



CEE Tax & Payroll Newsletter

June 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: Austria, Croatia, Czech Republic, Hungary, Poland, Romania, 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.

Navigating new norms: tax trends and regulations in Europe for 2023

by Dániel H. Nagy, Partner, Head of Tax and Legal Services,
Mazars, Hungary



Navigating new norms: tax trends and regulations in Europe for 2023

In an era of globalisation and digitisation, understanding taxation trends and regulations is paramount. Mazars recently released the eleventh edition of the [CEE Tax Guide](#), a comprehensive resource that explores tax trends and regulations across 25 Central and Eastern European and Central Asian countries, giving an essential glimpse into the changing dynamics of taxation in the region.

As businesses and governments navigate the changing tax landscape, the CEE Tax Guide serves as a trusted resource, equipping professionals with the necessary knowledge and analysis to make informed decisions. From understanding different tax regimes to navigating corporate profit taxation, employment taxes, wage levels, and sales taxes, the guide provides a comprehensive overview of the intricacies involved. By staying informed and adapting to evolving tax policies, businesses can ensure successful compliance and effectively plan for the future.

It is worth noting that Mazars' CEE Tax Guide, initially published in 2013 with content from only 15 countries, has significantly

expanded its reach to now encompass materials from 25 countries.

This expansion is a testament to the regional cooperation fostered by the coordinated and efficient collaboration among Mazars offices across more than 20 countries. This same efficiency is visible in Mazars' ability to address specific professional inquiries and undertake regional projects, further exemplifying their expertise in the field.

This year's guide charts a complex tax landscape, featuring a significant upward trend in minimum and average wages and the conclusion of reductions in wage-related taxes and social contributions. As tax policies continue to evolve, companies and countries must adapt and plan accordingly to thrive.

Central to the unfolding tax narrative in Europe is the global minimum tax. The European Union's concerted efforts to stem harmful tax competition have led to the planned incorporation of this new tax law into national legislation by the end of the year. The 15% global minimum corporate tax rate, set to be implemented in 2024, presents a new reality that countries and corporations must prepare for.

Navigating new norms: tax trends and regulations in Europe for 2023

Dr. Dániel H. Nagy, Partner and Head of Tax at Mazars, Hungary, highlighted the significance of this global shift: "Unveiling the CEE Tax Guide now couldn't be more timely. In light of the impending 15% global minimum corporate tax rate set for 2024, it is essential for countries and corporations alike to comprehend the vast legislative adjustments and prepare accordingly."

The guide provides an overview of tax regimes across various countries, including Central and South-Eastern Europe, Germany, Austria, Moldova, Ukraine, the Baltic States, and, for the first time, Central Asian countries such as Kazakhstan, Kyrgyzstan, and Uzbekistan.

It offers valuable insights into corporate profit taxation, which exhibits significant variations throughout the region, with average tax rates ranging between 15% and 20%.

While Austria reduced its tax rate from 25% to 24% in 2022, Hungary maintains the lowest rate at 9%, although some sectors may be subject to tax rates on profits as high as 50%.

In the ever-changing tax landscape, digital technology plays a crucial role in transforming the taxation realm,

particularly in value-added tax(VAT) collection.

Hungary and Croatia have embraced digital solutions to streamline their high-standard VAT rates, showcasing the impact of technology in enhancing efficiency and combating tax evasion.

"Digital solutions have proven integral in combating tax evasion and abuse, and this will only become more important as we move forward", stated Dr. H. Nagy.

While the momentum towards lower income and employment taxes has slowed in 2023, there are still marked differences across European countries. Employers' social taxes and contributions vary significantly, averaging around 16% of gross wages but displaying considerable variation from country to country.

Sales taxes provide an interesting perspective within the tax landscape.

The standard VAT rates average around 20%, with notable exceptions.

Hungary and Croatia stand out with their standard VAT rates of 27% and 25%, respectively, which are exceptionally high.

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Moreover, the trends in employment taxes reveal noteworthy variations across European countries.

The trend towards lower taxes and contributions on income and employment has essentially halted in 2023.

