Mazars Central and Eastern European tax guide 2023

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Welcome to the CEE tax guide 2023

Welcome to Mazars' eleventh edition of the annual Central and Eastern European tax guide, a comprehensive resource created with the scope of helping you navigate the complex and ever-evolving landscape of tax regulations in the region. In an era of rapid globalisation and interconnected economies, understanding the intricacies of tax systems is paramount for individuals and businesses alike.

This publication has witnessed a gradual and consistent growth in the number of participating countries. Ten years ago, the tax guide provided data for 15 countries, but the 2023 edition has significantly expanded its coverage to include 25 jurisdictions. This progress reflects Mazars' commitment to providing detailed information and important insights for a wider range of countries and regions.

With a focus on taxation systems effective at the end of January 2023, this release ensures that you have the most recent and relevant information at your fingertips. In the first section, the tax systems of the CEE region are presented country-by-country, offering in-depth insights and analysis, which was made possible through collaboration with the relevant Mazars offices, ensuring accurate and up-to-date data. At the end of the report, you will find a valuable resource that enhances your ability to analyse and make informed decisions - the inclusion of summary tables. These tables serve as a powerful tool, enabling you to conduct effortless side-by-side comparisons of the relevant tax environments across different jurisdictions.

The main objective of this publication is to facilitate comparisons among the fundamental factors influencing competitiveness within CEE. These factors mainly cover the scale of taxes and employment contributions.

To provide a better understanding, we not only present the relevant tax and contribution rates but also furnish practical examples for various salary levels and family statuses. Additionally, we delve into crucial aspects such as the rates and special features of value-added tax, as well as the corporate income tax system. To simplify the analysis, a separate table is included, summarising and comparing significant characteristics of corporate income tax (CIT). This includes provisions for tax allowances related to research and development activities, regulations concerning the carry-forward of losses, group taxation options, limitations on interest deductions, and more. Furthermore, we provide a quick overview of the key elements of each country's transfer pricing regulations, ensuring readers grasp the essential features of these regulations for informed decision-making.

To make successful strategic business decisions, it is crucial to engage in further discussions and conduct detailed analyses. Recognising the importance of this process, we have taken the initiative to provide you with the direct contact information for our dedicated offices and experts. We encourage you to take advantage of this resource and reach out to the relevant individuals to address questions or seek any clarifications you may have. Our team is readily available to offer their expertise and support, ensuring that you have access to the necessary guidance as you navigate the complexities of your business endeavors. Feel free to connect with us and embark on productive discussions that will aid you in making the best decisions for your organisation's success.

We hope that this issue proves to be an invaluable resource for you. Your success is our ultimate goal, and we are honoured to play a part in your journey.

Edwin Warmerdam
Partner, Head of Tax
Mazars in Romania

Tax review 2023

An overview of taxation system within CEE

Introduction

We are proud to announce that, thanks to the cooperation of the Mazars offices, this is now our eleventh publication. This brochure aims to provide current information on taxation in the 22 European states concerned, now supplemented by 3 Central Asian countries, effective as of January 2023.

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 characterising the tax regime of a given country.

Employment Taxes

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

The costs of **social taxes and contributions** burdening employers is on average 15% of the gross salaries in the region, though significant differences (of over 30 percentage points) are apparent between the lowest employer burdens (Lithuania, Kosovo, and Romania: no more than 5%) and the highest employer contributions (e.g. Austria and Slovakia: around 30 and 35%, respectively) in this case as well. This only shows that some jurisdictions prefer to levy payroll taxes on employees rather than on employers, which makes systems hard to compare based on tax rates alone.

A much more suitable 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 labour costs for the employer. The tax wedge shows the percentage of labour costs that, in any form, go to the state budget. In 2023, this indicator varies between 14 and 48%, with an average of 36%, which is not far from the OECD average. However, in the case of EU Member States in the CEE region, the average of 41% can be considered as high. Of course, due to progressive tax rates, the value may be somewhat lower in the case of lower income rates and higher in the case of higher rates.

All of the above should obviously be evaluated in consideration of the wage level in the given country. This is the factor where the countries of the region display the most significant spread. While the **minimum wage** in the Central European countries of Kosovo and Moldova is no more than EUR 200 and it is around EUR 300-500 in some of the former Yugoslav countries such as Albania and Bulgaria, the minimum wage is around EUR 600-800 in a significant part of the region (Czech Republic, Slovakia, Hungary, Poland, Romania, Greece, Croatia and the Baltic States). This is still incomparable with the values of Slovenia (EUR 1,200) or those of Germany and Austria (over EUR 2,000). The **average wage level** in the private sector, which shows similar differences in the region, did not increase significantly in the last year, on average only by 5%. This is surprising considering high inflation, which is 9.2% on average in the euro zone but more than 15% in Hungary and in the Baltics.

Value-added tax

Due to EU regulations, the rules of value-added tax are harmonised 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 2023, **general tax rates averaged around 20%** in the region. The normal VAT rate of 25% and 27%, effective in Croatia and Hungary respectively, still count as especially high. Examining the **reduced tax rates** provides an even more diverse image. Many countries have introduced two reduced rates, which is the maximum permitted by Directive 2006/112/EC (VAT Directive).

An increasing number of jurisdictions in the region are implementing new systems to improve compliance and reduce fraud, such as electronic invoicing, online VAT registration and filing, and real-time reporting. Hungary has introduced an online invoice reporting system, which aims to improve VAT compliance. The system requires companies to send invoice data to the tax authority in real-time. Poland has implemented the Standard Audit File for Tax (SAF-T), which is a standardised XML file format for exchanging accounting data between businesses and tax authorities.

