CEE Tax & Payroll Newsletter

March 2024

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

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

CEE Tax & Payroll Newsletter

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

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

Austria Croatia Czech Republic Hungary Poland

Romania Serbia Slovakia Slovenia Ukraine

Tax

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

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

HR & payroll

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

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

OECD Pillar 2 GloBE implementation status update in CEE

by our joint regional team of tax experts in Central & Eastern Europe

OECD Pillar 2 GloBE implementation status update in CEE

The Pillar 2 Global Anti-Base Erosion (GloBE) rules have been developed by the Organisation for Economic Co-operation and Development (OECD) to provide a common system of taxation that ensures multinational enterprises (MNEs) pay a global minimum tax (GMT) of 15% in each jurisdiction where they operate and generate income.

Taxpayers members of a multinational group or a large-scale domestic group located in an EU Member State, with annual revenue exceeding EUR 750 million in the last two of the four fiscal years immediately preceding the reporting year are subject to Pillar 2 obligations.

Dealing with GloBE requires an international approach that joins the dots between how parent entities and subsidiaries are impacted based on revenue and location.

As an internationally integrated partnership operating in over 100 countries and territories around the world, the ability to draw on the expertise of more than 50,000 professionals enables us to collaborate closely with our impacted clients worldwide and leverage this outlook in our regional business, providing tailoring solutions to our clients.

Status of implementation in Central and Eastern Europe

Austria passed by the end of 2023 the Minimum Taxation Act, (“Mindestbesteuerungsgesetz”; MinBestG), implementing the global minimum taxation into domestic law. The law applies to financial years beginning on 31 December 2023 or later. The global minimum taxation aims to ensure that large companies (with consolidated revenues of at least EUR 750 million) are subject to an effective tax rate of at least 15 % worldwide. Based on the corresponding EU directive and OECD workings, the Austrian Minimum Taxation Act stipulates the application of the income inclusion rule (IIR, “Primärergänzungssteuer”, PES), the undertaxed profits rule (UTPR, “Sekundärergänzungssteuer”, SES) and the qualified domestic minimum top-up tax (QDMTT, “nationale Ergänzungssteuer”, NES).

Every Austrian business unit of a covered company is generally obliged to file a minimum tax report (GloBE infomation return) with the Austrian tax office within 15 months after the end of the financial year. For years in which the global minimum tax is applied for the first time, the filing deadline is 18 months after the end of the financial year. Companies may opt to nominate one filing entity for the minimum tax report which would reduce the filing obligations for the other business units.

In Croatia, the national act implementing the EU Directive 2022/2523 has been officially ratified, and the Act came into force on 31st December 2023. The legislation closely aligns with the content of the Directive, as it has been transposed into national law with minimal deviations—essentially adopting the Directive's provisions almost verbatim.”

According to the information from the Croatian Tax Authorities, there are currently only four ultimate parent entities in Croatia whose revenue, based on consolidated financial statements, exceeds the prescribed threshold for the application of Pillar II.

In the Czech Republic, the national act implementing the EU Directive 2022/2523, namely the Act on Top-Up Taxes for large multinational groups and large domestic groups, was published in the Collection of Laws (i.e. officially ratified) and came into force on 31st December 2023.

The rules in the Czech Act do not deviate in any significant way from the global rules and from their implementation through the EU Directive.

The Czech Republic implemented the rules of qualified minimum domestic top-up tax (QMDTT) in order to collect the top-up tax revenues at the local level. Although there is a little uncertainty whether the transitional safe harbour (based on the data from a qualified CbCR) implemented in the Czech Act applies on the Czech QMDTT, it is generally presumed that its application will be possible.

In Hungary, Act LXXXIV of 2023 on additional taxes ensuring the global minimum tax level and on the amendment of certain tax rules in connection therewith has been published in the Hungarian Official Gazette with an effective date of 1 January 2024. The law basically transposes the provisions of the Directive into the Hungarian legislation. Hungary implemented the rules of qualified minimum domestic top-up tax (QMDTT) in order to collect the additional tax revenues at local level. The law sets forth that in Hungary ‘covered taxes’ under the global minimum tax level legislation should practically

OECD Pillar 2 GloBE implementation status update in CEE

mean corporate income tax, local business tax, innovation contribution and Robin Hood tax.

