



CEE Tax & Payroll Newsletter

March 2023

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Get a better overview of the most important changes in tax, labour, and payroll legislation in the CEE region.

The CEE Tax & Payroll Newsletter aims to share Mazars' latest news on tax, labour, and payroll legislation in the Central and Eastern Europe region, with the scope of helping you to prepare for the changes that could lie ahead in the following countries: Albania, Austria, Croatia, Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia, and Ukraine.

CEE Tax & Payroll Newsletter

Insights to guide you through today's evolving regional tax, labour, and payroll landscape.

Mazars is one of the longest-running players in the Central and Eastern European audit, tax, and advisory market. We have developed regional competence centres while working collaboratively on a single integrated platform. Our approach offers you the competitive advantage of accessing both a multinational footprint of exceptional professionals and insights into the tax and payroll marketplace.

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Tax

Companies that operate across borders or have a presence in multiple jurisdictions know that complying with local tax laws, and meeting reporting requirements is a resource-intensive task. It demands local market expertise from trained professionals.

Our regional network is ideally suited to serve large multinationals and international-minded mid-sized companies that need on the ground expertise in multiple jurisdictions. We also have substantial expertise helping fast growing companies that need a tax efficient structure for their first international expansion.

HR & payroll

A complete set of skills, one point of contact within the CEE region. With a solid team of experienced HR and payroll specialists, we are able to successfully support clients throughout Central & Eastern Europe.

We are continuously developing our HR and payroll offering by investing in labour legislation trainings and further growing our people. This means our services are always consistent, provided by a highly trained and motivated team.

Energy crisis and transfer pricing set-up of CEE limited-risk entities

by Vit Fritzsche, Tax Manager, Mazars, Czech Republic,
Liviu Gheorghiu, Tax Director, Mazars, Romania and
Anna Bednarz, Tax Supervisory, Mazars, Poland



Energy crisis and transfer pricing set-up of CEE limited-risk entities

In the Czech Republic, in response to the energy price hike, the Czech General Financial Directorate (GFD) issued before Christmas 2022 a statement on how to take the extraordinary increase in such expenses into account when transfer prices are determined.

The statement is focused on how to take into account the increase in energy costs in the case of limited-risk entities when assessing their profitability (such as contract or custom producers, which usually set transfer prices with regard to other companies in the group based on costs and a markup). According to the GFD, energy costs are undoubtedly included (should be included) in the calculation of the profitability indicator, and the fact that they have increased exceptionally due to the energy crisis does not play a part. In other words, the GFD states that the increase in energy costs itself will not be a sufficient reason for companies not achieving an arm's length profitability.

At the same time, the GFD adds that if the increase in energy prices in a particular sector is so significant that it cannot be fully reflected in product prices, it will be reflected in a decline in the profitability achieved by

comparable independent companies, since these independent companies, are also burdened with fluctuations in energy prices. In the GFD's opinion, there is no reason to change the way prices are established between related entities due to the extraordinary increase in energy prices, as this will result in a decline in the profitability on the market, from which the profit mark-up used for determination of transfer prices between related companies within the group is derived. The regularly updated benchmarks prepared to derive arm's length profitability will therefore play a key role in determining and subsequently documenting compliance with the arm's length principle in the context of the GFD's opinions presented.

Thus, in this context, an increased number of tax audits concerning the years affected by the energy crisis (starting in 2022) can be expected in the future, focusing on limited-risk entities with a loss or a significant decline in profitability. We, therefore, recommend that the subject of transfer prices should receive special attention and that the transfer prices applied in 2022 should be verified in a timely manner in the context of the opinions presented.

Energy crisis and transfer pricing set-up of CEE limited-risk entities

In Romania, the tax authorities have not yet published guidance on how to deal with the effects of the energy crisis from a transfer pricing perspective.