Corporate income tax

Various countries emphasise different factors when taxing corporate profit. Countries in the region typically keep the headline CIT rates around 15-20%. The reality is, however, often more complex, as a number of countries, like Poland and Slovakia, also have beneficial tax rates for smaller taxpayers. Although Hungary has the lowest general rate of 9%, it should also be noted that in certain sectors the overall profit tax rate may be as high as 50%.

As of 2022, there is only one country where the profit tax rate has been reduced (in Austria, from 25% to 24%). The European Union consciously strives to **limit the tax race** and to prevent the use of the most harmful tax avoidance techniques. An important tool in this effort was the Anti-Tax Avoidance Directive (ATAD and ATAD II), officially known as Directive (EU) 2016/1164 and 2017/952. The greatest challenge for many EU Member States has been the adoption of these EU rules. For example, as a consequence of the ATAD, the previous rules on **thin capitalisation** were increasingly replaced or supplemented by the method tied to EBITDA-based interest limitation calculation. The standardisation of offshore (controlled foreign corporation, **CFC**) rules can also be traced back to the ATAD. Exit taxation regulations have also appeared in many countries.

Without exception, CEE countries applying traditional corporate taxation allow the **carrying forward of losses** acquired in previous years and putting them against the positive tax base of later years. This amount can only be used for that purpose during a predetermined period, usually 5 to 7 years, but in some places the limit is set at 3 to 4 years.

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

In most countries in the CEE region, taxpayers are allowed to prepare an **IFRS-based individual financial statement** and use it for tax purposes as well. Many CEE countries offer tax incentives to encourage companies to invest in **research and development (R&D).**

It is good to keep in mind that **corporate group taxation** is available in Hungary, Austria, Germany, Poland, Romania, Serbia, Bosnia and Herzegovina, and Montenegro.

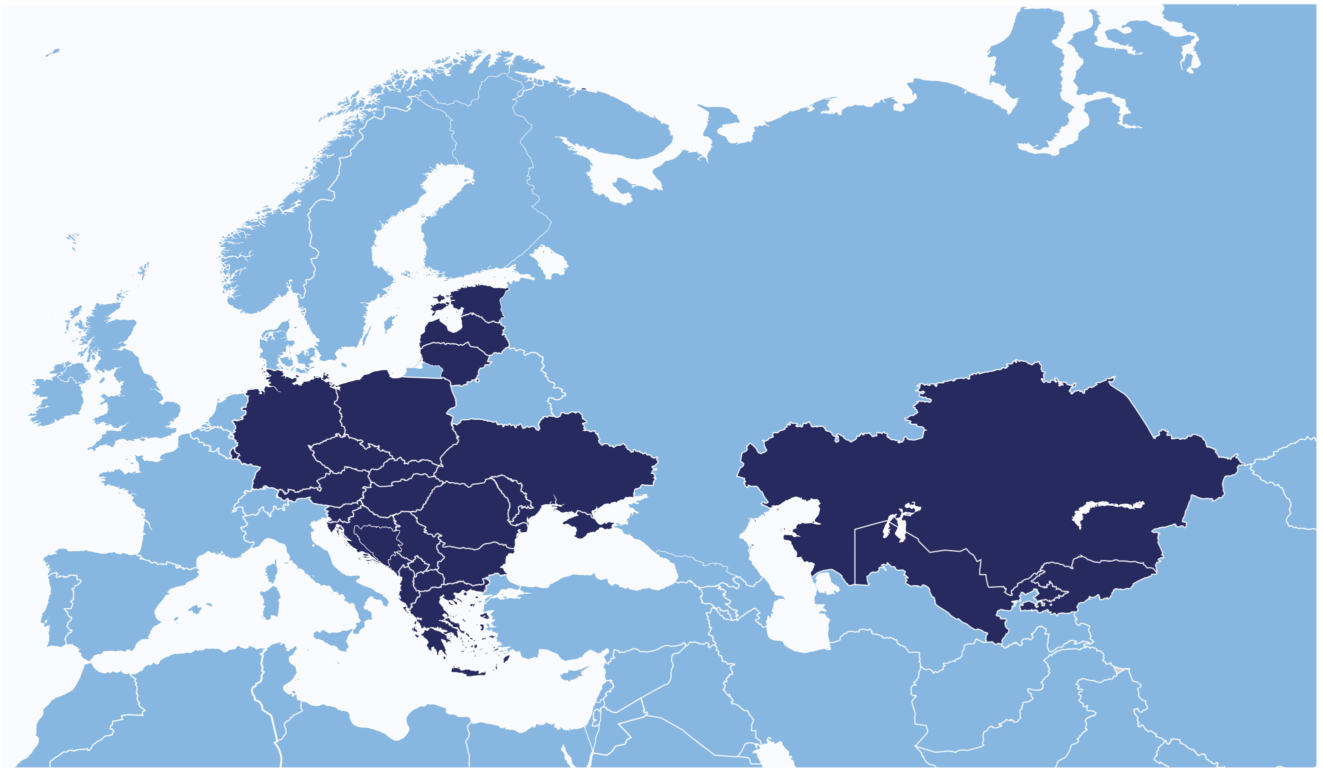
Finally, it is also interesting to see how governments try to consolidate state budgets during the energy crisis caused by the war in the Ukraine; Hungary and the Czech Republic introduced co-called windfall taxes on specific sectors that should be in effect for two years only.