In Poland, the government has yet to publish a bill containing domestic regulations implementing the Directive. According to press releases, Pillar 2 regulations are to be implemented in Poland only from January 1, 2025. This would mean that in 2024 the Pillar 2 regulations may apply to those companies operating in Poland, but only in the case of implementation of relevant regulations in the parent jurisdictions.

Romania transposed on 5 January 2024 the legislation on the global minimum tax in the Romanian domestic tax legislation through Law no. 431/2023.

Although the first filing deadline for multinational and domestic groups in scope is estimated for June 2026, entities should start gathering the significant amount of information necessary to determine the impact and reporting obligations at the group level and in Romania.

The Romanian tax authorities will communicate to the European Commission the option to apply

the national supplementary tax (QMDTT) within 4 months from adopting Law 431/2023.

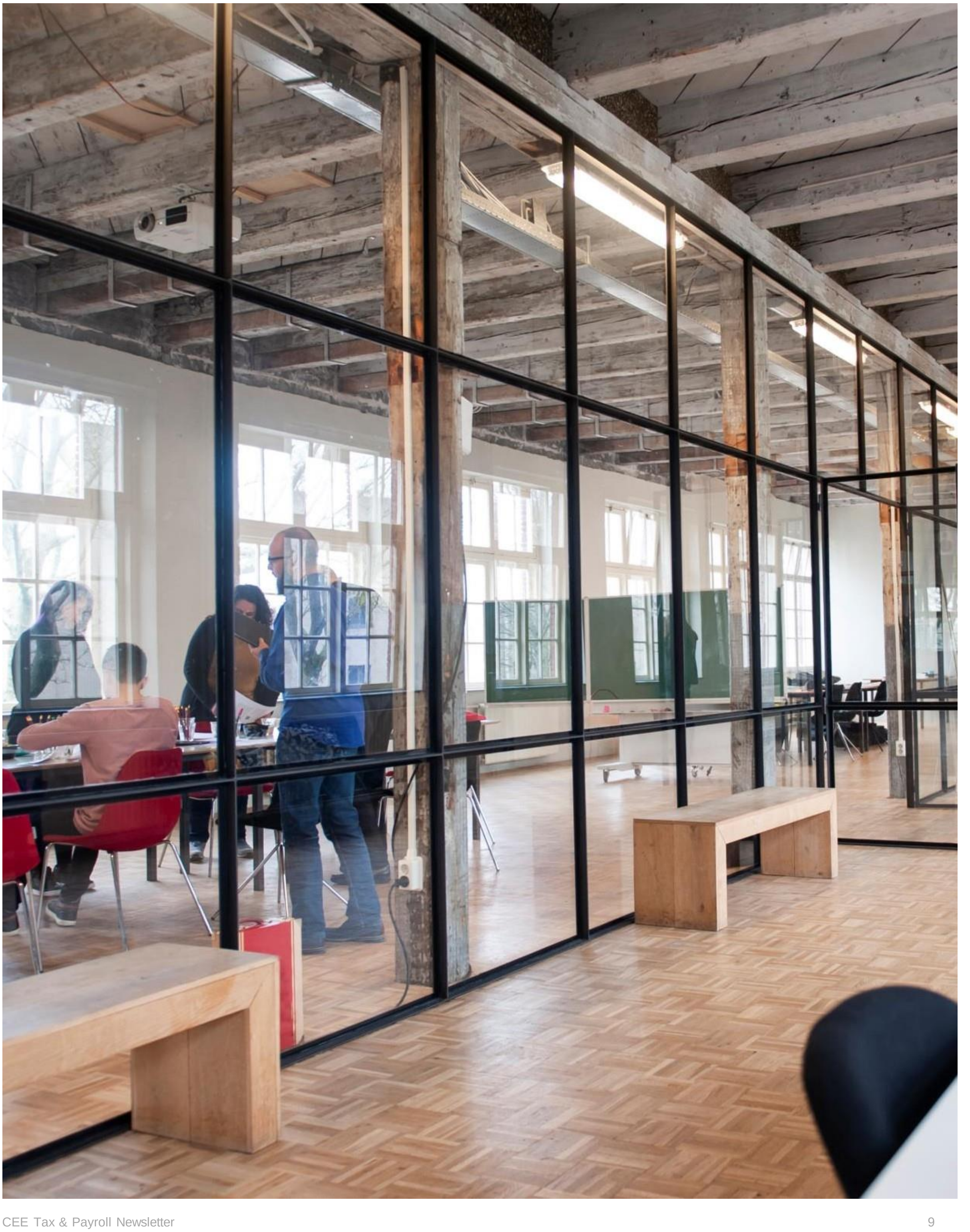
As Slovakia holds a specific position, where only a very small number of parent entities have their headquarters, the Slovak Ministry of Finance has decided to use the option given by the Directive not to start the immediate application of the Income Inclusion Rule (IIR) and the Undertaxed Profit Rule (UTPR). Instead, to benefit from the top-up tax revenues collected on the low-taxed constituent entities located in the territory of Slovakia, they elected to apply a qualified domestic top-up tax system.