The increase in energy prices has a significant impact on the cost structure of limited-risk entities and manufacturing entities in particular. Considering the OECD Guidelines, limited risk entities may incur losses in certain instances, depending on the nature of risks assume and market conditions. The Transfer Pricing analysis should consider 2022 extraordinary market conditions. So, in principle, Transfer Pricing models established under normal market conditions may need to be updated.

We assume that the prudent approach from a Romanian perspective would be for the group to compensate for the increase in direct (production) costs, including energy prices, so the local entity would be able to reach the targeted profitability.

We expect Romanian tax authorities to continue to apply an aggressive approach towards loss-making companies, even if companies will have mitigating circumstances to support losses.

In addition, we expect authorities

to challenge cases where losses registered at group level will be allocated to Romanian limited-risk entities.

Even though up-to-date benchmarking analysis shall be the key evidence in cases of disputes with Romanian tax authorities in such cases, we see practical obstacles in the ability to reflect the decreased profitability derived from updated benchmarks in price settings between related entities.

Firstly, the financial data to reflect the impact in 2022 or 2023 will be available in specialised databases at least one year after the transactions take place which makes it difficult for the company to establish an arm's length price on an ex-ante basis.

Secondly, the need for country local comparables will increase, since EU countries have taken different measures to tackle the problem, which creates important differences between each market, making Pan-European benchmarks inefficient.

However, local comparables are not always available, especially in the group-dominated energy sector.

In Poland, the tax authorities/ Polish Ministry of Finance so far did not publish any guidelines / commentary relating to transfer

Energy crisis and transfer pricing set-up of CEE limited-risk entities

prices in the context of the currently observed increase in energy prices.

Nevertheless, Transfer Pricing Forum, a consultative and advisory team supporting the Ministry of Finance with regard to the transfer pricing issues, prepared a draft recommendation: Impact of crisis factors on transfer prices - continuation of work on recommendations in the field the impact of the COVID-19 pandemic with the extension to the current one economic and geopolitical situation, published in December 2022.

Recommendations concentrate on principles of applying transfer pricing in the light of the crisis factors as well as impact of the occurrence of crisis factors on profitability and justification of the level achieved profitability.

Taking into account the above-mentioned document, we are of the opinion that the approach presented by Czech fiscal authorities (GFD) regarding

transfer pricing calculations of limited-risk entities is applicable also in Poland.

Due to the unfavorable market conditions related not only to the energy crisis but also to the war in Ukraine, rising inflation and Covid pandemic consequences,

many Polish taxpayers incurred tax losses or significant decline in profitability, which will trigger in the near future the intensification of tax audits, especially in the case of previously profitable limited-risk entities. Therefore, the periodical analysis of the adopted transfer pricing model in light of the current market conditions is highly recommended.

According to Polish tax provisions benchmarking analysis should be updated at least every three years unless the change in the economic environment significantly affects the results of the analysis. Bearing in mind the changes currently taking place in many market sectors, updates of benchmarking studies corresponding to these changes should be prepared to build a defense in the event of a potential tax audit.



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How top companies run international payroll in the ever-changing business environment

by Jana Boštíková, Outsourcing HR & Payroll Leader, Mazars in CEE and

Ioana Vlad-Rădulescu, International Payroll and Compliance Director, Mazars



How top companies run international payroll in the ever-changing business environment

Business relationships are more than just client-supplier interactions meant to solve everyday tasks and challenges. Most of the time, the quality of these partnerships reflects on the aftermath and drives impact on the company's final achievements. This makes the way to choose the right business partner a highly important journey, one that requires a few key factors to identify the best company to join forces with.

When talking about payroll, the situation is no different. Clients look for a true partner to entrust their payroll processing with and always rest assured that their business is error-free in terms of employee payments, both on time and in an accurate manner.

Alongside the processing aspect, companies look for expert advice at hand, whenever the situation implies, and in multiple locations around the world.

To further uncover what the business leaders' needs are in terms of payroll partners and how they choose the right one, we have looked inside our own company and discussed with our experts, Jana Boščíková, Head of Payroll Department, Mazars in Czech Republic, Outsourcing HR & Payroll Leader, Mazars in CEE

and Ioana Vlad-Rădulescu, International Payroll and Compliance Director, Mazars.