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. Starting from 2023, Hungarian taxpayers are also obliged to submit a transfer pricing related report as part of their annual corporate income tax return. In addition, taxpayers operating in the CEE region also had to participate actively in the implementation of the **CBC reporting** system (OECD's "country-by-country reporting", which promotes transparency by providing local tax authorities with the information necessary for evaluating tax risks). As of 2024, even Moldova will introduce a mandatory TP documentation obligation.

The next milestone in international taxation will certainly be the introduction of **minimum global taxation,** based on the so-called Pillar II framework of the G20/OECD. According to the proposal of the European Commission, a set of complicated and interlocked rules will be put in place to ensure minimum effective taxation for corporate groups with an annual revenue of at least EUR 750 million. Based on these rules a so-called "top-up tax" should be collected if the effective tax rate in a given jurisdiction is below 15%. It is clear that there are increasingly few opportunities for multinationals to engage in profit-shifting.

Countries included in the publication



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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 income that is derived from sources in Albania.
Resident companies are subject to either Simplified Corporate Income Tax, levied only on those companies with an annual turnover exceeding ALL 8,000,000 (EUR 69,565), or to standard Corporate Income Tax.
The standard Corporate Income Tax is assessed on a current-year basis at the rate of:

- 15% for annual turnover exceeding ALL 14,000,000;
- 0% for an annual turnover of less than 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, during their first 10 years of activity.
- Any entity which operates a 4- or 5-star hotel and that acquires the status of special investor by December 2024 will be exempt from CIT for the first 10 years of their operation.

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

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 more than 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 Taxation Treaty (DTT) provides for a lower rate. Albania has established agreements with 43 countries for the avoidance of double taxation. 41 of these have been ratified and are currently in force.
Tax on dividends starting from 2019 has been decreased from 15% to 8%.

VAT and other indirect taxes

The VAT Law entered into force on 1 January, 2015 and is harmonized with the "acquis communautaire" in almost all respects. Any person (entity or individual) that makes supplies in the course of that 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 duty always falls on the importer of the goods, but it is added to the cost of goods and in this way, it is finally transferred to the consumer. 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 Ministry of Finance directive. 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 own 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 above ALL 2,000,000, should file an annual tax return. Employees employed by more than one employer are obliged to file the aforementioned return, irrespective of the amount of their 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 monthly salaries of up to 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 34,000 (approximately EUR 295) to a maximum amount of ALL 149,954 (approximately EUR 1,304). 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	116	in EUR	in ALL	in EUR	in ALL
		293	34,000	517	60,000
Total wage cost		**342**	**116.70%**	**604**	**116.70%**
Vocational training contribution		-	-	-	-
Social Contribution tax		44	15.00%	78	15.00%
Health Insurance Contribution		5	1.70%	9	1.70%
Gross salary		**293**	**100.00%**	**517**	**100.00%**
Personal income tax*		-	0.00%	34	13.00%
Employees' Social contributions		28	9.50%	49	9.50%
Employees' Health contributions		5	1.70%	9	1.70%
Net salary		**260**	**88.80%**	**426**	**82.30%**

* 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 which 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 24%. The tax rate will be reduced to 23% from 2024 onwards.
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 the profit of a single year can be offset).
Thin capitalization rules (TCR) are in place in accordance with the EU-ATAD (Anti Tax Avoidance Directive). Further restrictions relate to the deduction of interest paid to intercompany recipients. CFC rules were introduced in accordance with the EU-ATAD.
Some 100 Double Tax Treaties are in place. Withholding tax can be reduced at source to treaty rates or under the EU-Parent-Subsidiary Directive, when formal requirements are met.
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).

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 harbours	No	–
Level of attention paid by Tax Authority		**8/10**

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.

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, auction (foreclosure) of immovable property.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold**	EUR 35,000/year

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

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 11,693) to 55% (for yearly income exceeding EUR 1,000,000). Certain allowances are available depending on the taxpayer's family status. Income tax on wages is withheld and directly paid to the tax office by the employer.

Investment income (e.g., interest, dividends, capital gains from investments) is generally subject to a separate tax rate of 27.5%. Capital gains from real estate are subject to a tax rate of 30%.

Certain private expenses are deductible under 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 81,900 per year for 2023 applies. The social security contributions amount to 39.15% (18.12% employee and 21.03% employer). Additionally, employers are obliged to pay various other payroll-related costs amounting to approximately 8.6%.

For self-employed persons, the same maximum contribution base is used (EUR 81,900 per year for 2023). Social security contributions amount to 26.83%. This insurance covers health insurance, pension insurance and accident insurance. For the first 3 years, lower contribution bases are applicable.

No social security contributions are due for income that does not exceed EUR 500.91 per month.

Wage related taxes in Austria	Minimum wage*		Average wage in private sector	
	in EUR		in EUR	
	2,120		4,497**	
Total wage cost	**2,747**	**129.57%**	**5,827**	**129.57%**
Employer's social security and other contributions***	627	29.57%	1,330	29.57%
Gross salary******	**2,120**	**100.00%**	**4,497**	**100.00%**
Personal income tax	89	4.19%	808	14.12%
Employees' contributions	318	14.98%	635	17.98%
Net salary	**1,714**	**80.83%**	**3,054**	**67.91%**

* 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. CIT is set at a flat rate of 10%. A company in the 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. Losses can be carried forward for up to 5 years in all tax jurisdictions. Loss carry back is not permitted. There are no special limitations in the case of M&A transactions.