In this respect, the Act on top-up tax to ensure a minimum level of taxation for multinational enterprise groups and large-scale domestic groups has been approved and became effective as of 31 December 2023. The obligation to pay the top-up tax will have the constituent entities of a multinational enterprise group or of a large-scale domestic group located in Slovakia, if the consolidated revenues of such a group in the consolidated financial statements of the ultimate parent entity are EUR 750 million or more in at least two of the four fiscal years immediately preceding the tested fiscal year or the joint ventures and joint ventures affiliates established in Slovakia, if the effective taxation of income of qualified entities located in Slovakia is lower than 15%. The first reporting and filing obligations may arise for the qualified entities during June 2026.

In Slovenia, the National Assembly adopted the new Minimum Tax Act on 13 Dec 2023 and is more or less a direct translation of the Directive (2022/2523). The New Minimum Tax Act entered into force for financial years starting on 31 Dec 2023, bringing the effective minimal tax rate to 15% for all groups with revenues exceeding 750.000.000 EUR. The first reporting is foreseen within 15 months after the end of the reporting financial year.

Navigating the future of finance: outsourcing trends and opportunities in payroll

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



Navigating the future of finance: outsourcing trends and opportunities in payroll

The evolving landscape of global business has prompted CFOs and finance managers to reassess and often redefine their strategies toward payroll and other financial functions. Among the most significant shifts in this domain is the growing trend of outsourcing, particularly in payroll processing. This article delves into the latest trends in outsourcing, highlighting the benefits and challenges, with a special focus on payroll practices.

The latest trends in outsourcing

1. Automation and AI integration: The integration of automation and artificial intelligence (AI) in payroll services is not just a trend; it's becoming the industry standard. Outsourced providers are leveraging these technologies to streamline payroll processes, reducing manual errors, and ensuring more efficient operations. This technological advancement allows companies to focus on core business activities by automating routine tasks.

2. Global payroll outsourcing: With the rise of remote work and global teams, companies are increasingly turning to outsourcing firms that specialise in managing payroll across different jurisdictions.

This trend allows businesses to navigate the complexities of global payroll requirements without needing to develop in-house expertise in every country of operation.

3. Compliance and regulatory expertise: Keeping up with constantly changing tax laws and employment regulations is a daunting task. Outsourced payroll providers bring to the table their expertise in compliance and regulatory requirements, significantly reducing the risk of penalties for non-compliance.

The countries of choice for outsourcing

When it comes to outsourcing destinations, India, the Philippines, and CEE countries like Poland, the Czech Republic, and Romania are among the top choices due to their cost-effectiveness and availability of skilled professionals. These regions offer a blend of technological proficiency and a deep understanding of global compliance standards, making them attractive for companies looking to outsource payroll and other financial functions.

Navigating the future of finance: outsourcing trends and opportunities in payroll

The benefits of outsourcing payroll processing

1. Data security and privacy:

Outsourcing companies invest heavily in state-of-the-art security measures to protect sensitive payroll data. This focus on data security and privacy is crucial in an era where data breaches are increasingly common.

2. Customisation and flexibility: Outsourced payroll services are not one-size-fits-all. Providers offer customisable solutions that can adapt to the specific needs of a business, providing flexibility that in-house operations often cannot match.

3. Employee self-service portals: These portals empower employees to access their pay stubs, tax documents, and benefits information online, fostering a transparent and engaging employee experience.

