Forvis Mazars Central and Eastern European tax guide 2024

Contents

Welcome to the CEE tax guide 2024

Welcome to Forvis Mazars' twelfth annual Central and Eastern European tax guide. The main purpose of our brochure is to provide an overview of the tax systems in the CEE region. In recent years, the list of participating countries has continuously expanded: we started out with 15 countries in 2013, and this year's edition now contains data for 25 jurisdictions. Alongside the 'core' Central European countries like Hungary, Czech Republic, Slovakia, and Poland (the so-called Visegrád Group), southeast Europe, Germany, Austria, Ukraine, Romania, Moldova, and the Baltic states are also included. The Forvis Mazars offices in Central Asian countries (Kazakhstan, Kyrgyzstan, and Uzbekistan) have also contributed to the tax guide.

In the first section, the tax systems of the CEE region are presented country-by-country, based on data provided by the relevant Forvis Mazars offices. The end of this guide contains 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 rates of taxes and employment contributions: in addition to listing the relevant tax and contribution rates, we also provide examples for various salary levels and family statuses. Other key factors include 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 such as tax allowances for research and development activities or loss carry-forward regulations, group taxation, interest deduction limitations, etc. Moreover, readers are also provided a quick overview of the main features of each country's transfer pricing regulations.

Before making any strategic business decisions, further discussion and detailed analysis are 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.

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Tax review 2024
An overview of taxation system within CEE

Introduction

We are proud to announce that, thanks to the cooperation of the Forvis Mazars offices, this is now our twelfth publication. This brochure aims to provide current information on taxation in the 22 European states concerned, supplemented by 3 Central Asian countries, effective as of January 2024.
We firmly believe that this publication will help investors understand the complexities of the various CEE tax regimes by highlighting the latest developments and trends characteristic of the tax regimes of the given countries.

Employment Taxes

The tax rates on income and employment show significant differences in the countries in question. Half of the countries apply a flat-rate personal income tax (such as Bulgaria, Hungary, Romania, and Ukraine; ranging between 10 and 20%), while others prefer progressive tax rates (e.g. Austria, Germany, and Slovenia, as well as Croatia and Slovakia) where the upper tax rates are often as high as 50%.

On average, the costs of social taxes and contributions burdening employers in the region is 16% of gross salaries, though significant differences (of over 30 percentage points) are apparent between the lowest employer burdens (Lithuania, Kosovo, and Romania: no more than 5%) and the highest employer contributions (e.g. Austria and Slovakia: around 29 and 36%, respectively) in this case as well. However, this shows only that some jurisdictions prefer to levy payroll taxes on employees rather than on employers, which makes systems hard to compare based on tax rates alone.
A much more suitable method to compare systems is to examine the so-called tax wedge. This is the ratio between the total amount of taxes and contributions paid in connection with employment and the corresponding total labor costs for the employer. The tax wedge shows the percentage of labor costs that, in any form, go to the state budget. In 2024, this indicator varies between 14 and 49%, with an average of 38%. Compared to last year's figure of 36%, this has moved a bit further away from the OECD average of 35%. In the case of EU Member States in the CEE region, the average of 42% can definitely be considered to be high. Of course, due to progressive tax rates, the value may be somewhat lower in the case of lower income rates and higher in the case of higher rates.

All of the above should obviously be evaluated in light of the wage level in the given country, which is the factor where the countries of the region display the most significant spread. While the minimum wage in the Central European countries of Kosovo and Moldova is less than EUR 260 and is around EUR 400-500 in some of the former Yugoslav countries as well as in Albania and Bulgaria, the minimum wage is around EUR 700-1000 in a significant part of the region (Czech Republic, Slovakia, Hungary, Poland, Romania, Greece, Croatia, and the Baltic States). This is still incomparable with the values of Slovenia (EUR 1,250) or those of Germany and Austria (over EUR 2,000). Last year, the average wage level in the private sector, which shows similar differences in the region, increased by an average of 10%. This, of course, shows significant fluctuation between countries, and given the varying level of inflation, its impact is also very different. For instance, in Croatia, Slovenia, Bulgaria, and Poland the increase in average wages (14%, 16%, 17%, and 25% respectively) exceeded the inflation rate (8%, 7%, 9%, and 11% respectively). At the same time, in Hungary the rise of salaries (11%) could not keep up with record-high inflation (17%). In the Czech Republic and Slovakia, inflation-adjusted wages also decreased.

Value-added tax

Due to EU regulations, the rules of value-added tax are harmonized for the most part, and many non-EU Member States are also trying to align themselves with the Community system. However, applicable tax rates show significant differences. In 2024, general tax rates averaged around 20% in the region. The normal VAT rate of 25% and 27%, effective in Croatia and Hungary, respectively, still count as especially high. Examining the reduced tax rates provides an even more diverse image. Many countries have introduced two reduced rates, which is the maximum permitted by Directive 2006/112/EC (VAT Directive).
VAT group taxation is available in Hungary, Austria, Germany, the Czech Republic, Estonia, Latvia, North Macedonia, Poland, Romania, and Slovakia. An increasing number of jurisdictions in the region are implementing new systems to improve compliance and reduce fraud, such as electronic invoicing, online VAT registration and filing, and real-time reporting.
Starting in 2024, Hungary introduced the so called e-VAT system with the aim of making VAT administration easier. Under the new regime, the Tax Authority provides taxpayers with draft VAT statements based on online invoice reporting data.
Poland and Romania have implemented the Standard Audit File for Tax (SAF-T), which is a standardized XML file format for exchanging accounting data between businesses and tax authorities.

Corporate income tax

Various countries emphasize different factors when taxing corporate profit. Countries in the region typically keep the headline CIT rates around 15-22%. The reality is, however, often more complex, as a number of countries, like Poland and Slovakia, also have beneficial tax rates for smaller taxpayers. Although Hungary has the lowest general rate of 9%, it should also be noted that in certain sectors the overall profit tax rate may be as high as 50%.
There is only one country where the profit tax rate has been reduced (in Austria, from 24% to 23%). On the other hand, the rate has gone up to 21 and 22% in the Czech Republic and Slovenia, respectively. The European Union consciously strives to limit the tax race and to prevent the use of the most harmful tax avoidance techniques.
An important tool in this effort was the Anti-Tax Avoidance Directive (ATAD and ATAD II), officially known as Directives (EU) 2016/1164 and 2017/952. The greatest challenge for many EU Member States has been the adoption of these EU rules. For example, as a consequence of the ATAD, the previous rules on thin capitalization were increasingly replaced or supplemented by the method tied to EBITDA-based interest limitation calculation. The standardization of offshore (controlled foreign corporation, CFC) rules can also be traced back to the ATAD. Exit taxation regulations have also appeared in many countries.
Without exception, CEE countries applying traditional corporate taxation allow the carrying forward of losses acquired in previous years and putting them against the positive tax base of later years. This amount can only be used for the purpose during a predetermined period, usually 5 to 7 years, but in some places the limit is set at 3 to 4 years.
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 the light of the provisions of the corresponding tax agreements. However, Latvia and Hungary still do not generally apply withholding taxes on capital income.
In most countries in the CEE region, taxpayers are allowed to prepare an IFRS-based individual financial statement and use it for tax purposes as well. Many CEE countries offer tax incentives to encourage companies to invest in research and development (R&D).
It is good to keep in mind that corporate group taxation is available in Hungary, Austria, Germany, Poland, Romania, Serbia, Bosnia and Herzegovina, and Montenegro.

Finally, it is also interesting to see how governments try to consolidate state budgets during the energy crisis caused by the war in the Ukraine; for example, Hungary and the Czech Republic introduced co-called windfall taxes on specific sectors.

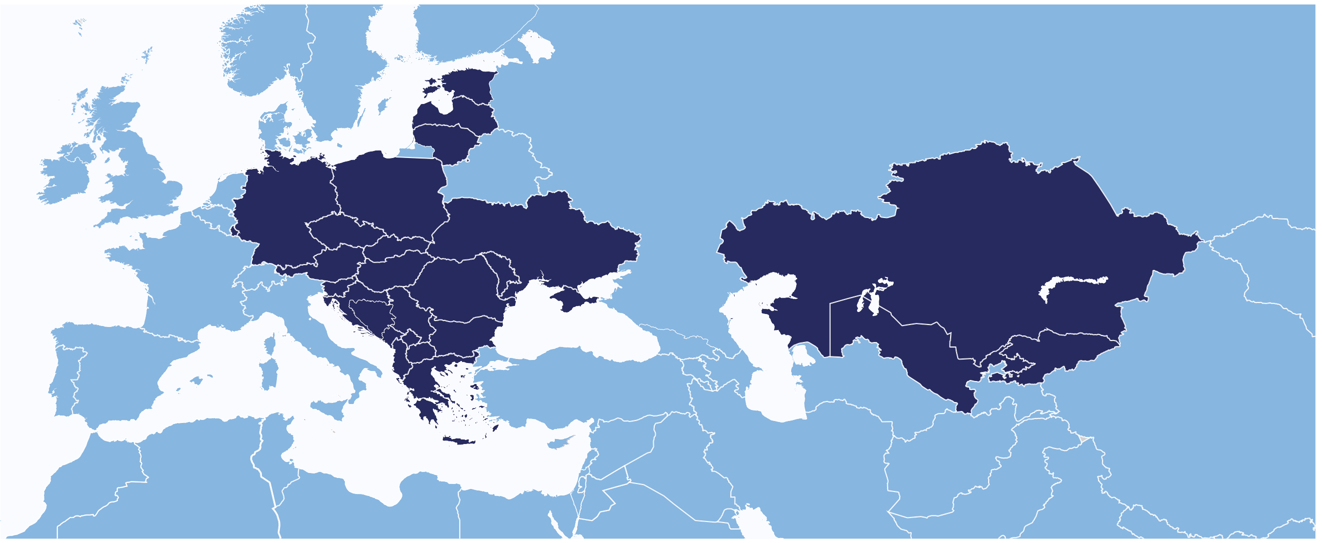
Transfer pricing (TP)

The OECD's BEPS ("Base Erosion and Profit Shifting") initiative drew attention to the fact that tax authorities need to concentrate more on possible cross-border transactions within corporate groups. Transfer pricing regulations had previously appeared in the tax systems of practically all countries. Starting from 2023, Hungarian taxpayers are also obliged to submit a transfer pricing related report as part of their annual corporate income tax return. In addition, taxpayers operating in the CEE region also had to participate actively in the implementation of the CBC reporting system (OECD's "country-by-country reporting"), which promotes transparency by providing local tax authorities with the information necessary for evaluating tax risks. As of 2024, even Moldova has introduced a mandatory TP documentation obligation.

Pillar II (GloBE Minimum Tax)

Right now, the hot topic of international taxation is the introduction of global minimum taxation, based on the so-called Pillar II framework of the G20/OECD. In December 2022 the EU Council adopted EU Directive 2022/2523, on the basis of which EU countries must implement the EU Directive into their domestic legislation. Based on the responses received, this has already happened in eleven countries: Albania, Austria, Bulgaria, Croatia, the Czech Republic, Germany, Hungary, North Macedonia, Romania, Slovakia, and Slovenia.
A set of complicated and interlocked rules were put in place to ensure minimum effective taxation for corporate groups with an annual revenue of at least EUR 750 million. Based on these rules, a so-called "qualifying domestic top-up tax" should be collected if the effective tax rate in a given jurisdiction is below 15%. It is clear that there are increasingly few opportunities for multinational companies to engage in profit-shifting.

Countries included in the publication



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Corporate taxes and other direct taxes

A new income tax was introduced with effect from January 1, 2024. Resident companies are subject to corporate income tax on their worldwide income, while non-resident companies are taxed only on income that is derived from sources in Albania.
The standard Corporate Income Tax is assessed on a current-year basis at the rate of 15%:
A Reduced Corporate Income Tax Rate is applicable for certain specific industries:

- 5% for entities dealing with software and IT development, up to December 31, 2025;
- 5% for entities operating in the automotive industry, up to December 31, 2029;
- 5% for entities performing their activities in accordance with the Law on Entities of Agriculture Collaboration, up to December 31, 2029;
- 5% for entities operating in the agritourism industry, up to December 2029;
- Any entity which operates a 4- or 5-star hotel and that acquires the status of special investor by December 2024 will be exempt from CIT for the first 10 years of their operation.

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 Income Tax Law and other supplementary legal acts. Fiscal losses may be carried forward for up to five consecutive years. The law does not provide for consolidated tax returns. Each company forming part of a group must file a separate tax return.
The gross 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 taxation treaty (DTT) provides for a lower rate.
Albania has established agreements with 43 countries for the avoidance of double taxation. 41 of these have been ratified and are currently in force.
Tax on dividends is 8%.
The customs duty rates range between 0% and 15%, depending on the type of goods and the country of the origin.
Local taxes consist of different categories of taxes.

Transfer pricing in Albania		
Arm's length principle	✓	Since 1998
Documentation liability	✓	Since 2014
APA	✓	Since 2014
Country-by-Country liability	✓	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 holding or controlling 50% or more of shares, or directly or indirectly controlling the other company.
Safe harbors	No	–
Level of attention paid by Tax Authority		8/10

VAT and other indirect taxes

Any person (entity or individual) that makes supplies in the course of an 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 VAT. The obligation to register for VAT purposes and charge VAT is triggered when annual turnover exceeds ALL 10 million (approx. EUR 95,240).

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: 0%, 6% and 20%.

Customs duties in the Republic of Albania are applied by the customs authorities on the import of goods. The liability to pay duty always falls on the importer of the goods and is added to the cost of goods; 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.

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 that are subject to VAT in their own country.
Option for taxation	
letting of real estate	✓
supply of used real estate	No
VAT registration threshold	EUR 95,240/year

This will be possible in the special cases specified in the Ministry of Finance directive. Customs duty rates range between 0% and 15%, depending on the type of goods and the country of the origin.

Personal income tax / Social security system

According to the New Income Law, personal income is categorized in three types of income;

– employment income
Employment income includes wages, salaries, allowances, other compensations, and bonuses derived from employment or similar relations.
The definition of employment income also encompasses income earned by a self-employed individual, if at least 80% of the revenue earned is derived directly or indirectly from a single customer or if at least 90% of the total revenue earned is derived from 2 clients. However, such criteria do not apply if the self-employed individual provides services only to non-tax residents in Albania.
A progressive rate is applicable on employment income; no tax is applied to monthly incomes of up to ALL 50,000; the rate is 13% for income up to ALL 60,000 for the amount over ALL 35,000; 13% for income up to ALL 200,000 for the amount over ALL 30,000. Above that level, ALL 22,100 plus 23% of the amount above ALL 200,000 is payable.

– business income
The income derived from the business activity of self-employed or entrepreneurs is considered as business income and is taxed as such;
Net business income up to ALL 14 million are taxed with 15% personal income tax and 23% personal income tax is applied to net business income over ALL 14 million.
Entrepreneurs and self-employed individuals realizing an annual turnover up to ALL 14 million shall continue to be subject to 0% tax until 2029, with the exception of self-employed individuals providing professional services.

– income from investments is taxed at a flat rate of 15%.
Mandatory social security and health insurance contributions are due on employment income. The social security contribution is calculated based on the monthly gross salary, from a minimum amount of ALL 40,000 (approximately EUR 380) to a maximum amount of ALL 176,416 (approximately EUR 1,680). 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	105	in EUR	in ALL	in EUR	in ALL
		381	40,000	667	70,000
Total wage cost		**445**	**116.70%**	**778**	**116.70%**
Vocational training contribution		-		-	
Social contribution tax		57	15.00%	100	15.00%
Health Insurance contribution		6	1.70%	11	1.70%
Gross salary		**381**	**100.00%**	**667**	**100.00%**
Personal income tax*		-	0.00%	50	13.00%
Employees' social contributions		36	9.50%	63	9.50%
Employees' health contributions		6	1.70%	11	1.70%
Net salary		**338**	**88.80%**	**542**	**81.37%**

* Salary 0–50,000 ALL PIT rate 0%.
Salary 50,001–60,000 ALL PIT rate 13% of the amount over 35,000 ALL.
Salary 60,001–200,000 ALL PIT rate 15% of the amount over 30,000 ALL.
Salary over 200,000 ALL PIT 22,100 ALL + 23% of the amount over 200,000 ALL.

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Corporate taxes and other direct taxes

Under domestic tax laws, corporations are deemed to be tax resident in Austria if they have either their registered seat or their effective place of management in Austria. In this case, the global income of the corporation is generally subject to Austrian corporate income tax. Other corporations are subject to Austrian corporate income tax only on the basis of income generated from Austrian sources. Partnerships are not subject to CIT.
The corporate income tax rate is 23%.
The tax base is generally determined based on the result of the income statement under commercial law, which is then amended insofar as the tax law contains deviating rules (e.g. tax exemptions, restrictions of deductions, or tax-specific valuation rules).
There is a yearly minimum CIT amounting to EUR 3,500 for public companies (AG) and EUR 500 for limited liability companies (GmbH). Any unused minimum amounts can be offset against future CIT payment obligations.

Transfer pricing in Austria		
Arm's length principle	✓	Since 1988
Documentation liability	✓	Since 1988 / extended in 2016
APA	✓	Since 2011
Country-by-Country liability	✓	Every business unit of a CbC-relevant group must submit a notification about the reporting entity.
Master file-local file (OECD BEPS 13) applicable	✓	–
Penalty		
lack of documentation	✓	Up to EUR 50,000
tax shortage	✓	Potential fines according to Tax Criminal Law.
Related parties	> 50%	Persons who 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

Tax losses can be carried forward indefinitely (but only 75% of the profit of a single year can be offset).
Thin capitalization rules (TCR) are in place in accordance with the EU-ATAD (Anti-Tax Avoidance Directive). Further restrictions relate to the deduction of interest paid to intercompany recipients. CFC rules were introduced in accordance with the EU-ATAD.
Some 100 double tax treaties are in place. Withholding tax can be reduced at source to treaty rates or under the EU-Parent-Subsidiary Directive, if formal requirements are met.

