Mazars Central and Eastern European tax guide 2022

10th edition

mazars

Contents

Welcome to the CEE tax guide 2022

Welcome to Mazars’ tenth annual Central and Eastern European tax guide. Right from the birth of our first brochure in 2013, the main purpose has been to provide you with an overview of the tax systems in the CEE region. However, the list of participating countries has been continuously extended; ten years ago, it started out with 15 countries, whereas the 2022 edition of the tax guide contains data for 22 countries. It includes the so-called Visegrad Group and also southeast Europe, Germany, Austria, Ukraine, Moldova and the Baltic states.

This year’s issue contains information on taxation systems effective at the end of January 2022. In the first section, the tax systems of the CEE region are presented country-by-country, based on data provided by the relevant Mazars offices. At the end of this guide you will find summary tables that allow side-by-side comparisons of the relevant tax environments.

The primary aim of the publication is to allow for comparisons to be made between the fundamental factors of competitiveness in the region. What are these factors? They primarily include the scale of taxes and employment contributions: in addition to listing the relevant tax and contribution rates, we also show examples for various salary levels and family statuses. Other key factors are the rates and special features of value added tax, as well as the corporate income tax system. A separate table summarizes and compares major CIT characteristics, such as tax allowances for research and development activities or loss carry forward regulations, group taxation, interest deduction limitations, etc. Moreover, the reader can have a quick overview of the main features of the countries’ transfer pricing regulations as well.

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.

Sándor Szmicsek
Partner
Tax and Legal Services
Mazars in Hungary

Tax review 2022
An overview of taxation system within CEE

Introduction

We are proud to announce that, thanks to the cooperation of the Mazars offices in the Central and Eastern European Region, our publication is now being delivered for the tenth time. Our brochure aims to provide current information on taxation in the 22 European states concerned, effective as of January 2022.
We strongly believe that this publication will help investors understand the complexities of the various CEE tax regimes, as well as highlight the latest developments and trends characterizing the tax regime of a given country.

Employment Taxes

Overall, the proportion of taxes on income and employment is dropping; however, their extent shows significant differences in the countries observed. Additionally, the principle of taxation is also not uniform in the region; some countries swear by a flat rate income tax (such as Bulgaria, Hungary, Romania, and Ukraine), while others prefer significantly progressive tax rates (e.g. Austria, Germany, and Slovenia as well as Croatia and Slovakia). In a number of states, we see some increase in the thresholds of the upper tax bands, which results in an overall reduction in personal income tax liabilities (in Latvia, Lithuania and Albania). In Slovenia, the higher tax rate has been reduced as of January 2022.

The costs from social taxes and contributions burdening employers is, on average 15%, of the gross salaries in the region, but there is a significant difference – over 30 percentage points – between the lowest employer burdens (e.g. Lithuania, North-Macedonia, Kosovo, and Romania: less than 5%) and the highest employer contributions (e.g. the Czech Republic, Poland and Slovakia: more than 30%). This highlights the fact that the systems are different and hard to compare; this only shows that some jurisdictions prefer to levy payroll taxes on employees rather than on employers.

A much more suitable way of comparing systems is to look at 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 measures the extent to which tax on labor income discourages employment, as it shows the percentage of labor cost that, in any form, goes to the state budget. In 2022; this indicator usually varies between 15 and 51% in the region depending on employee salary levels and family status. Due to progressive tax rates, the value is somewhat lower in the case of lower income rates (average of 33%) and higher in the case of higher rates (between 39%).
All of the above should obviously be evaluated in consideration of the wage level in the given country, and this is the factor where the countries of the region display the most significant spread. While the minimum wage in Kosovo and Moldova is under EUR 180 and is around EUR 200-400 in some of the former Yugoslav countries, Albania, and Bulgaria, in a significant part of the region (Czech Republic, Slovakia, Hungary, Poland, Romania), the minimum wage is around EUR 500-650. This is still incomparable with the values of Slovenia (EUR 1,000) or those of Germany and Austria (over EUR 1,700). The average wage level in the private sector in Euros increased significantly, on average by over 12%, but in Serbia and Hungary the same figure is 14% and 19%, respectively.

Austria

After Austria kept the corporate income tax rate stable for nearly 2 decades, it will be reduced from 25% to 23% until the start of 2024, bringing the nominal corporate income tax rate closer to the tax rates of neighbouring countries. Furthermore, Austria has decided to counter negative macroeconomic impacts by strengthening incentive programs: Investments in certain fixed assets will trigger an allowance of 10% of the acquisition costs starting from 2023, and ecological investments will trigger an additional bonus allowance of 5%. Research and development costs are subsidized by a 14% cash incentive; this R&D cash incentive has helped to attract international companies in R&D-intensive sectors of industry in recent years and it is expected that this effect will continue in the future.

Florian Wurth
Partner – Tax Advisor – CPA, Austria

Value added tax

Value added tax has perhaps become the most important revenue source for state budgets in recent years. This might significantly change in the future due to the economic recession caused by the pandemic, the war in Ukraine and general problems regarding the global supply chain.

Due to EU regulations, the rules are harmonized for the most part, and many non-EU member states are also trying to align themselves with the Community system. However, the applicable tax rates show significant differences.
In 2022, the normal tax rates averaged around 21% in the region. There have been no changes in the normal tax

rate of the countries in the past year. The normal VAT rate of 25% and 27%, effective in Croatia and Hungary respectively, still count as especially high. Examining the reduced tax rates provides an even more diverse image. Many countries have introduced two reduced rates, which is the maximum pursuant to Directive 2006/112/EC (VAT Directive). In 2022, we see a trend of extending the scope of beneficial tax rates for central heating, fuels and natural gas (Poland, Lithuania).

If taxes related to consumption become more significant, more efficient tax collection will also receive greater attention at the same time. Since the danger of tax evasion is the greatest in this area, governments utilize digital technologies to take steps against any abuse. The objective is the end-to-end monitoring of the sales process, the detection of untaxed transactions and curbing tax fraud. The introduction of online cash registers and the special attention paid to transactions involving the carriage of goods may prove to be efficient tools for whitening the economy. In Hungary, the recently introduced mandatory online invoice data reporting system has had a positive fiscal impact; and this liability now covers not only B2B but all B2C transactions. Similar solutions can be found in other parts of the region as well. In Romania, for instance, the use of online cash registers has also been mandatory for the past few years.

Corporate income tax

Various countries place very different emphases on taxing corporate profit: there is a difference of over 22 percentage points between the lowest and highest tax rate. Germany has the highest (31% - CIT + trade tax combined) and Hungary has the lowest (9%), while the countries of the region typically keep it around 15-20%.
However, the limitations of the tax race are now clearly visible. On the one hand, as of 2022, there is only one country where the profit tax rate has been reduced (in Greece, from 24% to 22%), but it should be noted that Austria also plans to lower corporate taxes gradually, starting from next year. On the other hand, Montenegro has just departed from flat-rate taxation and has introduced a higher tax rate of 15% in addition to the previous 9% rate. Overall, the average tax rate in the examined region remains at around 17%.

Moreover, the European Union consciously strives to limit the tax race. It attempts to create a common framework of corporate taxation in Member States, or at least to prevent the use of the most harmful tax avoidance techniques. An important tool in this effort is the legal act called the Anti-Tax Avoidance Directive (ATAD), officially known as Directive (EU) 2016/1164. Most of its provisions must be applied by Member states since 1 January 2019. Therefore, the greatest challenge in recent times was the adoption of EU rules, including interest deduction limitations. In all EU Member States in the region, the previous rules on thin capitalization were increasingly replaced or supplemented by the method tied to EBITDA-based calculation under the ATAD.

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 (e.g. Hungary).

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 that purpose during a predetermined period, usually 5 to 7 years, but in some places only 3 to 4 years. Only 5 countries allow unrestricted loss carry-forward.

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

In 75% of the countries in the CEE region, taxpayers are allowed to prepare an IFRS-based individual financial statement and use it for tax purposes as well. In over half of the countries, the tax system supports Research and Development (R&D) activities in some form.

Finally, it is good to keep in mind that corporate group taxation is available in Hungary, Austria, Poland, Romania, Bosnia and Herzegovina and now also in Germany.

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 system of practically all countries, except Moldova. As of 2022, Montenegro has introduced a mandatory TP documentation obligation for large taxpayers. 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

Czech Republic

The new Czech government has recently revealed its tax-related plans, which will limit the administrative burden related to tax reporting and mitigate tax frauds. These plans include:

- Accelerating the digitalization of state administration by linking the portals of individual offices, which are currently not compatible;
- Abolishing the obligation of electronic reporting of sales (EET) and modifying the VAT ledger statement in order to reduce disproportionately high penalties;
- Introducing a single collection point for entrepreneurs applying the lump-sum tax regime;
- Cancelling of non-systemic tax exemptions that are not social in their nature;
- Introducing better measures against transfer pricing abuses, illegal optimization practices and tax evasion;
- Cutting-off tax haven companies from public money.

Pavel Klein
Leading Partner of Tax Department, Czech Republic

reporting" which promotes transparency by providing the information necessary for evaluating tax risks to local tax authorities).

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

And what is coming next in corporate taxation is shown by the decision of the OECD and G20 members on introducing minimum global taxation. According to the proposals, large multinational enterprises would be subject to a 15% minimum tax rate from 2023. With the EU implementation still open to debate, we do not see the end of the story yet, but it is clear that there is less and less opportunity for multinationals to engage in profit shifting.

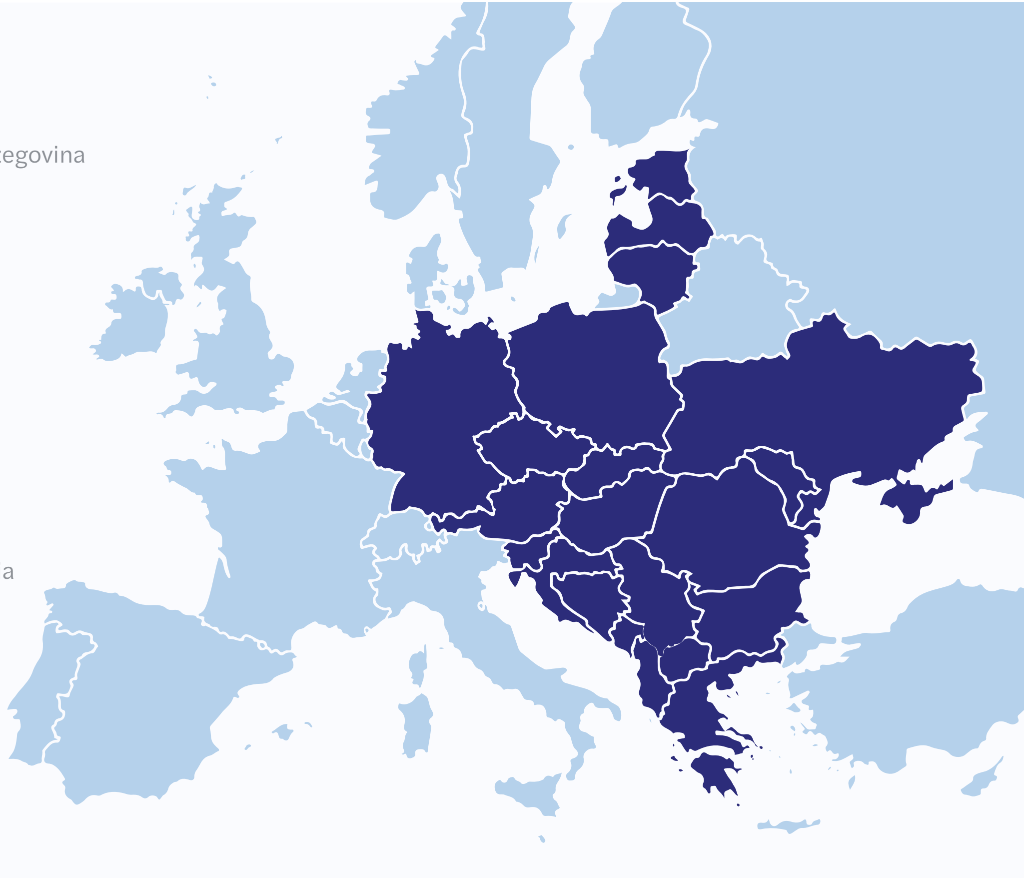
Greece

"The Greek Income Tax Code (L. 4172/2013) has enacted an alternative and favourable tax regime regarding stock option and share award schemes. Specifically, Greek ITC currently provides for capital gains taxation (15%) regarding both stock option and share award plans, instead of their taxation as employment income (up to 44% tax rate), subject to certain vesting conditions. As a result, many Greek companies have already included such schemes as a long-term incentive provided for their employees. Furthermore, an even more beneficial capital gain taxation (5%), concerning such schemes, is provided for start-ups."

Nikolaos Kasouridis
Tax Partner, Greece

Countries included in the publication

- Albania
- Austria
- Bosnia and Herzegovina
- Bulgaria
- Croatia
- Czech Republic
- Estonia
- Germany
- Greece
- Hungary
- Kosovo
- Latvia
- Lithuania
- Moldova
- Montenegro
- North Macedonia
- Poland
- Romania
- Serbia
- Slovakia
- Slovenia
- Ukraine



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Corporate taxes and other direct taxes

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

Resident companies are subject to either simplified Corporate Income Tax, applicable only to those with an annual turnover above ALL 8,000,000 (EUR 65,336), or to Corporate Income Tax.

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

- 15% for annual turnover over ALL 14,000,000;
- 0% for an annual turnover up to ALL 14,000,000;
- 5% for the entities which operate in software and IT development;
- 5% for the entities which operate in the automotive industry;
- 5% for entities which perform their activities in accordance with the Law on Entities of Agriculture Collaboration;
- 5% for entities which operate in the agritourism industry, for their first 10 years of activity.
- Any entity which operates a 4- or 5-star brand of hotels and that acquires the status of special investor by December 2024 will be exempt from CIT for the first 10 years of their activities.

The assessment of CIT is based on the FS prepared in accordance with the National Accounting Standards or IFRS, subject to certain adjustments for tax purposes as specified in the Corporate Tax Law and other supplementary legal acts. Fiscal losses may be carried forward for up to three consecutive years. For taxpayers investing in projects worth over ALL 1 billion, the period in which the losses can be carried forward is five years.

The law does not provide for consolidated tax returns. Each company forming part of a group must file a separate tax return.

The gross amounts of interest, royalties, dividends, and shares of partnerships' profits paid to non-resident companies are subject to a withholding tax of 15%, unless a Double Tax Treaty (DTT) provides for a lower rate. Albania has established agreements with 43 countries for avoiding double taxation. 41 of these have been ratified and are currently in force.

Tax on dividend starting from 2019 has been decreased from 15 to 8%.