What should we understand by international payroll and what are the benefits of cross-country collaboration?

Payroll is typically one of the first services a company needs when entering new markets in the international background. Thus, the overall payroll journey is similar to this business line's long history within our organisation as well.

In terms of coverage, only two-three years ago, payroll used to represent roughly 30% of Mazars' total outsourcing service line revenues. However, in the last couple of years, there has been a spike in the demand for international payroll services, which now represents approximately half of Mazars' global outsourcing revenues, which makes it the core outsourced service at the moment.

Ioana Vlad-Rădulescu:

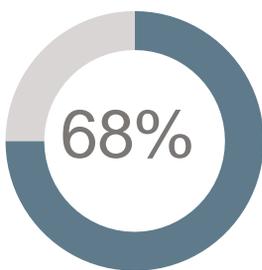
Responding to this rising outsourcing demand, how we conducted our day-to-day work was our top priority. Hence, we had to look back at literally everything inside our processes, from identifying what is our

How top companies run international payroll in the ever-changing business environment

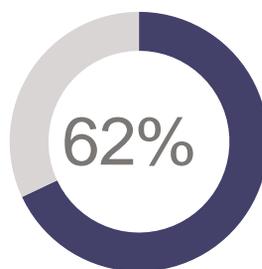
staffing model to what part of the big, international HR and payroll market we play a key role in and act on it.

This analysis provided valuable insights that helped us understand how to better serve our clients in a one-stop-shop approach, and also decide what is the best technology mix to empower our expertise.

In this respect, in CEE, for example, our latest C-suite Barometer showed that leaders are looking to transform their businesses with the help of technology-driven solutions and also through sustainability-centered approaches, so these elements became a must-have in our strategy as well.



Two thirds expect their business to go through a technology transformation in the next three to five years.



Businesses consider a transformation in their sustainability strategy in the coming three to five years likely.

Jana Boštíková: Cross-country collaboration must imply a common payroll strategy, including the right tools for effective communication and data sharing. Building experienced teams of professionals, coordinated by a central management will provide clients with top expertise and better insights, strengthened by international exposure to different payroll challenges.

Teams working in a cross-country environment usually merge the experience and know-how of each individual local context so that innovation can arise and produce the most suitable solutions.

For us as well, while continuing to expand our geographic footprint and serve international companies, our main focus goes on deepening collaboration between cross-country teams. On top of that, we believe that remaining ever-learning and willing to innovatively solve clients' challenges makes our expertise the right asset in international payroll for any company that aims for growth by process optimisations.

From your experience, what does the market need when talking about international payroll?

How top companies run international payroll in the ever-changing business environment

Considering the dynamic context multinational companies are facing and the ever-growing fast-paced business environment, there is a clear need from business leaders to find reliable helping hands they can trust to process their employees' payroll, no matter where in the world they are or where they are about to move next. Expert advice and compliance counselling are also top things organisations are looking for.

Jana Boštíková: We have thousands of clients in international payroll and what they needed the most in these challenging times was a perfectly managed local payroll and tax compliance. Coming in second, but equally valuable was the efficient communication flows and secure data exchange powered by the latest technology, that allowed companies to implement optimised processes.

And then, maybe the most important need mentioned by the organisations we work with is the mutual trust between clients and providers, which seems to be a pivotal point in payroll today, as our Trust equation series revealed multiple times. Leading by example, with authenticity and transparency becomes essential, especially when most

communications are made halfway around the world using modern technology.

We choose to build our relationships with our business partners on these specific factors and make sure they are always at top-notch levels.

For us, the importance of personal relationships is an aspect that really adds value to the way we do our work.

Ioana Vlad-Rădulescu: As Jana also mentioned, companies express a need for top-notch compliance, that gives them the peace of mind that they always operate correctly in each country, under full international compliance.