VAT and other indirect taxes

The harmonized EU-VAT-system applies. The general rate for the sale of goods and services is 20%. Reduced rates of 10% or 13% apply, for example, for agricultural products, real estate rentals with a residential purpose, entertainment, and art. Many exemptions are in place (e.g. exports, interest, insurance premiums, sale of real estate). Entrepreneurs with annual net sales not exceeding EUR 35,000 are exempt from VAT obligations. Non-residents trading in Austria (B2C) are subject to registration immediately, unless they apply the OSS system (central VAT compliance in their EU-home country). Monthly/quarterly returns are filed electronically, and annual returns must be completed by June 30 of the following year. Companies represented by a tax advisor can have the deadline extended substantially.
Excise for certain alcoholic drinks (e.g. wine, beer), natural gas, oil, coal, etc., in line with the EU system.

VAT options in Austria	Applicable / limits
Distance selling	As of July 1, 2021, the 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, auction (foreclosure) of immovable property.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold**	EUR 35,000/year

* Not applicable for corporate enterprises.
** VAT exemption for domestic small businesses.

Personal income tax / Social security system

According to the domestic tax law, individuals are deemed to be tax resident in Austria if they have their residence or habitual abode in Austria. In this case, the individual's global income is subject to Austrian income tax. Other individuals are subject to tax on income from their Austrian sources.
The term income is specified in the Income Tax Act.
Tax rates are progressive from 0% (for yearly income up to EUR 12,816) to 55% (for yearly income exceeding EUR 1,000,000). Certain allowances are available depending on the taxpayer's family status. Income tax on wages is withheld and directly paid to the tax office by the employer.
Investment income (e.g. interest, dividends, capital gains from investments) is generally subject to a separate tax rate of 27.5%. Capital gains from real estate are subject to a tax rate of 30%.
Certain private expenses are deductible under various conditions (e.g. donations to charities, churches, tax advisory fees, tax losses carried forward).
Partnerships are not subject to income tax themselves. Their profit is subject to either income tax or corporate income tax at the level of the partners.

A compulsory public social security system is in place in Austria.
Social security contributions for employees are partly borne by the employee and partly by the employer.
The base is the gross salary and benefits. A maximum contribution base of EUR 84,840 per year for 2024 applies. Social security contributions amount to 39.05% (18.07% employee and 20.98% employer). Additionally, employers are obliged to pay other payroll-related costs amounting to approximately 8.6%.
For self-employed persons, the same maximum contribution base is used (EUR 84,840 per year for 2024). Social security contributions amount to 26.83%. This insurance covers health insurance, pension insurance and accident insurance. For the first 3 years, lower contribution bases are applicable.
No social security contributions are due for income not exceeding EUR 518.44 per month.

Wage related taxes in Austria	Minimum wage*		Average wage in private sector	
	in EUR		in EUR	
	2,301		4,753**	
Total wage cost	2,979	129.50%	6,155	129.50%
Employer's social security and other contributions***	678,66	29.50%	1,402	29.50%
Gross salary****	2,301	100.00%	4,753	100.00%
Personal income tax	90,08	3.92%	648,17	13.64%
Employees' contributions	367,59	15.98%	852,09	17.93%
Net salary	1,843	80.11%	3,253	68.44%

* Example – employee in the retail business in Austria, 1st professional year.
** Average monthly salary of full time employed persons in Austria in 2021 (yearly remuneration divided by 12 months).
*** In addition to social security contribution to family equalization fund, surcharge, severance payment and municipal taxes are also included here.
**** Monthly gross salary (yearly remuneration divided by 12 months).

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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 simplicity's sake, we will focus on the RS and FBiH.
CIT is set at a flat rate of 10%. A company in the FBiH/RS is considered resident if it is registered as a legal entity in the relevant jurisdiction, or in case its activities in BiH, qualifies as PE. Losses can be carried forward for up to 5 years in all tax jurisdictions. Loss carryback is not permitted. There are no special limitations in the case

Transfer pricing in Bosnia and Herzegovina		
Arm's length principle	✓	Since 1998
Documentation liability	✓	Necessary. Prescribed in the 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 10,226.00-EUR 30,678.00 for legal persons and EUR 2,556.00 – EUR 7,669.00 for responsible person. FBiH: EUR 1,524.00-EUR 50,867 for legal persons and EUR 1,278.00 – EUR 5,113.00 for responsible person.
tax shortage	No	–
Related parties	> 25% (25%)	Direct or indirect control (25% for FBiH, 25% for RS), or a common managing director, or significant influence on decisions – directly or indirectly in the management, control or capital of the other person, etc.
Safe harbors	✓	In FBiH, the safe harbor rate for support services is 5%. Support services include: IT maintenance services, accounting and auditing, administration, legal services, HR management, training and education and tax advisory services for employees.
Level of attention paid by Tax Authority	7/10	

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 the RS, interest expenses are not recognized for the amount of net interest expenses that exceed 30% of the tax base (without financial items). In the RS, R&D costs are recognized in line with IAS. In the 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 invest their own resources in production equipment to a value exceeding 50% of the profit for the current tax period see a reduction in corporate income tax liabilities for 30% of the amount for the year of the investment.
Any taxpayer who invests more than 20 million in BAM (EUR 10.2 million) over five consecutive years (minimum investment in the first year is equal to 4 million BAM (EUR 2.04 million) reduces its CIT liability by 50% of the investment in each of the 5 years.
The withholding tax rate for dividends amounts to 5% in the FBiH unless a DTT applies (currently, there are around 38 active DTT's). Interests, royalties, and technical fees paid by a BiH company to a foreign company are subject to withholdings at a rate of 10%. In the 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 the 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 they have direct or indirect control over 50% or more of the shares or stakes.
In cases of real estate acquisition in the FBiH, the transfer is taxable at the canton level. In the RS, there is no transfer tax, but the owner of the real estate has to pay property tax of up to 0.20% of the market value. (Decreased rules for production RE apply).

VAT and other indirect taxes

The general rate is 17%. There are no reduced rates apart from the 0% rate (mainly for the export of goods). Main VAT-exempt services include banking services, insurance, healthcare, etc. Export exemption and exemption for deliveries to free zones apply. Specific thresholds are as follows.
Amendments to the VAT rulebook have been officially introduced as of August 2, 2020. The Rulebook prescribes

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	✓
supply of used real estate	No
VAT registration threshold	approx. EUR 51,113/year

the conditions and manner in which VAT refunds for VAT paid by non-residents in BiH can be claimed (i.e. there is separate form to be completed that must be accompanied by supporting documentation (originals of invoices)).
Both custom duties and excise duties on goods imported into BiH constitute types of indirect taxation in BiH.

Wage related taxes in Bosnia and Herzegoniva		Minimum wage in FBiH		Minimum wage in the RS	
Exchange rate BAM/EUR	1.95	in EUR	in BAM	in EUR	in BAM
		485	949	688	1.345
Total wage cost		536	110.50%	688	100.00%
Employer's SS and other contributions		51	10.50%	-	0.00%
Gross salary		485	110.00%	688	100.00%
Employees' contributions		150	31.00%	213	31.00%
Personal income tax*		18	3.74%	14	2.05%
Net salary		317	65.26%	460	65.23%

Wage related taxes in Bosnia and Herzegoniva		Average wage in FBiH		Average wage in the RS	
Exchange rate BAM/EUR	1.95	in EUR	in BAM	in EUR	in BAM
		1,042	2,037	1,009	1,974
Total wage cost		1,151	110.50%	1,009	100.00%
Employer's SS and other contributions		109	10.50%	-	0.00%
Gross salary		1,042	110.00%	1,009	100.00%
Employees' contributions		323	31.00%	313	31.00%
Personal income tax*		57	5.46%	40	3.95%
Net salary		662	63.54%	657	65.05%

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

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Personal income tax / Social security system

In the FBiH, personal income is taxed at a flat rate of 10%, and is applicable for active income (e.g. employment, assignment fees) and passive income (interest, real estate rental, etc.). Dividends are not taxable in the BiH. In the FBiH, the lowest permitted monthly salary is BAM 619 (EUR 317) net (for the period 1.1. - 31.12.2024).
In the RS, personal income is taxed at a rate of 8%, assignment fees at a rate of 13%, and all other passive income at a rate of 10% (interest, real estate rental, etc.). The lowest salary permitted is determined as a net amount; for 2024, this amounts to BAM 900 (EUR 460).
In the RS, employees contribute 31% of the gross salary.
In the FBiH, employer contributions are set at 10.5% and employee contributions at 31% of the gross salary.

Bulgaria

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Corporate taxes and other direct taxes

Bulgaria has a flat corporate income tax rate of 10%, which is applied to 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 a parent company registered in an EU Member State.
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: the tax rate is in the range of 0.1% to 4.5%. The base for taxation of non-residential 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 residential real estate 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, in the case of exchange, the value of the more expensive property;
- inheritance tax: exempt to a limited extent (family members);
- patent tax: applied to micro enterprises or individuals whose activities are small services such as tailoring, very small stores, carpentry, etc. These are fixed amounts, determined by each municipality;
- a wide range of other fees (such as tourist tax; tax on the carriage of passengers by taxi; refuse collection fee) or other fees usually imposed for specific services, such as social services, technical and other services, renting of plots for sale at marketplaces, pavements, etc.

Transfer pricing in Bulgaria		
Arm's length principle	✓	Since 1989
Documentation liability	✓	A TP local file is obligatory for companies that have exceeded at least two of the following indicators by December 31 in 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 an LF is an MNE member, it must also have an MF.
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 a 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

VAT and other indirect taxes

For 2024, the standard VAT rate is 20% and the reduced rate is 9%. The tax rate is 9% for:

1. Provision of accommodation services in hotels and similar facilities, including the provision of holiday accommodation and the rental of campsites or caravans, with a place to perform on the territory of the country.
2. Provision of books on physical or electronic media, or both (including textbooks, educational books and study sets, children's books with illustrations, for drawing or coloring, printed or handwritten music editions), and periodical printed works such as newspapers and magazines.
3. Provision of baby and small children's food, baby diapers and similar items for baby hygiene according to Appendix No. 4.

VAT options in Bulgaria	Applicable / limits
Distance selling	EUR 35,790/year
Call-off stock	No
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	EUR 500,000/preceding 12 months
Import VAT deferment	No
Local reverse charge	All types of waste (construction, household, production, hazardous); services related to waste processing; various types of agricultural production (seeds and grain).
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	Approx. EUR 51,130/last 12 months (till 12/31/2024). Approx. EUR 84,875/last 12 months (from 01/01/2025).

4. Until December 31, 2024, for deliveries with a place of performance on the territory of the country: restaurant and catering services.
5. Until June 30, 2024, the provision of the following with a place of performance within the territory of the country: provision of a general tourist service and supply of service for use of sports facilities.

Services exempt from VAT include financial and insurance services, transfer of buildings and certain parcels of land and rights related thereto, letting of real estate to individuals for housing, postal services and postage stamps, educational services, gambling, supplies, culture, religion, medical and social services, and supplies for which no tax credit was used.
VAT payers are required to submit monthly VAT returns, sales and purchase registers, VIES, and Intrastat returns.
Other indirect taxes include excise duties (on mineral oils, spirits, beer, wine, tobacco and tobacco products, natural gas, electricity, and solid fuels).

Personal income tax / Social security system

Personal income tax is applied at a flat rate of 10% on most of the income. The tax rate for dividends or liquidation shares paid in favor of a natural person is 5%.
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, this contribution is 18.92% (14.12% and 4.8%, respectively). There are different contribution rates for specific positions involving higher risk (miners, pilots, workers in chemical and other harmful production facilities, etc.).
For each position, a minimal base is determined for social and health contributions (mostly distributed by sectors of the economy). The maximum assessment base for social and health insurance contributions is BGN 3,750 (approx. EUR 1,918).

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
		477	933	1,029	2,012
Total wage cost		**567**	**119%**	**1,223**	**119%**
Social security contribution - employer		67	14%	145	14%
Health insurance - employer		23	5%	49	5%
Gross salary		**477**	**100%**	**1,029**	**100%**
Employees' contributions		66	14%	142	14%
Calculated personal income tax after employees' contributions		41	10%	89	10%
Net salary		**370**	**78%**	**798**	**78%**

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Corporate taxes and other direct taxes

Depending on annual revenues, CIT rates in Croatia are set at 18% (on revenues exceeding EUR 995,421.06) or 10% (annual revenues below the prescribed threshold of EUR 995,421.06). Enterprises with annual revenues below EUR 995,421.06 have the option of determining the corporate income tax base using the cash flow principle. Losses can be carried forward for up to 5 years, but special limitations are applicable in case of M&A transactions. Croatia uses thin capitalization (4:1), but thin capitalization does not apply if shareholders are financial institutions or CIT or PIT payers in Croatia. There is a range of tax allowances for new investments, R&D, the education of employees, etc.

A withholding tax of 15% is applied on interest and royalty paid by a Croatian company to a foreign company. Starting from October 12, 2023, there is no longer an obligation to pay withholding tax on market research services, tax and business consulting, and auditing services provided (except for EU non-cooperative jurisdictions). WHT on dividends, profit shares, and performance by foreign performers is set at a rate of 10%. Croatia has 68 active DTT treaties. A withholding tax of 25% is applied on all payments to offshore companies for services not mentioned in the Law. The EU Directives on withholding tax apply. The latest amendments to the Law extend the exemption from taxation of interest and royalty payments between affiliated companies from EU countries to companies from EEA countries (Norway, Iceland, and Liechtenstein).

A 3% real estate transfer tax (RETT) is applied to the transfer of immovable property. The taxable base is the market value of an item of 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	✓	since 2004
APA	✓	APA is available as of January 1, 2017.
Country-by-Country liability	✓	Since FY 2017.
Master file-local file (OECD BEPS 13) applicable	No	Master file-local file represents informal legislative framework.
Penalty		
lack of documentation	✓	Not specifically stated, general rules apply (up to EUR 26,545 – for a company and EUR 2,655 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 the tax authority and advisors) or joint control functions.
Safe harbors	✓	Interest rates on loans between related parties / Simplified approach for low-value adding services (though not mandated by law, it is generally accepted by Tax Authorities in practice).
Level of attention paid by Tax Authority		8/10

VAT and other indirect taxes

VAT options in Croatia	Applicable / limits
Distance selling	Threshold for exemption is EUR 10,000/year, similar to other EU member states. OSS 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 with the right to full input VAT deduction.
Local reverse charge	Construction work, the supply of used materials, the transfer of allowances to emit greenhouse gasses, and, in certain conditions, the supply of immovable property.
Option for taxation	
letting of real estate	No
supply of used real estate	✓
VAT registration threshold	EUR 40,000/year

In Croatia, the standard VAT rate is 25%. A reduced rate of 13% applies to services involving the preparation and serving of meals, tourist accommodation services, newspapers, the supply of electrical energy, etc., while a reduced rate of 5% applies to milk, books, etc. The VAT rate of 5% will be applicable to supplies of gas and heating from thermal units, firewood, pellets, briquettes, and wood chips until March 31, 2024.
The most important VAT-exempt services are banking services, insurance, educational services (under certain conditions), gambling, certain services provided by medical professionals and dentists, and certain other activities. The zero VAT rate (0%) also applies to the supply and installation of solar panels on private residential buildings and public buildings. 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 EUR 40,000.
Excise duties, special tax on motor vehicles, special tax on coffee and non-alcoholic beverages.

Personal income tax / Social security system

Instead of the current tax rates of 20% and 30% + possible surtax on income, units of local and regional self-government apply tax rates within the following range, depending on the given local and regional self-government unit: lower rate: 15%–23.60% (monthly tax base up to EUR 4,200 /annual tax base up to EUR 50,400) and higher rate: 25%–35.40% (monthly tax base above EUR 4,200 /annual tax base above EUR 50,400). The 12% rate is withheld from certain types of income, e.g. dividends, capital gains, lease of real estate, etc. The payment of occasional awards up to an amount not exceeding EUR 700 (e.g. Christmas and Easter bonus, etc.) and payment of a premium performance award (e.g. bonuses) up to EUR 1,120 per employee per annum is 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.). Tax regulations prescribe a non-taxable flat-rate compensation to cover the costs of employees working from home to an amount not exceeding EUR 4 per day working from home, or EUR 70 per month. The examples below show the cost to the employer and the employee in the cases of minimum and average wage levels in the private sector. Basic personal allowance amounts to EUR 560.

Active incomes fall under the scope of the SSC system: individual pension social contributions equal 20% (employee contribution) and health and unemployment contributions of 16.5% represent employer contributions. There are no contributions on salary (16.5%) for a period of 5 years for persons under 30 years of age employed for an indefinite period. Passive incomes are generally only subject to taxes. From January 1, 2024, the base for the calculation of contributions for the 1st pillar pension insurance is reduced. For gross salaries up to EUR 700, the fixed allowance amounts to EUR 300, while for salaries from EUR 700.01 to EUR 1300, the allowance is gradually decreased – 0.5 x (EUR 1,300 – gross salary).

Wage related taxes in Croatia	Minimum wage		Average wage in private sector	
	in EUR	in EUR	in EUR	in EUR
	840	840	1,620	1,620
Total wage cost	979	117%	1,887	117%
Employer's contribution	139	17%	267	17%
Gross salary	840	100%	1,620	100%
Employee's contributions	134	16%	324	20%
Tax and surtax*	35	24%	174	24%
Net salary	672	80.0%	1,122	69.3%

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

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Corporate taxes and other direct taxes

The general corporate income tax (CIT) rate is 21%. A CIT rate of 5% applies to basic investment funds and 0% applies to pension funds.
Tax losses may be carried forward for up to 5 taxable periods. Tax losses may also be carried back for 2 taxable periods. The maximum amount that may be carried back from one taxable period is limited to CZK 30 million (approx. EUR 1.2 million).
R&D tax allowance of up to 110% of eligible R&D costs can be claimed as a tax base deduction.