Transfer pricing in Albania		
Arm's length principle	✓	Since 1998
Documentation liability	✓	Since 2014
APA	✓	Since 2014
Country-by-Country liability	✓	Since 2019
Master file-local file (OECD BEPS 13) applicable	✓	–
Penalty		
lack of documentation	✓	~ Delayed submission of documentation – EUR 80 / for each month of delay.
tax shortage	✓	0.06% on a daily basis (not more than 365 days) on tax underpayment + late payment interest.
Related parties	50% >	A person holds or controls 50% or more of shares, or directly or indirectly controls the other company.
Safe harbors	No	–
Level of attention paid by Tax Authority		8/10

VAT and other indirect taxes

The VAT Law entered in force on January 1, 2015 and is harmonized with the "acquis communautaire" in almost all respects. Any person (entity or individual) that makes supplies in the course of the person's independent economic activity is required to pay VAT. For domestic supplies and for services subject to the reverse-charge mechanism, the Albanian taxable person will always be liable to account for the VAT. The obligation to register for VAT purposes and charge VAT is triggered when annual turnover exceeds ALL 10 million (approx. EUR 81,670). 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 duty in the Republic of Albania is applied by the customs authorities on the import of goods. The liability to pay the duty always falls on the importer of goods, but it is added to the cost of goods and in this way, it is finally transferred to the consumers. Starting from 15/01/2020 credit obligations or surpluses, such as tax and customs, may be offset between them. This will be possible in the special cases specified in the directive of the Ministry of Finance. The customs duty rates range between 0% and 15%, depending on the type of goods and the country of the origin.

VAT options in Albania	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	No
Import VAT deferment	No
Local reverse charge	For all services from non-resident entities that are subject to VAT in their country.
Option for taxation	
letting of real estate	✓
supply of used real estate	No
VAT registration threshold	EUR 81,670/year

Personal income tax / Social security system

Employed persons are subject to income tax on remuneration and all benefits received from employment. Those who receive over ALL 2,000,000, should file an annual tax return. In the case of employees employed by more than one employer, they are obliged to file the aforementioned return, independently of the amount of the annual income. Entities are required to withhold personal income tax from the gross salaries of their employees. In Albania, a progressive rate is applicable; no tax is applied up to a monthly salary of ALL 30,000; above that 13% is applied between ALL 30,000 and 150,000. Above that level, ALL 15,600 plus 23% of the amount above ALL 150,000 is payable.

Starting from April 1, 2022 the income tax rate application will change; no tax is applied up to a monthly salary of ALL 40,000; 6.5% for salaries up to ALL 50,000 for the amount over ALL 30,000; 13% for salaries 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.

Mandatory social security and health insurance contributions are due on employment income. The social security contribution is calculated on a monthly gross salary, from a minimum amount of ALL 32,000 (approximately EUR 245) to a maximum amount of ALL 141,133 (approximately EUR 1,081). 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	122.4	in EUR	in ALL	in EUR	in ALL
		261	30,000	490	60,000
Total wage cost		**305**	**116.70%**	**572**	**116.70%**
Vocational training contribution		-	-	-	-
Social Contribution tax		39	15.00%	74	15.00%
Health Insurance Contribution		4	1.70%	8	1.70%
Gross salary		**261**	**100.00%**	**490**	**100.00%**
Personal income tax*		-	0.00%	32	13.00%
Employees' Social contributions		25	9.50%	47	9.50%
Employees' Health contributions		4	1.70%	8	1.70%
Net salary		**232**	**88.80%**	**403**	**82.22%**

* Salary 0–40,000 ALL PIT rate 0%.
Salary 40,001–50,000 ALL PIT rate 6.5% of the amount over 30,000 ALL.
Salary 50,001–200,000 ALL PIT rate 13% 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 the domestic tax law, 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 worldwide 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 currently 25%. The tax rate will be reduced to 24% in 2023 and to 23% starting from 2024.
The determination of the tax base is generally derived from 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 1,750 for limited liability companies (GmbH); for GmbHs the minimum amounts are further reduced for the first 10 years of existence. Any unused minimum amounts can be offset against future CIT payment obligations.
Tax losses can be carried forward indefinitely (but only 75% of one year's profit can be offset).
Thin capitalization rules are in place in accordance with the EU-ATAD. Further restrictions relate to the deduction of interest paid to intercompany recipients. CFC rules were introduced according to 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.
Under the CIT group, taxation profits and losses of the group members are attributed to the group parent and only the aggregated balance is subject to taxation. Losses from non-resident group members can be deducted in Austria (again, the 75% limitation is applicable) if an extensive mutual assistance exists, and the foreign losses are calculated by applying Austrian accounting and tax rules. These losses are generally subject to a recapture in cases of liquidation or if they are used abroad.
R&D: 14% cash incentive on R&D expenses is available.

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

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

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

Starting with 2023, there will be an allowance for certain investments of 10% of the acquisition costs and a bonus for ecological investments of 5% (with an absolute cap of EUR 1 million per company per year).

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, rentals with a residential purpose, entertainment and art. Many exemptions are in place (e.g. exports, interest, insurance premiums, 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 are applying for the OSS (central VAT compliance in their EU-home country). Monthly/quarterly returns are filed electronically, and annual returns must be completed by 30 June 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.

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 worldwide 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 11,000) 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 special tax rate of 30%.

Certain private expenses are deductible under 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.

In Austria, a compulsory public social security system is in place.

Social security contributions for employees are partly borne by the employee and by the employer. The base is the gross salary and benefits. A maximum contribution base of EUR 79,380 per year for 2022 applies. The social security contributions amount to 39.25% (18.12% employee and 21.13% employer). Additionally, employers are obliged to pay various other payroll-related costs amounting to approximately 8.8%.

For self-employed persons, the same maximum contribution base is used (EUR 79,380 per year for 2022). Social security contributions amount to 25.30%. 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 incomes not exceeding EUR 485.85 per month.

Wage related taxes in Austria	Minimum wage*		Average wage in private sector	
	in EUR		in EUR	
	1,672		3,818**	
Total wage cost	**2,533**	**129.87%**	**5,785**	**129.87%**
Employer's social security and other contributions***	583	29.87%	1,330	29.87%
Gross salary******	**1,951**	**100.00%**	**4,454**	**100.00%**
Personal income tax	76	3.91%	687	15.43%
Employees' contributions	292	14.98%	801	17.98%
Net salary	**1,582**	**81.11%**	**2,966**	**66.59%**

* Example – employee in the retail business in Austria, 1st professional year.
** Average monthly salary of full time employed persons in Austria in 2020 (yearly remuneration divided by 12 months).
*** In addition to social security, the mandatory contributions to the family equalization fund, surcharge, severance payment and municipal taxes are 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. The CIT rate is flat and amounts to 10%. A company in FBiH/RS is resident if it is registered as a legal entity in the relevant jurisdiction, or in case its activities in BiH qualify as PE. In all tax jurisdictions, losses can be carried forward for up to 5 years. Loss carry-back is not permitted. There are no special limitations in case of M&A transactions. In FBiH, interest expenses taken from related parties are tax deductible in a debt / equity ratio of 4: 1 (thin cap rule). In RS, interest expenses are not recognized for the amount of net interest expenses exceeding 30% of the tax base (without financial items). In the RS, R&D costs are recognized in line with IAS. In FBiH and BD, R&D costs are recognized.
Dividends profit is not included in the calculation of the tax base. In the FBiH, taxpayers who make investments from their own resources in production equipment worth more than 50% of the profit of the current tax period, reduce liabilities of corporate income tax for 30% of the amount in the year of investment.
The taxpayer who invests more than 20 million BAM (EUR 10.2 million) in five consecutive years (minimum investment in first year equals to 4 million BAM (EUR 2.04 million), reduces its CIT liability by 50% of the investment in each of the 5 years.

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 45FBIH/30RS 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 1,534.00-EUR 51,130.00 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 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 FB&H, the safe harbour rate for support services is 5%. Support services include: IT maintenance services, accounting and auditing, administration, legal services, HR management, employees training and education and tax advisory services.
Level of attention paid by Tax Authority		7/10

Withholdings rate is 10%, for dividends amounts to 5% in 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 the rate of 10%. In RS, there is a flat rate withholding tax (10%) on all payments to foreign legal persons in which there is an obligation to pay withholding tax. The group taxation concept is allowed in BiH for a group of resident companies with a minimum of 90% (FBiH). Moreover, the mother company and its subsidiaries constitute a group of companies if they have direct or indirect control over 50% of the shares or stakes.
In case of acquiring real estate in the FBiH, the transfer is taxable at cantonal level. In the RS, there is no transfer tax, but the owner of the real estate has to pay property tax up to 0.20% of the market value. (Decreased rules for production RE applies.)

VAT and other indirect taxes

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

VAT options in Bosnia and Herzegovina	Applicable / limits
Distance selling	No
Call-off stock	✓
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	No
Import VAT deferment	No
Local reverse charge	✓
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	approx. EUR 25,560/year

paid by non-residents in B&H (i.e. there is separate form to be completed that must be accompanied by supporting documentation (originals of invoices). VAT refunds can be made only for invoiced amounts over BAM 800.

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

Personal income tax / Social security system

Personal income is taxed at a flat rate of 10%, and is applicable for active (e.g. employment, assignment fee) and passive income (interest, real estate rental, etc.). Dividends are not taxable in BiH. In FBiH, the lowest hourly wage can be no less than BAM 3.16 (EUR 1.61) net.

In RS, the lowest salary is determined as a net amount and for 2022, this amounts BAM 590 (EUR 302).

In the RS, the employee contributes 31% of the gross salary. In the FBiH, the employer contributes 10.5%, and employee contributes 31.5% of the gross salary.

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
		423	827	450	1,014
Total wage cost		**468**	**110.50%**	**450**	**100.00%**
Employer's SS and other contributions		44	10.50%	-	0.00%
Gross salary		**423**	**100.00%**	**450**	**100.00%**
Employees' contributions		131	31.00%	139	31.00%
Personal income tax*		14	3.73%	7	1.55%
Net salary		**278**	**65.72%**	**302**	**65.23%**

Wage related taxes in Bosnia and Herzegovina		Average wage in FBiH		Average wage in the RS	
Exchange rate BAM/EUR	1.95	in EUR	in BAM	in EUR	in BAM
		826	1,616	790	1,485
Total wage cost		**913**	**110.50%**	**790**	**100.00%**
Employer's SS and other contributions		87	10.50%	-	0.00%
Gross salary		**826**	**100.00%**	**790**	**100.00%**
Employees' contributions		256	31.00%	245	31.00%
Personal income tax*		42	5.08%	35	4.43%
Net salary		**528**	**63.95%**	**468**	**62.97%**

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

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Corporate taxes and other direct taxes

Bulgaria has a flat corporate income tax rate of 10%, which is applied on the annual tax profit. The tax profit may be reduced by tax losses carried forward within five subsequent financial years. Bulgaria applies thin capitalization rules to interest expenses from loans or leasing provided or guaranteed by related parties.
The financial results of collective investment schemes and enterprises with special purposes are not taxable through corporate income tax. Advance tax payments should be made each month or quarter, based on the estimated tax profit for the current year.
Withholding tax rates are 5% for dividends and 10% for interests and royalties (double taxation treaties between Bulgaria and other countries can also be applied in order to decrease the withholding tax rate). There is no withholding tax if the dividends, interests and royalties are paid in favour of an EU member state parent company.

Transfer pricing in Bulgaria		
Arm's length principle	✓	Since 1989
Documentation liability	✓	TP local file is obligatory for companies which exceeded at least two of the following indicators as of 31 December of the previous year: assets over BGN 38 million, revenues over BGN 76 million, over 250 employees.
APA	No	-
Country-by-Country liability	✓	-
Master file-local file (OECD BEPS 13) applicable	✓	Where the company required to prepare a Local File is an MNE member, it must also have a Master File.
Penalty		
lack of documentation	✓	0.5% of the transaction amount - for lack of local file; BGN 5,000 to BGN 10,000 penalty - for lack of master file.
tax shortage	✓	BGN 1,500 to BGN 5,000
Related parties	50% <	direct or indirect control or personally related
Safe harbors	No	-
Level of attention paid by Tax Authority		**9/10**

Local taxes are determined by each municipality within the ranges stated in the Law of Local Taxes and Fees. Local taxes and fees include:

- real estate tax – its ratio is in the range of 0.1% to 4.5%. The base for taxation of non-living real estates of companies is the higher of the book value or the value calculated by municipality tax valuation. The base for taxation of all living real 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 value of the more expensive property in the case of exchange;
- inheritance tax – exempt to a limited extent (family members);
- patent tax – applied to micro entities or individuals whose activities are small services like tailoring, very small stores, carpentry, etc. There are fixed amounts, determined by each municipality;
- wide range of other fees (such as tourist tax; tax on the carriage of passengers by taxi; garbage fee) or other fees usually imposed for specific services, such as social services, technical and other services, rent of plots for sale at market places, sidewalks, etc.

VAT and other indirect taxes

For the year 2021, the standard VAT rate is 20%, while the reduced rate is 9% (applicable to restaurants, hotel and equivalent accommodation, holiday accommodation and renting of places for caravans and camping). VAT-exempt services include financial and insurance services, the transfer of buildings and some land plots, and rights related to them, rental of real estate to individuals for housing, mailing services and postage stamps, education services, gambling, supplies, culture, religion, medical and social care services and supplies for which no tax credit has been used.

VAT payers are obliged to submit VAT returns, sales and purchase registers, VIES and Intrastat declarations on a monthly basis. Other indirect taxes include excise duties (on mineral oils, spirits, beer, wine, tobacco and tobacco products, natural gas, electricity and solid fuels).

VAT options in Bulgaria	Applicable / limits
Distance selling	EUR 35,790/year
Call-off stock	No
VAT group registration	
Cash accounting – yearly amount in EUR (approx.)	EUR 500,000/last 12 months
Import VAT deferment	No
Local reverse charge	All types of waste (construction, household, production, hazardous); services related to waste processing; 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 25,565/last 12 months

Personal income tax / Social security system

Personal income tax is applied at a flat rate of 10% on most of the income. The tax rate for dividends or liquidation shares paid in favour of a natural person is 5%.
The tax rate applicable to the gross amount of interest on bank accounts is 8%.

The tax rate for amounts received from the expiry of Life insurance, if its duration was more than 15 years, is 7%. Income from employment and self-employment is subject to social security and health insurance contributions. In the case of employment, the employee's contribution amounts to 13.78% (10.58% social security and 3.2% health insurance). For the employer, the contribution is 18.92% (14.12% and 4.8%, respectively). For specific positions with higher risk (miners, pilots, workers in chemical and other harmful production facilities, etc.) there are different rates for contributions.

There is a minimal basis for social and health contributions for each position (mostly distributed by sectors of the economy). The maximum assessment base for social and health insurance contributions is BGN 3,400 (approx. EUR 1,739).

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
		363	710	824	1,611
Total wage cost		**432**	**119%**	**980**	**119%**
Social security contribution - employer		51	14%	116	14%
Health insurance - employer		17	5%	40	5%
Gross salary		**363**	**100%**	**824**	**100%**
Employees' contributions		50	14%	114	14%
Calculated personal income tax after employees' contributions		31	10%	71	10%
Net salary		**282**	**78%**	**639**	**78%**

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Corporate taxes and other direct taxes

Depending on annual revenues, in Croatia CIT rates are 18% (revenues over HRK 7.5 million approx. EUR 1 million) or 12% (annual revenues below the prescribed threshold of HRK 7.5 million). Enterprises with annual revenues below HRK 7.5 million (approx. EUR 1 million) have the option of determining the corporate income tax base by cash flow principle. Losses can be carried forward within 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, CIT payers in Croatia or PIT payers in Croatia. There is a range of tax allowances for new investments and R&D, the education of employees, etc.