In our case, a dedicated outsourced team will successfully back up the cross-country payroll processes, according to the given legislature.

Furthermore, we can see a need for multiple market coverage, while offering standardisation and centralised processes at the same time. For example, our cross-country consulting teams are certified experts, highly skilled in advising on international laws and legislation, always ready to steer clients in the right direction. As an integrated service provider,

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we offer clients access to a pool of resources in legal, tax, global mobility, financial advisory and many more business areas.

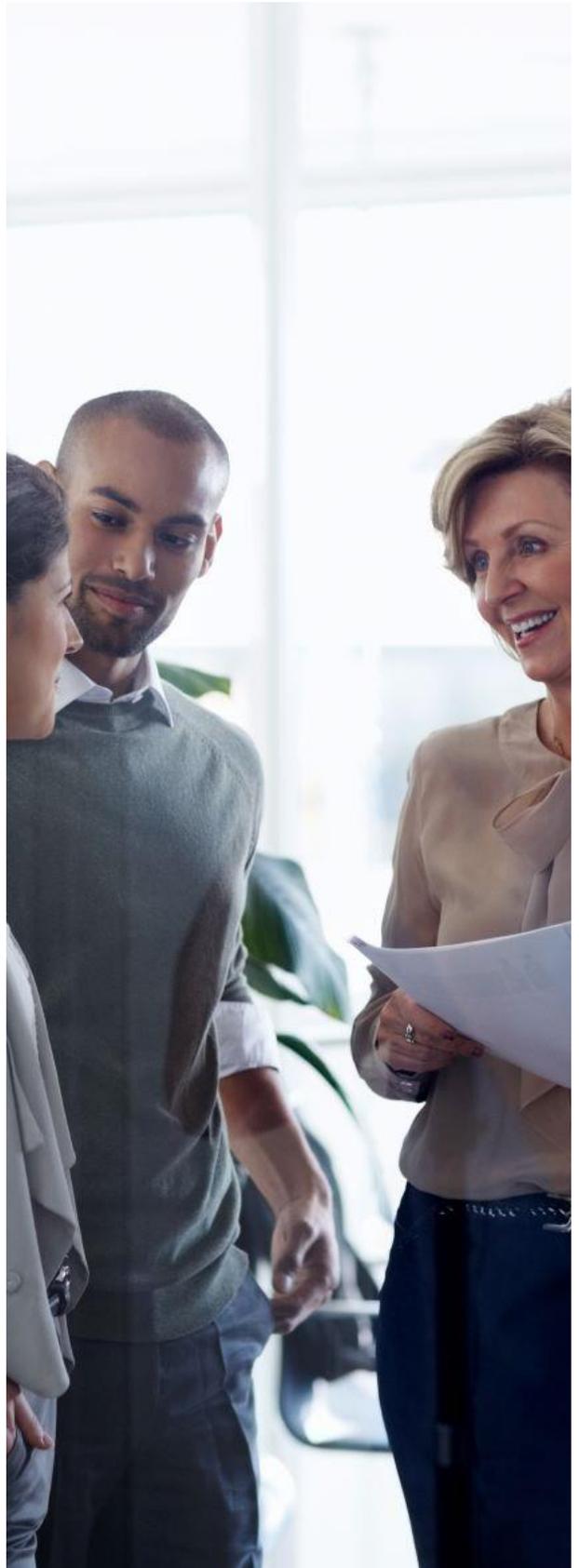
Can you share with us some examples of deep legislative changes in CEE that impact payroll?

As the economic and political international context continues to be shaken, the CEE region also undergoes profound instability. Inflation and the energy crisis calls for special measures from the governments across the globe. In CEE, a handful of legislative changes have been implemented as well, in order to swamp inflation and help families in need pay the rising energy bills.

Jana Boštíková: One example I want to focus on is the inflation cushioning measures taken by the governments.

In general, as a result of inflation, all wages (statutory minimum wages, collective labour agreement wages, etc.) have risen or will rise next year in most countries across Europe.