Thin capitalization rules apply – financial expenses related to credits, loans, and other instruments from related parties that exceed four times the equity (six times for banks and insurance companies) are not tax-deductible.

The EU Anti-Tax Avoidance Directive (ATAD) applies - Limitation of tax deductibility of exceeding borrowing costs; CFC rules; Exit taxation; Hybrid mismatch rules.

Transfer pricing in 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 the OECD Guidelines.
Penalty		
lack of documentation	No	–
tax shortage	✓	20% on tax underpayment or 1% of decreased tax loss + late payment interest
Related parties	> 25%	Direct or indirect control or personally related.
Safe harbors	✓	Low value-added services: 3%–7% mark-up.
Level of attention paid by Tax Authority		9/10

Investment incentives in a form of tax relief (tax holiday) are available for up to 10 taxable periods.

A special corporate tax referred to as a windfall tax applies to selected taxpayers in the fossil fuel sector and energy sector and to banks in the calendar years 2023-2025. The windfall tax rate is 60% and is applied on a specifically calculated tax base.

Generally, a withholding tax of 15% applies to dividends, royalties, interest, and to income originating in the Czech Republic. Tax rates may be reduced by double tax treaty (DTT). The Czech Republic has a wide international treaty network with over 90 DTTs concluded. If there is no DTT or agreement for the exchange of information in place, the payments are subject to a 35% withholding tax.
Tax exemption applies to dividend distributions, provided that certain conditions are met. Similar rules apply to tax exemption on capital gains from the sale of shares in subsidiaries.

In line with the EU Interest and Royalty Directive, the tax exemption on interest and royalty payments also applies when approved by the tax authority.

When certain conditions are met, the transactions that are generally subject to withholding tax but are thus exempt from tax must still be reported to the tax authority.

Road tax is imposed on selected heavy trucks and trailers. A real estate tax applies to land and buildings, with tax rates generally depending on the type of property, while the final amount of tax may also be influenced by local rates (applied by local authorities).
There is no real estate transfer tax.

VAT and other indirect taxes

For 2024, the standard VAT rate is 21%. The reduced VAT rate of 12% is applicable, for example, on foodstuffs and additives usually intended for food preparation, products used as food supplements or substitutes, tap water, feed for animals, seeds, plants, medicines, medical devices meeting certain conditions, construction works on residential housing, accommodation, catering services except serving beverages other than tap water and specific beverages (such as milk, soya milk, milk- and soya-milk based beverages and similar products), water distribution and wastewater removal, heating and cooling, magazines and newspapers meeting certain conditions, and the mass transport of passengers. The supply of books is VAT-exempt subject to certain conditions. VAT-exempt services include financial and insurance services, the transfer of buildings/apartments/non-residential premises (from 5 years following the building approval), renting of real estate, mail services, radio and TV services, education services, and medical and social care services.

VAT options in Czech Republic	Applicable / limits
Distance selling	EU threshold – EUR 10,000/year OSS system applicable
Call-off stock	✓
VAT group registration	✓ – only for Czech legal entities
Cash accounting – yearly amount in EUR (approx.)	No
Import VAT deferment	✓
Local reverse charge	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, and immovable property in forced insolvency sales.
Option for taxation	
letting of real estate	✓ – only to Czech VAT payers for the performance of economic activities
supply of used real estate	✓ (5-year time test)
VAT registration threshold	Approx. EUR 83,000/ year – only for Czech based legal entities.

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 (depending on the status of the VAT payer).
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).

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 incomes, capital gains, interest) with exemptions of certain types to dividends and interest or director fees paid to non-residents, which are taxed at a flat rate of only 15%.

Income from employment and self-employment activities is subject to social security and health insurance contributions. In the case of employment, the employee's contribution is equal to 7.1% (social security) and 4.5% (health insurance). For the employer, these are equal to 24.8% and 9%, respectively. Social security contributions are not paid on income exceeding the maximum assessment base (CZK 2,110,416). The example below shows the employer's and employee's costs in the case of the minimum wage and average wage in the private sector.

Wage related taxes in Czech Republic		Minimum wage		Average wage in private sector	
Exchange rate CZK/EUR	24.71	in EUR	in CZK	in EUR	in CZK
		765	18,900	1,779	43,967
Total wage cost		1,023	133.80%	2,380	133.80%
Social security contribution - employer		190	24.80%	441	24.80%
Health insurance - employer		69	9.00%	160	9.00%
Gross salary		765	100.00%	1,779	100.00%
Personal income tax before standard tax deduction*		115	15.00%	267	15.00%
Personal income tax after standard tax deduction**		10		162	
Employees' contributions		89	11.60%	206	11.60%
Net salary		666	87.13%	1,411	79.30%

* 15% tax rate is applied to gross salary up to annual income of EUR 64,040 (or EUR 5,337 monthly), income above is taxed at 23%.
** Each individual is entitled to deduct a lump sum of CZK 2,570 (app. EUR 105) per month from tax liability (so called "standard tax deduction").

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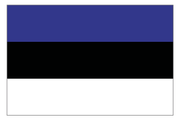
Estonia



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Corporate taxes and other direct taxes

Income derived by a resident company is not taxed if retained. Upon distribution, CIT is levied at a rate of 20/80 (25%) of the net amount of the profit distribution, corresponding to 20% on the gross amount (distribution + CIT) of the distribution.
Dividends distributed in an amount lower than or equal to the amount of the average of distributed dividends in the preceding 3 years, on which income tax has been paid by the resident taxpayer, are taxed at a rate of 14/86. If dividends are paid to individuals, whether resident or non-resident, and the distributing company has paid the lower 14/86 rate or operates under the tonnage tax regime, an additional 7% withholding tax is imposed on the individual recipient, unless a lower rate applies under a tax treaty. However, no withholding tax is applied if the recipient is a company. Since 2018, resident credit institutions and Estonian branches of non-resident credit institutions are required to make quarterly advance payments of income tax on the previous quarter's profit, at a rate of 14%. These advance payments can be taken into consideration when distributing profits and calculating income tax liability. From July 1, 2020, qualifying resident shipping companies have the option to apply the tonnage tax regime to income earned from qualifying international shipping activities, with a tax rate of 20%. From 2025 onwards, the income tax rate will be 22/78, and the reduced rate of 14/86 will be eliminated.

Transfer pricing in Estonia		
Arm's length principle	✓	Since 2007
Documentation liability	✓	Since 2007
APA	No	–
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 2019
Penalty		
lack of documentation	–	–
tax shortage	✓	20/80 tax on gross value of underpayment + late payment interest
Related parties	Broad definition	The concept of a related person encompasses a wide range of relationships. It includes all persons who share a common economic interest or where one holds a dominant position over the other.
Safe harbors	No	–
Level of attention paid by Tax Authority		9/10

The following payments are subject to withholding tax (unless tax treaty restricts or reduces the rate):
1) 7% withholding tax applies to dividend payments made to resident or non-resident individuals (applies to dividends taxed at a lower tax rate).
2) Royalties (including payments for the use of industrial, commercial, or scientific equipment) paid to non-residents are generally subject to 10% withholding tax under domestic law.
3) 20% on rental payments to non-residents for the use of immovable property located in Estonia, and movable property subject to registration in Estonia.
4) Interest, royalties, and rental payments to resident individuals.
5) 10% on payments to non-resident companies for services provided in Estonia.
6) Salaries, directors' fees, and service fees paid to individuals.
7) 10% on payments for the activities of non-resident artists or athletes carried out in Estonia.
8) Certain pensions, insurance benefits, scholarships, prizes, lottery winnings, alimony, etc. paid to non-residents and resident individuals.

VAT and other indirect taxes

VAT applies to the supply of goods and services performed by a taxable person in the course of their business activities in Estonia.
A taxable person is one who is engaged in business, that is, independent economic activity in the course of which goods or services are supplied, and is registered or required to register for VAT.
The standard 20% rate applies to the supply of all goods and services not qualifying for the reduced rate of 9% or exemption. A reduced rate applies to accommodation, books, certain periodicals, listed pharmaceutical products, and medical devices. The VAT rate on the export of goods,

VAT options in Estonia	Applicable / limits
Distance selling	From 1 July, 2021, the OSS system is applicable.
Call-off stock	✓
VAT group registration	✓
Cash accounting – yearly amount in EUR (approx.)	✓ – Cash accounting possible up to EUR 200,000 yearly.
Import VAT deferment	✓
Local reverse charge	✓ – on certain goods
Option for taxation	
letting of real estate	✓ – in some cases
supply of used real estate	✓ – in some cases
VAT registration threshold	> EUR 40,000

and the intra-Community supply of goods and certain services is 0% (i.e. exemption with credit).
VAT and all other taxes are administered by the Estonian Tax and Customs Board (www.emta.ee). The following transactions are subject to Estonian VAT:
1) The supply of goods and provision of services with a place of supply in Estonia;
2) The import of goods into Estonia;
3) Intra-Community acquisition of goods in Estonia;
4) The supply of goods or services specified in the Estonian VAT Act, providing the taxable person has opted for taxation thereof. Certain forms of supply are subject to a 0% rate (i.e. exemption with credit or zero-rating), including, but not limited to:
   1) The export of goods;
   2) Intra-Community supply of goods;
   3) The products listed in Annex V of the VAT Directive and which can be placed into a licensed VAT warehouse;
   4) Supply of services which are not deemed to be supplied in Estonia.

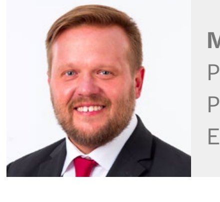
Until December 31, 2025, a taxable person will be entitled, on the basis of a written contract concluded before May 1, 2023, to apply the 20% VAT rate applicable to the supply of goods or services, provided that the relevant contract provides that the price of the goods or services includes VAT at a rate of 20%, or a 20% VAT rate % is added to the price and the contract does not provide for a change in the price resulting from a possible change in the rate of VAT.
Other indirect tax types in Estonia include excise duty and the environmental protection charge.

Personal income tax / Social security system

Estonia has a proportional (i.e. flat) tax rate of 20% which applies to all items of income derived by any resident taxpayer. The gross income of resident individuals includes their worldwide income from all sources, irrespective of the origin of the income.
Taxable income includes both active income such as employment and business income, as well as passive income. An annual basic exemption of EUR 7,848 is provided for an annual income of up to EUR 14,400. If annual income increases from EUR 14,400 to EUR 25,200, the basic exemption decreases proportionally. If annual income is above EUR 25,200, the basic exemption drops to 0.
The Estonian social tax of 33% (comprising 20% social security contributions and 13% health insurance contributions) must be paid by employers in addition to the gross salary. Currently, employees are not required to make any personal social tax contributions. The Estonian pension system is based on three pillars.

Wage related taxes in Estonia	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	820		1,849	
Total wage cost	1,097	133.80%	2,474	133.80%
Vocational training contribution	-			
Social Contribution tax	271	33.00%	610	33.00%
Health Insurance Contribution	7	0.80%	15	0.80%
Gross salary	820	100.00%	1,849	100.00%
Personal income tax*	27	20.00%	320	20.00%
Employees' Social contributions (inc. Funded pension II pillar)	16	1.49%	37	1.49%
Employees' Health contributions	13	1.20%	30	1.20%
Net salary	763	93.07%	1,462	79.07%

* Salary 0–14,400 ALL PIT rate 0%.
Salary 14,001–25,200 due to change in tax exempt income, the effective PIT rate varies proportionally.
Salary over 25,200 ALL PIT rate 20%.



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Corporate taxes and other direct taxes

Corporations are subject to unlimited corporate income tax liability 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 on these sources. The corporate income tax rate is 15%. The solidarity surcharge amounts up to 5.5% and is levied

Transfer pricing in Germany		
Arm's length principle	✓	Since 1983
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	✓	Violation of duty to cooperate: Reversal of burden of proof, Violation of duty to cooperate: Reversal of burden of proof, authorities may estimate the tax basis. Failure to submit: Penalty 5%-10% of the additional amount of income based on the authorities' estimate (min. 5,000). Late submission: EUR 100 p.d. (max. EUR 1 mio.).
tax shortage	✓	Up to EUR 50,000 tax reduction – fine. From EUR 100,000 – imprisonment and/or high fine. Interest on the additional tax.
Related parties	≥ 25%	Direct or indirect control, or entitlement of profits or the proceeds of liquidation.
Safe harbors	No	–
Level of attention paid by Tax Authority		9/10

additionally on corporate income tax. The total corporate income tax burden amounts to a maximum of 15.825%. In addition, German municipalities levy trade tax if the company has a domestic permanent establishment. The average trade tax burden is 15.225% (2023). The determination of taxable income is generally based on the result of the income statement under commercial law. However, taxable income often 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%). The tax losses for a fiscal year can be offset against the profits of the previous year up to an amount of EUR 10 million (loss carryback; EUR 1 million from 2024). 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.

Partnerships are not subject to either income or corporate income tax at the 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 136 countries. A withholding tax 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 Treaty, the EU Parent-Subsidiary Directive or the EU Interest and Royalties Directive.

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, livestock, hotel accommodation, railway transport services, and certain other items. Banking services and insurance premiums are generally exempt from VAT. If goods are supplied from the EU to non-EU countries, the supply is generally not subject to German VAT (export). Nevertheless, the input tax associated with the goods can be claimed by the domestic company from the tax authority. Goods imported into Germany from a non-EU country are subject to an "import VAT" on entry. Sales of goods within the EU in the B2B sector are tax-free (intra-community supply). Sale of goods to a private person is generally subject to German VAT. In addition to VAT, there are various excise duties on imported goods, as well as real estate transfer tax.

VAT options in Germany	Applicable / limits
Distance selling	As of July 1, 2021, the OSS system is applicable.
Call-off stock	No
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	EUR 600,000/year
Import VAT deferment	No
Local reverse charge	Construction work, emission permits, gold, cleaning of buildings, turnover covered by the Real Estate Transfer Tax Act, natural gas and electricity.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	EUR 22,000/year

The real estate transfer tax is levied on the selling price or other disposal value of land and or buildings whenever there is a change of ownership. The tax rate is determined by the individual federal states and ranges from 3.5% to 6.5%. The average rate of land transfer tax is 5.63% of the realizable value.

Personal income tax / Social security system

Individuals are subject to unlimited income tax liability 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 on 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. Individuals are subject to a progressive income tax rate of 14% to 45%. A solidarity surcharge of 5.5% is levied in addition to income tax. A basic allowance of EUR 11,604 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 a 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, nursing, and accident insurance. Social security contributions are usually paid half and half by the employer and the employee. The statutory minimum amount for health insurance is 14.6% and is divided equally. The contribution for pension insurance is 18.6% and is borne equally by the employer and the employee. The sum of social contributions averages 40.45% (excl. accident insurance) of an employee's gross salary.

Wage related taxes in Germany	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	2,160		4,105	
Total wage cost	2,597	120.23%	4,935	120.23%
Employer´s and other contributions*	437	20.23%	830	20.23%
Gross salary	2,160	100.00%	4,105	100.00%
Employees' contributions**	278	12.87%	529	12.89%
Healthcare insurance	176	8.15%	334	8.14%
Personal income tax and solidarity surcharge***	138	6.39%	582	14.18%
Net salary	1,568	72.59%	2,660	64.80%

* Includes unemployment, pension, healthcare, and nursing insurance.
** Includes unemployment, pension, and nursing insurance.
*** Calculation without church tax/for a single 30 year old and without children.

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Corporate taxes and other direct taxes

A flat corporate income tax rate of 22% is applied to resident corporations for fiscal years 2021 onwards. Non-resident corporations are taxed in Greece on any income generated in Greece. The relative tax rate applies after the deduction of business costs, depreciations, and provisions for bad debts. Major tax adjustments and non-deductible items include payments out of the 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. Greek companies are subject to tax prepayment equal to 80% 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.
As of January 1, 2021, the withholding tax rate for dividends distribution is reduced to 5% for both individuals and the shareholders of legal entities. Interest payment is subject to a tax rate of 15% and the corresponding rate for royalties is 20%. Greece has incorporated 57 treaties on the avoidance of double taxation. If a DTT is applicable, the above-listed rates can be reduced. With the adoption of the EU Parent Subsidiary Directive, under certain conditions there is no withholding tax on dividends, interests, and royalties paid on EU (including Greece) intragroup transactions.

A real estate property tax applies in cases of immovable property ownership, while legal entities holding real estate located in Greece may be additionally charged with the 15% Special Estate Tax imposed on the objective value of the property if the beneficial owner or the individual shareholder is not known to the Greek authorities. A list of exemptions is provided under certain conditions. Capital gains from shares and immovable property are taxed as normal business profits (22%) for corporations and at a flat rate of 15% for individuals. For individuals, the 15% for capital gains arising from the sale of immovable property has been postponed until December 31, 2024.

Transfer pricing in Greece		
Arm's length principle	✓	Since 1994
Documentation liability	✓	Since 2008
APA	✓	Since 2014
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 2015
Penalty		
lack of documentation	✓	1% of TP transactions (EUR 500–2,000) for inaccuracy/ incompleteness. The penalty is imposed for the late submission of the Summary Information Table only when the total amount of transactions to be verified is altered and the difference > EUR 200,000.
tax shortage	✓	For non-submission, a fine of 1% of TP transactions (min EUR 2,500, max. EUR 10,000) is applied. A penalty up to EUR 20,000 can be imposed for a missing documentation file.
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

VAT and other indirect taxes

The standard VAT rate in Greece is 24%, while the reduced rate is 13% (e.g. for agricultural services, accommodation services, certain types of foodstuffs) and 6% (e.g. journals, books, medicines, supply of electricity and gas). VAT-exempt activities include financial and banking services, insurance, medical services, and education (subject to certain conditions). Pursuant to the provisions of Art. 53 par. of Law 5073/2023, reduced VAT rates were expanded to several products and services (non-alcohol beverages) until June 2024. Regarding cinema tickets and the transportation of individuals and their luggage, reduced VAT rates were expanded without time limitation.

