Tax Director
Mobile: (+36-20) 406 5582
E-mail: daniel.h.nagy@mazars.hu

Kosovo

Violeta Haxhillazi
Managing Director
Mobile: +383 (0) 44 82 37 85,
+355 (0) 69 20 33 984
Email: violeta.haxhillazi@mazars.al

Latvia

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

Oļegs Sejans
Tax partner
Phone: +371 67392822
E-mail: olegs@taxlink.lv

Lithuania

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

Alina Jovaišiené
Tax Partner
E-mail: alina.j@persense.lt

Montenegro

Pere Mioč
Partner, Tax Advisory Services
Phone: +385 (0)1 4864 424
Mobile: +385 (0)99 736 8746
E-mail: pere.mioc@mazars.hr

North Macedonia

Pere Mioč
Partner, Tax Advisory Services
Phone: +385 (0)1 4864 424
Mobile: +385 (0)99 736 8746
E-mail: pere.mioc@mazars.hr

Poland

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

Edwin Warmerdam
Partner, Head of Tax Advisory
Phone: +40 21 528 57 57
E-mail: edwin.warmerdam@mazars.ro

Bianca Vlad
Partner, Tax Advisory
Phone: +40 21 528 57 57
E-mail: bianca.vlad@mazars.ro

Russia

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

Serbia

Pere Mioč
Partner, Tax Advisory Services
Phone: +385 (0)1 4864 424
Mobile: +385 (0)99 736 8746
E-mail: pere.mioc@mazars.hr

Slovakia

Kvetoslava Čavajdová
Partner
Phone: +421 259 204 700
E-mail: kvetoslava.cavajdova@mazars.sk

Mickaël Compagnon
Managing Partner
Phone: +421 259 204 700
E-mail: mickael.compagnon@mazars.sk

Martin Smatana
Partner
Phone: +421 259 204 700
E-mail: martin.smatana@mazars.sk

Slovenia

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

Ukraine

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

Denys Shendryk
Director, Head of Tax and Legal
Phone: +38 044 3907107
E-mail: Denys.Shendryk@mazars.ua

For permission requests, write to the publisher, at the following address:
Mazars Kft. - 1123 Budapest, Nagyenyed utca 8–14. - www.mazars.hu

Contact

Mazars Kft.
Nagyenyed utca 8-14., H-1123 Budapest
Hungary
www.mazars.hu