Transfer pricing in Croatia		
Arm's length principle	✓	Since 2004
Documentation liability	✓	Transfer Pricing local file must be available with 30 days from the Tax Authority's request.
APA	✓	APA is available as of 1 January 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 HRK 200,000 – approx. EUR 26,600 – for a company and HRK 20,000 – approx. EUR 2,600 – 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.
Level of attention paid by Tax Authority		8/10

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

Real estate transfer tax (RETT) is applied on the transfer of immovable property at the rate of 3%. The taxable base is the market value of a real estate at the moment when the tax liability is incurred and the taxable person is the buyer.

VAT and other indirect taxes

In Croatia, the standard VAT rate is 25%. A reduced rate of 13% applies to services involving preparation and serving of meals, tourist accommodation services, newspapers, delivery of electrical energy, etc., while a reduced rate of 5% applies to milk, books, etc.

VAT 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 that have the right to full input VAT deduction.
Local reverse charge	Construction work, the supply of used material, the transfer of allowances to emit greenhouse gas, the supply of immovable property in certain conditions.
Option for taxation	
letting of real estate	No
supply of used real estate	✓
VAT registration threshold	EUR 40,000/year

VAT-exempt services are mainly banking services, insurance, educational services (under certain conditions), gambling, certain services provided by medical professionals and dentists and certain other activities. Activities of public interest are exempt from VAT regardless of their institutional form. Entrepreneurs are obliged to register for VAT purposes during the calendar year in which the total value of supplies exceeds a threshold of HRK 300,000.

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

Personal income tax / Social security system

PIT rates are 20% (monthly tax base up to HRK 30,000) and 30% (over HRK 30,000), while 10% rate is withheld from certain types of income, e.g. dividends, capital gains, lease of the real estate, etc. Active incomes fall under the scope of the SSC system: individual pension social contributions equal 20% (employee contribution) and health and unemployment contributions of 16.5% represent employer contribution. For persons under 30 employed based on a variable-term contract, there are no contributions on salary (16.5%) for a period of 5 years. Passive incomes are generally only subject to taxes.

The payment of occasional awards in the amount of up to HRK 3,000 (e.g. Christmas and Easter bonus, holiday allowances, etc.) and payment of a performance award (e.g. bonuses) up to HRK 5,000 per employee per annum should be deemed as non-taxable. Also, it should be noted that there are many other non-taxable receipts (employee meal costs, reimbursement of rental costs, etc.). The examples below show the cost of the employer and the employee in case of minimum and average wage levels in the private sector. Basic personal allowance amounts to HRK 4,000 and surtax is determined by municipality/city and amounts to 0% to 18%.
Active incomes fall under the scope of the SSC system: individual pension social contributions equal 20% (employee contribution) and health and unemployment contributions of 16.5% represent employer contribution. For persons under 30 employed on a variable-term contract, there are no contributions on salary (16.5%) for the period of 5 years. Passive incomes are generally only subject to taxes.

Wage related taxes in Croatia			Minimum wage		Average wage in private sector	
Exchange rate HRK/EUR		7.5	in EUR	in HRK	in EUR	in HRK
			625	4,688	1,322	9,915
Total wage cost			**728**	**117%**	**1,540**	**117%**
	Employer's contribution		103	17%	218	17%
Gross salary			**625**	**100%**	**1,322**	**100%**
	Employee's contributions		125	20%	264	20%
	Tax and surtax*			0%	122	9%
Net salary			**500**	**80.0%**	**936**	**70.8%**

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

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Corporate taxes and other direct taxes

General corporate income tax rate is 19%. Corporate income tax rate of 5% applies to basic investment funds and 0% for pension funds.
Tax losses may be carried forward for up to 5 taxable periods. From 2020, tax losses may 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 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 exceeding four times of equity (six times for banks and insurance companies) are tax non-deductible.
The EU Anti-Tax Avoidance Directive (ATAD) applies - Limitation of tax deductibility of exceeding borrowing costs; CFC rules; Exit taxation; Hybrid mismatch rules.
Tax consolidation is not possible.
Investment incentives in a form of tax relief (tax holiday) up to 10 taxable periods are available.

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 + 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**

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 treaties. The Czech Republic has a wide international treaty network with over 90 double tax treaties concluded.
If there is no double tax treaty or an agreement for the exchange of information concluded, the payments are subject to a 35% withholding tax.

Participation exemption (tax exemption) applies on dividend distribution, provided that certain conditions are met. Similar applies to tax exemption on capital gains from the sale of shares in subsidiary.
In line with the EU Interest and Royalty Directive, the tax exemption on interest and royalty payments also applies. The exemption is applicable subject to approval by the tax authorities.
When certain conditions are met, the transactions that are generally subject to withholding tax but are exempt from tax must be reported to the tax authority.
Road tax is imposed on vehicles used for business purposes.
Nevertheless, the government has decided to partially abolish the road tax with effect from 1st January 2022 (the relevant law is currently awaiting the president's signature and publication in the Collection).
A real estate tax applies to land and buildings, with tax rates generally depending on the type of the property, while the final amount of tax may also be influenced by local ratios (applied by local authorities).
A real estate transfer tax was abolished in 2019.

VAT and other indirect taxes

For 2022, the standard VAT rate is 21%, while the reduced rates are 15% (applicable, for example, on foodstuffs, non-alcoholic beverages and selected medical / sanitary goods, municipal waste collection & recycling) and 10% (applicable, for example, on baby formula and children's food, certain pharmaceuticals, certain printed books, newspapers, magazines, music sheets, food for gluten-intolerant persons, public transport, heat and cold, accommodation, food-serving services, including the serving of non-alcoholic beverages or keg beer; e-books and audiobooks, including lending; tap water, water and sewer charges; the repair of shoes, leather products, clothing and textile products, bicycle repairs; hairdresser and barber services; home care for children, the elderly, ill and disabled people; services for cleaning and washing windows in households; entrance to sports and cultural events). 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	Yes – 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, 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 years time test)
VAT registration threshold	approx. EUR 40,000/ 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 VAT payer's status).

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

Personal income tax / Social security system

Personal income tax is applied at progressive rates of 15% and 23% on all types of income (employment, self-employment, rental incomes, capital gains, interest) with exemption of certain types of dividends and interest or director fees paid to non-residents, which are taxed at a flat rate of only 15%.

Income from employment and self-employment activity is subject to social security and health insurance contributions. In the case of employment, the employee's contribution is equal to 6.5% (social security) and 4.5% (health insurance). For the employer, these are equal to 24.8% and 9%, respectively. Social security contributions are not paid on income exceeding the maximum assessment base (CZK 1,867,728). 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	24.46	in EUR	in CZK	in EUR	in CZK
		662	16,200	1,533	37,499
Total wage cost		**886**	**133.80%**	**2,050**	**133.80%**
Social security contribution - employer		164	24.80%	380	24.80%
Health insurance - employer		60	9.00%	138	9.00%
Gross salary		**662**	**100.00%**	**1,533**	**100.00%**
Personal income tax before standard tax deduction*		99	15.00%	230	15.00%
Personal income tax after standard tax deduction**		–		125	
Employees' contributions		73	11.00%	169	11.00%
Net salary		**589**	**89.00%**	**1,239**	**80.85%**

* 15% tax rate is applied on gross salary up to annual income of EUR 76,330 (or EUR 6,361 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 his tax liability (so called "standard tax deduction").

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Corporate taxes and other direct taxes

In general, branches are taxed in the same way as subsidiaries: reinvested and retained profits are exempt from corporate income tax; distributed profits are subject to corporate income tax. All undistributed corporate profits are tax-exempt. This exemption covers both active (e.g. trading) and passive (e.g. dividends, interest, royalties) types of income, as well as capital gains from sales of all types of assets, including shares, securities and immovable property. This tax regime is available to Estonian companies and permanent establishments of foreign companies that are registered in Estonia.

Corporate profits are not taxed until the profits are distributed as dividends, share buy-backs, capital reductions, liquidation proceeds or classified as profit distributions, such as transfer pricing adjustments, expenses and payments that do not have a business purpose, fringe benefits, gifts, donations and business entertainment expenses. Rate: The corporate income tax is levied at a rate of 20/80 of the net amount (20% of the gross amount) of the profit distribution. A reduced rate of 14/86 of the net amount (14% of the gross amount) applies to regular dividend distributions (i.e., distributions that do not exceed the average taxable dividend amount distributed during the prior three years, calculated at the level of the payee).
If a company capitalises the development-related expenditure as intangible assets and the development expenditure has not completely depreciated, profit cannot be distributed unless the sum of the reserves which can be used for the distribution of profit and the retained profit from previous periods at least equals the undepreciated development expenditure.

Transfer pricing in Estonia		
Arm's length principle	✓	Since 2007
Documentation liability	✓	Since 2007
APA	✓	Since 2008
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	> 50%	
Safe harbors	No	
Level of attention paid by Tax Authority		

The following payments are subject to withholding tax:
1) 7% withholding tax applies to dividend payments made to resident or non-resident individuals (applies to a 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, but reduced rates or exemptions may apply under double tax treaties 3) 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) Payments to non-resident companies for services provided in Estonia 6) Salaries, directors' fees and service fees paid to individuals 7) Payments for the activities of non-resident artists or athletes carried out in Estonia are subject to 10% withholding tax 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 its business activities in Estonia.
A taxable person is a person who is engaged in business, which 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 all supply of goods and services not qualifying for a reduced 9% rate 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, 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, if the taxable person has opted for the taxation thereof.

VAT options in Estonia	Applicable / limits
Distance selling	From 1 July 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	✓
Cash accounting – yearly amount in EUR (approx.)	No, only self-employed person.
Import VAT deferment	✓
Local reverse charge	✓
Option for taxation	
letting of real estate	No, in some cases yes.
supply of used real estate	No, in some cases yes.
VAT registration threshold	EUR 40,000/year

Certain forms of supply are subject to a 0% rate (i.e. exemption with credit or zero-rating), including, but not limited to:
1) export of goods;
2) intra-Community supply of goods;
3) the products listed in Annex V of the VAT Directive, which can be placed into a licensed VAT warehouse;
4) supply of services which are not deemed to be supplied in Estonia.

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 a 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.

The overall basic exemption applied on all types of income is up to 6,000 euros per year, i.e. up to 500 euros per month.

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	
Total wage cost	**875**	**133.80%**	**2,071**	**133.80%**
Vocational training contribution	5	0.80%	12	0,80%
Social Contribution tax	216	33.00%	511	33.00%
Health Insurance Contribution	-	-	-	-
Gross salary	**654**	**100.00%**	**1,548**	**100.00%**
Personal income tax*	26	20.00%	237	20.00%
Employees' Social contributions (inc. Funded pension II pillar)	13	2.00%	31	2.00%
Employees' Health contributions	10	1.60%	25	1.60%
Net salary	**604**	**92.42%**	**1,255**	**81.09%**

* Annual income up to 14 400 euros gives 6,000 euros as annual basic exemption.
* Salary 14,001 ALL PIT rate 20% of the amount.
* More information about PIT on this link: https://www.emta.ee/en/business-client/taxes-and-payment/income-and-social-taxes/income-tax-and-basic-exemption.

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Corporate taxes and other direct taxes

Corporations are subject to unlimited corporate income tax liability in Germany if they have either their registered seat or their effective place of management in Germany. In this case, the worldwide income of the corporation is subject to German corporate income tax. Corporations that are not subject to unlimited corporate income tax liability in Germany, but receive income from German sources are subject to limited corporate income tax liability with these sources. The corporate income tax rate is 15%. The solidarity surcharge of 5.5% is levied additionally on corporate income tax. The total corporate income tax burden is 15.825%. In addition, German municipalities levy trade tax if the company has a domestic permanent establishment. The average trade tax burden is 15.2%. In Germany, the determination of taxable income is generally based on the result of the income statement under commercial law. However, taxable income generally differs from the profit and loss reported in the commercial balance sheet. German tax law provides tax exemptions for certain income, e.g. dividends and capital gains are generally 95% exempt from German corporate income tax (minimum holding ≥ 10%) and trade tax (minimum holding > 15%). Tax losses of a fiscal year can be offset against the profits of the previous year up to an amount of EUR 1 million (loss carryback). Any loss exceeding this amount can be carried forward indefinitely and offset in the following fiscal years (loss carryforward). In subsequent years, the remaining losses can be deducted without limitation up to an amount of EUR 1 million. In addition, a loss offset of up to 60% of the total amount of income exceeding EUR 1 million is possible.

Transfer pricing in Germany		
Arm's length principle	✓	Since 1993
Documentation liability	✓	Since 2003
APA	✓	Since 2006
Country-by-Country liability	✓	From FY 2016
Master file-local file (OECD BEPS 13) applicable	✓	From FY 2017
Penalty		
lack of documentation	✓	Bases of taxation can be estimated by the tax authorities + a surcharge between 5% and 10% of the income adjustment with a ceiling of EUR 1 Million.
tax shortage	✓	From EUR 100,000 tax reduction – imprisonment or/and high fine.
Related parties	25% ≤	Direct or indirect control or personally related.
Safe harbors	No	–
Level of attention paid by Tax Authority		9/10

In Germany, 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 132 countries. A withholding tax at a rate of 25% (15% if the recipient is a corporation) applies to dividends. Interest income is subject to a withholding tax of 25%. A withholding tax of 15% (30% under certain conditions) is levied on royalty payments and other special types of income. The withholding tax rates may be reduced under the applicable Double Taxation Treaty, the EU Parent-Subsidiary Directive or the EU Interest and Royalties Directive.

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 some 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). The input tax associated with the goods can nevertheless be claimed by the domestic company against 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.

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 base rate of the real estate transfer tax is 3.5%. Each federal state additionally levies an individual assessment rate.

VAT options in Germany	Applicable / limits
Distance selling	As of 1 July 2021, 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 works, emission permits, gold, cleaning of buildings, turnover covered by the Real Estate Transfer Tax Act, natural gas and electricity.
Option for taxation	–
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	EUR 22,000/year

Personal income tax / Social security system

Individuals are subject to unlimited income tax liability in Germany if they have their residence or habitual abode in Germany. Nationality is irrelevant for German income tax liability. In this case, the worldwide income of the individual is subject to German income tax. Individuals who are not subject to unlimited income tax liability in Germany, but receive income from German sources, are subject to limited income tax liability with these sources.

Individuals can earn the following types of income in Germany: Income from business operations, income from self-employed or employed work, income from capital assets, income from agriculture and forestry, income from renting and leasing, and other income. In Germany, individuals are subject to a progressive income tax rate of 14% to 45%. The solidarity surcharge of 5.5% is levied additionally on income tax. A basic allowance of EUR 9,984 (2022) to secure the minimum subsistence level is exempt from German income tax. In principle, taxable income is calculated as the surplus of income over income-related expenses or of operating income over operating expenses. Personal expenses can also be deducted under certain conditions. Investment income, e.g. interest and dividends, is generally subject to a separate tax rate of 25%, plus 5.5% solidarity surcharge.