Almost the same situation applies to the CEE region, but here it is more a question of whether employers will be able to respond by raising wages.



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In the Czech Republic, for example, minimum wage increases have only just begun to be discussed, and it is hard to know when approval and implementation can be actually expected.

Also in the Czech Republic a one-off contribution was paid in September 2022 to help families with children, in the amount of EUR 200 per child.

In Romania, the government has introduced a relief package to mitigate the impact on both, employers, and other economic entities that are faced with reduced production as a result of the economic crisis at the international level generated by the increase in inflation and the decrease in purchasing power. The measures imply continued granting of the allowance of 75% of the monthly gross base salary related to the reduced working hours, to the employees who are affected by the decision to reduce the working time with no more than 80% of the daily, weekly, or monthly duration provided for in the individual employment contract.

Ioana Vlad-Rădulescu: Since Jana mentioned inflation, which was one of the most discussed topics lately, I would like to talk

about the energy aids as legislative measures meant to help people pay their increased energy bills.

In Spain, there has been applied a new package of measures in response to the rising energy prices in the amount of 3,000 M€ to protect citizens. 40% of households received an aid for families with centralized natural gas boilers, the electricity social voucher has been reinforced and the thermal social voucher benefitted from improvements.

In The Netherlands, the Dutch government has taken multiple measures to cushion the energy crisis, such as: lowering the energy tax on electricity, increasing the energy tax refund and lowering the VAT on gas and electricity. Additionally, households with an income around the social minimum are viable for extra financial support to compensate for the high energy prices.

The Dutch government is also working on an energy support package for companies.

Jana Boštíková: Adding to Ioana's energy highlights, in the Czech Republic there was a capping energy price implemented.

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According to this new measure, households and small businesses will pay a maximum of CZK 6, the equivalent of 0,24 EUR for 1 kWh of electricity, and CZK 3, the equivalent of 0,12 EUR for 1 kWh of gas.

In Slovenia, there has been implemented a law in the field of value-added tax to mitigate the increase in energy prices.

The government has decided to reduce the VAT on energy products from 22% to 9.5% for all users, both household and business consumers. The measure will apply for the current heating season, from 1 September to 31 May next year.

As all international outlooks seem to be quite unpredictable, the importance of suitable measures from governments around the world and experts to interpret and correctly apply them, both locally and internationally, becomes of the essence.

Good, old-fashioned values such as authenticity and trust resurface, and come to the forefront in the help of building a better business framework for tomorrow.

Furthermore, sustainable choices when partnering with the right payroll provider comes with long term benefits, so this particular joint journey is a quite important one.