VAT options in Greece	Applicable / limits
Distance selling	EUR 10,000/year
Call-off stock	✓
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	Optional for small companies with a turnover of up to 2m.
Import VAT deferment	✓
Local reverse charge	B2B sales for laptops, tablets, cell phones, and game consoles under conditions.
Option for taxation	
letting of real estate	Optional on business rentals.
supply of used real estate	No
VAT registration threshold	Not applicable for taxable persons. However, small businesses with a turnover up to EUR 10,000 may be exempted from VAT registration. Also, the threshold is set at EUR 10,000 for pan-EU digital services and goods as a part of OSS return.

As for other indirect taxes, Greece applies a flat stamp duty rate of 1.2%, 2.4%, or 3.6% to certain transactions outside the scope of VAT, such as non-residential rents, loans, etc.

Personal income tax / Social security system

Pursuant to domestic tax law, as taxable employment 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 use of a company car, a cost-of-living allowance and other benefits over EUR 300 per fiscal year. In Greece, personal income tax is subject to a progressive tax rate ranging from 9% to 44%. Additionally, tax payable on employment income is reduced by a family tax allowance from EUR 777 to EUR 1,780 under certain conditions. 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 have been covered by the Social Insurance Institution known as E.F.K.A. since January 1, 2017. Social security contributions are calculated based on the actual salary of the employee. The applicable rates for full time employees are 22.29% for employers and 13.87% for employees. For part-timers, the rates are also the same effective as of January 1, 2023. Social security grants benefits in the case of unemployment, sickness, disability, retirement, and death. For calculation purposes, the upper limit of social security contributions is defined as a gross salary of EUR 7,373.53.

Wage related taxes in Greece	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	780		1,445	
Total wage cost*	**954**	**122%**	**1,767**	**122%**
Employer's social security contribution**	174	22.29%	322	22.29%
Gross salary	**780**	**100%**	**1,445**	**100%**
Personal income tax***	-	-	74	9%/22%/28%/36%/44%
Special Solidarity Contribution ****				
Employees' contributions	108	13.87%	200	13.87%
Net salary	**672**	**86%**	**1,171**	**81%**

* Per payroll period (there are 14 payroll periods per year).
** Most common social security contributions rate (for full timers) regarding usual employment properties.
*** A tax reduction is provided for the taxpayer based on the number of dependents in conjunction with the total taxable income.
**** Not applicable for 2024.

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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. Losses can be carried forward for 5 years and may be used to reduce the tax base up to a maximum of 50% of the tax base. Loss carryback is generally not possible. 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% of EBITDA or approx. EUR 2.5 million). Exit tax and hybrid mismatch regulations are also applied.

Group taxation is 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 0.8 million of revenue or 50 employees) and is obligatory for financial institutions and listed companies.

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 12,000 / missing documentation, doubled for a recurrence
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 a wide range of tax allowances for new investments (for example, for energy-efficiency investments and for investment 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.

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. However, the United States-Hungary tax treaty has been terminated as of 2024.

The local business tax of maximum 2% is payable on gross margin (sales revenue minus COGS, mediated services, material costs and R&D costs).

Transfer tax is applied in Hungary to a limited range of transactions. The general transfer tax rate applied to real property transactions is 4%, including the 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 are tax-exempt.

A number of windfall taxes have been introduced for the financial years of 2022-2024, for example in the banking and insurance sectors, but energy suppliers and producers of pharmaceutical drugs are also affected.

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 residential real estate, internet access services, accommodation services and restaurant services). Due to 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. Taxpayers are required to use billing software capable of automatically providing the tax authority with real-time invoice data. Thus, from 2021, each invoice is essentially reported to the tax authority in real-time. The so called e-VAT system has been introduced in 2024 with the aim of making VAT administration easier. Under the new regime, the Tax Authority provides taxpayers with draft VAT statements based on online invoice reporting data.

VAT options in Hungary	Applicable / limits
Distance selling	From July 1, 2021, the OSS system is applicable.
Call-off stock	✓
VAT group registration	✓
Cash accounting – yearly amount in EUR (approx.)	Approx. EUR 320,000/year.
Import VAT deferment	✓
Local reverse charge	Sale of waste, agricultural products, greenhouse gas emission quotas, collaterals. Also, the provision of certain construction services, turn-key construction projects.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	No

Other indirect tax types in Hungary include excise duty on energy products, alcohol and tobacco products, financial transactional tax (payable by banks completing such transactions), insurance tax, “chips tax” (levied on unhealthy foods and drinks), and retail tax. The previous environmental protection charges on products heavily polluting the environment (e.g. all kinds of electric equipment, accumulators and batteries, packaging materials, etc.) have been replaced by EPR (Extended Producer Responsibility) fees.

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 income is reduced by a family tax allowance. The family tax allowance amounts to HUF 20,000 (approx. EUR 50)/month/child for up to 2 children; and HUF 33,000 (EUR 84)/child) from 3 children. As of January 1, 2020, a lifelong personal income tax exemption for employment income was introduced for mothers raising or having raised four or more children. From 2022, employees of 25 years of age or under also enjoy tax exemption. Benefits-in-kind are taxed at two rates, depending on the type of benefit: PIT plus social tax calculated on a special tax base altogether amounting to 33.04% or 28%, respectively, which is to be paid only by the employer. However, as of 2019, most types of benefits-in-kind are taxed as normal employment income.

Active income falls under the scope of the SSC system: the social security contribution payable by the individuals concerned is 18.5%; the employer's social tax was reduced to 13% from January 2022. Some passive incomes are also subject to 13% social tax; however, there is an upper limit in the case of dividends. Other types of passive income (e.g. capital gains on shares in stock exchange companies, or interest) are exempt from social tax.

Wage related taxes in Hungary		Minimum wage		Average wage in private sector	
Exchange rate HUF/EUR	389	in EUR	in HUF	in EUR	in HUF
		686	266,800	1,597	621,200
Total wage cost		775	113.00%	1,805	113.00%
Social contribution tax		89	13.00%	208	13.00%
Gross salary		686	100.00%	1,597	100.00%
Personal income tax		103	15.00%	240	15.00%
Employees' contributions		127	18.50%	295	18.50%
Net salary		456	66.50%	1,062	66.50%

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Corporate taxes and other direct taxes

In general, the concept resembles the CIT concept applied in developed countries worldwide. Taxable income is calculated as annual income minus expenses. It is possible to deduct expenses linked to incomes recognized for CIT purposes, provided that such expenses are properly documented. Dividends and capital gains are not excluded from taxable income by default, it is necessary to analyze who is the beneficiary etc. to identify the applicable taxation regime. There are certain limits on deductibility of expenses such as: up to 3% of taxable profit for certain fees paid to companies from offshore jurisdictions, up to 4% of taxable profit for sponsorship fees. Also, thin capitalization rule is applied to interest on related party loans. The list is not exhaustive. Depreciation expenses on fixed assets differ from IFRS principles and are calculated on a group basis based on tax book value as of the reporting date. Loss carry-forward can be done within the following 10 calendar years inclusively, the rule on the carrying forward of losses does not apply to losses generated from the sale of securities, etc. There are Controlled Foreign Company rules (CFCs).

Transfer pricing in Kazakhstan		
Arm's length principle	✓	Since 2009
Documentation liability	✓	Since 2009
APA	✓	Since 2009
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 2019
Penalty		
lack of documentation	✓	From EUR 730 to EUR 7,300.
tax shortage	✓	From 20% up to 300% of tax shortage.
Related parties		TP rules apply to all cross-border transactions even if the parties are unrelated. The transfer pricing law defines related parties as individuals or legal entities whose special mutual relations may allow the economic results of the transactions to be influenced. In consequence, the Kazakh authorities can treat any transaction as a transaction between related parties based on their set of market prices.
Safe harbors		A 10% deviation is allowed only for producers of agricultural products.
Level of attention paid by Tax Authority		8/10

WHT applies to incomes paid to non-residents who are not registered for tax purposes in Kazakhstan. Taxable incomes are listed in the Tax Code. Kazakhstan has signed 55 treaties on the avoidance of double taxation. The treaty rates prevail over the Tax Code; however, any non-residents are required to have a duly issued tax residency certificate in order to apply the treaty. The multilateral instrument (MLI) entered into force in Kazakhstan from October 2020; however, it is important to check the MLI accession documents signed with each country as some of them have not signed/ratified the MLI or have done so under certain conditions.

Small and medium businesses may enjoy a special tax regime according to which the Unified Tax on income is paid. Such tax replaces CIT.

VAT and other indirect taxes

The VAT concept is quite similar to the concept applied in developed countries worldwide. The VAT applicable to turnover is in general based on the total value of sales (Output VAT). VAT payable to suppliers (input VAT) is offset against from Output VAT. Input VAT cannot be offset if goods, works, and services purchased are not related to taxable turnover, a VAT-invoice is not issued by a supplier or is issued with the violation of the legal requirements, the supplier is declared by a court to be an inactive entity, etc. The VAT rate for export goods is 0%, and there is a certain procedure for the refund of the related input VAT. Special VAT procedures apply to the export/import of goods to/from the countries belonging to the Eurasian Economic Union such as Russia, Belarus, Kyrgyzstan, and Armenia.

Excise Tax is paid by importers or sellers of

1) all types of alcohol

2) alcoholic products

VAT options in Kazakhstan	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	✓
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	74 mKZT (approx. 151 kEUR)

3) tobacco products

4) heated tobacco products and nicotine-containing liquids for use in electronic cigarettes

5) gasoline (except for jet fuel), diesel fuel ethanol mix petrol (gasohol), phenol, nephras, mixed light hydrocarbons, ecological fuel

6) motor vehicle

7) crude oil, gas condensate

8) alcohol-containing medical products registered in accordance with the legislation of the Republic of Kazakhstan as medicinal products.

Sellers of fuel and diesel are also liable for Excise Tax.

Personal income tax / Social security system

A resident of the Republic of Kazakhstan shall be any individual who stays in the country at least 183 calendar days in any consecutive 12-month period ending in the current tax period (calendar year) or, though not permanently residing in the Republic of Kazakhstan, whose center of vital interests is within the Republic of Kazakhstan.

Income from employment is taxed at the rate of 10% regardless of the tax residency status of an individual. For other types of incomes, the rate depends on the type of income and tax residency status of an individual.

Social Tax and Social Contributions are paid at the expense of an employer. Mandatory pension fund contributions and mandatory social health insurance contributions are withheld from employment income by the employer.

Wage related taxes in Kazakhstan		Minimum wage		Average wage in private sector	
Exchange rate KZT/EUR	490	in EUR	in KZT	in EUR	in KZT
		173	85,000	700	343,000
Total wage cost		**203**	**117.00%**	**819**	**117.00%**
Employer's social security and other contributions		29	17.00%	119	17.00%
Gross salary		**173**	**100.00%**	**700**	**100.00%**
Personal income tax		17	10.00%	70	10.00%
Employees' contributions		16	9.00%	63	9.00%
Net salary		**141**	**81.00%**	**567**	**81.00%**

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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 only the taxable income generated from a source in Kosovo. The Corporate Income Tax (CIT) system in Kosovo adheres to the principles of worldwide taxation.

The annual turnover threshold for taxation has been reduced from an annual turnover of EUR 50,000 to EUR 30,000. Resident companies and sole traders whose gross annual income 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 on annual turnover is 10%. This tax is paid every three months depending on 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.

Withholding tax is also levied on income from interest, royalties, rents, lotteries, and games of chance earned by Kosovo residents or non-residents. Reflecting the change in the corporate income tax rate, except for the withholding tax on rent (9%), all other income is taxed at 10%.

Transfer pricing in Kosovo		
Arm's length principle	✓	Since 2017
Documentation liability	✓	Since 2017
APA	✓	Since 2017
Country-by-Country liability	✓	From FY 2017 (with transitional rules).
Master file-local file (OECD BEPS 13) applicable	✓	From FY 2018 on.
Penalty		
lack of documentation	✓	A maximum of EUR 2,500.
tax shortage		N.A.
Related parties	> 50%	Direct or indirect control or common managing director.
Safe harbors	✓	Low value-added services: mark-up to a maximum 7%.
Level of attention paid by Tax Authority		9/10

Withholding tax will be levied even in cases where the recipient of the income is subject to corporate income tax and such income is included in the recipient's taxable profits. The withholding tax is offset against the corporate income tax payable by the recipient on the annual tax return.

Transfer pricing (TP) effective from 2017 regulates the intra-company pricing arrangement between affiliated business entities. Controlled taxation comes into effect whenever there is a minimum 50% ownership or voting right condition 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 an annual controlled transactions form to the tax authorities 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. Safe harbors involve calculating the total costs of all group members for the low value-adding intra-group services on an annual basis. For such services, there is no need to prepare a transfer pricing study, but instead a profit mark-up to a maximum 7% on costs is allowable.

VAT and other indirect taxes

A transaction is subject to VAT taxation in Kosovo if 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, whether natural or legal, or organized in any other 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 exempt 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 are considered as exempt by law.

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

The VAT rate has increased to 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 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 activities, 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 applied at progressive rates (rates from 0% to 10%).

The Kosovo Pension Savings Fund is responsible for administering and managing 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	
	170		400	
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%	17	4%
Employees' contributions	9	5%	20	5%
Net salary	158	93%	363	91%

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Corporate taxes and other direct taxes

Taxable income is calculated as annual income minus expenses. Only properly documented expenses may be deducted, provided that expenses are related to the taxable income. Dividends and capital gains are excluded from taxable income. The percentage of depreciation norms for fixed assets is set out in the Tax Code and is substantively similar to IFRS principles. Losses can be carries forward within the following 5 calendar years inclusively; the rule on carrying forward losses does not apply to losses generated during periods when a company enjoyed tax benefits. There are no thin capitalization rules. WHT is applied to incomes paid to non-residents that are not registered for tax purposes in Kyrgyzstan. Taxable incomes are listed in the Tax Code. Kyrgyzstan has signed 32 treaties on the avoidance of double taxation. Though the treaty rates prevail over the Tax Code, it is important to have a duly issued tax residency certificate for the non-resident to apply the treaty. The multilateral instrument (MLI) is not in force.

VAT and other indirect taxes

The VAT concept is quite similar to the concept applied in developed countries worldwide. Turnover subject to VAT is in general the total value of sales (Output VAT). VAT paid to suppliers (input VAT) is deducted from Output VAT. Input VAT cannot be offset if the goods, works, or services purchased are not related to the taxable turnover, the VAT-invoice is not issued by a supplier or is issued in violation of legal requirements, the supplier is declared by court as inactive entity, etc. The VAT rate for the export of goods is 0% and there is a procedure for refund of the related input VAT. A special VAT procedure applies to the export/import of goods to/from the countries belonging to the Eurasian Economic Union such as Russia, Belarus, Kazakhstan, and Armenia.

Sales tax applies to revenue besides VAT. The rate varies from 0% to 5% depending on the type of activity and whether the revenue was received in cash or not.

Excise tax is paid by importers and sellers of:

1) Alcoholic products

2) Tobacco products

3) Oil products.

Transfer pricing in Kyrgyzstan		
Arm's length principle	✓	Since 2009
Documentation liability	No	Documentation is not required, but benchmarking must be provided at the tax authority's request.
APA	No	–
Country-by-Country liability	No	–
Master file-local file (OECD BEPS 13) applicable	–	–
Penalty		
lack of documentation	No penalty.	–
tax shortage	✓	From 10% to 100% of the tax shortage.
Related parties		Interdependent entities are entities whose relations may affect the conditions or economic results of their activities or those of the entities they represent, namely: 1) An entity has a direct or indirect participation in another entity and the aggregate share of such participation is more than 20%; 2) Two entities in which a third entity holds participation and its direct and/or indirect interest in each entity is more than 20%, or is controlled by such an entity; 3) When one natural person is subordinate to another natural person in an official capacity; 4) Entities between which there are relations regulated by the labor legislation of the Kyrgyz Republic; 5) Close relatives; 6) The founder of the management and the trustee.
Safe harbors	✓	20%
Level of attention paid by Tax Authority		8/10

VAT options in Kyrgyzstan	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	Available without limits.
Import VAT deferment	No
Local reverse charge	✓
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	No

Personal income tax / Social security system

The following are recognized as tax residents: citizens of the Kyrgyz Republic and any individual remaining in the Kyrgyz Republic for at least 183 calendar days in any consecutive 12-month period ending in the current tax period (calendar year).

All types of income are taxed at a rate of 10% regardless of the tax residency status of the individual and the type of incomes received.

The following social contributions are withheld from employee income: 8% to the Pension Fund, 2% to the State Pension Fund. The following social contributions are paid by an employer on employee income: 15% to the Pension Fund, 2% to the Compulsory Health Insurance Fund, and 0.25% to the Employee Health Improvement Fund.

Wage related taxes in Kyrgyzstan		Minimum wage		Average wage in private sector	
Exchange rate KGS/EUR	97	in EUR	in KGS	in EUR	in KGS
		191	18,500	464	45,000
Total wage cost		224	117.25%	544	117.25%
Employer's social security and other contributions		33	17.25%	80	17.25%
Gross salary		191	100.00%	464	100.00%
Personal income tax		19	10.00%	46	10.00%
Employees' contributions		17	9.00%	42	9.00%
Net salary		154	81.00%	376	81.00%

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Corporate taxes and other direct taxes

Since 2018, CIT is, in general, payable only on the distribution of profit: dividends (also interim dividends), payments qualifying as 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% of the gross taxable value (expense/distribution value) or 25% of the net value (i.e. a 20/80 rate).

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 as well as 30% of EBITDA. If either of the two thin capitalization thresholds are exceeded, the interest payment will be subject to 25% CIT from the net excess interest value.