Income from employment falls within the scope of the German social security system. This system is divided into unemployment, pension, health, accident, and nursing care insurance. Social security contributions are usually paid half by the employer and half by the employee. The statutory minimum amount for health insurance is 14.6% and is divided equally. The contribution for retirement insurance is 18.6% and is borne equally by the employer and the employee. The sum of social contributions averages 39.65% of an employee's gross salary.

Wage related taxes in Germany	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	1,702		4,130	
Total wage cost	**2,042**	**119.98%**	**4,955**	**119.98%**
Employer´s and other contributions*	340	19.98%	825	19.98%
Gross salary	**1,702**	**100.00%**	**4,130**	**100.00%**
Employees' contributions**	211	12.37%	511	12.38%
Healthcare insurance	135	7.95%	328	7.95%
Personal income tax and solidarity surcharge***	95	5.59%	680	16.46%
Net salary	**1,252**	**74.08%**	**2,611**	**63.21%**

* Consists of retirement insurance, unemployment insurance, invalidity insurance and healthcare insurance.
** Includes retirement insurance, unemployment insurance, invalidity insurance.
*** Calculation without church tax / for a single 25 year old and without children.

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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 for any Greek-sourced income generated. The relative tax rate applies after the deduction of business costs, depreciations and provisions for bad debts. Major tax adjustments and non-deductible items are payments out of the banking system, transfer pricing adjustments, personal consumption expenditure, bad debts without legal actions, payments to low tax 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 1 January 2021, the withholding tax rate for dividends distribution is reduced to 5% for both individuals and legal entities' shareholders. 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. Since a DTT is in force, the above-listed rates can be reduced. By adopting the EU Parent Subsidiary Directive, there is no withholding tax on dividends, interests and royalties paid on EU (including Greece) intragroup transactions, under conditions.
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 Special Estate Tax, imposed at a rate of 15% on the objective value of the property in case 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 with 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 31 December 2022.

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

VAT and other indirect taxes

The standard Greek VAT rate is 24%, while the reduced rate is 13% (e.g. agricultural services, accommodation services, certain types of foodstuffs) and 6% (e.g. journals, books,

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 up to 2m turnover.
Import VAT deferment	✓
Local reverse charge	B2B sales for laptops- tablets- cell phones - game consoles under conditions.
Option for taxation	
letting of real estate	Optional on business rents.
supply of used real estate	No
VAT registration threshold	EUR 10,000/year

medicines, supply of electricity and gas). VAT-exempt activities include financial and banking services, insurance, medical services, education (under conditions). Pursuant to the provisions of art.11 par.1&2 of Law 4690/2020, reduced VAT rates were expanded to several products and services (non-alcohol beverages, movie tickets, transportation of individuals and their luggage) from 1 June 2020 until 30 June 2022.

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

Personal income tax / Social security system

Pursuant to domestic tax law, as employment taxable income is considered any remuneration received by an employee within an employment context including benefits in cash or in kind granted such as the private usage of a company car, the cost of living allowance and other benefits over EUR 300 per fiscal year. In Greece, personal income tax is subject to a progressive tax rate which ranges from 9% to 44%. Additionally, tax payable on employment income is reduced by a family tax allowance from EUR 777 to EUR 1,340 under certain conditions. For individuals, real estate income is taxed at a progressive rate of 15% to 45%.
Active incomes fall under the scope of the SSC system. The vast majority of Greek employees are covered by Social Insurance Institution called E.F.K.A. from 1 January 2017. Social security contributions are calculated based on the actual salary of the employee. The applicable rates for full time employees are 22.54% for employers and 14.12% for employees. For part-timers, the rates are 23.02% for employers and 14.12% for employees. Social Security grants benefits in the case of unemployment, sickness, disability, retirement and death. For calculation purposes, the upper limit of the social security contributions is defined by a gross salary of EUR 6,500.

Wage related taxes in Greece	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
Total wage cost*	**812**	**123%**	**1,448**	**123%**
Employer's social security contribution**	149	22.54%	266	22.54%
Gross salary	**663**	**100%**	**1,182**	**100%**
Personal income tax***	–	–	74	9%/22%/28%/36%/44%
Special Solidarity Contribution ****				
Employees' contributions	94	14.12%	167	14.12%
Net salary	**569**	**86%**	**942**	**80%**

* Per payroll period (there are 14 payroll periods per year).
** Most common social security contributions rate (for full timers) regarding usual employment properties. For part timers the relevant rate is 23.02%.
*** A tax reduction is provided for the taxpayer based on the number of dependents in conjunction with the total taxable income.
**** Not applicable for 2021.

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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 for reducing the tax base up to a maximum of 50% of the tax base (calculated without the loss carried forward). 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 EUR 3 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 1 million of revenue) and obligatory for financial institutions and listed companies.

There is a wide range of tax allowances for new investments (for example, for energy-efficiency investments and for investing in start-up companies) as well as for R&D facilities.

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

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.

The local business tax of maximum 2% is payable on gross margin (sales revenue minus COGS, mediated services, material costs and R&D costs). However, due to the pandemic, special rules apply to SMEs in 2021 and 2022 as the local business tax is temporarily maximized at 1%.

Transfer tax is applied in Hungary to a limited scope of transactions. The general transfer tax rate applied to real property transactions is 4%, including acquisition of real estate or 75% of the shares of a real property holding company. There are some exceptions regarding intra-group transactions. The transfer tax is 18% on gifts and inheritance, 9% in the case of residential real estate; gifts and inheritance within a family is tax-exempt.

VAT and other indirect taxes

The standard VAT rate is 27%, while the reduced rates are 18% (e.g. bread) and 5% (e.g. milk, eggs, newspapers, books, medicines, certain meat products, new residential real estate, internet access services, accommodation services and restaurant services). Due to the limited voluntary compliance in certain sectors (e.g. retail business and certain services), Hungary introduced a number of measures aimed at enforcing the law, such as the online checking of cash registers and domestic sales reports. Taxpayers are required to use billing software capable of automatically providing the tax authority with real-time invoice data, from 2021 essentially each invoice is seen by the tax authority in real-time.

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

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

Personal income tax / Social security system

There is a flat-rate PIT of 15%, and it is generally applicable both to active (e.g. employment, assignment fee) and passive incomes (e.g. capital gains, dividend and interest). Tax payable on active income is reduced by a family tax allowance. The amount of the family tax allowance is HUF 20,000 (approx. EUR 55)/month/child up to 2 children; and from 3 children HUF 33,000 (EUR 90)/child). As of 1 January 2020, a lifelong personal income tax exemption for employment income was introduced for mothers raising or having raised at least four or more children. From 2022, employees no older than 25 years also enjoy tax exemption. Benefits-in-kind are taxed at two rates: PIT plus SSC calculated on a special tax base altogether amounting to 33.04% or 28% and payable 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 contribution was reduced to 13% from January 2022; in addition, the 1.5% vocational training contribution has been abolished. Some passive incomes are also subject to 13% SSC; however, in the case of dividends there is an upper limit. Other types of passive income (e.g. capital gains on shares in stock exchange companies, or interest) are exempt from SSC.

Wage related taxes in Hungary		Minimum wage		Average wage in private sector	
Exchange rate HUF/EUR	360	in EUR	in HUF	in EUR	in HUF
		556	200,000	1,369	492,900
Total wage cost		**628**	**113.00%**	**1,547**	**113.00%**
Social contribution tax		72	13.00%	178	13.00%
Gross salary		**556**	**100.00%**	**1,369**	**100.00%**
Personal income tax		83	15.00%	205	15.00%
Employees' contributions		103	18.50%	253	18.50%
Net salary		**369**	**66.50%**	**910**	**66.50%**

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

The annual turnover threshold for taxation is reduced from an annual turnover of EUR 50,000 to EUR 30,000. Resident companies and sole traders whose gross annual income exceeds EUR 30,000 are subject to CIT. Below the threshold, taxpayers can opt for a special quarterly payment on their gross income.
The CIT rate for annual turnover is 10%. This tax is paid every three months depending on the annual turnover. Taxable Income for the CIT period is the difference between gross income received or accrued during the tax period and the deductions allowable with respect to such gross income. The tax period for CIT is the calendar year. Losses can be carried forward for six consecutive tax periods.
Transfer pricing (TP) effective from 2017 regulates the intra-companies pricing arrangement between related business entities. A controlled taxation is considered to be whenever a minimum 50% ownership or voting right test exists for the transaction. Controlled transactions include all types of transactions that may affect the taxable income of a taxpayer.
Taxpayers performing controlled transactions above the amount of EUR 300,000 within a calendar year must submit with the tax authorities an annual controlled transactions form by 31 March of the following year.

The regulation excludes internal controlled transactions (it applies only to cross border transactions) and provides for certain safe harbors to prove that the arm's length principle is respected. The safe harbors involve calculating, on an annual basis, total costs of all group members for the low value-adding intra-group services. For such services, there is no need to prepare a transfer pricing study, but instead a profit mark-up to a maximum 7% on costs is allowable.

Transfer pricing in Kosovo		
Arm's length principle	✓	Since 2017
Documentation liability	✓	Since 2017
APA	✓	Since 2017
Country-by-Country liability	✓	From FY 2017 (with transitional rules)
Master file-local file (OECD BEPS 13) applicable	✓	From FY 2018 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

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.

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	No
supply of used real estate	No
VAT registration threshold	EUR 30,000/year

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

Personal income tax / Social security system

The object of taxation for a resident taxpayer is taxable income from a source in Kosovo and from a foreign source. The object of taxation for a non-resident taxpayer is taxable income from a source in Kosovo.

With the exception of income 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 applicable 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%	19	5%
Employees' contributions	9	5%	20	5%
Net salary	**158**	**93%**	**361**	**90%**

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Corporate taxes and other direct taxes

From 2018, CIT is payable only on distribution of profit, generally - dividends (also interim dividends), deemed dividends, non-business expenses, loans issued to related parties, interest payments subject to thin capitalization rules, bad debts to be written off, transfer pricing adjustments, liquidation quota, etc. The CIT rate is 20% from gross taxable value (expense/distribution value) or 25% from net value (i.e. a 20/80 rate).
Since 2018, the following thin capitalization rules are applicable: (1) the debt/equity ratio exceeds 4 to 1; (2) the amount of interest paid exceeds EUR 3 million and it exceeds 30% of EBITDA. If any of the two thin capitalization thresholds are exceeded, the interest payment will be subject to 25% CIT from net excess interest value. As a special side note – in 2021 and 2022, CIT payers may include the increased % payments (which exceed the debt/equity ratio of 4 to 1) in general business expenses to their full extent, without including them in the CIT base. However, if the increased interest payments in the reporting year exceed EUR 3 million, taxpayers are still bound by the general terms of increased interest payments.

Tax exempt capital gains - starting from 2018, distributed profit from the sale of shares (except for shares of low/tax free companies) is not subject to CIT unless the company has held the relevant shares for less than 36 months or for the shares of a company the majority of whose assets by value is formed by a real estate located in Latvia. Exemption does not apply where the main purpose of setting up the taxpayer or the structure is to benefit from the holding regime (i.e. tax optimization or avoidance of taxes has taken place).

Tax exemption is not applicable to profits from the sale of financial instruments (e.g. investment fund notes, securities, bonds, etc.), nor to royalties and interest received.

A withholding tax (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 will be applied to remuneration paid to a foreign company for renting or leasing of real estate in Latvia and WHT of 20% is applied to all payments to offshore companies. Under the active international treaty network consisting of more than 61 double tax treaties, WHT may be avoided.

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, the related parties shall be two or more natural or legal persons, or representatives of such persons or groups under specified conditions listed by the law (e.g. parent and subsidiary; shareholding; majority of votes; etc.).
Safe harbors	No	
Level of attention paid by Tax Authority		8/10

VAT and other indirect taxes

The general VAT rate is 21% for the sale of goods and services. A reduced rate of 12% is used, for example, for medical goods, periodicals, accommodation services, and thermal energy supplied to private individuals. Furthermore, a reduced 5% VAT rate is applicable for the supply of fruits and vegetables which are typically grown in Latvia. As of 1 January 2022, VAT on books, news websites, etc. have 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 40,000 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 1July 2021 OSS system is in force. 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, deals with scrap metal, construction services, grain crops, precious metals, game console supplies, supplies of ferrous and non-ferrous semi-finished metal products.
Option for taxation	
letting of real estate	No
supply of used real estate	✓
VAT registration threshold	EUR 40,000/year

Personal income tax / Social security system

Starting from 1 January 2018, a progressive PIT rate was introduced. From 1 January 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; 31% for income exceeding EUR 78,100 per year. The maximum amount of the object of social contribution tax in the amount of 78,100 EUR is set for 2022, 2023 and 2024.

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 1 July 2022, the non-taxable minimum shall be increased from 350 EUR to 500 EUR (please see wage calculations below).
Income from capital and capital gains is taxed at 20% PIT rate.

Active incomes fall under the scope of the SSC system: individual social contributions equal a total of 34.09%, of which the employer's contribution is 23.59% and the employee's contribution is 10.5%. Benefits in kind are taxed with PIT and SSC at standard rates. The examples below show the cost to the employer and employee in case of the minimum wage and the average wage in the private sector.

Wage related taxes in Latvia	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	500		1,280	
Total wage cost	**618**	**123.59%**	**1,582**	**123.59%**
Vocational training contribution	–	0.00%	–	0.00%
Social contribution tax	118	23.59%	302	23.59%
Gross salary	**500**	**100.00%**	**1,280**	**100.00%**
Personal income tax*	–	20.00%	229	20.00%
Employees' contributions	52,5	10.50%	134	10.50%
Net salary*	**448**	**89.50%**	**916**	**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 0 EUR in case of average wage (it is calculated for each taxpayer individually) and in case of minimum wage – 500 EUR.

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Corporate taxes and other direct taxes

The general corporate income tax rate is 15% in Lithuania. An incentive corporate income tax rate of 5% is applied to small companies with an annual turnover up to EUR 300,000 and with no more than 10 employees. Small companies can apply a 0% rate of corporate income tax for their first financial year.
In Lithuania, the ordinary losses incurred may be carried forward to the subsequent taxable periods for an unlimited time, as long as the entity continues the activities that generated the losses. The amount of losses carried to the subsequent taxable periods is limited to 70% of taxable profit for the corresponding taxable period. The 70% limit does not apply to small companies. Capital losses associated with the transfer of derivative financial instruments and securities may only be carried forward for 5 years and can only be covered from future capital gains.
Under certain conditions there is no withholding tax on dividends, interest and royalty paid by a Lithuanian company to a foreign company. Lithuania has a wide international treaty network with more than 50 double tax treaties.

Transfer pricing in Lithuania		
Arm's length principle	✓	Since 2004
Documentation liability	✓	Since 2004
APA	✓	Since 2012
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 2019
Penalty		
lack of documentation	✓	EUR 1,820 – 5,590 (EUR 3,770 – 6,000 on recurrent basis)
tax shortage	✓	10% – 50% on tax underpayment + late payment interest; fines can be doubled on recurrent basis.
Related parties	> 25%	direct or indirect control
Safe harbors	✓	Low value added services: 5% mark-up
Level of attention paid by Tax Authority		9/10

Companies are also subject to two types of taxes on capital:

- Immovable property tax – tax on property deemed to be immovable by law and located in Lithuania (buildings and constructions, except unfinished constructions). The annual tax rate varies from 0.5% to 3% of the taxable value of immovable property. Tax rates are set by municipalities according to the territory where the immovable property is located. The tax period is a calendar year.
- Land tax – tax on land owned in Lithuania, to be paid by both resident and non-resident entities and individuals. The tax rate varies from 0.01% to 4% of the taxable value of the land. Tax rates are set by municipalities and depend on the location of the land. The tax period is a calendar year.