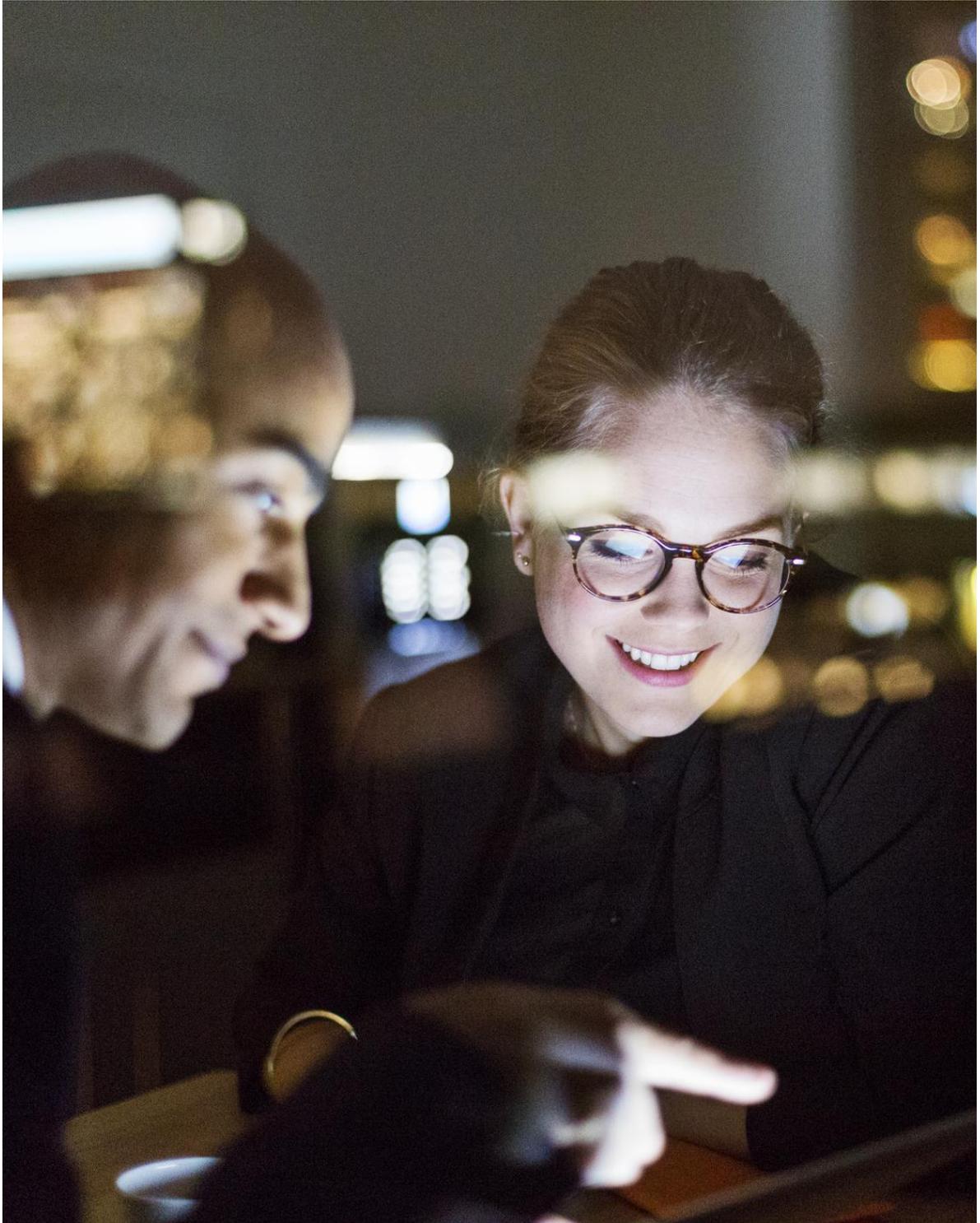
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News from the CEE countries

Albania, Austria, Croatia, Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia, Ukraine



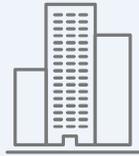
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2000+
professionals



57
partners



26
offices



20+
countries

The overview of the most important tax and payroll insights from Central and Eastern Europe will help you navigate more efficiently through the changes that occur in the following countries: Austria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia, and Ukraine.

Learn about all the updates below.



Albania

- Changes to the minimum wage for social contribution purposes.
- Maximum wage changes, as it is indexed by the same amount for the effect of calculating social contributions.

[Read more](#) about the updates.

News from the CEE countries



Austria

- BEPS 2.0: Global minimum taxation, the fight against undesirable tax practices.
- Further benefits for the purchase of e-vehicles from 2023 onwards.
- Tax innovations 2023, new benefits for investments, and tax reductions.
- AFRAC Technical Note relating to the Accounting of the Energy Cost Subsidy and the Recovery of COVID-19 Aid.

[Read more](#) about all the updates.



Croatia

- Law on Extra Profit Tax, applicable under two conditions.
- Contribution base for compulsory insurance for 2023.
- Interest rate on loans between related parties for 2023 (safe harbour rule).