Different countries apply different taxation principles, with some maintaining a single income tax rate (e.g., Hungary, Bulgaria, Romania, and Ukraine) and others adopting progressive taxation (e.g., Austria, Germany, Slovenia, Croatia, and Slovakia). Employers' social taxes and contributions also differ significantly, ranging from less than 5% in Romania to over 30% in Slovakia.

When examining wage levels, it becomes evident that there are considerable disparities across countries.

The minimum wage ranges from around €200 in Kosovo and Moldova to over €2000 in Slovenia, Germany, and Austria.

Despite high inflation rates, the average private sector wage level in euro terms has only seen a modest increase of around 5% over the past year.



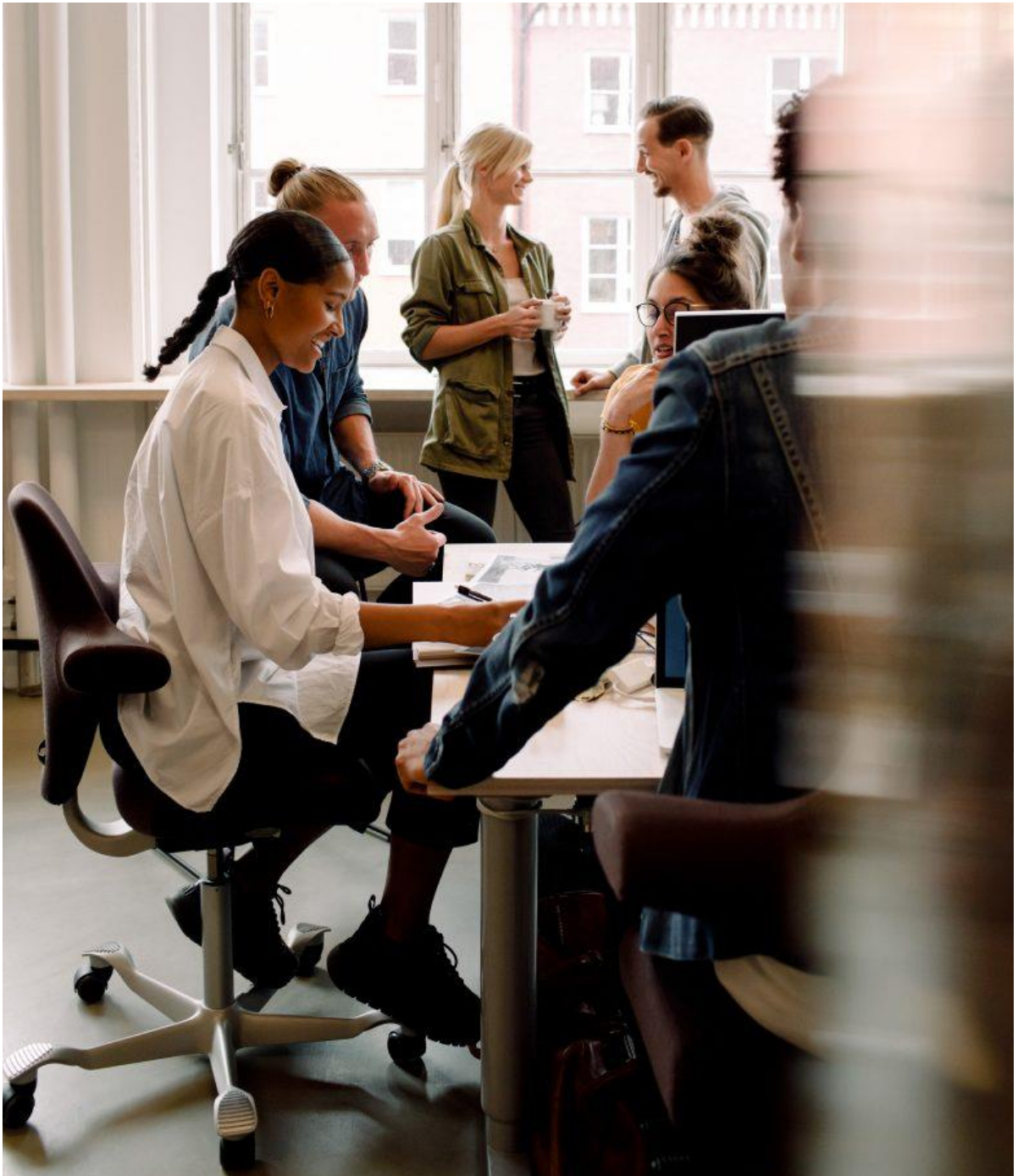
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More than a payroll market trend, digitisation continues to shape the way we work, how we get paid for it, and everything in between