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 of 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, related parties are two or more natural or legal persons, or representatives of such persons or groups under specified conditions listed by law (e.g. parent and subsidiary; shareholding; majority of votes; etc.).
Safe harbors	No	Low value-added services: 5% mark-up.
Level of attention paid by Tax Authority		8/10

Tax exempt capital gains: from 2018 onwards, distributed profit from the sale of directly owned shares (except for shares of low/tax free companies) is not subject to CIT unless the company has held the relevant shares for fewer than 36 months, or the shares belong to a company the majority of whose assets by value is comprised of real estate located in Latvia. 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.) or to royalties and interest received.

A withholding tax (WHT) of 20% is applied to management and consulting service fees paid by Latvian companies to foreign companies; 3% WHT is applied to remuneration paid to a foreign company for the disposal of real estate located in Latvia, or for the disposal of shares holding real estate located in Latvia; 5% WHT is applied to remuneration paid to a foreign company for renting or leasing of real estate in Latvia; and 20% WHT is applied to all payments to offshore companies. WHT may be avoided under the active international treaty network consisting of more than 63 double tax treaties.

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 fruit and vegetables typically grown in Latvia. As of January 1, 2022, the VAT rate for books, news websites, etc. has been reduced from 12% to 5%, and on e-books from 21% to 5%. 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 of less than EUR 50,000 are exempt from VAT obligations. Monthly returns are electronically recorded. The options/limits based on the EU Directive are determined in the VAT Act.

Other indirect tax types in Latvia 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.

VAT options in Latvia	Applicable / limits
Distance selling	From July 1, 2021 the OSS system is in force. A VAT registration threshold of EUR 10,000 per year 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, dealings involving 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 50,000/year

Personal income tax / Social security system

A progressive PIT rate was introduced starting from January 1, 2018. From January 1, 2022, it includes the following: 20% is applied for income of less than EUR 20,004 per year; 23% for income between EUR 20,004 and EUR 78,100 per year; and 31% for income exceeding EUR 78,100 per year. A maximum amount for the object of social contribution tax is set for 2022, 2023 and 2024 in the amount of EUR 78,100.

The tax on annual income of more than EUR 78,100 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 is 23% regardless of monthly income.

Also, from July 1, 2022, the non-taxable minimum has been increased from 350 EUR to 500 EUR (please see wage calculations below).

Income from capital and capital gains is taxed with a 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 earned within employment are taxed with PIT and SSC at standard rates. The examples below show the cost to the employer and employee in the cases of the minimum and the average wage in the private sector.

Wage related taxes in Latvia	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	700		1,549	
Total wage cost	**865**	**123.59%**	**1,914**	**123.59%**
Vocational training contribution	–	0.00%	-	0.00%
Social contribution tax	165	23.59%	365	23.59%
Gross salary	**700**	**100.00%**	**1,549**	**100.00%**
Personal income tax*	25,30	20.00%	277	20.00%
Employees' contributions	73,50	10.50%	163	10.50%
Net salary*	**601**	**85.89%**	**1,109**	**71.60%**

* When calculating the applicable PIT, it is assumed that the employee has submitted its salary tax book to the employer. It is also assumed that the non-taxable minimum applied is EUR 0 in case of average wage (calculated for each taxpayer individually) and in case of minimum wage – EUR 700.

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Corporate taxes and other direct taxes

The general rate for corporate income tax is 15% in Lithuania. An incentive corporate income tax rate of 5% is applied to small companies with an annual turnover of up to EUR 300,000 and with no more than 10 employees. Small companies can apply a 0% corporate income tax rate 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 over 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, or 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, unfinished constructions excepted). 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.

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 for recurrences)
tax shortage	✓	20% – 100% on tax underpayment + late payment interest; fines can be doubled for recurrences.
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 and other indirect taxes

VAT options in Lithuania	Applicable / limits
Distance selling	EUR 10,000/year; the OSS system is applicable.
Call-off stock	✓
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	No, it is an optional regime for agricultural producers only.
Import VAT deferment	✓
Local reverse charge	Taking over property as a transfer of contribution to a legal entity; taking over a material improvement of a building; supply of certain types of scrap metal; supply of construction services; supply of mobile phones, tablets, and laptops (applicable until December 31, 2026).
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.

The general rate is 21%, the reduced rates are 9% (e.g. books, central heating, public transportation, tourist accommodation, cultural activities) 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 types of indirect tax in Lithuania include excise duty, the environmental protection charge, and the data storage device tax.

Personal income tax / Social security system

Employment-related income, board member fees, royalties received from an employer, and income under a civil agreement received by a manager of a small partnership who is a member of the small partnership are taxed at the rate of 20% in cases where income does not exceed EUR 114,162 per calendar year in 2024. PIT at a rate of 32% is applied to excess amounts.

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 228,324 per calendar year in 2024. PIT at the rate of 20% is applied to amounts that exceed this.

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

The gross salaries of employees are also subject to social contributions at a rate of 19.5%, which the employer is required to deduct. The employer also has to pay 1.77% in social contributions on top of the employee's gross salary. An additional 3% contribution may be paid by individuals who have decided to accumulate an additional pension (the employer is required to deduct 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	
	924		1,903	
Total wage cost	**940**	**101.77%**	**1,936**	**101.77%**
Social contribution tax	16	1.77%	34	1.77%
Gross salary	**924**	**100.00%**	**1,903**	**100.00%**
Personal income tax*	35	20.00%	329	20.00%
Employees' social contributions	180	19.50%	371	19.50%
Net salary	**708**	**76.67%**	**1,203**	**63.21%**

* Non-taxable allowance of EUR 747 (on minimum wage) and EUR 257.5 (on average wage)

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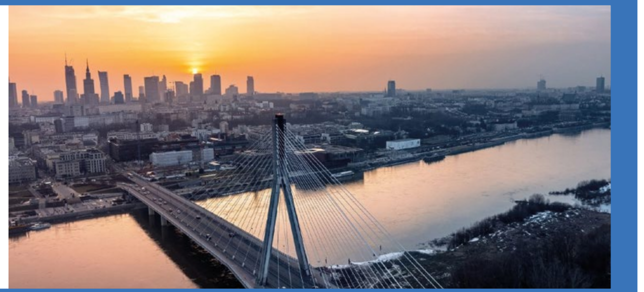

Corporate taxes and other direct taxes

General CIT is 12%. To compute taxable profit, the accounting profit is adjusted upwards (with non-deductible expenses) or downwards (with non-taxable revenues). Tax losses are carried forward for 5 years.

For CY 2023-2025, a special tax relief is being applied for limited liability companies and joint stock companies that represent SME (small and medium enterprises) – CIT calculated for CY 2023-2025 is paid to the State Budget only in the case of dividend payments. This tax relief is not applied to financial and insurance companies.

Moldova has a treaty network consisting of 50 double tax treaties. The WHT rate on dividends is 6%, while for interest and royalties it is 12%.

Capital gains from the sale of shares and other capital assets are taxable for non-residents – at 12% for legal persons; for individuals, only 50% of the capital gain is taxed at the rate of 12%. The relevant double tax treaties are applicable.

A compulsory micro-company scheme is applicable for companies not subject to VAT and with revenues below MDL 1,200,000 (approx. EUR 58,500) for a calendar year:

- 4% on total revenue.

A microenterprise may opt for the CIT regime if it fulfils the following:

- it becomes a VAT payer;
- more than 50% of its revenue is generated by VAT-exempted supplies.

A special tax regime applies for residents of IT Parks (Law No 77/2016): 7% on monthly sales income, but no less than MDL 3,510 per employee per month (Unique Tax). This regime is available for the period until 2037 inclusive. 70% of the sales generated by a resident should correspond to the list of IT services approved by law (including 3D programming and R&D). Starting February 12, 2024 the Law is also applicable to Business Process Operations Outsourcing that is 100% provided to exports.

This unique tax includes all payroll taxes, social insurance contributions, compulsory state health insurance, and all local taxes. Consequently, a resident of an IT Park is liable for a special tax, withholding tax, and VAT.

VAT and other indirect taxes

The general rate is 20%. Reduced rates are 8% (e.g. bread, milk and dairy products, medicines, natural gas, agricultural products, etc.) (hotel accommodation, restaurant services).
VAT-exempt activities include medical services, financial and banking services, insurance and reinsurance, sale and rental of land and residential premises (houses and apartments), certain types of educational and training activities, and other activities of public interest.
Other indirect taxes applicable include excise and environmental tax.

Transfer pricing in Moldova		
Arm's length principle	✓	Since 2024 for operations that cumulatively exceed EUR 1,000,000.
Documentation liability	✓	Since 2024
APA	No	–
Country-by-Country liability	No	–
Master file-local file (OECD BEPS 13) applicable	✓	Since 2024 Only Local file rules are applicable.
Penalty		
lack of documentation	✓	EUR 15,500–51,670
tax shortage	No	–
Related parties	Min. of 25%	Direct or indirect control.
Safe harbors	No	–
Level of attention paid by Tax Authority		N/A

VAT options in Moldova	Applicable / limits
Distance selling	✓
Call-off stock	No
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	No
Import VAT deferment	AEO, tax on goods is paid no later than when custom clearance is performed.
Local reverse charge	Sale of collaterals and property of bankrupt entities.
Option for taxation	
letting of real estate	Land and residential premises are exempt.
supply of used real estate	VAT is not calculated for individuals on real estate transactions.
VAT registration threshold	approx. EUR 58,800

Personal income tax / Social security system

A 12% flat-rate tax is applicable to revenues obtained from dependent activities (e.g. employment or activities assimilated to employment) or independent activities (freelancers). Annual personal exemption is applied to the amount of EUR 1,350.

Social Security Contribution (24% – employer part) and Health Insurance Contribution (9% – employee part).

Dependent activities are subject to HIC at the employee (9%) and SCC at the employer level (24%).

A 24% SCC rate is applied to meal vouchers.

The minimum monthly gross wage for the period starting January 1, 2024 in the real sector is MDL 5,000 per month.

Wage related taxes in Moldova		Minimum wage		Average wage in private sector	
Exchange rate MDL/EUR 22.02.2024	19.84	in EUR	in MDL	in EUR	in MDL
		258	5,000	708	13,700
Total wage cost		320	124.00%	878	124.00%
Vocational training contribution		–		-	
Social contribution tax		62	24.00%	170	24.00%
Health insurance contribution		–		-	
Gross salary		258	100.00%	708	100.00%
Personal income tax*		14	12.00%	63	12.00%
Employees' social contributions		–		-	
Employees' health contributions		23	9.00%	64	9.00%
Net salary		221	86.83%	581	82.39%

* Personal tax exemption in the amount MDL 27,000 is applied annually (27,000/12 monthly).

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Corporate taxes and other direct taxes

Since FY2022, the corporate income tax rate has been progressive and dependent on taxable profits realized (compared to the 9% flat rate that had been previously applicable), 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 15% 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 given to 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.

A 15% withholding tax 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 over 40 double tax treaties.

A progressive transfer tax rate starting from 3% is levied on the transfer of immovable property starting from 2024. Namely, transfers of immovable property up to EUR 150,000 are taxed at 3%, transfers of immovable property in the amount above EUR 150,000 are taxed at EUR 4,500 + 5% to be applied for the amount above EUR 150,000.01, while transfers of property valued above EUR 500,000.01 are taxed at EUR 22,000 + 6% rate to be applied above EUR 500,000.01.

Property tax is levied on the ownership/use of property at rates ranging from 0.25% to 1% for real estate that is the residence of the taxpayer. Secondary real estate (not used as a residence) is taxed at rates ranging from 0.3% to 1.5%. Illegally built objects are taxed at between 0.3% and 2%, whereas undeveloped construction land is taxed at 0.3% to 5% range.

Transfer pricing in Montenegro		
Arm's length principle	✓	Since 2002
Documentation liability	✓	Yes for large taxpayers (revenues over EUR 10m). Others must submit on request.
APA	No	–
Country-by-Country liability	No	–
Master file-local file (OECD BEPS 13) applicable	No	–
Penalty		
lack of documentation	✓	Penalty between EUR 1,000–EUR 20,000.
tax shortage	No	Not specifically stated.
Related parties	> 25%	The parties between whom special relations exist, which could directly impact the conditions or economic results of the transaction between them.
Safe harbors	✓	Corporate Income Tax Law envisions safe harbor rules in relation to intercompany loans and interest rates. The safe harbor rate for FY24 is set at 4.87% p.a.
Level of attention paid by Tax Authority		5/10

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	Purchase of electricity, heating gas and other heating and cooling energy procured for further supply.
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	EUR 30,000/year

VAT and other indirect taxes

The general rate is 21%, the reduced rate is 7% (e.g. bread, milk, accommodation services, medications, tourist rent, restaurants and catering services except alcoholic beverages), and VAT-exemption is provided for donations, exports, and banking services. Taxpayers with revenues in excess of EUR 30,000 must register for VAT purposes. The options/limits are based on the VAT Act in 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 derived from Montenegro. Montenegro has progressive taxation for salaries (taxed at the rate of 0% / 9% / 15%) and income stemming from self-employment (taxed at a rate of 9% or 15%). There is also a flat rate of 15%, which is applicable for other sources of income (e.g. capital gains, interest, etc.).
Active incomes fall under the scope of the SSC system: an individual's social contributions equal 15.5% altogether. These include contributions for pensions (15%) and unemployment (0.5%). The employer's contribution is at a rate of 6.4% of an employee's salary. This includes pensions (5.5%), unemployment insurance (0.5%), and contributions to the Labor fund (0.2%) and Labor union fund (0.2%). Also, a local surtax, calculated based 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 municipality, with most municipalities having a 13% rate.

Wage related taxes in Montenegro	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	533		993	
Total wage cost	**567**	**106.00%**	**1,063**	**106.00%**
Employer's contributions	34	6.00%	70	6.00%
Gross salary	**533**	**100.00%**	**993**	**100.00%**
Employees' contributions	82	6.00%	149	6.00%
Personal income tax	–	0.00%	26	0.00%
Surtax	1	0.40%	5	0.40%
Net salary	**450**	**84.51%**	**813**	**81.87%**

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North Macedonia

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Corporate taxes and other direct taxes

There is a 10% flat general corporate income tax rate for all taxpayers in North Macedonia. Exceptionally, companies with a total revenue of up to 3 million denars (MKD) are exempt from the payment of CIT, and companies with a total revenue between 3,000,001 and 6,000,000 denars have the option to pay CIT at 1% of their 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. Losses cannot be carried back. No special limitations are applicable in the case of M&A transactions. The tax base is reduced by the amount of the investment of profits (reinvested profit) for development purposes, i.e. investments in tangible assets (property, plant, and equipment) and intangible assets (computer software and patents) intended to expand the activity of the taxpayer.

Transfer pricing in North Macedonia		
Arm's length principle	✓	Since 2019
Documentation liability	✓	The CIT payer has prepare a TP report and keep it in its records. The CIT payer needs to provide the TP Report to the PRO within 15 days of their request.
APA	No	The tax legislation does not provide a binding APA.
Country-by-Country liability	No	No obligation regarding Country-by-Country reporting as 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 document, doubled for recurrence; 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 non-resident 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

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 for newly established companies for the first three years of their operation. In North Macedonia, there is a withholding tax at a rate of 10% on dividends, interests, royalties, and other incomes paid by a North Macedonian company to a foreign company. The entities obliged to pay withholding tax should submit a Report on the withholding tax paid on the form "DD-I" to the Public Revenue Office once a year.

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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.

VAT and other indirect taxes

The general rate is 18%; a reduced rate of 5% is applicable for 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 other activities that are tax-exempt with regard to their public interest or special nature. A reduced rate of 10% was recently introduced for hotel and restaurant services. Other indirect taxes in North Macedonia include 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 personal income taxation has been put on hold for 36 months as of January 1, 2020. The PIT Law amendments of January 1, 2019 introduced progressive tax rates for work-related income (such as salaries, pensions, etc.), income from copyrights and related rights, income from independent activities, and income from the sale of agricultural products (Labor Income). With the amendments to the PIT Law, Labor Income will be subject to tax at a flat rate of 10% until January 2023 regardless of the tax base amount. Employers are obliged to calculate, withhold from employees' gross salary, and pay into the accounts of respective funds the compulsory social contributions and personal income tax (PIT). Altogether, social security contributions payable by employees amount to 28% of their gross salary: the 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 of the employer and the employee in the case of the minimum wage level and average wage. The personal allowance is MKD 105,456 on an annual basis, while the monthly personal allowance amounts to MKD 9,540.

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

The highest base for the 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	61.69	in EUR	in MKD	in EUR	in MKD
		482	29,739	934	57,609
Total wage cost		482	100.00%	934	100.00%
Social contribution on salary		–	0.00%	–	0.00%
Gross salary		482	100.00%	934	100.00%
Employees' contributions		135	28.00%	261	28.00%
Personal income tax*		20	4.16%	53	5.63%
Net salary		327	67.84%	620	66.37%

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

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Corporate taxes and other direct taxes

Polish companies are taxable on their worldwide income. Non-resident companies are taxable only on Polish sources of income, subject to DTT. The standard CIT rate is 19%. The preferential CIT rate for "small taxpayers" (whose sales revenue in the previous FY did not exceed the PLN equivalent of EUR 2,000,000) is 9%. This rate also applies for newly-created entities (additional requirements also apply). In Poland, CIT is generally payable on income.
Tax deductible costs exceeding revenues in any given FY constitute a loss which may be deducted from income over the next 5 consecutive years (no more than 50% of a loss can be offset in any one year). Starting from tax losses incurred in FY2019, it is possible to activate the tax loss of a given tax year as a one-off amount up to PLN 5,000,000. The surplus may be settled in line with the general rule described above. As of January 1, 2022, changes in the regulations concerning debt financing costs entered into force. Expenses for debt financing are qualified as tax deductible costs to an amount of no more than 30% of EBITDA or an amount not exceeding PLN 3,000,000 (depending on which amount is higher).
Interest, royalties, and certain types of immaterial services paid to non-Polish residents are, as a rule, subject to a 20% WHT rate, and dividends (or dividend-like incomes) are subject to a 19% WHT rate (unless, in both instances, an exemption or reduced rate is available under an applicable DDT or the EU Interest-Royalties Directive exemption applies). As of January 2022, a pay & refund mechanism entered into force. This only applies to passive payments exceeding PLN 2 Million per annum summed for one non-resident. The excess amounts are subject to a base WHT rate pursuant to the CIT Act (19% or 20%) and the tax remitter can only apply for a WHT refund if the payment could be exempt or qualifies for a reduced rate from the proper DTT. It is also possible to apply for an opinion on the application of preference (additional requirements also apply). There are also strict restrictions concerning due diligence procedures (e.g. beneficial owner statement; verification whether the recipient runs a real business activity in its state of residence).
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 are taxable at a 0.0366% rate (monthly levy) of their total assets (exceeding the indicated minimum value).