4. Management self-service portals: Similarly, management portals provide leaders with the tools to oversee payroll processes, approve time off, and manage other critical tasks efficiently, offering a comprehensive view of payroll operations.

5. Focus on customer experience: Outsourced providers prioritise the customer experience, offering dedicated support to resolve issues and ensure smooth payroll operations.

6. Integration with HR and accounting systems: Seamless integration with existing HR and accounting systems is a key advantage of outsourcing payroll. This connectivity ensures that payroll data flows effortlessly between systems, enhancing accuracy and efficiency.

Challenges associated with outsourcing

While outsourcing offers numerous benefits, it is not without its challenges. Communication barriers, cultural differences, and the initial transition phase can pose difficulties. However, these challenges can be mitigated through careful provider selection and clear communication strategies.

For CFOs and finance managers aiming to streamline their payroll processes while ensuring compliance, data security, and a positive employee experience, outsourcing presents a compelling solution.

Navigating the future of finance: outsourcing trends and opportunities in payroll

By partnering with the right provider, companies can leverage the latest in automation, AI, and global expertise to transform their payroll operations. As the landscape of work continues to evolve, the flexibility and efficiency offered by outsourcing will undoubtedly become even more valuable for businesses looking to stay ahead in the global market.

Jana Boštíková
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News from the CEE countries

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

News from the CEE countries

2000+ professionals

50+ partners

20+ offices

20+ countries

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

Learn about all the updates below.

Austria

- New minimum share capital for limited liability companies
- Changes to partial retirement from January 1, 2024.
- VAT exemption for photovoltaic systems from 2024.
- Tax treatment of crowdfunding.
- Charity Reform Act 2023

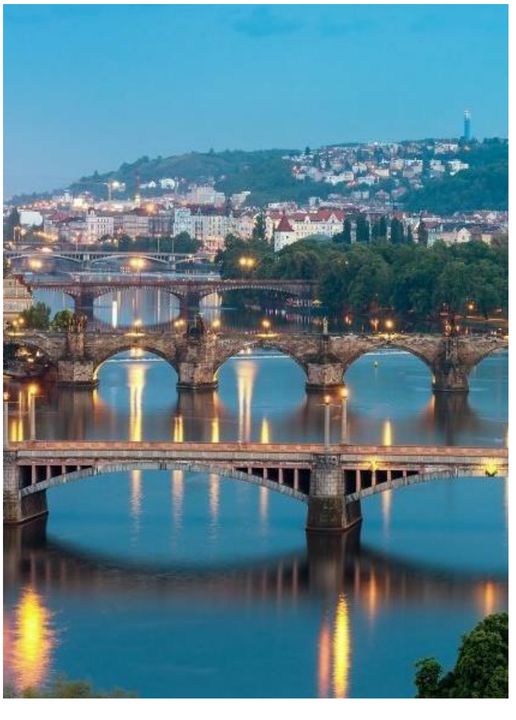
Read more about all the updates.

News from the CEE countries

Croatia

- Amendments to the Corporate Income Tax Rulebook, Value Added Tax Rulebook, and Personal Income Tax Rulebook.
- Double Taxation Avoidance Treaty signed between the Government of the Republic of Croatia and other countries.
- VAT refunds to foreign taxpayers.
- Application of the VAT rate of 0% to the supply and installation of solar thermal panels.

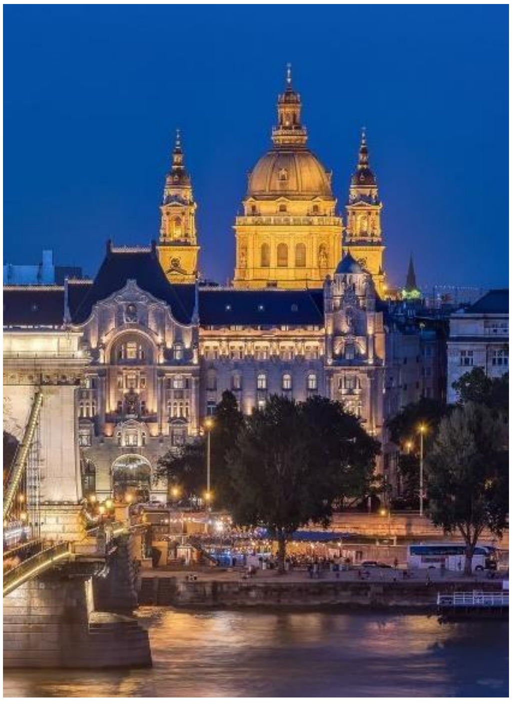
Read more about all the updates.