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 harbours	✓	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, training and education and tax advisory services for employees.
Level of attention paid by Tax Authority		**7/10**

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 that exceed 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.
Profit on dividends is not included in the calculation of the tax base. In the FBiH, taxpayers who make investments in production equipment from their own resources to a value exceeding 50% of the profit for the current tax period, reduce corporate income tax liabilities for 30% of the amount for the year of the investment.
Any taxpayer who invests more than 20 million in BAM (EUR 10.2 million) over five consecutive years (minimum investment in 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.
The withholdings rate is 10% for dividends and 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 a 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 parent company and its subsidiaries constitute a group of companies if they have direct or indirect control over 50% or more of the shares or stakes.
In cases of real estate acquisition in the FBiH, the transfer is taxable at the canton level. In the RS, there is no transfer tax, but the owner of the real estate has to pay property tax of up to 0.20% of the market value. (Decreased rules for production RE apply).

VAT and other indirect taxes

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

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

the conditions and manner in which VAT refunds for VAT paid by non-residents in B&H can be claimed (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 exceeding BAM 800.

Both custom duties and excise duties on goods imported into BiH constitute types of indirect taxation in BiH.

Personal income tax / Social security system

In FBiH personal income is taxed at a flat rate of 10%, and is applicable for active income (e.g., employment, assignment fee) and passive income (interest, real estate rental, etc.). Dividends are not taxable in BiH.
In FBiH, the lowest permitted monthly salary is BAM 596 (EUR 305) net.

In RS, personal income is taxed at a rate of 8%, assignment fees at a rate of 13% and all other passive income at a rate of 10% (interest, real estate rental, etc). The lowest salary permitted is determined as a net amount and for 2023, this amounts to BAM 700 (EUR 358).

In the RS, employees contribute 31% of the gross salary. In the FBiH, employer contributions are set at 10.5%, and employee contributions at 31.5% of the gross salary.

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
		466	911	520	1,016
Total wage cost		515	110.50%	520	100.00%
Employer's SS and other contributions		49	10.50%	-	0.00%
Gross salary		466	100.00%	520	100.00%
Employees' contributions		144	31.00%	161	31.00%
Personal income tax*		17	3.61%	1	0.13%
Net salary		305	65.39%	358	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
		881	1,724	885	1,730
Total wage cost		974	110.50%	885	100.00%
Employer's SS and other contributions		93	10.50%	-	0.00%
Gross salary		881	100.00%	885	100.00%
Employees' contributions		273	31.00%	274	31.00%
Personal income tax*		31	3.49%	30	3.38%
Net salary		577	65.51%	580	65.62%

* 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.
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;
- a wide range of other fees (such as tourist tax; tax on the carriage of passengers by taxi; refuse collection fee) or other fees usually imposed for specific services, such as social services, technical and other services, rent of plots for sale at marketplaces, pavements, etc.

Transfer pricing in Bulgaria		
Arm's length principle	✓	Since 1989
Documentation liability	✓	A TP local file is obligatory for companies that have exceeded at least two of the following indicators by 31 December in the previous year: assets over BGN 38 million, revenues over BGN 76 million, over 250 employees.
APA	No	–
Country-by-Country liability	✓	–
Master file-local file (OECD BEPS 13) applicable	✓	Where the company required to prepare 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 harbours	No	–
Level of attention paid by Tax Authority		9/10

VAT and other indirect taxes

For 2021, the standard VAT rate is 20% and the reduced rate is 9%. The tax rate is 9 percent for:

1. Delivery of an accommodation service provided in hotels and similar establishments, including the provision of holiday accommodation and the renting out places for camping sites or caravans, with a venue for performance on the territory of the country;

2. Delivery of books on physical or electronic media, or both (including textbooks, educational books and educational kits, children's books with illustrations, for drawing or colouring, printed or handwritten music editions), periodical printed works – newspapers and magazines, on physical or electronic media or both, other than publications that are wholly or mainly intended for advertising and other than publications that consist wholly or mainly of video content or audio-musical content;

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/preceding 12 months
Import VAT deferment	No
Local reverse charge	All types of waste (construction, household, production, hazardous); services related to waste processing; various types of agricultural production (seeds and grain).
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	approx. EUR 51,130/last 12 months

3. Supplies of food suitable for babies or small children, baby diapers and similar baby hygiene articles according to application No. 4.

VAT-exempt services include financial and insurance services, transfer of buildings and certain plots of land and rights related thereto, the letting of real estate to individuals for housing, postal services and postage stamps, educational services, gambling, supplies, culture, religion, medical and social services and supplies for which no tax credit has been used.

VAT payers are required to submit monthly VAT returns, sales and purchase registers, VIES and Intrastat returns.

Other indirect taxes include excise duties (on mineral oils, spirits, beer, wine, tobacco and tobacco products, natural gas, electricity and solid fuels).