VAT and other indirect taxes

The general rate is 21%, the reduced rates are 9% (e.g. books, central heating, public transportation, tourist accommodation (until 31 December 2022), catering

VAT options in Lithuania	Applicable / limits
Distance selling	EUR 10,000/year; OSS system is applicable
Call-off stock	✓
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	No, only optional regime for agricultural producers.
Import VAT deferment	✓
Local reverse charge	Taking over the property as a transfer of contribution to a legal entity; taking over a material improvement of a building; supply of certain types of scrap metal; supply of construction services; supply of mobile phones, tablets and laptops (applicable until 30 June 2022).
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.

(until 31 December 2022), cultural and sports activities (until 31 December 2022), activities of performers, such as singers, actors, etc. (until 31 December 2022) and 5% (e.g. medicine, journals, newspapers, and technical aids for the disabled). The options/limits based on the EU Directive are presented within the VAT legislation.

Other indirect tax types in Lithuania include excise duty, the environmental protection charge and data storage device tax.

Personal income tax / Social security system

Employment-related income, board member fees, royalties received from employer, income under civil agreement received by a manager of a small partnership who is a member of the small partnership is taxed at the rate of 20% in case income does not exceed EUR 90,246 per calendar year in 2022. PIT at the 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 180,492 per calendar year in 2022. 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 employee's gross salary is also subject to Social contributions at the rate of 19.5%, and the employer is required to withhold this tax. The employer also has to pay 1.77% social contributions on top of the employee's gross salary. An additional 2.7% or 3% contribution may be paid by individuals who have decided to accumulate an additional pension (the employer is required to withhold this tax). Lithuania is subject to EU regulations laying down social security principles for persons migrating between EU Member States.

Wage related taxes in Lithuania	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
Total wage cost	**743**	**101.77%**	**1,531**	**101.77%**
Social contribution tax	13	1.77%	27	1.77%
Gross salary	**730**	**100.00%**	**1,504**	**100.00%**
Personal income tax*	66	20.00%	246	20.00%
Employees' social contributions	142	19.50%	293	19.50%
Net salary	**522**	**71.46%**	**964**	**64.12%**

* Non taxable allowance of EUR 460 (on minimum wage) and EUR 258.73 (on average wage).

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Corporate taxes and other direct taxes

General CIT is 12%. To compute the 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.
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 - legal persons 12% and 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 non-VAT payor companies with revenues less than MDL 1,200,000 (approx. EUR 58,500) during a calendar year:

- 4% on total revenue

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

- they became a VAT payor;
- more than 50% of the revenue is generated by the VAT exempt supplies

Transfer pricing in Moldova		
Arm's length principle	No	Only losses are not deductible. Also it should be taken into consideration for VAT purposes.
Documentation liability	No	
APA	No	
Country-by-Country liability	No	
Master file-local file (OECD BEPS 13) applicable	No	
Penalty		
lack of documentation		
tax shortage		
Related parties	No	Only losses are not deductible. Also it should be taken into consideration for VAT purposes.
Safe harbors	No	
Level of attention paid by Tax Authority	N/A	

Special tax regime for residents of IT Parks (Law No 77/2017) – 7% on monthly sales income but no less than MDL 2,970 per employee per month (Unique Tax). This regime is available for the period until 2027 inclusively. 70% of the sales generated by the resident should correspond to the approved by law list of IT services (including 3D programming and R&D) This unique tax includes all payroll taxes as well as social insurance contribution and cumpulsory state health insurance and all local taxes. Therefore, the resident of IT Park is liable for unique tax, withholding tax and VAT.

VAT and other indirect taxes

The general rate is 20%. Reduced rates are 8% (e.g. bread and milk and dairy products, medicines, natural gas, agricultural products, etc.) and 12% (e.g. 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.

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, for goods is paid no later than custom clearance is performed.
Local reverse charge	Sale of collaterals and property of bankruptcy entities.
Option for taxation	
letting of real estate	Land and residential premises are exempt.
supply of used real estate	Individuals are not calculated VAT for real estate transactions.
VAT registration threshold	approx. EUR 58,800

Personal income tax / Social security system

A 12% flat tax rate 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 in the amount of EUR 1,350.
As of 1 January 2021, the SSC are the following: 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%).
Meal vouchers are taxed with SCC at the rate of 24%.
The minimum monthly gross wage for the period starting with 1 April 2022 in real sector is MDL 3,500 per month.

Wage related taxes in Moldova		Minimum wage		Average wage in private sector	
Exchange rate MDL/EUR	20.38	in EUR	in MDL	in EUR	in MDL
		172	3,500	486	9,900
Total wage cost		**213**	**124.00%**	**602**	**124.00%**
	Vocational training contribution	–		-	
	Social Contribution tax	41	24.00%	117	24.00%
	Health Insurance Contribution	–		-	
Gross salary		**172**	**100.00%**	**486**	**100.00%**
	Personal income tax*	6	12.00%	40	12.00%
	Employees' Social contributions	–		-	
	Employees' Health contributions	15	9.00%	44	9.00%
Net salary		**151**	**87.79%**	**402**	**82.81%**

*Personal tax excemption 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, corporate income tax rate is progressive and dependant on taxable profits realized (compared to the 9% flat rate previously applied) 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 (compared to 9% in previous years). In Montenegro, losses can be carried forward for 5 years while the carry back of losses is not permitted.

A tax incentive (profit tax rate for the first eight years is 0%) is applied for newly founded legal entities engaged in manufacturing in economically underdeveloped municipalities. The total amount of the tax exemption may not exceed EUR 200,000 for a period of eight years. In Montenegro, there are no specific thin capitalization rules, except that interest paid to a non-resident must be on arm's length terms.
Withholding tax at the rate of 15% (compared to the previously applied 9%) is applicable to dividends, interests, capital gains, royalties and other intellectual property rights, fees for the lease of movable and immovable property, consulting services, market research and audit services, which are paid to a non-resident legal entity. Montenegro has a wide international treaty network with 42 double tax treaties.
A transfer tax of 3% is levied on the transfer of immovable property. There is no surtax or alternative minimum taxes. Property tax is levied on the ownership/use of property at rates ranging from 0.25% to 1%.

Transfer pricing in Montenegro		
Arm's length principle	✓	Since 2002
Documentation liability	✓	Yes for large taxpayers (with revenues over EUR 10m). For other taxpayers, to be submitted at request.
APA	No	–
Country-by-Country liability	No	–
Master file-local file (OECD BEPS 13) applicable	No	–
Penalty		
lack of documentation	✓	✓
tax shortage	No	Not specifically stated.
Related parties	25% <	The parties between whom special relations exist, which could directly impact the conditions or economical results of the transaction between them.
Safe harbors	✓	Corporate Income Tax Law envisions safe harbor rules in relation to intercompany loans and interest rates. Definite guidance on this matter is yet to be provided by the Ministry of Finance.
Level of attention paid by Tax Authority		**5/10**

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 there is VAT-exemption for donations, exports and banking services. Taxpayers with revenue in excess of EUR 18,000 must register for VAT

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

* The Serbian office is responsible for Montenegro.

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 provided in Montenegro. There is a flat rate of 9%, and it is generally applicable on the active (e.g. employment, assignment fee) and passive income (e.g. capital gains, dividend and interest).
Monthly salary exceeding a gross amount of EUR 793 is taxed at rate of 11%. It is important to state that non-resident income on interest is taxed by 5%.

Active incomes fall under the scope of the SSC system: individual's social contributions equal 24% altogether. These include contributions for pensions (15%), health (8.5%) and unemployment (0.5%).
The employer's contribution is at the rate of 8.7% of the employee's salary. This includes pensions (5.5%), health contributions (2.3%) unemployment (0.5%), contributions to the Labour fund (0.2%) and Labour union fund (0.2%).
Also, local surtax, which is calculated on PIT assessed, is paid by the employer to the municipality of 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	
Total wage cost	**738**	**109.80%**	**880**	**109.80%**
Employer's contributions	58	8.7%	84	10.70%
Gross salary	**681**	**100.00%**	**786**	**100.00%**
Employees' contributions	161	24.00%	189	24.00%
Personal income tax	61	9.00%	69	8.80%
Surtax	9	15.00%	10	15.00%
Net salary	**450**	**66.01%**	**528**	**67.20%**

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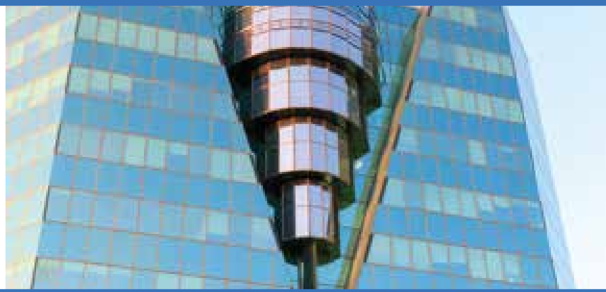

Corporate taxes and other direct taxes

The general corporate income tax rate for all taxpayers in North Macedonia is flat and amounts to 10%. Exceptionally, companies with total revenues of up to 3 million denars (MKD) are exempt from the payment of CIT and companies with total revenues between 3,000,001 and 6,000,000 denars have the option to pay CIT in the amount of 1% of the total revenue. The tax base is the pre-tax profit modified by several increasing and decreasing items. Losses can be carried forward within a limited period of 3 years. Loss carry-back is not permitted. No special limitations are applicable in case of M&A transactions. The tax base is reduced by the amount of the investment of profits (reinvested profit) for development purposes i.e. investment in tangible assets (property, plant and equipment) and intangible assets (computer software and patents) intended to expand the activity of the taxpayer.
North Macedonia applies thin capitalisation (3:1). Thin capitalisation rules also apply to loans from banks if they are granted in relation to a deposit of the shareholder in that particular bank. Also thin capitalisation rules do not apply for newly established companies within the first three years of operation. In North Macedonia, there is a withholding tax at the rate of 10% on dividends, interests, royalties and other incomes paid by a North Macedonian company to a foreign company. The entities obliged to pay withholding tax should submit a Report about the paid withholding tax on the form "DD-I" to the Public Revenue Office once a year.

In North Macedonia, there is a withholding tax at the rate of 10% on dividends, interests, royalties and other incomes paid by a North Macedonian company to a foreign company. The entities obliged to pay withholding tax should submit a Report about the paid withholding tax on the form "DD-I" to the Public Revenue Office once a year. This form is submitted until 15 February in the following year.
North Macedonia has a wide international treaty (DTT) network with 50 double tax treaties, and the withholding tax rate can be reduced or abolished under the active DTT. Taxpayers are obliged to obtain approval from the Macedonian tax authorities prior to applying the tax rates from DTT.
The tax rate on sales and other transfers of real estate and rights to real estate is 2% to 4% of the market value of the property. There is also a property tax (the rate is 0.1%-0.2%) paid annually by owners of immovable properties.

Transfer pricing in North Macedonia

Arm's length principle	✓	Since 2019
Documentation liability	✓	The CIT payer has to submit a report until 30 September of the current year for the previous year.
APA	No	The tax legislation does not provide binding APA.
Country-by-Country liability	No	No obligation regarding Country-by-Country reporting yet.
Master file-local file (OECD BEPS 13) applicable	No	The report has to contain: Master File, Local File and attachments.
Penalty		
lack of documentation	✓	~ EUR 2,500–3,000 / missing documents doubled on recurrent basis and tax authorities are entitled to suspend the taxpayer's business activity for 3 to 30 days.
tax shortage	✓	Up to 10 times the amount of the understatement of tax.
Related parties	20% <	individuals and legal entities with control or significant influence, family members of owners or members of the Management Board, all 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

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 which 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 taxation of personal income is put on hold for 36 months as of 1 January 2020. The PIT Law amendments from 1 January 2019 introduced progressive tax rates for work-related income (such as salaries, pensions, etc.), income from copyrights and related rights, income from an independent activity and income from the sale of agricultural products (Labour Income). With the amendments of the PIT Law, Labour Income will be subject to tax, at a flat tax rate of 10% until January 2023 regardless of the tax base amount. Employers are 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). Social security contributions payable by employees altogether amount to 28% of the gross salary: pension contribution is 18.80%; healthcare insurance is 7.50%; unemployment insurance is 1.20%; and healthcare at work insurance is 0.5%. The examples below show the cost of the employer and the employee in the case of minimum wage level and average wage. The personal allowance is MKD 105,456 on an annual basis, while the monthly personal allowance amounts to MKD 8,788.
The minimum base for social security contributions equals 50% of the average monthly salary for the current month. However, for self-employed 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
		428	26,422	707	43,597
Total wage cost		**428**	**100.00%**	**707**	**100.00%**
Social contribution on salary		-	0.00%	-	0.00%
Gross salary		**428**	**100.00%**	**707**	**100.00%**
Employees' contributions		120	28.00%	198	28.00%
Personal income tax*		17	3.87%	37	5.18%
Net salary		**292**	**68.13%**	**472**	**66.82%**

* 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 didn't exceed the PLN equivalent of EUR 2,000,000) is 9%. This rate applies also for newly-created entities (additional requirements needed). In Poland, CIT, as a rule, is payable on income. Tax deductible costs exceeding the revenues in a given FY constitute a loss which may be deducted from the 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 one-off up to the amount of PLN 5,000,000. The surplus may be settled in line with the general rule described above. As of 1 January 2022, changes in respect of regulations concerning debt financing costs entered into force. Expenses for debt financing are qualified as tax deductible costs in the amount of no more than 30% of EBIDTA or in the amount not exceeding PLN 3,000,000. Interest, royalties and certain types of immaterial services paid to non-Polish residents are, as a rule, subject to WHT at 20% rate and dividends (or dividend like income) 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 Mil 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 only then can the tax remitter apply for WHT refund, if the payment may 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 needed). 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 2022 basic interest rate on IC loans is (depending on the loan currency), i.a. WIBOR 3M, SOFR 3M Compound Rate, EURIBOR 3M, plus margin up to 2.8 pp (the Borrower) and minimum of 2.0 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 the inflation, in the period from 1 February 2022 to 30 July 2022, reduced rates apply to, e.g. fuels; heat; natural gas; some food products.

Other indirect tax types in Poland include excise duty and gambling tax. Some civil acts such as contracts of sale, loan agreements, foundation deeds of partnership or company, if not subject to VAT, may be subject to civil law activity tax (CLAT), the rates of which are from 0.1% to 2%. Transactions related to filling a power of attorney and public administration actions (submitting application forms, issuing certificates, granting permissions, etc.) are subject to stamp duty.