Czech Republic

- Changes to the Intrastat reporting. Read more.
- Interpretation of the General Financial Directorate on Changes in VAT Rates. Read more.
- Introduction to Top-Up Taxes and new tax obligations for selected taxpayers. Read more.
- Change in the taxation of employee stock and option plans. Read more.
- Amendment to the Labour Code and its impact on employees. Read more.

News from the CEE countries



Hungary

- Participation exemption ’amnesty’. Read more.
- System changes of R&D tax incentives. Read more.
- Changes to VAT and excise duty. Read more.
- Personal income tax, social contribution tax, and social security contribution changes. Read more.
- Corporate income tax, accounting, and local business tax changes. Read more.
- The global minimum tax. Read more.

Poland

- Slim VAT 3 package amendments. Read more.
- Mandatory e-invoicing postponement. Read more.
- The minimum tax, a new parallel form of taxation alongside the "regular" CIT. Read more.
- Increase in the minimum wage and minimum hourly rate in 2024. Read more.

News from the CEE countries

Romania

- Penalties-for-failure-to-submit-the-CbC-report. Read more.
- Six-sectors-responsible-for-CO2-emissions. Read more.
- New-minimum-turnover-tax-TP-perspective. Read more.
- Main changes to labour taxation as of 1 January 2024. Read more.
- Updates on workplace harassment policies. Read more.

Serbia

- Notice on the amount of the average annual salary per employee in the Republic of Serbia, and a new non-taxable amount calculation.

  Read more.

News from the CEE countries

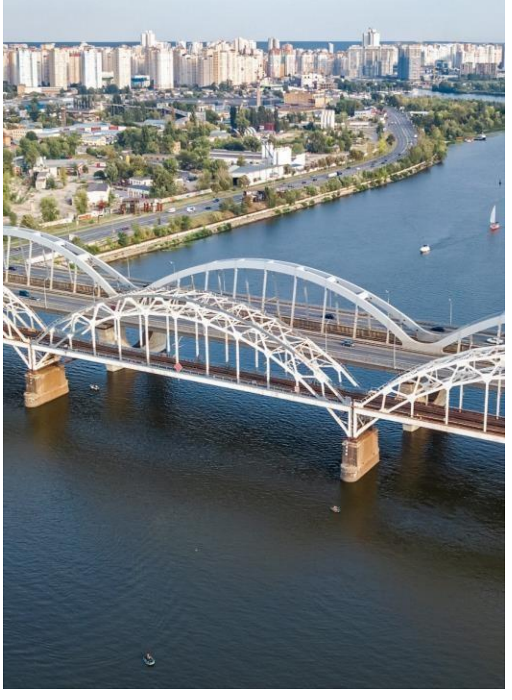
Slovakia

- Draft amendment to the Value Added Tax Act. Read more.
- Carbon duty: A new obligation for importers. Read more.
- ViDA – VAT in the digital age. Read more.
- Lex consolidation and other amendments. Read more.
- Overview of changes in payroll legislation. Read more.

Slovenia

- Tightening of the penalty policy focusing on the area of VAT return submission.
- New minimum wage adjustments.
- New minimum hourly rate for students.
- Act Amending the Corporate Income Tax Act (ZDDPO-2T).
- Approaching deadline for reporting to the Commission for the Prevention of Corruption (KPK).
  Read more about all the updates.

News from the CEE countries



Ukraine

- Important indicators that will have an impact on business activities in 2024. Read more.
- Resuming the reporting for Diia City residents. Read more.
- Recent Tax & Legal news. Read more.
- Amendments to legislation regarding ultimate beneficial owners of legal entities and their ownership structures. Read more.
- Reconstruction of Ukraine updates. Read more.

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 100 countries and territories around the world, we draw on the expertise of more than 50,000 professionals – 33,000+ in Mazars' integrated partnership and 17,000+ via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws

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