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: for 2024 there is a basic interest rate on IC loans (depending on the loan currency), i.e. WIBOR 3M, WIRON 3, LIBOR USD 3M, EURIBOR 3M, plus margin up to 3.1 pp (the Borrower) and a minimum of 2.2 pp (the Lender).
Level of attention paid by Tax Authority		10/10

VAT and other indirect taxes

As a rule, the standard VAT rate is 23%. Preferential rates of 8% and 5% apply to certain goods and services. Other goods and services (e.g. exports, intra-Community supplies of goods, international transport services) may be zero-rated or exempt. Due to inflation during the period from February 1, 2022 to December 31, 2022, reduced rates apply to e.g. fuels; heat; natural gas; certain food products. A 0% VAT rate applies to some food products until March 31, 2024.
Other indirect tax types in Poland include excise duty and gambling tax. Some civil acts such as contracts of sale, loan agreements, and foundation deeds of partnerships or companies, if not subject to VAT, may be subject to civil law activity tax (CLAT), the rates of which range from 0.1% to 2%. Transactions related to filling a power of attorney and public administration actions (submitting application forms, issuing certificates, granting permissions, etc.) are subject to stamp duty.

VAT options in Poland	Applicable / limits
Distance selling	The OSS system is applicable from July 1, 2021.
Call-off stock	✓
VAT group registration	✓
Cash accounting – yearly amount in EUR (approx.)	EUR 2,000,000/ year
Import VAT deferment	✓
Local reverse charge	Reverse charge mechanism applies to gas supplied in the gas system, electricity supplied in the electricity system, and greenhouse gas emission allowance transfer services when such supplies are made directly or through an authorized entity on a commodity exchange, a regulated market, or an organized trading platform.
Option for taxation	
letting of real estate	For residential purposes (exempt), for commercial purposes (23%).
supply of used real estate	Exempt (additional requirements needed).
VAT registration threshold	PLN 200,000/year (approx. EUR 50,000)

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 a progressive tax scale at a rate of 12% (below income amount of PLN 120k per year) to 32% (above income amount of PLN 120k per year). 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.
The tax-free amount is PLN 30,000 (depending on the value of the tax base). The income of taxpayers who are under the age of 26 and receive their income based on an employment relationship, a mandate contract, a post-graduate internship, or a student internship is tax-free up to an amount of income not exceeding PLN 85,528 in the given tax year.
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% (as of January 1, 2022, this could be 0.5% when additional requirements are fulfilled) 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.
Personal income falls under the social insurance system: employee's SC (capped) equals 13.71%; employer's contributions equal approximately 20.48%. Additionally, the individual is required to pay a 9% health insurance contribution. As of January 1, 2022, it is not possible to lower the income tax by the amount of the health insurance contribution and deduct 7.75%.
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*	4.32	in EUR	in PLN	in EUR	in PLN
		980	4,242	1,795	7,768
Total wage cost		**1,196**	**121.98%**	**2,189**	**121.98%**
Employer's social security**		176	17.93%	322	17.93%
Other insurance (approx.)		25	2.55%	46	2.55%
Contribution to the PPK 1.5%		15	1.50%	27	1.50%
Gross salary		**980**	**100.00%**	**1,795**	**100.00%**
Employees` contributions		134	13.71%	246	13.71%
Healthcare insurance		76	9.00%	139	9.00%
Personal income tax***		7	12.00%	116	12.00%
Contribution to the PPK 2%		20	2.00%	36	2.00%
Net salary		**743**	**75.81%**	**1,257**	**70.03%**

* Average exchange rate announced by the National Bank of Poland as of February 5, 2024.
** Capped at income of PLN 234,720.00 for pension and retirement contributions.
*** Taxable base = gross salary – employee's contributions – statutory tax deductible costs.
**** Average wage in private sector as of January 2024 announced by the Main Statistical Office.
***** Minimum wage January–June 4,242.00
1. Minimum wage July–December 4,300.00
2. (Revenue x (-7.35%) + PLN 819.08) ÷ 0.17, for Revenue higher than PLN 8,549 and not exceeding PLN 11,141

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Corporate taxes and other direct taxes

CIT is 16%. To calculate the taxable profit, the accounting profit is adjusted upwards (with non-deductible expenses) or downwards (with non-taxable revenues). An additional deduction of no more than 50% can be applied for certain R&D expenses.
Starting with 01/01/2024, entities with a turnover exceeding EUR 50 million are required to pay a minimum 1% tax applied to adjusted turnover if the CIT computed under general rules is lower than the 1% turnover tax.
Operators in the oil and gas sectors will have to pay a 0.5% tax applied to adjusted turnover, while credit institutions will pay a 2% turnover tax for the period of 2024-2025 and 1% starting with 01/01/2026.
Capital gains arising from the sale of the participations held in any state that Romania has concluded a DTT with are non-taxable.
Tax consolidation is applicable in the field of CIT at the level of two or more legal entities. Once tax consolidation has been opted for, it must be applied for 5 years.

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	✓	Non-Public CbCR and Public CbCR (early adoption with FY 2023) are applicable in Romania.
Master file-local file (OECD BEPS 13) applicable	✓	Only Local File rules are applicable.
Penalty		
lack of documentation	✓	For large and medium tax payers – approx. EUR 2,500–2,900 Other taxpayers – EUR 410–720 Adjustment of tax base plus late payment interest and penalties.
tax shortage	✓	Regular tax regime.
Related parties	minimum of 25%	Direct or indirect control.
Safe harbors	No	OECD's simplified approach on low value adding services is not applicable in Romania.
Level of attention paid by Tax Authority		**10/10**

The tax incentive can be applied, through which CIT payers can benefit, under certain conditions, from annual CIT discounts (2% up to 15%), which is applicable until FY 2025.
Tax losses can be carried forward for a period of 5 years and offset with taxable profits up to 70%.
Treaty network consisting of around 88 DTTs.
The WHT on Dividends is 8%.
The WHT for Interest and Royalties is 16%.
Capital gains from the sale of shares are tax exempt (certain conditions apply). In all other relations for WHT, the general tax rate and DTTs are applicable.
In 2024 MLI provisions will affect the covered agreements in Romania.
From 2024, shareholders with more than 25% shares in a micro-company cannot have additional shareholdings in other companies that apply the same regime.
2 tax rates are applicable for the micro tax regime.
The 3% tax is reintroduced, however turnover has to be between EUR 60k and EUR 500k, or the company has to have certain NACE codes. The 1% tax is still applicable for turnover of less than EUR 60k.
Legal entities in certain domains are not eligible to apply the micro tax regime (insurance, gambling).
The incentive implemented to stimulate the capitalization of CIT payers is also applicable for microenterprise taxpayers for the tax due in the fourth quarter of the fiscal year.

VAT and other indirect taxes

General rate is 19%. Reduced rates are 9% (e.g. medicines, food, agricultural products, hotel, restaurant services, certain residential sales and photovoltaic systems etc.) and 5% (e.g. books).
VAT-exempt activities include medical services, financial and banking services, insurance and reinsurance, sale and rental of real estate, sale of medical prostheses and orthopedic products, certain types of educational and training activities, and other activities of public interest.
E-invoicing systems are mandatory as of 01/01/2024 for taxpayers who perform B2B transactions considered to take place in RO. Starting with 01/07/2024 for the purposes of deduction the original invoice is considered to be the xml file received in the e-invoice system, together with electronic signature attached by Ministry of Finance.
The e-transport system for the real time tracking of goods is mandatory as of 15/12/2023 for all taxpayers who arrange the transport of goods for all kind of international carriages and as of 01/07/2022 for those classified as a tax risk within Romania (e.g. fruit, vegetables, alcoholic drinks, clothing, footwear, and certain minerals and metals).
As of 01/01/2024 non-alcoholic beverages with a sugar content exceeding 5 gram/liter are subject of excise liability.
SAF-T is already implemented for large and medium taxpayers and as of 01/01/2025 will be mandatory for all taxpayers.

VAT options in Romania	Applicable / limits
Distance selling	The OSS system is applicable.
Call-off stock	✓
VAT group registration	✓
Cash accounting – yearly amount in EUR (approx.)	EUR 900,000/year
Import VAT deferment	Certificate of payment deferral / AEO / simplified customs procedure / products subject to VAT r/c.
Local reverse charge	For sale of: certain types of waste, certain types of cereal, wood, greenhouse gas emission certificates, electricity, natural gas, green certificates, land and buildings, laptops, and mobile phones.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	approx. EUR 60,000

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).
SSC are the following: Social Security Contribution/ Pension (25% – employee part), Health Insurance Contribution (10% – employee part) and Work Insurance Contribution (2.25% – employer part).
Income received from dependent activities is subject to SSC at the employee (35%) and the employer level (2.25%). As of 2024, the annual base for calculating SSC for some categories of income is amended.

As regards the SSC/Pension Contribution due for income received from independent income and IP rights, this is due in case the income is at least 12 minimum gross salary (e.g RON 3,300 for 2024, thus RON 36,000 per annum). The 25% is applied to the following computation base regardless of the level of revenues obtained:

- base of 12 minimum gross salaries in case the level of the obtained revenue is between 12 and 24 minimum gross salaries;
- base of 24 minimum gross salary in case the level of the obtained revenue exceeds 24 minimum gross salaries.

The Health Insurance Contribution (HIC) is applied to the annual net income obtained by the freelancer and the taxable base cannot be higher than 60 minimum gross salary (capped at this value). For other types of income (rental income, dividend, capital gain, etc. - except salary income), the HIC is due as follows:

- base of 6 minimum gross salaries in case the level of the obtained revenue is between 6 and 12 minimum gross salaries;
- base of 12 minimum gross salaries in case the level of the obtained revenue is between 12 and 24 minimum gross salaries;
- base of 24 minimum gross salary in case the level of the obtained revenue exceeds 24 minimum gross salaries.

Wage related taxes in Romania		Minimum wage		Average wage in private sector	
Exchange rate RON/EUR	**4.94**	**in EUR**	**in RON**	**in EUR**	**in RON**
		667	3,300	1,530	7,567
Total wage cost		**682**	**102.25%**	**1,564**	**102.25%**
Employer contributions		15	2.25%	34	2.25%
Gross salary		**667**	**100.00%**	**1,530**	**100.00%**
Employees' contributions		233	35.00%	535	35.00%
Personal deduction**		133		–	
Personal income tax***		30	10.00%	99	10.00%
Net salary		**404**	**60.50%**	**895**	**58.50%**

* The minimum monthly gross wage guaranteed in payment, without including bonuses or other additions, is RON 3,300 for FY 2024, for a normal working schedule. In the construction sector, the minimum monthly gross wage for the period January 1, 2024 – December 31, 2024 is RON 4,582 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.

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Corporate taxes and other direct taxes

There is a flat 15% general corporate income tax rate. Tax is levied on 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 tax return for annual corporate profits. Losses can be carried forward for 5 years, but 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 a thin capitalization ratio of 4:1 (10:1 for banks). There is also 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 MNE.
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 the Governmental Rulebook, transactions (other than financial) below EUR 68,000 are not subject to TP rules.
Level of attention paid by Tax Authority		8/10

A 20% withholding tax is applied to 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, auditing, and other services related to business and legal consulting. There is also a 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 60 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, taxpayers can use the cost-plus method, 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.
A 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.) and VAT-exemption is provided for exports and for transport and other services that are associated with the importation of goods. Taxpayers with revenue in excess of approximately EUR 68,000 must register for VAT purposes. Non-residents may register for VAT purposes only through a tax representative.

The other indirect tax type in Serbia is excise duty.

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 involving the construction of buildings, and construction work services.
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	Approx. EUR 68,000/past 12 months.

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 invtellectual property amounts to 20%.
Active incomes fall under the scope of the SSC system: social contributions payable by employees amount to 19.90% of the gross salary. These include contributions for pension and disability insurance (14%), health insurance (5.15%), and unemployment insurance (0.75%). Contributions payable by the employer amount to 15.15% and include contributions for pension and disability insurance totaling 10%, and health insurance (5.15%). There is no unemployment insurance payable on behalf of the employer. Personal deductions are applicable.

Wage related taxes in Serbia		Minimum wage		Average wage in private sector	
Exchange rate RSD/EUR	117.4	in EUR	in RSD	in EUR	in RSD
Non-taxable amount		213	25,000	213	25,000
		545	40,480	1,063	103,797
Total wage cost		758	138.96%	1,276	120.06%
Social contribution tax		213	15.15%	213	15.15%
Gross salary		545	100.00%	1,063	100.00%
Personal income tax		33	6.09%	85	7.99%
Employees' contributions		109	19.90%	212	19.90%
Net salary*		404	74.01%	767	72.17%

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

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Corporate taxes and other direct taxes

The CIT rate in Slovakia is 21%. The 15% rate applies to taxpayers if their income does not exceed EUR 60,000/tax period. The tax base is calculated from accounting profit (loss) as modified by certain increasing and decreasing items. Starting from January 1, 2024 a minimum tax (EUR 340 to 3,840, depending on taxable income) will apply to legal entities that report a tax liability lower than the established amount.
Tax losses (reported since 2020) can be deducted for a maximum of five consecutive tax periods, up to 50% of the taxpayer's tax base.
There are several types of tax incentives potentially available, e.g. super-deduction of R&D costs, additional deduction of costs incurred for certain machinery and equipment linked to Industry 4.0 or tax exemption of part of income for granting the right to use a protected patent/software created by the taxpayer.
Business restructuring (mergers, acquisitions, etc.) can be carried out solely at fair market values (in specific cases – historical value method available).
Participation exemption rules for capital gains on the sales of shares (ownership interest) can be applied under specific conditions.
Thin capitalization rules apply in Slovakia, extended by ATAD provisions as of January 1, 2024.

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	✓	13.5% p.a. of tax underpayment (up to 100% of the underpayment) / 27% 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		No transfer pricing rules applied on transactions below EUR 10,000 or EUR 50,000 in case of loans. The evaluation of the above threshold is more complex (i.e. the tax value of transactions from both related parties have to be considered).
Level of attention paid by Tax Authority		**9/10**

Withholding tax (under Slovak law)

- 0% on dividends if paid to a company that is a tax resident of 'cooperative jurisdiction' and the beneficial owner has a dividend income;
- 19% on interest, royalties, bonuses, income of authors of articles, etc.;
- 35% on payments to a resident of a non-cooperative country not included in the list issued by the Slovak Ministry of Finance (e.g. country that has neither a DTT nor a treaty on tax information exchange with Slovakia), or where the beneficial owner cannot be proven;

Interests and royalties paid by Slovak tax residents to related EU entities – exempt from tax (specific rules apply).
WHT may be reduced by provisions of applicable DTT (currently, DTTs have been concluded with 70 jurisdictions).
Real estate tax is imposed on real estate owners based on the type of property – land, buildings and apartments. The ax liability is calculated by the municipal authorities and depends on various factors (e.g. location, area, etc.).
Motor vehicle tax is imposed on the user/owner of the motor vehicle used for business purposes. Tax rates differ based on technical parameters.
Other taxes: insurance tax, special levy in regulated industries.

VAT and other indirect taxes

The basic VAT rate is 20%. The reduced rate of 10% applies e.g. to accommodation services, restaurant and catering services (excluding alcohol), services for the purpose of performing sport in indoor and outdoor sports facilities, pharmaceutical products, books, lenses, basic food items (e.g. bread, butter, milk), some periodicals, healthy foodstuffs (e.g. dairy products), honey, and most vegetables and fruits. The reduced VAT rate of 5% applies to the provision of buildings, including land for building, which meets the conditions of state-supported residential rental housing.
A special voluntary arrangement based on the receipt of payment for goods and services (so-called "cash accounting") can be applied by certain VAT payers.

VAT options in Slovakia	Applicable / limits
Distance selling	The OSS system is applicable from July 1, 2021.
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 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, etc.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	EUR 49,790

VAT payers are obliged to report to the Slovak Tax Authorities all bank accounts used for economic activities that are subject to VAT. Payment of the supplier's invoice to a bank account which was not listed at the time of payment may lead to application of joint liability for VAT.
The possibility exists to correct the tax base from the supply of goods or services if the taxpayer didn't receive a payment and its receivable has become uncollectable.
As of January 1, 2023, customers are obliged to correct the deducted input VAT from purchased goods or services if they do not partially or fully settle the liability within 100 days of the due date.
Other indirect tax types in Slovakia include excise taxes on wine, beer, tobacco, spirits, mineral oils, electricity, coal, and natural gas.

Personal income tax / Social security system

The PIT rate is progressive and depends on the amount of income earned. The PIT rate is 19% for a tax base up to EUR 47,537.98/year (for 2024) and 25% for amounts exceeding this limit. Certain tax allowances (e.g. personal, spouse allowance, tax bonus for children) may be claimed on personal income.
The 15% tax rate applies to natural persons achieving income from entrepreneurial (other self-employed) activities, provided their income does not exceed EUR 60,000/year.

Dividends (from profit generated after January 1, 2024) and some other income (e.g. share in the liquidation balance of the company/cooperative, the settlement share, etc.) are subject to taxation at 10% (capped by DTT for non-residents) or at 35% if the recipient or payer of the dividends is from a 'non-cooperative' jurisdiction.