VAT options in Poland	Applicable / limits
Distance selling	From 1 July 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	No (as of 1 July 2022, the creation of VAT Group will be possible).
Cash accounting – yearly amount in EUR (approx.)	EUR 1,200,000/ year
Import VAT deferment	✓
Local reverse charge	Local sale of specific services and commodities, i.e.: construction services, supplies of scrap; paper waste; engines; certain type of electronics above the limit of PLN 15,000 (approx. EUR 3,500).
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 the progressive tax scale at the rate of 17% to 32%. A specific rate also applies to individuals pursuing business activities as sole proprietorships or partners in partnerships, who may opt for a flat 19% PIT rate. 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: employment relationship, mandate contracts, post-graduate internship and student internship, is tax-free up to the 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 1 January 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 equals approximately 20.48%. Additionally, the individual is required to pay a 9% health insurance contribution. As of 1 January 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*	4.66	in EUR	in PLN	in EUR	in PLN
		646	3,010	1,301	6,064
Total wage cost		**788**	**121.98%**	**1,587**	**121.98%**
Employer's social security**		116	17.93%	233	17.93%
Other insurance (approx.)		16	2.55%	33	2.55%
Contribution to the PPK 1.5%		10	1.50%	20	1.50%
Gross salary		**646**	**100.00%**	**1,301**	**100.00%**
Employees` contributions		89	13.71%	178	13.71%
Healthcare insurance		50	9.00%	101	9.00%
Personal income tax***		-	17.00%	85	17.00%
Contribution to the PPK 2%		13	2.00%	26	2.00%
Net salary		**494**	**76.52%**	**911**	**69.99%**

* Average exchange rate announced by National Bank of Poland as of February 25th, 2022.
** Capped at income of PLN 177,660.00 for pension and retirement contributions.
*** Taxable base = gross salary – employee's contributions – statutory tax deductible costs-middle classe rief.
**** Average wage in private sector as of January 2022 announced by the Main Statistical Office.
**** middle class relief
1. (Revenue x 6.68% – PLN 380.50) ÷ 0.17, for Revenue of at least PLN 5,701 and not exceeding PLN 8,549.
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

General CIT is 16%. To compute the taxable profit, the accounting profit is adjusted upwards (with non-deductible expenses) or downwards (with non-taxable revenues). A maximum 50% additional deduction can be applied for certain R&D expenses. Capital gains arising from the sale of the participations held in a state that Romania has concluded a DTT with are non-taxable.
2022 marks the first FY when tax consolidation rules in the field of corporate taxation between two or more Romanian legal entities can be applied. Once tax consolidation has been opted for, it must be applied for 5 years.

Tax measures during the COVID-19 pandemic
Discounts applied to the timely payment of CIT and microenterprise tax, tax amnesty for eligible taxpayers

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

(deadline was extended until 30 June 2022), additional deductible expenses related to teleworking, rules on payment rescheduling, and postponement of interests and penalties related to fiscal obligations.
A new incentive was implemented to stimulate the capitalisation of companies. CIT payers can benefit from annual CIT discounts (2% up to 15%) from the annual CIT due for FY 2021-2025, if certain conditions with respect to net asset position are met. The incentive comes with an extended deadline for the annual CIT return submission (25 June).
Romania has a treaty network consisting of approximately 85 double tax treaties. The WHT rate on Dividends is 5% while for Interest and Royalties it 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 the relevant double tax treaty are applicable.
A compulsory micro company scheme is applicable for companies obtaining revenues lower than EUR 1,000,000:

- 1% if the company has at least 1 employee;
- 3% if the company has no employees.
- A microenterprise may opt for the CIT regime if it fulfils the following:
- it has a share capital of at least RON 45,000 (approx. EUR 9,000);
- it has more than two employees.

The incentive implemented to stimulate 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

The general rate is 19%. Reduced rates are 9% (e.g. medicines, food, agricultural products etc.) and 5% (e.g. for books, hotel accommodation, restaurant services and certain residential sales).
VAT-exempt activities include medical services, financial and banking services, insurance and reinsurance, sale and rental of real estate, certain types of educational and training activities, and other activities of public interest.
The VAT cash accounting system is optional for entities with an annual adjusted turnover of less than RON 4,500,000 (EUR 910,000).
The VAT legislation applicable to the EU cross border transactions has been aligned at the EU level as of 1 January 2020 when the so called "EU VAT quick fixes" entered into force. The aim of the new legislation

was to avoid different approaches among Member States, which in certain instances led to double taxation. Romania has implemented such provisions as well, as of 17 July when Order no. 103/2016, which details the conditions for the application of VAT exemption for intra-Community supplies, was amended in order to reflect the amendments implemented at the EU level.

New OSS rules for e-commerce are applicable in Romania as of 1 July 2021.

Tax amnesty
In the context of the pandemic, a tax amnesty on interest and penalties for taxpayers who pay the main outstanding debts owed as of 31 March 2021 has been implemented. The purpose of this is to prevent accumulation of new debts to the state, avoiding new insolvency proceedings due to measures enacted during the state of emergency, and to avoid technical issues due to the large number of declarations being submitted, as well as to increase the level of compliance by taxpayers.
Other indirect taxes applicable include excise and environmental tax.

VAT options in Romania	Applicable / limits
Distance selling	OSS system is applicable.
Call-off stock	✓
VAT group registration	✓
Cash accounting – yearly amount in EUR (approx.)	EUR 910,000/year
Import VAT deferment	Certificate of payment deferral / AEO / simplified customs procedure / products subject to VAT r/c.
Local reverse charge	Sale of certain types of waste, certain types of cereal, wood, greenhouse gas emission certificates, electricity, natural gas, green certificates, land and buildings, laptops, mobile phones.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	approx. EUR 60,600

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).
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).
As of 1 January 2018, the SSC are the following: Social Security Contribution (25% – employee part), Health Insurance Contribution (10% – employee part) and Work Insurance Contribution (2.25% – employer part).
Dependent activities are subject to SSC at the employee (35%) and the employer level (2.25%). Independent activities are subject to SSC only if the monthly revenue from such activities is higher than the minimum salary (i.e. RON 2,550 for the year 2022). Otherwise, the SSC is optional for the taxpayer. The Health Fund Contribution is capped at the level of the minimum salary per country. The minimum monthly gross wage for the period 1 January 2020 – 31 December 2028 in the construction sector is RON 3,000 per month. Special measures were introduced in order to alleviate some adverse effects of the pandemic at the level of employees, and to encourage changes in the way people work, such as employers can offer a non-taxable allowance to employees working in teleworking conditions.

Wage related taxes in Romania		Minimum wage		Average wage in private sector	
Exchange rate RON/EUR	4.95	in EUR	in RON	in EUR	in RON
		515	2,550*	1,231	6,095
Total wage cost		527	102.25%	1,259	102.25%
Employer contributions		12	2.25%	28	2.25%
Gross salary		515	100.00%	1,231	100.00%
Employees' contributions		180	35.00%	431	35.00%
Personal Deduction **		135		-	
Personal income tax***		20	10.00%	80	10.00%
Net salary		315	61.13%	720	58.50%

* The minimum monthly gross wage guaranteed in payment, without including bonuses or other additions, if of RON 2,550 for FY 2022, for a normal working schedule. In the construction sector, the minimum monthly gross wage for the period January 1, 2022 – December 31, 2022 is RON 3,000 per month (without including other bonuses and additional payments).
** 1 family member is assumed.
*** Personal income tax base is: gross salary – employee's contribution – personal deduction.

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Corporate taxes and other direct taxes

The general corporate income tax rate is flat and amounts to 15%. Tax is applied to both resident and non-resident companies. Resident companies are taxed on their worldwide income, and non-residents are taxed only on income generated in Serbia. The tax base is the pre-tax profit modified by several increasing and decreasing items. Capital gains are also included in the annual corporate profits tax return. Losses can be carried forward for 5 years while the carry back of losses is not permitted. There are several tax deductions available on investments in relation to the number of employed persons and investment funds, investing into the capital of newly incorporated companies performing innovative activities, and income from the use of deposited IP rights. Serbia applies thin capitalisation ratios 4:1 (10:1 for banks). Also, there is a requirement that interest paid to a non-resident must be on arm's length terms.

Transfer pricing in Serbia		
Arm's length principle	✓	Since 2013
Documentation liability	✓	Since 2013, transfer pricing documentation is submitted along with the CIT return.
APA	No	–
Country-by-Country liability	✓	Tax resident that is the ultimate parent entity of an international group of related legal entities.
Master file-local file (OECD BEPS 13) applicable	No	–
Penalty		
lack of documentation	✓	~ EUR 16,900 for missing documentation
tax shortage	✓	30% on tax underpayment + late payment interest
Related parties	25% <	Direct or indirect control or common managing director, close family members, non-resident entities from tax havens.
Safe harbors	✓	Interest as described in the Governmental Rulebook, transactions (other than financial) below EUR 67,000 are not subject to TP rules.
Level of attention paid by Tax Authority	8/10	

A withholding tax at the rate of 20% is applicable on dividends, interests, capital gains, royalties and other intellectual property rights, income from rent of immovable and movable property and income from specific services such as market research, accounting, audit and other services related to business and legal consulting. There is also 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 50 double tax treaties.

Transactions between related parties must be at arm's length. The comparable uncontrolled price method may be used, but in the absence of this method, the taxpayer may use the cost-plus, the resale price method, the profit sharing method or the net profit method. There is an obligation to enclose transfer pricing documentation with the annual tax returns.

The transfer tax of 2.5% is applied to transfers listed in the Property Tax Act. There is no surtax or alternative minimum taxes.

VAT and other indirect taxes

The general rate is 20%, reduced rates are 10% (e.g. bread, milk, accommodation services, medications,

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

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

The other indirect tax type in Serbia is excise duty.

Personal income tax / Social security system

In Serbia, resident individuals are taxed based on their worldwide income, while non-residents are taxed only on income in Serbia. There is a flat rate of 10% for gross salaries. Capital gains are taxed at 15%. Furthermore, the tax rate on income from agriculture and forestry is 10%.

Income from the letting of real estate is taxable at 20%, but before that, the gross basis is reduced by standardized costs equalling 25%. The tax rate on income from royalties and other intellectual property amounts to 20%.
Active incomes fall under the scope of the SSC system: individual social contributions are 19.90% of the gross salary. These include contributions for pension and disability insurance (14%), health insurance (5.15%) and unemployment insurance (0.75%). Employer's contributions amount to 16.65%. The difference is that contributions for pension and disability insurance are 11.5% (2.5% less than employee's obligation) and the contribution for unemployment (0.75%) is not payable by the employer. Personal deductions are applicable.

Wage related taxes in Serbia		Minimum wage		Average wage in private sector	
Exchange rate RSD/EUR	117.5	in EUR	in RSD	in EUR	in RSD
Non-taxable amount		164	19,300	139	16,300
		387	33,514	674	79,220
Total wage cost		**451**	**116.65%**	**786**	**116.65%**
	Social contribution tax	64	16.65%	112	16.65%
Gross salary		**387**	**100.00%**	**674**	**100.00%**
	Personal income tax	22	5.76%	54	7.94%
	Employees' contributions	77	19.90%	134	19.90%
Net salary*		**288**	**74.34%**	**486**	**72.16%**

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

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Corporate taxes and other direct taxes

The corporate income tax rate in Slovakia is 21%. The 15% tax rate is applied for taxpayers if their income does not exceed the amount of EUR 49,790 in the relevant tax period. If the income exceeds the amount of EUR 49,790, the 21% tax rate is applied to the full amount of the tax base. The tax base is calculated from an accounting profit or loss modified by certain increasing and decreasing items.
Tax losses incurred in the tax period starting from 1 January 2020 can be deducted for a maximum of five consecutive tax periods, up to 50% of the taxpayer's tax base.
Tax incentives provided in case of starting or modernizing production, R&D (extra allowance by applying "super deduction") and productive investments related to Industry 4.0 ("super deduction" of expenses on investments in production and logistics systems including software in order to optimize production and logistic process).

Transfer pricing in Slovakia

Arm's length principle	✓	Since 1999
Documentation liability	✓	Since 2009
APA	✓	Since 2004
Country-by-Country liability	✓	from FY 2016
Master file-local file (OECD BEPS 13) applicable	✓	Applicable for specific taxpayers.
Penalty		
lack of documentation	✓	up to EUR 3,000 / missing documentation (recurrent basis)
tax shortage	✓	10% p.a. of tax underpayment or 20% in case of aggressive tax planning in transfer pricing
Related parties	25% <	Direct or indirect control or common managing director, close relatives or other control aimed purely on circumvention of tax.
Safe harbors		Not officially published/ accepted.
Level of attention paid by Tax Authority	**9/10**	

COVID-19 pandemic - tax exemption is applied to state aid provided to entrepreneurs related to supporting the retention of jobs and employees in their employment;

Dividends and other incomes – subject to taxation within the separate tax base at a rate of 35% – subject to taxation if paid to a taxpayer from a non-contracting state by a Slovak legal entity and vice versa;
Business restructuring (mergers, acquisitions, etc.) can be carried out solely at fair market values (some specific cases - historic value method);

Participation exemption rules for capital gains on sales of shares and ownership interest are applied under specific conditions.

Withholding tax

- 19% on interest, royalties, winnings, income of authors for articles, etc.;
- 35% on payments to taxpayers from non-contracting states which do not have either a double tax treaty or a treaty on information exchange with Slovakia.

Interests and royalties paid by Slovak tax residents to closely related EU entities - under specific rules - exempt from tax.

Real estate tax is imposed on real estate owners based on the type of property - land, buildings or apartments. The final amount of annual real estate tax is calculated by the municipal authorities and may be amended according to local conditions.

Motor vehicle tax is imposed on the user/employer/owner of the motor vehicle used for business purposes. Tax rates differ based on technical parameters. The tax rate for electric vehicles is 0%.

VAT and other indirect taxes

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

A special tax voluntary arrangement based on the receipt of payment for goods and services (called "cash accounting") can be applied by certain VAT payers.

As of 2021, there is a possibility for correcting the tax base of the supply of goods or services if the taxpayer has not received full or partial payment and the taxpayer's receivable has become uncollectable.

As of 15 November 2021, VAT payers are obliged to report all bank accounts used for economic activities that are subject to VAT to Tax Authorities. In connection with the notification obligation, the grounds on which the customer is liable for the supplier's VAT shown on the invoice which was not paid to the state budget.

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

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

Personal income tax / Social security system

The personal income tax rate is progressive and is based on the amount of income. The income tax rate of 19% is applicable to the tax base below the amount of EUR 38,553.01/ per year (the limit for 2022) and 25% for the part of the tax base exceeding the limit.
The 15% tax rate applies to natural persons achieving an income from a business and other self-employment income and to legal persons, if their income does not exceed the amount of EUR 49,790 in the relevant tax period.
Dividends and other income (including shares on liquidation balances of business companies and/ or cooperatives) and shares of members of land communities paid out after 1 January 2017 are subject to taxation at a rate of 7% (capped by DTAT rate) or 35% if the recipient or payer of the dividend is from a non-contracting state.
From 2022, dividends from controlled foreign country companies (only natural persons) are subject to taxation at a rate of 25%.
Both employers and employees are subject to social security and health contributions on the employee's gross monthly wage. The rates are 35.2% for employers (social security 25.2% and health insurance 10%) and 13.4% for employees (social security 9.4% and health insurance 4%). Social security contributions are capped by a maximum assessment base of EUR 7,931. There is no maximum assessment base for health insurance contributions.
A health insurance allowance (annually up to EUR 4,560) can be applied by low-income employees on employee contributions.