Personal income tax / Social security system

Personal income tax is applied at a flat rate of 10% on most of the income. The tax rate for dividends or liquidation shares paid in favour of a natural person is 5%.
The tax rate for amounts received from the expiry of life insurance, if its duration was more than 15 years, is 7%.
Income from employment and self-employment is subject to social security and health insurance contributions. In the case of employment, the employee's contribution amounts to 13.78% (10.58% social security and 3.2% health insurance). For the employer, 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
		399	780	881	1,723
Total wage cost		**474**	**119%**	**1,048**	**119%**
Social security contribution - employer		56	14%	124	14%
Health insurance - employer		19	5%	42	5%
Gross salary		**399**	**100%**	**881**	**100%**
Employees' contributions		55	14%	121	14%
Calculated personal income tax after employees' contributions		34	10%	76	10%
Net salary		**309**	**78%**	**684**	**78%**

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Corporate taxes and other direct taxes

Depending on annual revenues, in Croatia CIT rates are set at 18% (on revenues exceeding EUR 995,421.06) or 10% (annual revenues below the prescribed threshold of EUR 995.421,06). Enterprises with annual revenues below EUR 995,421.06 have the option of determining the corporate income tax base by cash flow principle. Losses can be carried forward for up to 5 years but special limitations are applicable in case of M&A transactions. Croatia uses thin capitalization (4:1), but thin capitalization does not apply if shareholders are financial institutions, 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	✓	The transfer pricing local file must be available within 30 days of its request by the Tax Authority.
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 EUR 26.545 - for a company and EUR 2.655 - for the responsible individual).
tax shortage	✓	Additional tax charged and 100% of that tax is non-deductible.
Related parties	50% (25%) <	Direct or indirect control (25% is commonly used by the tax authority and advisors) or joint control functions.
Safe harbours	✓	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 performance by foreign performers is set at a rate of 10%. Croatia has more than 65 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 a rate of 3%. The taxable base is the market value of an item of real estate at the moment when the tax liability is incurred and the taxable person is the buyer.

VAT and other indirect taxes

In Croatia, the standard rate of VAT is 25%. A reduced rate of 13% applies to services involving the 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. The VAT rate of 5% will be applicable to supplies of gas and heating from thermal units, firewood, pellets, briquettes and wood chips until March 31st, 2024. Namely, the local tax authorities have recently (during April) announced that they are extending the deadline. 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. The zero rate of VAT (0%) also applies to the supply and installation of solar panels on private residential buildings and public buildings. Activities of public interest are exempt from VAT regardless of their institutional form. Entrepreneurs are obliged to register for VAT purposes during the calendar year in which the total value of supplies exceeds a threshold of EUR 39,816.84. Excise duties, special tax on motor vehicles, special tax on coffee and non-alcoholic beverages.

VAT options in Croatia	Applicable / limits
Distance selling	Threshold for exemption is EUR 10,000/year, similar to other EU member states. OSS applicable.
Call-off stock	✓
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	EUR 2,000,000/year
Import VAT deferment	Yes, available to all Croatian VAT payers with the right to full input VAT deduction.
Local reverse charge	Construction work, the supply of used 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 39,816.84/year

Personal income tax / Social security system

PIT rates are set at 20% (monthly tax base up to EUR 3,981.68) and 30% (exceeding EUR 3,981.68), while the 10% rate is withheld from certain types of income, e.g., dividends, capital gains, lease of real estate, etc. The payment of occasional awards up to an amount not exceeding EUR 663.61 (e.g., Christmas and Easter bonus, etc.) and payment of a performance award (e.g., bonuses) up to EUR 995.42 per employee per annum is deemed as non-taxable. Also, it should be noted that there are many other non-taxable receipts (employee meal costs, reimbursement of rental costs, etc.). Since the new provisions of the Labour Law define work at a separate workplace (working from home), tax regulations were amended accordingly and prescribe a non-taxable flat-rate compensation to cover the costs of employees working from home to an amount not exceeding EUR 3.98 per day working from home, or EUR 66.37 per month.

The examples below show the cost to the employer and the employee in the cases of minimum and average wage levels in the private sector. Basic personal allowance amounts to EUR 530.89 and surtax is determined by municipality/city and varies from 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 contributions. For persons under 30 years of age employed for an indefinite period, there are no contributions on salary (16.5%) for a period of 5 years. Passive incomes are generally only subject to taxes.

Wage related taxes in Croatia	Minimum wage		Average wage in private sector	
	in EUR	in EUR	in EUR	in EUR
	700	700	1,427	1,427
Total wage cost	816	117%	1,662	117%
Employer's contribution	116	17%	235	17%
Gross salary	700	100%	1,427	100%
Employee's contributions	140	20%	285	20%
Tax and surtax*	7	0%	144	10%
Net salary	553	79.0%	997	69.9%

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

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Corporate taxes and other direct taxes

The general corporate income tax rate is 19%. A 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).

An 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 that exceed four times the equity (six times for banks and insurance companies) are not tax -deductible.

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

Transfer pricing in Czech Republic		
Arm's length principle	✓	Since 1993
Documentation liability	✓	Since 2006 (scope of documentation is only recommended)
APA	✓	Since 2006
Country-by-Country liability	✓	From FY 2016
Master file-local file (OECD BEPS 13) applicable	✓	The recommended scope of the TP documentation corresponds to the OECD Guidelines.
Penalty		
lack of documentation	No	–
tax shortage	✓	20% on tax underpayment + late payment interest
Related parties	25% <	Direct or indirect control or personally related.
Safe harbours	✓	Low value-added services: 3–7% mark-up.
Level of attention paid by Tax Authority		9/10

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

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

Generally, a withholding tax of 15% applies to dividends, royalties, interest and to income originating in the Czech Republic. Tax rates may be reduced by double tax 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 rules apply to tax exemption on capital gains from the sale of shares in subsidiaries.

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

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

Road tax is imposed only on selected heavy lorries and trailers.