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and

Ton Meesters, Partner, Outsourcing and Payroll, Mazars, Netherlands



More than a market trend, digitisation continues to shape the way we work, how we get paid, and everything in between

Companies today operate in dynamic markets and conditions, ones that require highly adaptable actions to maintain the balance.

New needs and trends are emerging as the ever-changing business environment is becoming even more demanding. Each year, the ways of communication, business goals, and security matters push the bar and dictate the way in setting priorities.

Maintaining a constant flow of information, access to data, and keeping the efficiency of employees high can all be considered a real challenge, connected to the strategy of organisations as well as to the systems and tools.

As a consequence, the automation of processes and solutions is required. Digitisation allows the conversion of analog processes and objects into their digital counterparts.

Thanks to it and complementary modern technologies, anything on paper can become available digitally. This is the reason why it continues to remain a big trend in business.

Why should payroll departments go digital in the current market

In HR and payroll, the digitisation

of processes adds value by creating qualitative communication with employees and drives innovation by automating, saving hours of work and data. Thus, it needs to be a mandatory part of the strategy followed by the payroll departments.

To take an example, each time a new colleague is hired, multiple sets of information have to be collected. If not done in a structured way, important data can be lost or forgotten during the process. This creates discomfort for the new employee and the systems are filled with half or incorrect information.

It is therefore essential to automate the paper processes in those situations, as well as storing and using data during the entire employment cycle.

Technology and other complementary factors that support digitisation

It is worth noting that IT systems supporting HR and payroll processes are as good as the data they store and information, as well as indicators concerning salaries, turnover, absences, vacation reserves or employment costs, can be analysed, reported, and monitored on an on-going basis.

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Both technological and organisational innovative solutions help counteract issues of the organisation and HR departments by, for example, handing over selected HR processes to external providers, so choosing to contract outsourcing services.

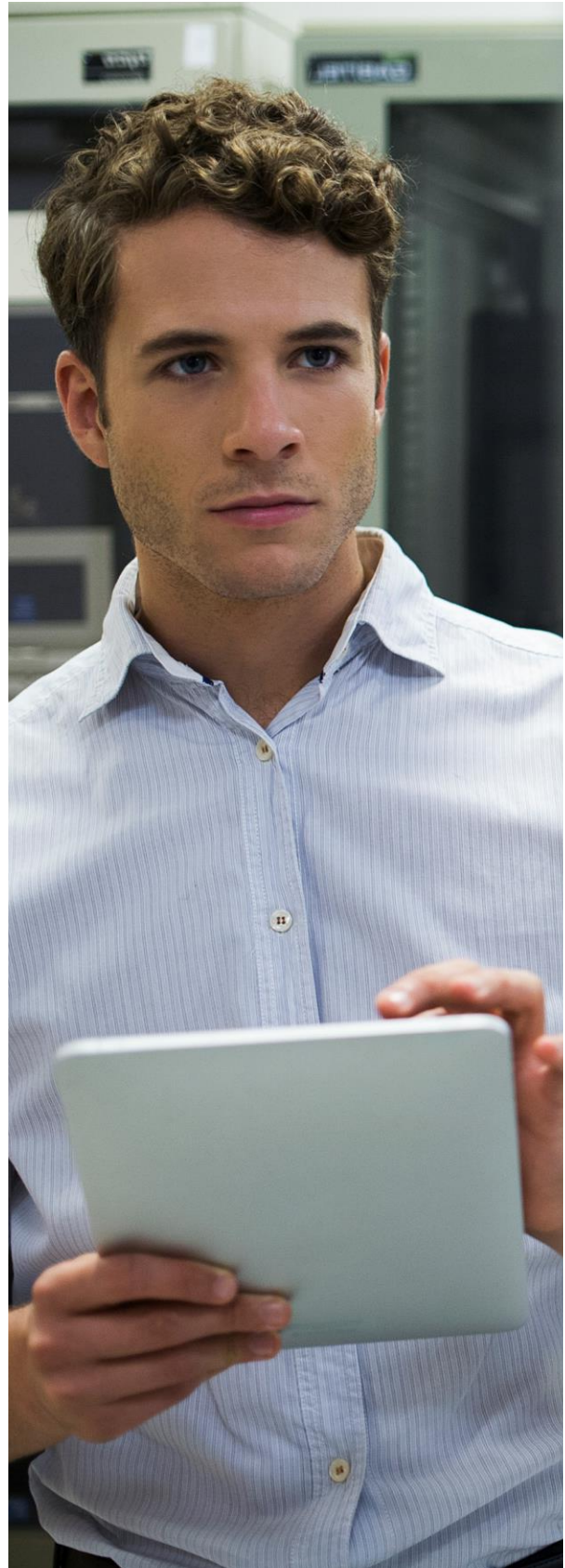
Such models of cooperation favour time optimisation and boost the efficiency of internal HR teams. External providers take over a certain range of activities and are responsible for ongoing support and updates of systems and software, bringing them up to date with the current legislative policies and ensuring the teams are provided with content-based and expert knowledge.