Wage related taxes in Slovakia	Minimum wage		Average wage*** in private sector	
	in EUR		in EUR**	
	646		1,185	
Total wage cost	**873**	**135.20%**	**1,602**	**135.20%**
Vocational training contribution	-		-	
Social contribution tax	227	35.20%	417	35.20%
Gross salary	**646**	**100.00%**	**1,185**	**100.00%**
Personal income tax*	34	19.00%	122	19.00%
Employees' contributions	87	13.40%	159	13.40%
Net salary	**526**	**81.37%**	**904**	**76.26%**

* The gross salary is decreased by the total amount of a general allowance (EUR 381.61 EUR/monthly) and by social contribution tax.
** For 3rd quarter 2021.
*** The wage from regular employment contract.

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Corporate taxes and other direct taxes

The general corporate income tax rate is 19%. A special rate of 0% applies to investment funds, pension funds and insurance undertakings for pension plans, under certain conditions. The tax base is the pre-tax (accounting) profit modified by several increasing and decreasing items.
A company may request to be subject to tonnage tax instead of corporate tax if it meets certain conditions (i.e. it operates in international maritime shipping) and notifies the tax authorities in advance. The tax base for tonnage tax is the sum of the tax bases for each of an entity's ships that are included in the tonnage tax regime. In addition, taxpayers whose revenue in the previous year did not exceed EUR 50,000 (or EUR 100,000 if employing at least one full-time person for a minimum of five months) can elect to take a lump sum deduction equivalent to 80% of annual revenue, in lieu of actual expenses. Losses can be carried forward without limitations and can be used only up to 50% of the tax base. In addition, special rules apply in case of M&A transactions. Slovenia uses thin capitalisation (4:1), but thin capitalisation does not apply if shareholders are financial institutions and if the taxpayer provides evidence that they could have received the loan surplus from a lender that is a non-associated enterprise. There is a range of tax allowances for new investments and R&D, new employments and the employment of disabled persons, donations and voluntary supplementary pension insurance. From January 2022 there is a new tax allowance for investment in the digital and green transition.
Provisions governing the general anti-avoidance rule and CFC as a part of the European Union Anti-Tax Avoidance Directive (ATAD I) are applicable in Slovenia from 2019.

A withholding tax of 15% is applied on dividend, interest, royalty and rental income paid by a Slovenian company to a foreign company. However, if conditions are met, an exemption (or decrease of percentage of withholding tax) is applicable to payments to EU residents (under the parent subsidiary directive & the interest and royalty directive) and under international double taxation treaties (currently over 50 treaties).
Real estate transfer tax (RETT) is applied on the transfer of immovable property at the rate of 2%. The tax base is the selling price of the transferred property and the taxable person is the seller. There is no tax if the transaction is subject to VAT.

Transfer pricing in Slovenia		
Arm's length principle	✓	Since 2005
Documentation liability	✓	Since 2006
APA	✓	Available
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 2006
Penalty		
lack of documentation	✓	~ up to EUR 30,000/ missing documents
tax shortage	25% <	Up to 45% of the unpaid tax, but no more than EUR 300,000; EUR 5,000 for the responsible person.
Related parties		Direct or indirect control or common managing director.
Safe harbors	✓	For interest rates in line with the Governmental Rulebook, for thin cap 1:4 ratio.
Level of attention paid by Tax Authority		**8/10**

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 form. VAT-exempt services include services of public interest, as well as banking services, insurance, investment-related services, gambling, certain services provided by medical doctors and dentists, etc. EC Sales lists (IC report) are obligatory in Slovenia and should be submitted by the 20th day of the month following the taxable period. For cross-border sales to 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. From 2019, Slovenia incorporated the requirements of the EU Vouchers Directive (Directive 2016/1065) into domestic law.
Other indirect tax types in Slovenia include excise duty, insurance tax, tax on financial services, motor vehicle tax, customs, etc.

VAT options in Slovenia	Applicable / limits
Distance selling	EUR 10,000/year From 1 July 2021 OSS system is applicable.
Call-off stock	✓
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	EUR 400,000/year
Import VAT deferment	✓
Local reverse charge	Construction works and supply of staff in relation to construction works, supply of immovable property (limited), supply of waste and used material based on specification, transfer of greenhouse gas emission allowances.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	EUR 50,000/year*

Personal income tax / Social security system

Personal income tax rates are progressive from 16% to 45%, 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 holding period, rental income at 15% (10% lump sum costs or actual costs deductible)).

Social security contributions apply on income from employment and are 16.10% for the employer and 22.10% for the employee. Self-employed individuals (business income) pay their own social security contributions depending on the circumstances of the case. The examples below show the cost of the employer and the employee in case of the minimum wage level and the average wage in the private sector. There are a number of personal allowances that apply individually depending on the personal status of the individual.

Wage related taxes in Slovenia	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
Total wage cost	**1,247**	**116.10%**	**2,396**	**116.10%**
Employer's contribution**	173	16.10%	332	16.10%
Gross salary	**1,074**	**100.00%**	**2,064**	**100.00%**
Employees' contributions**	237	22.10%	456	22.10%
Tax and surtax*	74	6.88%	248	12.01%
Net salary	**763**	**71.02%**	**1,360**	**65.89%**

* 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.

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Corporate taxes and other direct taxes

In Ukraine, the standard CIT rate is 18%. CIT is applicable to the worldwide income of resident companies, while for non-resident companies it is only for income received from Ukrainian sources. Taxable profit is calculated as financial profit before tax (reported in P&L statement according to Ukrainian GAAP or IFRS) adjusted by certain tax adjustments (depreciation, accruals and provisions, thin capitalisation, tax losses, etc.). Thin capitalisation rules apply to loans granted by non-residents (the debt-to-equity ratio is 3.5). Insurance companies are liable to pay an additional 0% or 3% income tax for life insurance and other types of insurance, respectively. Tax losses can be carried forward with no limitation period with some exceptions for large taxpayers. The loss carryback is not permitted.
Companies with annual income not exceeding UAH 40 million (approximately EUR 1.29 million as of 1 January 2022) are entitled not to make any adjustments (except for tax losses carried forward).

There is a 15% withholding tax on dividend, interest, royalty income from "indirect real estate disposal" etc., paid to a foreign company. However, in most cases, a lower rate or exemption may be applied under the respective double tax treaty. Ukraine has a wide double tax treaty network with more than 70 countries. In 2021, the "principal purpose test" was introduced to disallow benefiting from double tax treaties if obtaining such benefits was one of the main purposes of the transaction.
TP rules in Ukraine apply not only to controlled transactions with related non-resident parties, but also to transactions with non-related non-resident companies, which are registered in low-tax jurisdictions or which are considered tax transparent in their country of residence.
Three-tiered TP reporting was introduced on 1 January 2021, including Master File, TP documentation (Local File), and Country-by-Country Report. Sole traders, companies with annual income not exceeding UAH 7.6 million (approximately EUR 245 thousand as of 1 January 2022) and agricultural producers may apply for a simplified taxation system (paying a single tax instead of CIT).

During martial law, companies may apply for a simplified tax regime with a rate of 2% of the turnover, and VAT will not be accrued and paid. Simplified tax regime may not be applied by the gambling business, business-related to excisable goods, financial and insurance companies, etc.

Transfer pricing in Ukraine		
Arm's length principle	✓	Since 2013
Documentation liability	✓	Since 2013
APA	✓	Since 2013 (applicable to major taxpayers, no cases of applicationin practice).
Country-by-Country liability	✓	Since 2021
Master file-local file (OECD BEPS 13) applicable	✓	Since 2021
Penalty		
lack of documentation	✓	Up to 3% of the value of controlled transactions, but not more than UAH 496,200 (approx. EUR 16,046).
tax shortage	✓	25% of tax underpayment; 50% in case of recurrent violation during 1095 days + late payment interest.
Related parties	25% <	Direct or indirect or common control; (formalized or de-facto); low-tax non-related non-resident operations also fall under transfer pricing control.
Safe harbors	No	-
Level of attention paid by Tax Authority		**7/10**

VAT and other indirect taxes

As a non-EU member, Ukraine did not implement the EU VAT Directives. The standard VAT rate is 20% (14% for supply of agricultural products; 7% for supply of pharmaceuticals and medicinal products; 0% for export of goods).

Under the general rule, the place of the supply of services is the place where the supplier is registered. However, there are some exceptions (e.g. for consulting, marketing, information services, etc.). In respect of services provided by a non-resident, the reverse-charge mechanism is applicable. Provision of electronic services by non-residents without a permanent establishment in Ukraine to individuals within the customs territory of Ukraine (including private entrepreneur non-VAT taxpayers) is subject to VAT in Ukraine.

Ukrainian VAT administration is provided through an electronic system. The taxpayer is entitled to issue VAT invoices for the amount within the certain cap. To get VAT credit, a taxpayer should receive from the supplier a VAT invoice in electronic form, which is registered in the Unified Register of VAT invoices. VAT refunds are provided under a unified register with a chronological order of repayment.
There are a number of temporary VAT incentives, such as VAT exemption for the supply of certain goods and services (software, electric vehicles, waste and scrap metals, certain equipment for renewable energy, etc.).

VAT options in Ukraine	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	✓
Import VAT deferment	No
Local reverse charge	Imported services
Option for taxation	
letting of real estate	✓
supply of used real estate	No
VAT registration threshold	Revenue of UAH 1 million (approx. EUR 32,338).

For the period of martial law, a 7% VAT rate is applied for the import and supply of gasoline, diesel fuel, liquefied gas and oil to the territory of Ukraine. Furthermore, the excise tax on gasoline, diesel fuel, and liquefied gas is temporarily abolished.
The other indirect tax in Ukraine is excise tax. The excisable goods are spirits, beer, tobacco, petroleum, cars, trailers, motorcycles, and electricity.

Personal income tax / Social security system

The PIT rate applicable to both active income (e.g. employment, benefits in kind, assignment fee) and passive income (e.g. interest, royalties, investment income) for residents and non-residents is 18%. Tax residents of Ukraine pay PIT on their worldwide income. Non-residents pay PIT on their Ukrainian source income. Dividends are subject to 9% PIT, except for dividends distributed by Ukrainian CIT payers, which are subject to 5% PIT. For the specific types of passive income, the tax rates of 5% and 0% may be applied.
There is a temporary military tax (until the completion of the military reform) applied to the monthly income at the rate of 1.5%.
During the martial law period, the income and gains of combatants and individuals living in combat areas received from charitable organizations are exempt from PIT.
Most forms of active income fall under the scope of SSC with an employer's contribution of 22%; there is no employee's contribution. The maximum chargeable amount per month is 15 months' minimum wages – UAH 97,500 (approximately EUR 3,153 as of 1 January 2022).

Wage related taxes in Ukraine		Minimum wage		Average wage in private sector	
Exchange rate UAH/EUR	30.92	in EUR	in UAH	in EUR	in UAH
		210	6,500	485	15,000
Total wage cost		**256**	**122%**	**592**	**122%**
	Social contribution tax	46	22%	107	22%
Gross salary		**210**	**100%**	**485**	**100%**
	Personal income tax	38	18%	87	18%
	Military tax	3	2%	7	2%
Net salary		**169**	**81%**	**390**	**80%**

Please note, that the last update of the above figures took place on May 27, 2022.