A real estate tax applies to land and buildings, with tax rates generally depending on the type of property, while the final amount of tax may also be influenced by local ratios (applied by local authorities).

A real estate transfer tax was abolished in 2019.

VAT and other indirect taxes

For 2023, 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	✓ – only for Czech legal entities
Cash accounting – yearly amount in EUR (approx.)	No
Import VAT deferment	✓
Local reverse charge	Construction works, waste, gold, selected cereals and industrial crops, cell phones, integrated circuits, notebooks, tablets, videogame consoles, used real estate, supply of natural gas and electricity to traders, provision of telecommunication services to traders, outplacement of construction workers, and immovable property in forced insolvency sales.
Option for taxation	
letting of real estate	✓ – only to Czech VAT payers for the performance of economic activities
supply of used real estate	✓ (5-year time test)
VAT registration threshold	approx. EUR 83,000/ year – only for Czech based legal entities

VAT payers are obliged to submit VAT returns, EC Sales Lists and Control Statements (detailed evidence for selected transactions) on a monthly or quarterly basis (depending on the status of the VAT payer).

Other indirect taxes include excise duties (on mineral oils, spirits, beer, wine and tobacco products) and an energy tax (on natural gas, electricity and solid fuels).

Personal income tax / Social security system

Personal income tax is applied at progressive rates of 15% and 23% on all types of income (employment, self-employment, rental incomes, capital gains, interest) with 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 1,935,552). 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	23.95	in EUR	in CZK	in EUR	in CZK
		722	17,300	1,683	40,324
Total wage cost		**966**	**133.80%**	**2,252**	**133.80%**
Social security contribution - employer		179	24.80%	417	24.80%
Health insurance - employer		65	9.00%	151	9.00%
Gross salary		**722**	**100.00%**	**1,683**	**100.00%**
Personal income tax before standard tax deduction*		108	15.00%	252	15.00%
Personal income tax after standard tax deduction**		3		147	
Employees' contributions		79	11.00%	185	11.00%
Net salary		**639**	**89.54%**	**1,351**	**80.24%**

* 15% tax rate is applied on gross salary up to annual income of EUR 80,789 (or EUR 6,732 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 types of income (e.g., dividends, interest, royalties), 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 permanently established 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: Corporate income tax is levied at a rate of 20/80 of the net amount (20% of the

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 harbours	No	
Level of attention paid by Tax Authority		9/10

gross amount) of the distributed profit. 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 amount of the average taxable dividend distributed over the preceding 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 that can be used for the distribution of profit and the retained profit from previous periods at least equals the undepreciated development expenditure.

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 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 their business activities in Estonia.

A taxable person is one who is engaged in business, that is, independent economic activity in the course of which goods or services are supplied, and is registered or required to register for VAT.

The standard 20% rate applies to the supply of all goods and services not qualifying for the reduced rate of 9% or exemption. A reduced rate applies to accommodation, books, certain periodicals, listed pharmaceutical products and medical devices. The VAT rate on the export of goods, and the intra-Community supply of goods and certain services is 0% (i.e., exemption with credit).

VAT and all other taxes are administered by the Estonian Tax and Customs Board (www.emta.ee). The following transactions are subject to Estonian VAT:

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, but in some cases yes.
supply of used real estate	No, but in some cases yes.
VAT registration threshold	> EUR 40,000

1) The supply of goods and provision of services with a place of supply in Estonia;

2) The import of goods into Estonia;

3) intra-Community acquisition of goods in Estonia;

4) The supply of goods or services specified in the Estonian VAT Act providing the taxable person has opted for taxation thereof.

Certain forms of supply are subject to a 0% rate (i.e., exemption with credit or zero-rating), including, but not limited to:

1) The export of goods;
2) Intra-Community supply of goods;
3) The products listed in Annex V of the VAT Directive, which can be placed into a licensed VAT warehouse;
4) Supply of services which are not deemed to be supplied in Estonia.

Other indirect tax types in Estonia include excise duty, and the environmental protection charge.

Personal income tax / Social security system

Estonia has a proportional (i.e., flat) tax rate of 20% which applies to all items of income derived by any resident taxpayer. The gross income of resident individuals includes their worldwide income from all sources, irrespective of the origin of the income.

Taxable income includes both active income such as employment and business income, as well as passive income. The overall basic exemption applied on all types of income is up to 6000 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	
	725		1,685	
Total wage cost	970	133.80%	2,255	133.80%
Vocational training contribution	-	-	-	-
Social Contribution tax	239	33.00%	556	33.00%
Health Insurance Contribution	6	0.80%	13	0.80%
Gross salary	725	100.00%	1,685	100.00%
Personal income tax*	9	20.00%	265	20.00%
Employees' Social contributions (inc. Funded pension II pillar)	15	1.49%	34	1.49%
Employees' Health contributions	12	1.20%	27	1.20%
Net salary	690	95.16%	1,360	80.70%

* Salary 0-14,000 ALL PIT rate 0%.
* Salary 14,001 ALL PIT rate 20% of the amount.
* Salary over 150,001 ALL PIT 15,600 ALL + 23% of the amount over 150,000 ALL.