The main advantages of digitisation in payroll companies should know about

On top of process automation and centralised data management, HR digitisation and having workflow processes in place translate into cost optimisation.

At the same time, organisations are becoming more environment-friendly, as paper, printers, and toners are now used to a limited extent.

Moreover, using tools, systems, and applications improves the



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work quality of managers and employees, for example, through the implementation of the electronic circulation of information and e-applications. The latter can relate to absences, working hours, or changes to personal data.

Digitising all processes in and around the payroll administration allows a good grip on all important steps for new hires, as well. Personal data is prevented from being lost and the payroll administration has all the data in order.

At the same time, new colleagues are well-informed, and they know where they stand at every stage.

Currently, platforms provide employees with access to data and information regarding remuneration or annual PIT returns. Such an approach enables managers to access information on working hours, employment conditions, absences, OHS trainings, or medical examinations of their team members more easily, this being especially noteworthy in companies of a dispersed structure.

Automation of processes and implementation of new functions are not only time-saving but also reduce the financial efforts of the

company in a given period and allow access to data and information of improved quality.

Software providers also offer solutions enabling participation in HR processes through a digital execution of documents, which are automatically stored in electronic employee files. This solution is fully compliant with the law

Furthermore, digitisation creates and maintains the opportunity for remote work or the hybrid model which guarantees continuity in HR and payroll processes, regulations, and deadlines being safeguarded. Digitisation of this area makes the flow of information much more efficient. For example, experts can import data from Excel spreadsheets to the HR system both automatically and in bulk.

The above-mentioned functionalities of the software, especially during the pandemic, proved to be extremely effective.

Another good example is digitising the signature processes. A digital signature ensures more flexibility and allows for more new employment contracts, hire agreements, and documents to be signed quickly and easily. If this is combined with a fully digital file, it provides employees and

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clients the option to access their payslips, employment contracts, hire agreements, and other documents at any given time and from any location in the world.

Centralised automated processes provide employees with the opportunity to easily arrange matters such as leave, days off, and benefits for themselves. They can also manage the onboarding and offboarding procedure for colleagues. Digitisation adds structure to the processes surrounding personnel administration, and employees will experience easy access to their personal data, increasing satisfaction at the workplace.

Steps to consider before pursuing the path of digitisation

Before automating all processes, a clear structure and organisation of the payroll administration and related HR processes is needed. It, therefore, starts with mapping out all the processes involved in calculating the emoluments of the salaries. These processes are then translated into the HR and payroll system. This creates a protected and organised structure, where everything is online, in one place, and easy accessible, while also preserving the history of the past documents



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and activities. As a result, both the employer and the employee, each in their own environment, have the opportunity to quickly consult all data. This includes the employment contract, the various elements of the salary, the leave registration, but also other information, such as the way in which the employee travels to the workplace.