Both employers and employees are subject to social security and health insurance contributions on the employee's gross monthly salary. The rates are 36.2% for employers (25.2% social security and 11% health insurance) and 13.4% for employees (9.4% social security and 4% health insurance). Social security contributions are capped by a maximum assessment base of EUR 9,128 (in 2024). 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 for employee contributions.

As of January 1, 2023, a minimum health insurance contribution has been introduced, being EUR 40.32/month for employees (in 2024).

Wage related taxes in Slovakia	Minimum wage		Average wage*** in private sector	
	in EUR		in EUR**	
	750		1,383	
Total wage cost	**1,022**	**136.20%**	**1,884**	**136.20%**
Vocational training contribution	-		–	
Social security and health insurance contributions (Employers' part)	272	36.20%	501	36.20%
Gross salary	**750**	**100.00%**	**1,383**	**100.00%**
Personal income tax*	123	19.00%	228	19.00%
Employees' contributions	101	13.40%	185	13.40%
Net salary	**526**	**67.60%**	**970**	**67.60%**

* Gross salary can be decreased by social security and health insurance contributions (employee's part) and personal allowance (EUR 470.54 EUR/month in 2024 - not considered above).
** Average for 1st–3rd quarter 2023.
*** The wage from regular employment contract.

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Corporate taxes and other direct taxes

Temporary increase of CIT rate (1.1. 2024 until 31.12. 2028) to 22% (before 19%). The tax base is the accounting profit modified by increases & decreases.
Losses can be carried forward without limitations & can be used only up to 50% of the tax base. Special rules apply in case of M&A transactions. Tax allowances are available for new investments, R&D, new employments, the employment of disabled persons, donations & voluntary supplementary pension insurance. From 2022 a new tax allowance for investment in the digital & green transition was introduced. Provisions governing the GAAR & CFC as a part of the EU ATAD I are applicable from 2019. Slovenia uses thin capitalization (4:1), but doesn't apply if shareholders are financial institutions & the taxpayer provides evidence of such possible loan surplus from a lender that is a non-associated enterprise.
The amendments to CIT Act (effective from 2024), further restrict business between related companies (in line with the interest limit in the ATAD Directive). The amendments regulate the rule on recognition of interest for tax purposes (i.e. EBITDA rule). The limitation regulates deductibility of interest for tax purposes for loans between related companies (recognized as an income up to higher of (1) 30% of taxpayer's EBITDA, (2) EUR 1 mio).

In addition, the amendments relate to provisions concerning the determination of a non-resident's PE & non resident's place of business not determined as PE. The most significant change relates to provisions governing the place of business of a non-resident that is considered PE, as they do not apply to a place of business used or maintained by a non-resident who is closely related to another non-resident or resident & if that person carries out business activities at the same or another place in Slovenia & those business activities are part of an overall business.
Withholding tax of 15% is applied on dividends, interest, royalties and rental income paid by a Slovenian company to a foreign company. However, if conditions are met, an exemption (or decrease in the percentage of withholding tax) is applicable to payments to EU residents (under the Parent Subsidiary Directive & the interest and royalty directive or under local WHT exemption), and under international Double Taxation Treaties (there are currently over 60 treaties).

- Real estate transfer tax (RETT) is applied on the transfer of immovable property at the rate of 2% if transaction is not subject to VAT where the tax base is selling price.
- DAC7 obligatory reporting from period 2023 onwards - with first reporting due date on 31 January 2024.
- On 13 December 2023, the Minimum Tax Act was adopted. In brief, the new act will introduce an additional tax liability from 2024 onwards for groups whose annual revenue on consolidated level in at least two of the last four financial years amounts to 750 million EUR or more.

Transfer pricing in Slovenia		
Arm's length principle	✓	Since 2005 in Article 16 of the Slovene Corporate Income Tax Act (CITA).
Documentation liability	✓	Slovene Ministry of Finance issued regulations on TP on 1 January 2007.
APA	✓	Available
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 2006
Penalty		
lack of documentation	✓	Penalty is EUR 1,200 to EUR 30,000 depending of the size of the legal entity and up to EUR 4,000 for the responsible person.
tax shortage	✓	30% of underpaid tax for micro and small legal entities (underpaid tax from EUR 1,500 to EUR 150,000). 45% of underpaid tax for medium and large companies (underpaid tax from EUR 2,000 to EUR 300,000). Responsible person up to EUR 5,000.
Related parties	✓	
Safe harbors	✓	– Administratively determined recognized interest rate for all loans between RPs. – For interest rates in line with the government regulations the thin cap 1:4 ratio applies. – The rule limiting the recognition of interest for tax purposes for loans between RPs within a group (new in 2024 EBITDA rule). – Safe harbor rule applicable between domestic RPs, only if RPs involved in domestic IC transactions are in different tax positions.
Level of attention paid by Tax Authority		9/10

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 and newspapers, regardless of whether they are delivered on physical media or electronic forms. EC Sales lists (IC report) are obligatory in Slovenia. For cross-border sales to consumers, a 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.

VAT options in Slovenia	Applicable / limits
Distance selling	EUR 10,000/year The OSS system is applicable from July 1, 2021.
Call-off stock	✓
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	EUR 400,000/year
Import VAT deferment	Yes, special treatment for tax non-residents with use of Slovene VAT ID number, simplification can be used only in case where they appoint tax representative who is also jointly liable for VAT.
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 specifications, 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 (16%, 26%, 33%, 39% and 50%), and apply on active income sources (employment, business income, agriculture and forestry, other income). Capital and rental income is taxed at a flat rate (dividends at 25%, interest at 25%, capital gains from 0% to 25% – depending on the holding period, rental income at 25%.

Social security contributions are applicable on income from employment and are 16.10% for the employer and 22.10% for the employee. From the January 2024 onwards there is also a separate flat EUR 35 monthly fee for mandatory medical insurance. Self-employed individuals (business income) pay their own social security contributions depending on the circumstances of the case. 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	
	1,253		2,348	
Total wage cost	1,456	116.10%	2,726	116.10%
Employer's contribution**	202	16.10%	378	16.10%
Gross salary	1,254	100.00%	2,348	100.00%
Employees' contributions**	312	22.1%+EUR 35	554	22.1%+EUR 35
Tax and surtax*	84	6.70%	285	12.15%
Net salary	858	68.43%	1,509	64.26%

* Tax base differs from the gross salary, deductions apply.
** In the case of a minimum wage, a higher calculation base must be used to calculate social security contributions.
** Latest available information about average wages in the private sector is December 2023. In 2024 we should expect a drop in average net salaries due to the new EUR 35 monthly flat fee for mandatory medical insurance.

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Corporate taxes and other direct taxes

The standard CIT rate of 18% applies to the worldwide income of resident companies. The CIT rate for banks is 50% in 2023, reduced to 25% starting from 2024. Non-resident companies and their permanent establishments (PE) pay CIT on income received from Ukrainian sources.
Taxable profit is calculated as financial profit before tax (reported in the P&L statement according to GAAP or IFRS), adjusted with certain tax adjustments (depreciation, accruals and provisions, thin capitalization, tax losses, etc.).
Thin capitalization rules apply to loans granted by any non-resident (the debt-to-equity ratio is 3:5), with exceptions for certain financial and leasing entities.
Tax losses can be carried forward indefinitely with limitations for large taxpayers. Loss carry back is not permitted.

Transfer pricing in Ukraine		
Arm's length principle	✓	Since 2013
Documentation liability	✓	Since 2013
APA	✓	Applicable to large taxpayers, no cases in practice.
Country-by-Country liability	✓	For MNE with income ≥ EUR 750 million (+ other conditions).
Master file-local file (OECD BEPS 13) applicable	✓	For MNE with income ≥ EUR 50 million.
Penalty		
lack of documentation	✓	3% of the value of controlled transactions, but not more than UAH 605,600 (approx. EUR 15 K) for the 2024 reporting year.
tax shortage	✓	25% of tax underpayment; 50% in case of recurrent violation within 1,095 days + late payment interest.
Related parties	> 25%	Direct/indirect or common control; (formalized or de-facto); transactions with non-related non-residents may fall under TP control.
Safe harbors	No	–
Level of attention paid by Tax Authority		7/10

Companies with annual income below UAH 40 million (approx. EUR 963K) are entitled not to apply any tax adjustments (except for tax losses carried forward).
A 15% withholding tax (WHT) is imposed on passive income (dividends, interest, royalties) paid to non-residents.
Payment for services is WHT-exempt (except for engineering). WHT is also levied on other payments to non-residents, e.g. constructive dividends, alienation of shares in Ukrainian asset-rich companies, freight, etc.

A lower WHT rate or exemption may apply under a double tax treaty (DTT). Ukraine has a wide DTT network (more than 70). A "look-through approach" is available.
The application of DTT benefits is restricted by a "principal purpose test".

Transfer pricing (TP) rules apply to controlled transactions (CT) with related non-residents and with non-related foreign companies registered in low-tax jurisdictions or not paying income tax. TP rules apply if the company's annual revenue exceeds UAH 150 million (approx. EUR 3.6 million), and its CT with the same counterparty exceed UAH 10 million (approx. EUR 241 K). Transactions between non-resident and its PE fall under TP control if the amount exceeds UAH 10 million.

Undistributed profits of controlled foreign companies are taxed at 18% at the level of Ukrainian company or individual (subject to exemptions).

Non-residents operating in Ukraine through PE should register with the tax authorities and file their CPT returns.

Sole traders, companies with annual income below UAH 8.3 million (approx. EUR 199 K), and agricultural producers may apply for the simplified taxation system.

A special beneficial tax regime called DiiaCity is available for IT companies and start-ups.

VAT and other indirect taxes

As a non-EU member, Ukraine has not implemented EU VAT Directives.

The standard VAT rate is 20% (14% for the import of some agricultural products; 7% for the supply of pharmaceuticals and some services; 0% for the export of goods and the import of certain goods and services).

The VAT registration threshold is a revenue of UAH 1 million (approx. EUR 24 K) over 12 consecutive months. Voluntary registration is available.

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, software development, etc.).
The reverse-charge mechanism applies to services provided by a non-resident.

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 24 K) over 12 consecutive months.

A so-called "Google tax" of 20% is imposed on the provision of electronic services by non-residents to individuals within the customs territory of Ukraine.

Ukrainian VAT is administrated through an electronic system. The taxpayer is entitled to issue VAT invoices for the amount within a certain cap.

There are VAT exemptions (tobacco products, gold) and temporary VAT incentives for the supply of certain goods and services (electric vehicles, scrap metals, equipment for renewable energy, etc.). Until the end of martial law, the import of certain military goods is exempt from VAT. VAT exemptions and incentives are granted under certain requirements.
The other indirect tax in Ukraine is excise tax. Excisable goods are spirits, beer, tobacco, petroleum, cars, trailers, motorcycles, and electricity. Certain military purpose goods are exempt until the end of martial law.

Personal income tax / Social security system

The flat PIT rate of 18% is imposed on both active income (e.g. employment, benefits in kind) and passive income (e.g. interest, royalties, investment income) for residents and non-residents.

Ukraine tax residents pay PIT on their worldwide income. Non-residents pay PIT on their Ukrainian sourced 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 apply.

There is a temporary military levy (until the completion of the military reform) at a rate of 1.5% that applies to all income subject to PIT.

During martial law, the income and gains of combatants and individuals living in combat areas received from charitable organizations are PIT-exempt. Also, financial support provided to law enforcement officers and military personnel is not subject to a military levy.

A reduced PIT rate of 5% applies to salaries of individuals employed by DiiaCity, to the remuneration of gig-experts, and to the remuneration of authors.

Most forms of active income fall under the scope of social security contribution (SSC) with an employer's contribution of 22%; there is no employee's contribution. The minimum monthly SSC is UAH 1,562 (approx. EUR 38), the maximum monthly SSC is UAH 23,430 (approx. EUR 564).

Wage related taxes in Ukraine		Minimum wage		Average wage in private sector	
Exchange rate UAH/EUR	**41.54**	**in EUR**	**in UAH**	**in EUR**	**in UAH**
		171	7,100	525	21,809
Total wage cost		**209**	**122%**	**629**	**122%**
Social contribution tax		38	22%	116	22%
Gross salary		**171**	**100%**	**525**	**100%**
Personal income tax		31	18%	95	18%
Military tax		3	2%	8	2%
Net salary		**138**	**80%**	**423**	**80%**

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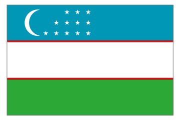
Uzbekistan



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Corporate taxes and other direct taxes

In general, the concept is similar to the CIT approach used in developed countries worldwide. Taxable income is calculated as annual income minus expenses. It is only possible to deduct properly documented expenses provided that the expenses are connected with the taxable income. Dividends and capital gains are excluded from taxable income. The percentage of depreciation norms for fixed assets is set out in the Tax Code and is substantively similar to IFRS principles. Losses can be carried forward without limitation. The rules on the carrying forward of losses do not apply to losses generated during periods when a company has enjoyed tax benefits. There are thin capitalization rules. A CFC rule exists.

WHT applies to incomes paid to non-residents that are not registered for tax purposes in Uzbekistan. Taxable incomes are listed in the Tax Code. Uzbekistan has signed 54 treaties on avoidance of double taxation. Although the treaty rates prevail over the Tax Code, non-residents must have a duly issued tax residency certificate to be able to apply the treaty. The multilateral instrument (MLI) is not in force.

Small and medium businesses may enjoy a special tax regime according to which the Unified Tax on income is paid. This tax replaces CIT.

Transfer pricing in Uzbekistan		
Arm's length principle	✓	Since 2020
Documentation liability	✓	Since 2022
APA	✓	Since 2022
Country-by-Country liability	No	–
Master file-local file (OECD BEPS 13) applicable	No	–
Penalty		
lack of documentation	✓	Less than 500 EUR.
tax shortage	✓	40% of tax shortage.
Related parties		Legal entities are considered to be related: - legal entities are related if one legal entity holds a direct or indirect participation in another legal entity and the share of such participation in the charter capital exceeds 20% - an individual and a legal entity are related if the individual holds a direct or indirect participation in the legal entity and the share of such participation in subscribed capital exceeds 20%.
Safe harbors	No	–
Level of attention paid by Tax Authority		2023 is the first year TP reporting has to be submitted to the state authorities. The tax authorities may start audits on TP matters only after June 2023.

VAT and other indirect taxes

The VAT concept is quite similar to the concept applied in developed countries worldwide. The turnover subject to VAT is in general the total value of sales (Output VAT). The VAT paid to suppliers (input VAT) is deducted from Output VAT. Input VAT cannot be offset if the goods, works, or services purchased are not related to taxable turnover, the VAT-invoice is not issued by a supplier or issued with the violation of the legal requirements, the supplier is declared by a court to be inactive entity, etc. The VAT rate for the export of goods is 0% and there is a certain procedure for the refund of the related input VAT.

VAT options in Uzbekistan	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	✓
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	1 bUZS (approx. EUR 77k)

Excise Tax is paid by importers or sellers of:
1) Alcoholic products
2) Tobacco products
3) Oil & gas products
4) Motor vehicles.

Personal income tax / Social security system

Tax residents shall be recognized as an individual staying in the Republic of Uzbekistan if they do so for at least 183 calendar days in any consecutive 12-month period ending in the current tax period (calendar year). The concept is the same as worldwide.

The 12% Social Tax contains all types of contributions to the social system, including the pension scheme and access to the state medical system.