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Corporate taxes and other direct taxes

Corporations are subject to unlimited corporate income tax liability if they have either their registered seat or their effective place of management in Germany. In this case, the worldwide income of the corporation is subject to German corporate income tax. Corporations that are not subject to unlimited corporate income tax liability in Germany, but which receive income from German sources are subject to limited corporate income tax liability on these sources. The corporate income tax rate is 15%. The solidarity surcharge amounts up to 5.5% and is levied additionally on corporate income tax. The total corporate income tax burden amounts to a maximum of 15.825%.
In addition, German municipalities levy trade tax if the company has a domestic permanent establishment.
The average trade tax burden is 14.105% (2021).
The determination of taxable income is generally based on the result of the income statement under commercial law. However, taxable income often differs from the profit and loss reported in the commercial balance sheet.
German tax law provides tax exemptions for certain income, e.g., dividends and capital gains are generally 95% exempt from German corporate income tax (minimum holding ≥ 10%) and trade tax (minimum holding > 15%).
The tax losses for a fiscal year can be offset against the profits of the previous year up to an amount of EUR 10 million (loss carryback; EUR 1 million from 2024).
Any loss exceeding this amount can be carried forward indefinitely and offset in the following fiscal years (loss carryforward). In subsequent years, the remaining losses can be deducted without limitation up to an amount of EUR 1 million. In addition, a loss offset of up to 60% of the total amount of income exceeding EUR 1 million is possible.
Partnerships are not subject to either income or corporate income tax at the company level, but may be subject to trade tax. The profit of a partnership is subject to either income tax or corporate income tax at the level of the partners.
Germany has concluded Double Taxation Treaties with 136 countries. A withholding tax rate of 25% (15% if the recipient is a corporation) applies to dividends.
Interest income is subject to a withholding tax of 25%.
A withholding tax of 15% (30% under certain conditions) is levied on royalty payments and other special types of income. The withholding tax rates may be reduced under the applicable Treaty, the EU Parent-Subsidiary Directive or the EU Interest and Royalties Directive.

Transfer pricing in Germany		
Arm's length principle	✓	Since 1983
Documentation liability	✓	Since 2003
APA	✓	Since 2006
Country-by-Country liability	✓	From FY 2016
Master file-local file (OECD BEPS 13) applicable	✓	From FY 2017
Penalty		
lack of documentation	✓	Violation of duty to cooperate: Reversal of burden of proof, authorities may estimate tax basis. Failure to submit: Penalty 5%-10% of the add. amount of income based on the authorities' estimate (min. TEUR 5). Late submission: EUR 100 p.d. (max. EUR 1 mil.).
tax shortage	✓	Up to EUR 50,000 tax reduction – fine. From EUR 100,000 – imprisonment or/and high fine. Interest on the additional tax.
Related parties	25% ≤	Direct or indirect control, or entitlement of profits or the proceeds of liquidation.
Safe harbours	No	–
Level of attention paid by Tax Authority		9/10

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). Nevertheless, the input tax associated with the goods can be claimed by the domestic company from the tax authority. Goods imported into Germany from a non-EU country are subject to an "import VAT" on entry. Sales of goods within the EU in the B2B sector are tax free (intra-community supply). Sale of goods to a private person is generally subject to German VAT. In addition to VAT, there are various excise duties on imported goods, as well as real estate transfer tax.

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

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.

Personal income tax / Social security system

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

Individuals can earn the following types of income in Germany: Income from business operations, income from self-employed or employed work, income from capital assets, income from agriculture and forestry, income from renting and leasing, and other income.
In Germany, individuals are subject to a progressive income tax rate of 14% to 45%. A solidarity surcharge of 5.5% is levied in addition to income tax. A basic allowance of EUR 10,908 (2023) 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, nursing and accident insurance. Social security contributions are usually paid half and half by the employer and the employee. The statutory minimum amount for health insurance is 14.6% and is divided equally. The contribution for pension insurance is 18.6% and is borne equally by the employer and the employee. The sum of social contributions averages 40.8% (excl. accident insurance) of an employee's gross salary.

Wage related taxes in Germany	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	2,080		4,045	
Total wage cost	**2,501**	**120.23%**	**4,863**	**120.23%**
Employer´s and other contributions*	421	20.23%	818	20.23%
Gross salary	**2,080**	**100.00%**	**4,045**	**100.00%**
Employees' contributions**	259	12.48%	505	12.48%
Healthcare insurance	168	8.10%	328	8.11%
Personal income tax and solidarity surcharge***	142	6.81%	600	14.83%
Net salary	**1,511**	**72.62%**	**2,611**	**64.57%**

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

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Corporate taxes and other direct taxes

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

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

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 harbours	No	–
Level of attention paid by Tax Authority		10/10

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	Not applicable for taxable persons. However, small businesses with a turnover up to EUR 10,000 may be exempted from VAT registration. Also, the threshold is set at EUR 10,000 for pan-EU digital services and goods as a part of OSS return.

VAT and other indirect taxes

The standard VAT rate in Greece is 24%, while the reduced rate is 13% (e.g., for agricultural services, accommodation services, certain types of foodstuffs) and 6% (e.g., journals, books, medicines, supply of electricity and gas). VAT-exempt activities include financial and banking services, insurance, medical services, education (under conditions). Pursuant to the provisions of art.10 par.1 of Law 5000/2022, reduced VAT rates were expanded to several products and services (non-alcohol beverages, cinema tickets, transportation of individuals and their luggage) between 1 June 2020 and 30 June 2023.

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 taxable employment income is considered to be 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, a cost-of-living allowance and other benefits over EUR 300 per fiscal year. In Greece, personal income tax is subject to a progressive tax rate 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 have been covered by the Social Insurance Institution known as E.F.K.A. since 1 January 2017. Social security contributions are calculated based on the actual salary of the employee. The applicable rates for full time employees are 22.29% for employers and 13.87% for employees. For part-timers, the rates are also the same effective 1st of January 2023. 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 7,126.94.