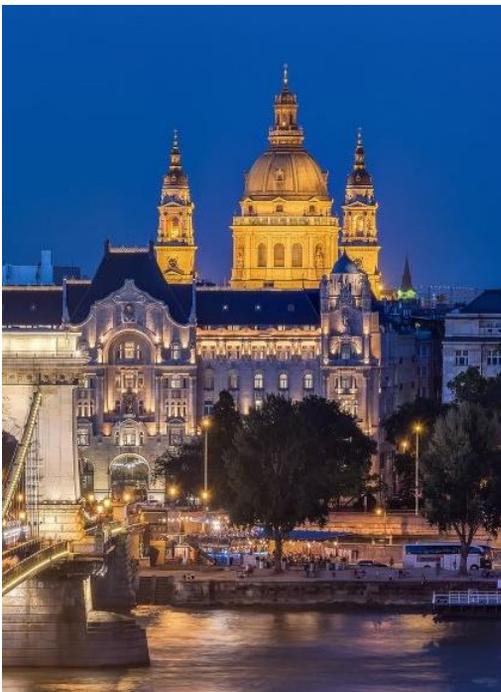
[Read more](#) about all the updates.

News from the CEE countries



Czech Republic

- Tax deductibility of interest on an acquisition loan. [Read more.](#)
- The payment of a profit share concealed by the sale of shares. [Read more.](#)
- Tax (non)deductibility of re-invoicing expenses. [Read more.](#)
- Donations provided in 2023 in connection to the military conflict on the territory of Ukraine. [Read more.](#)
- Changes in the waiving of fines for control statement and tax sanctions. [Read more.](#)



Hungary

- Extended producer responsibility fee, alongside the environmental product charge. [Read more.](#)
- New transfer pricing disclosure form now available. [Read more.](#)
- “SZÉP” Card Guide, user terms and tax rules applicable to the Széchenyi Recreation Card. [Read more.](#)
- Changes in the rules concerning the extra profit taxes. [Read more.](#)

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Poland

- E-invoices via KSeF entry into force postponed to July 2024. [Read more.](#)
- Research and Development relief package. [Read more.](#)
- The deadline for publishing the 2021 tax strategy ended. [Read more.](#)
- Change in the provisions on the documentation obligation in the field of transfer pricing. [Read more.](#)
- Mazars HR-Pedia, a dedicated guide with HR and payroll obligations for employers. [Read more.](#)



Romania

- Fiscal updates to the Tax Code and VAT procedures. [Read more.](#)
- Fiscal Code changes. [Read more.](#)
- New amendments to the Tax Procedure Code. [Read more.](#)
- News regarding recycled plastic, Environmental Fund, Circular Economy, and Sanitation Law. [Read more.](#)
- Main amendments of legislation in the employment area for 2023. [Read more.](#)
- Legislative changes on Accounting Law. [Read more.](#)

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Serbia

- Transfer prices adjustment concept. [Read more.](#)
- Amendments to the VAT rulebook and other important amendments. [Read more.](#)



Slovakia

- Amendment to the Accounting Act - report on income tax information. [Read more.](#)
- The Amendment to the Slovak VAT Act. [Read more.](#)
- Changes in the Slovak Income Tax Act. [Read more.](#)
- New Guidelines of the Ministry of Finance on the content of transfer pricing documentation. [Read more.](#)
- Approaching deadlines for Annual tax settlement. [Read more.](#)

News from the CEE countries



Slovenia

- Significant amendments to the Income Tax Act.
- New DAC7 reporting obligations for operators of digital platforms.
- Raise of the minimum wage by 12%.
- Sale of own share in 2023.
- Supreme Court ruling: IPS workers vs. Luka Koper.
- Amendments to the Excise Duties Act.
[Read more](#) about all the updates.



Ukraine

- New types of Transfer Pricing reporting. [Read more.](#)
- Important changes in the special tax regime of Diia.City. [Read more.](#)
- Renewal of certain tax audits during martial law.
- New procedure for confirming the status of a tax resident of Ukraine. [Read more.](#)

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 95 countries and territories around the world, we draw on the expertise of more than 47,000 professionals – 30,000+ in Mazars' integrated partnership and 17,000+ via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws

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