Wage related taxes in Uzbekistan		Minimum wage		Average wage in private sector	
Exchange rate UZS/EUR	13.53	in EUR	in UZS	in EUR	in UZS
		78	1,050,000	400	5,414,400
Total wage cost		87	112.00%	448	112.00%
Employer's social security and other contributions		9	12.00%	48	12.00%
Gross salary		78	100.00%	400	100.00%
Personal income tax		9	12.00%	48	12.00%
Employees' contributions		–	0.00%	–	0.00%
Net salary		68	88.00%	352	88.00%

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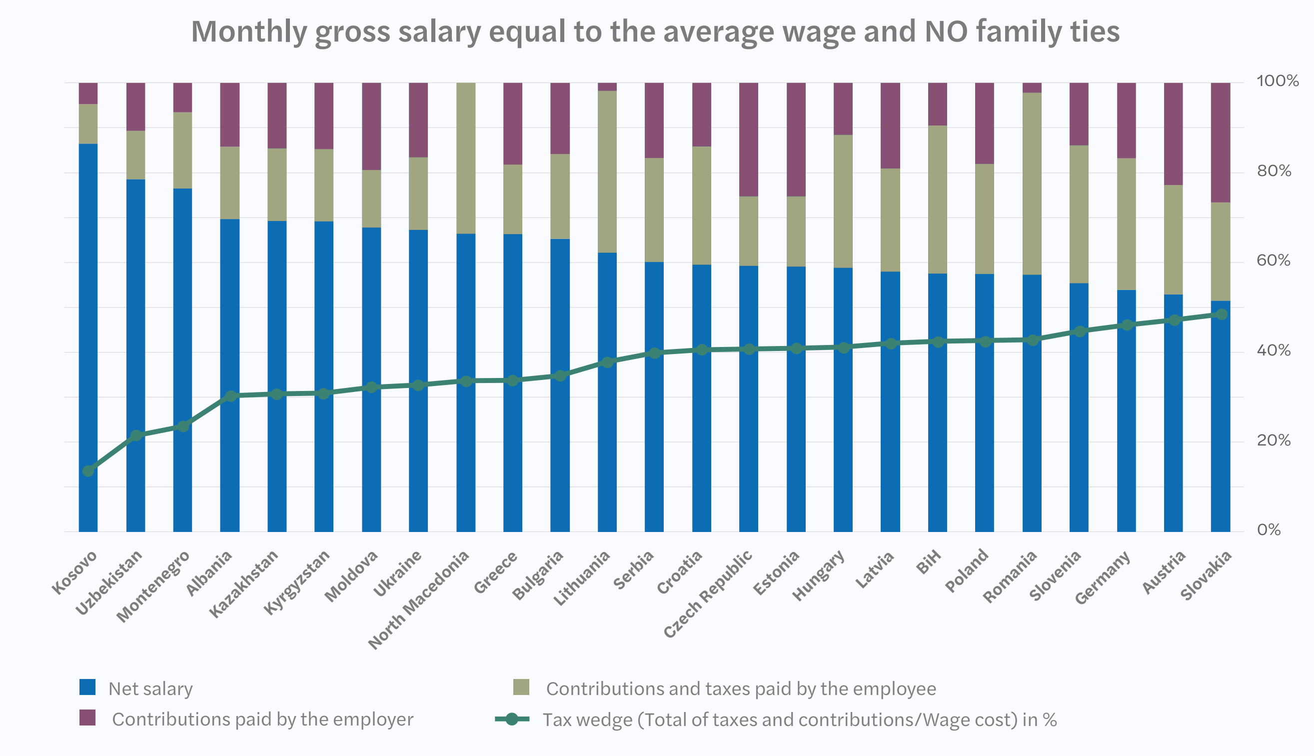
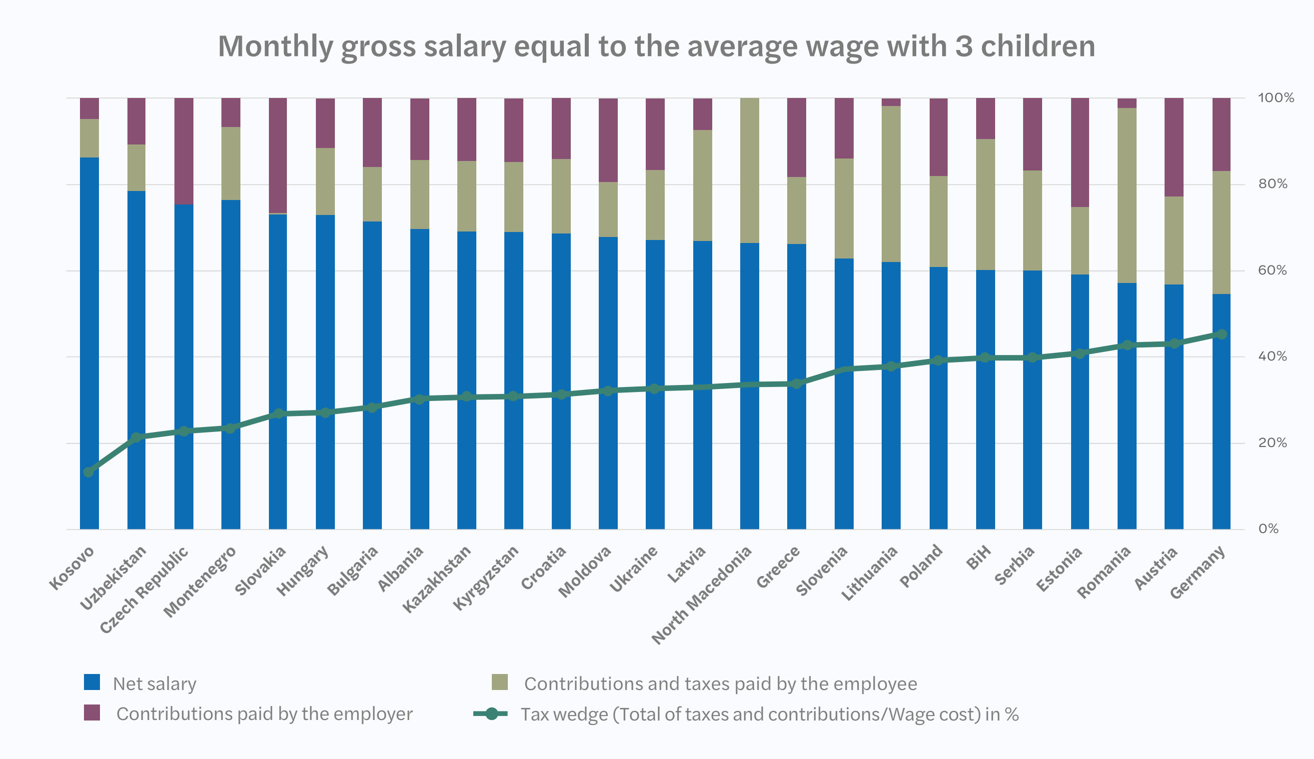
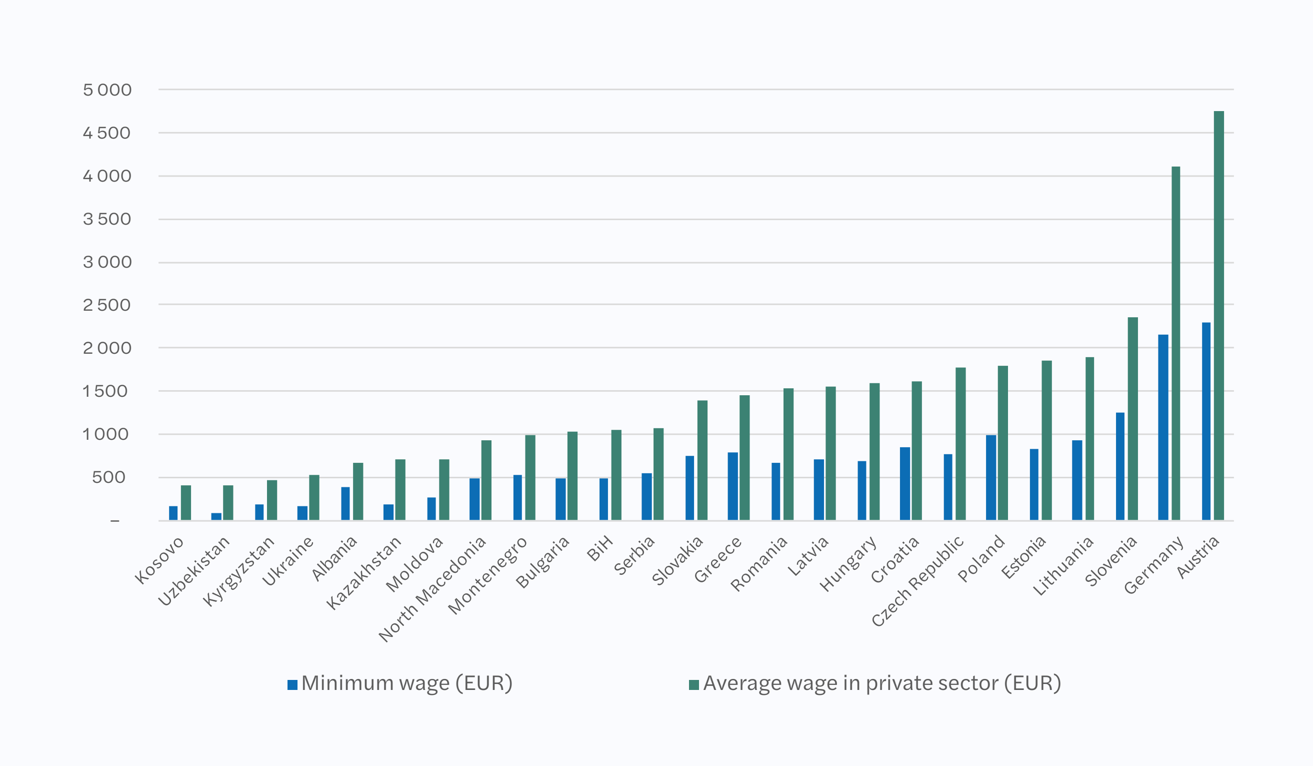
Labour-related tax burdens in the CEE region

The charts below show the wage-related tax and contribution burdens in each country, for two different options: for an individual having no family ties and for someone who has three children. The demonstration of the tax wedge is particularly suitable for comparison, as it shows how the overall level of taxes relative to wage costs differs in the respective tax jurisdiction in the case of average wages.





Minimum wages and average wages in 2024



Tax rates in the countries of the CEE region

2024	VAT	PIT	SSC
	Value added tax rates	Personal income tax rate(s)	Social security and other contributions payable by the employer
Albania	0% / 20% / 6%	Progressive: 0% / 13% / 15% / 23%	16.70%
Austria	20% / 10% / 13%	0%–55%	20.98% social insurance + approx. 8.6% other taxes and contributions
Bosnia and Herzegovina	17%	10%* / 8%**	10.5%* / No**
Bulgaria	20% / 9%	10%	18.92%
Croatia	25% / 13% / 5% / 0%	15%–23.60% (lower rate) 25%–35.40% (higher rate)	16.5%*
Czech Republic	21% / 12%	15% / 23%*	24.8%** / 9%
Estonia	22% / 0% / 5% / 9%	20%	33% / 0.8%
Germany	19% / 7%	14%–45%	20.225%
Greece	24% / 13% / 6% / 4%	Progressive: 9% / 22% / 28% / 36% / 44%	22.29%
Hungary	27% / 18% / 5%	15%	13%
Kazakhstan	12%	10% / 5% / 15% / 20%	10.8%
Kosovo	18% / 8%/0%	Progressive: 0% / 4% / 8% / 10%	5%
Kyrgyzstan	12%	10%	17.25%
Latvia	21% / 12% / 5% or 0%	20% / 23% / 31%	23.59%
Lithuania	21% / 9% / 5%	15% / 20% / 32%	1.77%
Moldova	20% / 8%	12%	24%
Montenegro	21% / 7%	0%/ 9% / 15%	6.4%
North Macedonia	18% / 10% / 5%	10%	No
Poland	23% / 8% /5% /0%	12% / 32%	21.98%
Romania	19% / 9% / 5%	10%	2.25%
Serbia	20% / 10%	10%	15.15%
Slovakia	20% / 10% / 5%	15% / 19% / 25%	36.2%
Slovenia	22% / 9.5% / 5%	Progressive: 16%–50%	16.1%
Ukraine	20% / 14% / 7% / 0%	18%*	22%**
Uzbekistan	12% / 0%	12%	12%

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 64,605 yearly in 2024. ** Only on income up to approx. EUR 86,140 in 2024. **Ukraine** * Additionally 1.5% temporary military tax should be withheld from the same base as PIT. ** Maximum monthly SSC is UAH 23,430 (approx. EUR 564).

Corporate income tax key features

	Corporate income tax rate(s)	IFRS accounting available (for all companies)	Group taxation available	Interest limitation (Thin Cap or EBITDA based)	Withholding tax on interest, dividend or royalty	R&D / patent box incentive	Loss carry-forward (years)	Transfer pricing documentation liability	Other comments and recent developments
Albania	5% / 15%	✓	No	✓	✓	No	5	✓	–
Austria	23%	No	✓	✓	✓	✓	No limitation period	✓	allowance for certain investments equal to 10% (15% for ecological investments) of acquisition costs – cap of EUR 1 million p.a.
BH (Fed.)	10% / 0%	✓	✓	✓	✓	✓	5	✓	–
BH (Rep.)	10% / 0%	✓	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	21%	✓ (but for CIT, Czech Accounting Standards apply)	No	✓	✓	✓	5 years (and loss carry-back for 2 years)	✓ (optional but recommended)	DAC 6 mandatory disclosure requirements. DAC 7 rules implemented.
Estonia	20/80 or 14/86	✓	No	No	✓	No	✓	✓	CIT is paid only on the distributed dividends: lower rate 14/86, standard rate 20/80.
Germany	15% (~30%*)	✓	✓	✓	✓	No	No limitation period	✓	Loss carryback *Together with trade tax.
Greece	22%	✓	No	✓	✓	✓	5	✓	Tax-free threshold increased EUR 1,000 for taxpayers with children, business tax (L.3986/2011) reduced 50% for self-employed, amendments on short-term leases, VAT for hosts leasing ≥3 properties.
Hungary	9%	✓	✓	✓	No	✓	5	✓	No WHT on dividend, royalties, and interest payments. ATAD regulations implemented.
Kazakhstan	20%	✓	No	✓	✓	No	10	✓	Since 2023, a participation exemption rule under which dividends payable to shareholders and non-residents owning shares for more than 3 years was cancelled.
Kosovo	10% / 9% / 3%	No	No	No	✓	No	4	✓	The loss carry forward period for tax losses has been 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.
Kyrgyzstan	10%	✓	No	No	✓	No	5	No	No
Latvia	20%*	✓	No	✓	No	No	No	✓	*The tax base of CIT divided by 0.8 and then multiplied by 20%, which means that the effective CIT rate is 25% of the taxable base.
Lithuania	15% / 5%	✓	No; however, losses can be transferred to another group entity.	✓	✓	✓	No limitation period	✓ except for local transactions.	0% rate for small Companies for the first financial year.

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 and recent developments
Moldova	12%	✓	No	✓	✓	N/A	5	✓	–
Montenegro	Progressive tax rate set between 9% and 15% depending on realized profits.	✓	✓	No	✓	No	5	✓	–
North Macedonia	10%	✓ (large and mid-sized entities)	No	✓	✓	No	3	✓	The Transfer Prices Report Rulebook was recently introduced.
Poland	9%/ 19% (basic rates)	No	✓	✓	✓	✓	5	✓	Changes in the so-called Estonian CIT; changes in WHT; changes to the so-called bad debt relief; repeal of provisions on so-called hidden dividends; so-called minimum tax (effective from 2024).
Romania	16%	No	✓	✓	✓	✓	5	✓	Tax consolidation rules.
Serbia	15%	✓	✓	✓	✓	✓	5	✓	–
Slovakia	15% / 21%	No	No	✓	✓	✓	5	✓	Exit tax; Participation exemption rules; ATAD (incl. hybrid mismatch) rules; Country-by-Country (CbC) Reporting; DAC 6 and DAC 7 mandatory disclosure requirements.
Slovenia	22%	✓	No	✓	✓	✓	No limitation period	✓	General limitation of tax base reduction for tax periods after January 1, 2020, resulting in setting a minimum corporate tax rate of 7%. Exit taxation applies as of January 1, 2020.
Ukraine	18%	✓	No	✓	✓	No	Yes (no limitation period except for large taxpayers)	✓	There is a beneficial tax and a legal regime called DiiaCity for IT companies and start-ups.
Uzbekistan	15%	✓	No	✓	✓	No	No limits	✓	Since April 2024 taxpayers with high a rating may enjoy some tax benefits. Rating is automatically defined based on many factors.

Pillar 2 implementation

	Was the Council Directive (EU) 2022/2523 implemented into the local legislation?	Did the local legislation implement IIR?	Did the local legislation implement UTPR?	Did the local legislation implement QDMTT?	What tax types qualify as covered taxes under the GloBE rules?	Does the local law include any significant difference compared to the Directive?
Albania	✓	✓	✓	✓	N/A	New Law effective from January 2024 is partially aligned with the Directive.
Austria	✓	✓	✓	✓	Corporate income tax (Körperschaftsteuer)	No
BH (Fed.)	No	N/A	N/A	N/A	N/A	N/A
BH (Rep.)	No	N/A	N/A	N/A	N/A	N/A
Bulgaria	✓	✓	✓	✓	The covered taxes of a constituent entity shall extend to: 1. the expenses charged for taxes with respect to the profit and income of the constituent entity; a tax upon profit distribution or what qualifies as such, as well as a tax on non-business expenses under an eligible profit distribution tax system; alternative taxes imposed instead of corporate tax; a tax on retained earnings and equity, including on multiple components based on profit, income, and equity.	No
Croatia	✓	✓	✓	✓	There is no distinction between local law and the provisions of the Directive.	No
Czech Republic	✓	✓	✓	✓	Taxes reported in the entity's financial statements based on its income or profit, i.e. CIT including capital gain tax, windfall tax, and adjusted deferred tax.	No
Estonia	No	N/A	N/A	N/A	N/A	N/A
Germany	✓	✓	✓	✓	Corporate and trade tax as well as the solidarity surcharge, capital gains tax.	No, but the option for the national supplementary tax was taken, which applies if domestic business units of a foreign group are subject to an effective tax of less than 15%.
Greece	No	N/A	N/A	N/A	N/A	N/A
Hungary	✓	✓	✓	✓	Corporate income tax, local business tax, innovation contribution, Robin Hood tax.	Hungarian legislation allows taxpayers to compute their GloBE tax liability based on the Hungarian Accounting Standards.

	Was the Council Directive (EU) 2022/2523 implemented into the local legislation?	Did the local legislation implement IIR?	Did the local legislation implement UTPR?	Did the local legislation implement QDMTT?	What tax types qualify as covered taxes under the GloBE rules?	Does the local law include any significant difference compared to the Directive?
Kazakhstan	No	N/A	N/A	N/A	N/A	N/A
Kosovo	No	N/A	N/A	N/A	Corporate Income Tax	5%
Kyrgyzstan	No	N/A	N/A	N/A	N/A	N/A
Latvia	No	N/A	N/A	N/A	N/A	N/A
Lithuania	No	N/A	N/A	N/A	N/A	N/A
Moldova	No	N/A	N/A	N/A	N/A	N/A
Montenegro	No	N/A	N/A	N/A	N/A	N/A
North Macedonia	✓	✓	✓	✓	–	–
Poland	No	N/A	N/A	N/A	N/A	N/A
Romania	✓	✓	✓	✓	Corporate Income Tax or any substitute, taxes on distributed profits, payments qualifying as profit distributions, and non-business expenses, taxes on retained earnings and corporate equity.	Romania must notify the EC of the election of the QDMTT within 4 months following the adoption of the domestic law, meaning by end of April 2024.
Serbia	No	N/A	N/A	N/A	N/A	N/A
Slovakia	✓	No	No	✓	Tax declared in financial statements of constituent entity in relation to its income (profit).	No
Slovenia	✓	✓	✓	✓	Income tax	No
Ukraine	No	N/A	N/A	N/A	N/A	N/A
Uzbekistan	No	N/A	N/A	N/A	N/A	N/A

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