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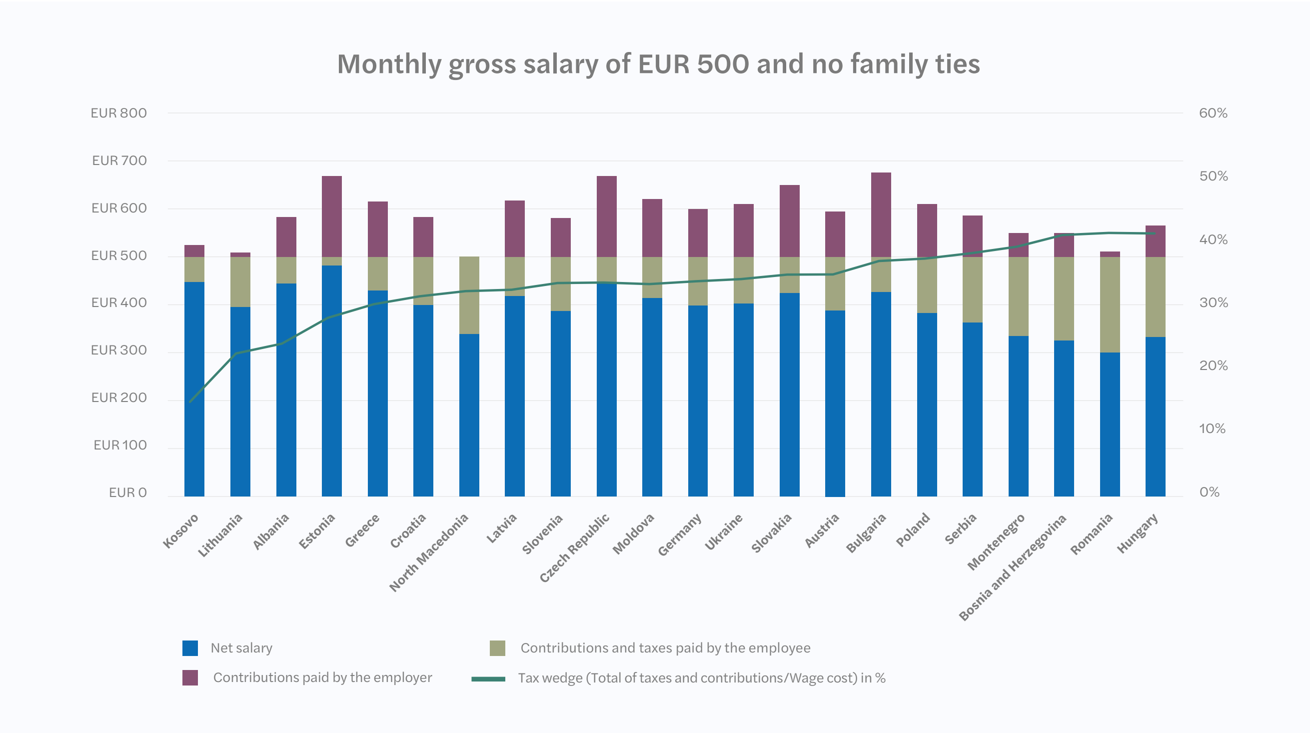
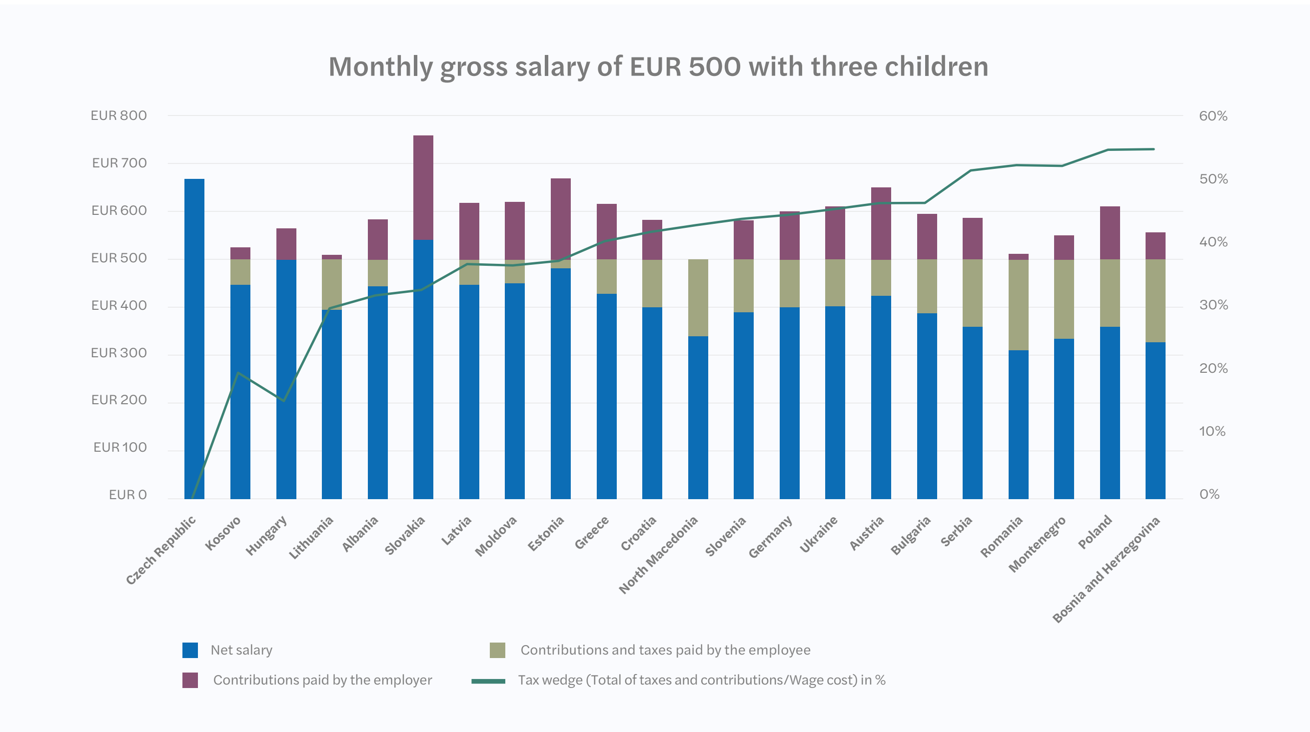
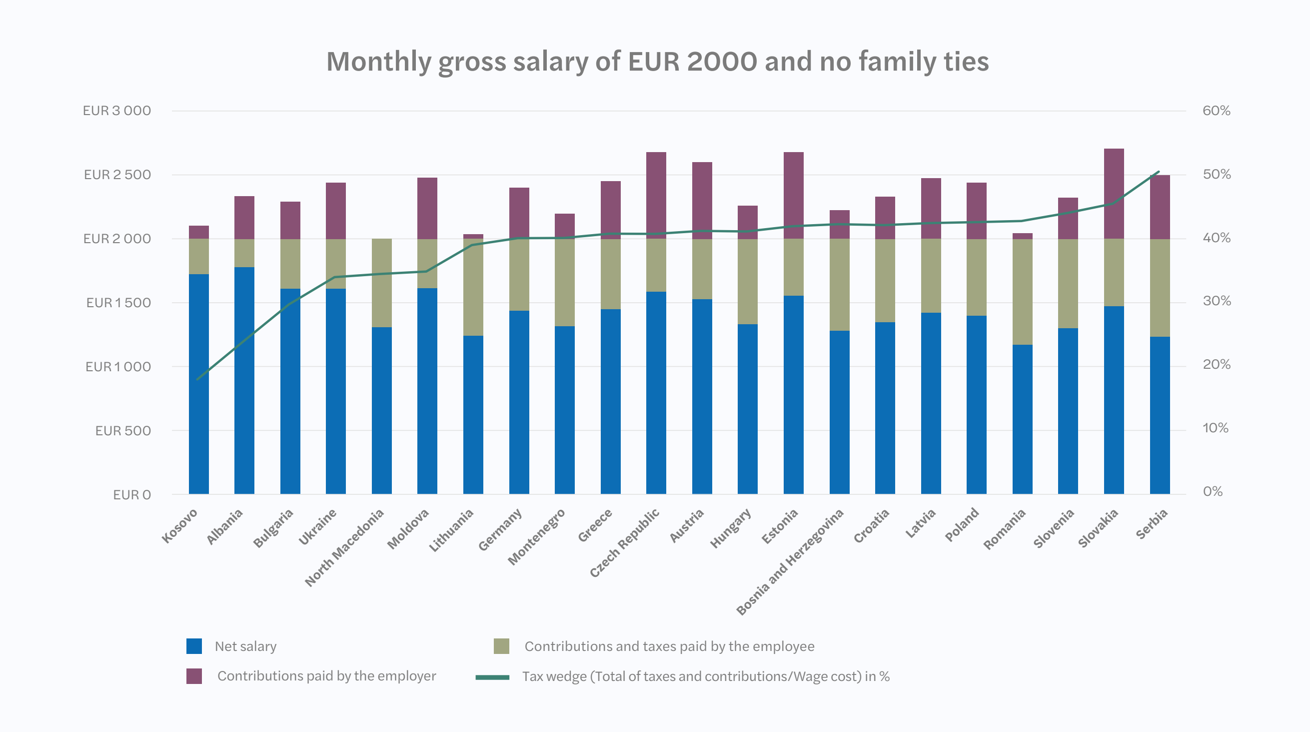
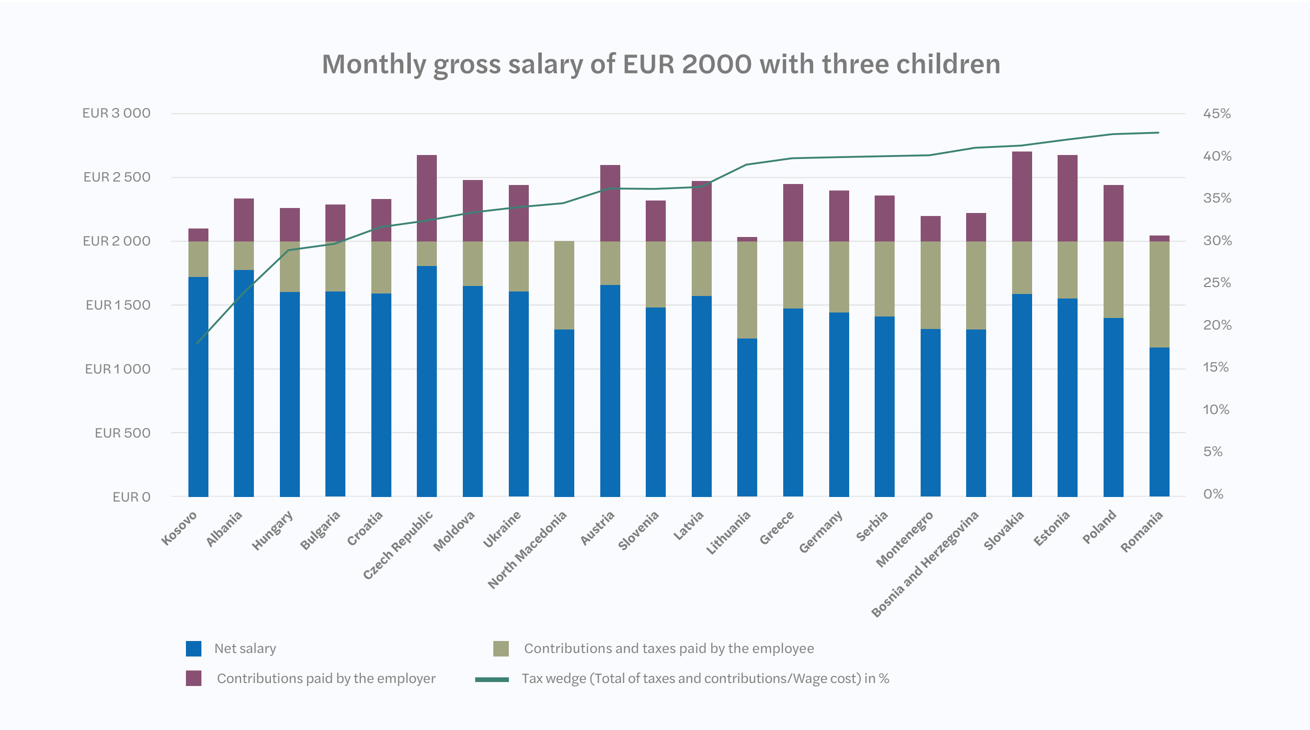
Labour-related tax burdens in the CEE region

The charts below show the wage-related tax and contribution burdens in each country, for two different monthly gross income levels: EUR 500 and EUR 2,000 and for two different options for each income category: for an individual having no family ties and for someone who has three children. The 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.









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

The comparison of the various levels of income categories is also telling, since the different countries may provide tax benefits and tax credits, typically in the lower income category, or may have a progressive taxation system.

Tax rates in the countries of the CEE region

2022	VAT	PIT	SSC
	Value added tax rates	Personal income tax rate(s)	Social security and other contribution payable by the employer
Albania	0% / 20% / 6%	progressive: 0% / 6.5% / 13% / 23%	16.70%
Austria	20% / 10% /13%	0%–55%	21.13% social insurance + approx. 8.8% other taxes and contributions.
Bosnia and Herzegovina	17%	10%	10.5%* / No**
Bulgaria	20% / 9%	10%	18.92%
Croatia	25% / 13% / 5%	20% / 30%	16.5%*
Czech Republic	21% / 15% / 10%	15% / 23%*	24.8%** / 9%*
Estonia	20%	20%	33% / 0.8%
Germany	19% / 7%	14%–45%	19.98%
Greece	24% / 13% / 6%	Progressive 9% / 22% / 28% / 36% / 44% & 2.2%–10% Special solidarity levy – (Abolished for 2022 in the private sector).	22.54%
Hungary	27% / 18% / 5%	15%	13.00%
Kosovo	18% / 8%	progressive 0% / 4% / 8% / 10%	5.00%
Latvia	21% / 12% / 5% or 0%	20% / 23% / 31%	23.59%
Lithuania	21% / 9% / 5%	15% / 20% / 32%	1.77%
Moldova	20% / 12% / 8%	12%	24.00%
Montenegro	21% / 7%	9% / 11%	8.7%
North Macedonia	18% / 10% / 5%	10%	No
Poland	As a rule 23% / 8% / 5% / 0%, however due to the inflation in the period from 1 February 2022 to 30 July 2022, reduced VAT rates apply to, e.g. fuels; heat; natural gas; some food products.	17% / 32%	20.48%
Romania	19% / 9% / 5%	10%	2.25%
Serbia	20% / 10%	10%	16.50%
Slovakia	20% / 10%	15% / 19% / 25%	35.2%
Slovenia	22% / 9.5% / 5%	progressive 16%–45%	16.1%
Ukraine	20% / 14% / 7% / 0%	18%*	22%**

Bosnia and Herzegovina * In Federation of BIH. ** In Republika Srpska. **Croatia** * For the person under 30 employed on variable-term contract, there is no contributions on salary (16.5%) for a period of 5 years. **Czech Republic** * On income exceeding approx. EUR 76,330 yearly in 2022, ** Only on income up to approx. EUR 76,330 in 2022. **North Macedonia** * Introduction of progressive rates expected in 2023. **Ukraine** * Additionally 1.5% temporary military tax should be withheld from the same base as PIT. ** Maximum monthly SSC is UAH 21,450 (approx. EUR 663).

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
Albania	Exempted / 0% / 15%	✓	No	✓	✓
Austria	25%	No	✓	✓	✓
BH (Fed.)	10% / 0%	✓	✓	✓	✓
BH (Rer.)	10% / 0%	No	No	No	✓
Bulgaria	10%	✓	No	✓	✓
Croatia	18% / 10%	✓	No	✓	✓
Czech Republic	19%	✓	No	✓	✓
Estonia	No	✓	No	No	✓
Germany	15% (31%*)	✓	✓	✓	✓
Greece	22%	✓	No	✓	✓
Hungary	9%	✓	✓	✓	No
Kosovo	10% / 9% / 3%	No	No	No	✓
Latvia	20%*	✓	No	✓	No
Lithuania	15% / 5%	✓	No, however losses can be transferred to another group entity.	✓	✓
Moldova	12%	✓	No	✓	✓
Montenegro	9%/ 15%	✓	No	No	✓
North Macedonia	10%	✓ (large and mid-sized entities)	No	✓	✓
Poland	9%/ 19%	No	✓	✓	✓
Romania	16%	No	✓	✓	✓
Serbia	15%	✓	No	✓	✓
Slovakia	15% / 21%	No	No	✓	✓
Slovenia	19%	✓	Group tax returns were abolished with the introduction of the CIT Act on 1 January 2007.	✓	✓
Ukraine	18%	✓	No	✓	✓

R&D / patent box incentive	Loss carry-forward (years)	Transfer pricing documentation liability	Other comments, explanations and recent developments
No	3/5	✓	Tax exemption for 4 and 5-star hotels for a time frame of ten years; 5% CIT for software and IT development, automotive industry and agritourism industry (for 10 years).
✓	No limitation period	✓	From 2023: allowance for certain investments of 10% (15% for ecological investments) of the acquisition costs – cap of EUR 1 million p.a.
✓	5	✓	-
No	5	✓	0% for small taxpayers in Republika Srpska.
No	5	✓	TP local file is obligatory for companies above a threshold defined by the law.
✓	5	✓	-
✓	5 years (and loss carry-back for 2 years)	✓ (optional but recommended)	DAC 6 mandatory disclosure requirements. For corporate income tax, Czech Accounting Standards apply.
No	✓	✓	CIT is paid only on the distributed dividends: lower rate 14/86, standard rate 20/80.
No	No limitation period	✓	Loss carry back *together with trade tax.
✓	5	✓	OSS regime, Family offices, Increase of the tax-free amount on donations and parental grants to EUR 800,000.
✓	5	✓	ATAD regulation is implemented. Service PE concept is introduced from 2021.
No	4	✓	Loss carry forward period was reduced from 6 to 4 years. Taxation of insurance companies has changed from a 5% tax on gross premiums to a 10% tax on income.
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.
✓	No limitation period	Yes, except local transactions	0% rate for small companies for the first financial year.
N/A	5	No	-
No	5	✓	-
No	3	✓	The Transfer Prices Report Rulebook was recently introduced.
✓	5	✓	Changes in the so-called Estonian CIT; changes in WHT; new tax incentives; changes in the property depreciation; minimum tax; changes in the deduction of health contribution.
✓	7	✓	Tax consolidation rules are introduced.
✓	5	✓	Introduction of Country-by-Country Reporting.
✓	5	✓	Exit tax; Special regime for patent box; Participation exemption rules; Country-by-Country (CbC) Reporting; CFC rules applicable and effective from 2022 extended also to natural persons; ATAD rules.
✓	No limitation period	✓	General limitation of tax base reduction for tax periods after 1 January 2020, resulting in setting a minimum corporate tax rate of 7%. As of 1 January 2020, exit taxation applies.
No	No limitation period with the exception of major taxpayers	✓	Taxation of payments to non-residents that are equated to dividends at a 15% rate. Taxation of profit of CFCs for Ukrainian residents starts in 2022.

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