Transformation stages in the process of digitisation

Once a comprehensive approach that improves efficiency, automation, and accessibility to data relevant to HR and the whole organization is assumed, there are several consecutive stages of transformation that can be singled out.

The most important stage of digitisation in terms of HR and payroll processes is the analysis of needs, expectations, and opportunities.

This is followed by a verification of the current state, identification of the target course and the HR model processes as well as creation of an estimated activities schedule.

The next stage relies on implementation, functionality trainings, testing, and moving the accepted solution to production.

Analytical work is a key factor for the success of the entire mechanism of HR processes' digitisation.

Therefore, among the most crucial benefits of digitisation of HR and payroll processes, we can include: an improved flow of information, faster access to data with the possibility of analysing and monitoring them, security of processed data, more agile execution of tasks as well as improved communication and document logistics.

Modern solutions of automation and transformation are worth investing in, as digitisation of HR processes is not just a popular trend, it is the future. Professional outsourcing companies operating in the market should respond to the needs and business requirements by introducing modern systems and software, all adapted to current legislation and expertise.



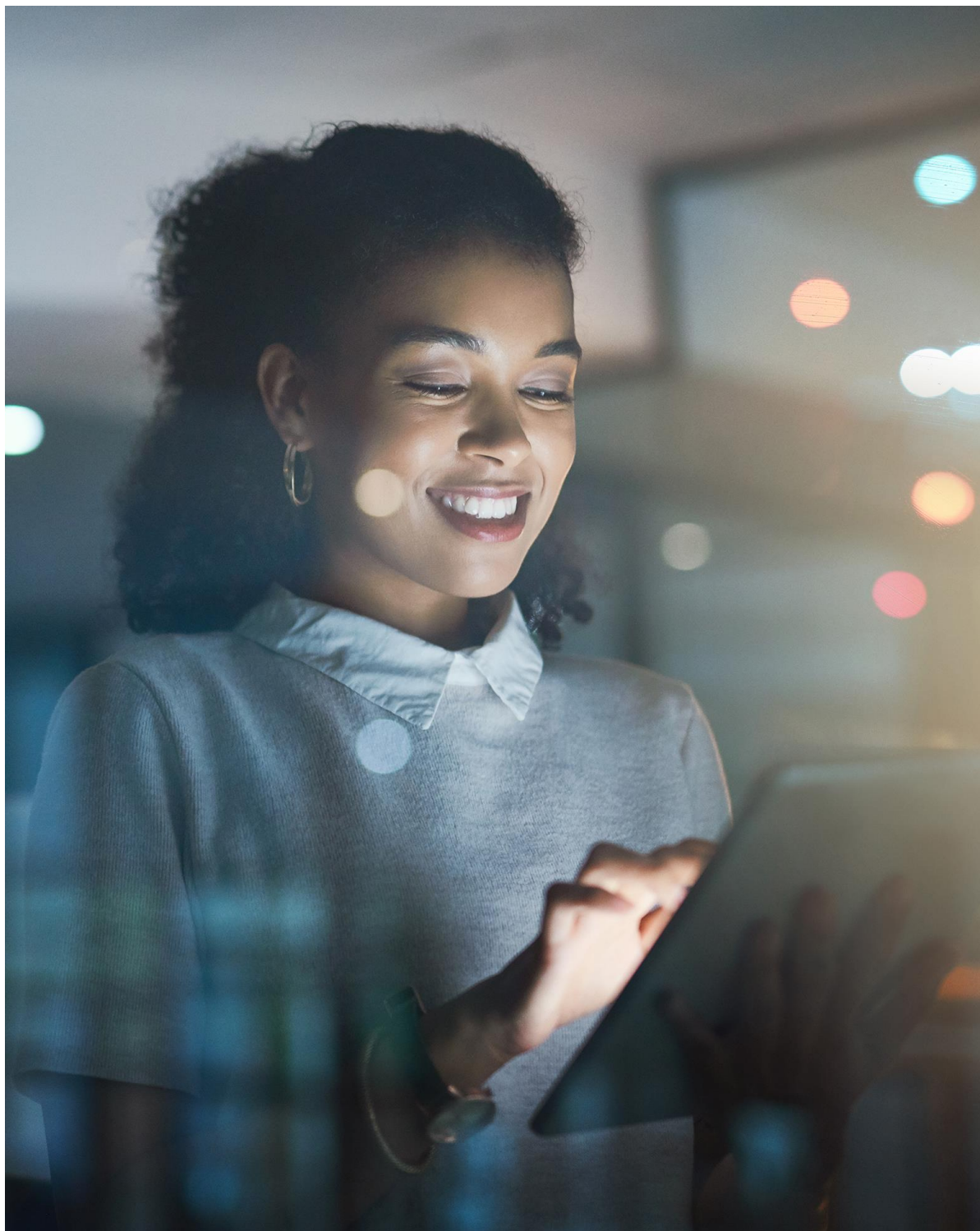
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News from the CEE countries

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



News from the CEE countries



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.



Austria

- ESRS: acting on the basis of the European Sustainability Reporting Standards.
 - Self-check for energy cost flat rate.
 - Social insurance & cross-border telework.
 - Review Draft of the Tax Amendment Act 2023.
 - Refund of foreign withholding tax.
 - The new EU reorganisation law.
- [Read more](#) about the updates.

News from the CEE countries



Croatia

- Act on amendments to the Value Added Tax Law. [Read more.](#)
- Salary and receipts of workers based on the employment relationship. [Read more.](#)



Czech Republic

- Government consolidation package of measures. [Read more.](#)
- European Commission's 'VAT in the digital age' action plan (hereinafter as 'ViDA') and changes. [Read more.](#)
- Planned changes in the field of VAT for immovable property. [Read more.](#)
- Transfer pricing controls on the rise again. [Read more.](#)
- The Constitutional Court's call on the case of a tax administrator who used police camera recordings to challenge the logbook. [Read more.](#)

News from the CEE countries



Hungary

- Announcement of EPR fees and the effects on environmental product charge. [Read more.](#)
- The windfall tax to remain in effect. [Read more.](#)
- Changes in the rules concerning the reimbursement of commuting expenses. [Read more.](#)
- The audit plan of the Hungarian Tax and Customs Administration (HTCA) for 2023. [Read more.](#)



Poland

- Mandatory e-invoices system (KSeF) updates. [Read more.](#)
- Facilitation Package for Entrepreneurs.
- Amendments to the Labour Code.
- Cancellation of the state of epidemic emergency as of 1 July 2023.
- Changes in the regulation on employee documentation. [Read more](#) about all the updates.

News from the CEE countries



Romania

- Preventing and combating tax evasion. [Read more.](#)
- New VAT-exempt transactions. [Read more.](#)
- Tax amnesty for gift vouchers granted by companies to the employees of business partners. [Read more.](#)
- Amendments to the social dialogue Law and to the Law regarding Labor Code.
- New obligations for employers in salary transparency and equal pay. [Read more](#) about all the updates.



Slovakia

- Minimum value of meal voucher updates.
- Domestic business trip coverage changes.
- Wage benefits changes related to the value and the method of calculation.
- Transition to Electronic sick leave ("ePN").
- Meal subsidy and child tax bonus correlation. [Read more](#) about all the updates.

News from the CEE countries



Slovenia

- Approval of detailed recording of working time by the National Assembly.
- Adoption of a new Act on transnational provision of services.
- Excise Movement and Control System (EMCS).
- Expiry of the period of reduced VAT rate for energy sources.
- Compensation for using own tools at work and own resources when working from home.

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



Ukraine

- Criteria for companies important for the economy or public needs.
- Law on automatic exchange of information on financial accounts.
- Law introducing electronic residency of Ukraine (e-residency).
- New law on Collective Bargaining Agreements and Contracts.
- Updates to the tax invoice, VAT declaration, and the calculation of tax obligations on VAT.

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

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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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