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

* Per payroll period (there are 14 payroll periods per year).
** Most common social security contributions rate (for full timers) regarding usual employment properties.
*** A tax reduction is provided for the taxpayer based on the number of dependents in conjunction with the total taxable income.
**** Not applicable for 2023.

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Corporate taxes and other direct taxes

In Hungary, a corporate income tax rate of 9% is applicable, which is the lowest rate in the EU. The tax base is the pre-tax profit modified by several increasing and decreasing items. Losses can be carried forward for 5 years and may be used to reduce the tax base up to a maximum of 50% of the tax base. Loss carryback is generally not possible. Special limitations are applicable in the case of M&A transactions.

From 2019, the previous thin capitalization rules have been replaced by the interest limitation rules set out by ATAD (30% of EBITDA or 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 0.8 million of revenue or 50 employees) and obligatory for financial institutions and listed companies.

Transfer pricing in Hungary		
Arm's length principle	✓	Since 1996
Documentation liability	✓	Since 2003
APA	✓	Since 2007
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 2018
Penalty		
lack of documentation	✓	~ EUR 12,000 / missing documentation, doubled for a recurrence.
tax shortage	✓	50% on tax underpayment + late payment interest.
Related parties	> 50%	Direct or indirect control or common managing director.
Safe harbours	✓	Low value-added services: 3%–7% mark-up.
Level of attention paid by Tax Authority		9/10

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

Hungary provides a tax exemption for holding structures: capital gains on shares and intellectual property under certain conditions are tax free, and a 50% tax allowance is applicable on royalty incomes.

There is no withholding tax on dividends, interest and royalties paid by a Hungarian company to a foreign company. Hungary has a wide international treaty network with more than 80 treaties on the avoidance of double taxation.

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

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

A number of windfall taxes have been introduced for the financial years of 2022 and 2023, for example in the banking and insurance sectors, but energy suppliers and producers of pharmaceutical drugs are also affected.

VAT and other indirect taxes

The standard VAT rate is 27%, while the reduced rates are 18% (e.g., bread) and 5% (e.g., milk, eggs, newspapers, books, medicines, certain meat products, new residential real estate, internet access services, accommodation services and restaurant services). Due to 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. Thus, from 2021, essentially each invoice is reported to the tax authority in real-time.

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 320,000/year
Import VAT deferment	✓
Local reverse charge	Sale of waste, agricultural products, greenhouse gas emission quotas, collaterals. Also, the provision of certain construction services, turn-key construction projects.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	No

Other indirect tax types in Hungary include excise duty on energy products, alcohol and tobacco products, 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.

Personal income tax / Social security system

There is a flat-rate PIT of 15%, and it is generally applicable both to active (e.g., employment, assignment fee) and passive incomes (e.g., capital gains, dividend and interest). Tax payable on active income is reduced by a family tax allowance. The family tax allowance amounts to HUF 20,000 (approx. EUR 50)/month/child for up to 2 children; and HUF 33,000 (EUR 84)/child) from 3 children.
As of 1 January 2020, a lifelong personal income tax exemption for employment income was introduced for mothers raising or having raised four or more children.
From 2022, employees of 25 years of age or under also enjoy tax exemption. Benefits-in-kind are taxed at two rates, depending on the type of benefit: PIT plus social tax calculated on a special tax base altogether amounting to 33.04% or 28% 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 social tax was reduced to 13% from January 2022. Some passive incomes are also subject to 13% social tax; 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 social tax.

Wage related taxes in Hungary		Minimum wage		Average wage in private sector	
Exchange rate HUF/EUR	390	in EUR	in HUF	in EUR	in HUF
		595	232,000	1,445	563,600
Total wage cost		672	113.00%	1,633	113.00%
Social contribution tax		77	13.00%	188	13.00%
Gross salary		595	100.00%	1,445	100.00%
Personal income tax		89	15.00%	217	15.00%
Employees' contributions		110	18.50%	267	18.50%
Net salary		396	66.50%	961	66.50%

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Corporate taxes and other direct taxes

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

Transfer pricing in Kazakhstan		
Arm's length principle	✓	Since 2009
Documentation liability	✓	Since 2009
APA	✓	Since 2009
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 2019
Penalty		
lack of documentation	✓	From EUR 730 to EUR 7.300.
tax shortage	✓	From 20% up to 300% of tax shortage
Related parties		TP rules apply to all cross-border transactions even if the parties are unrelated. The transfer pricing law defines related parties as individuals or legal entities whose special mutual relations may allow the economic results of the transactions to be influenced. In consequence, the Kazakh authorities can treat any transaction as a related-party transaction based on their set of market prices.
Safe harbours	No	10% deviation is allowed only for producers of agricultural products.
Level of attention paid by Tax Authority		8/10

WHT applies to incomes paid to non-residents who are not registered for tax purposes in Kazakhstan. The taxable incomes are listed in the Tax Code. Kazakhstan has signed 55 Treaties on Avoidance of Double Taxation. The treaty rates prevail over the Tax Code; however, it is important to have a duly issued tax residency certificate for any non-resident in order to apply the treaty. The Multilateral instrument (MLI) entered into force in Kazakhstan from October 2020; however it is important to check the MLI accession documents signed with each country because some of them have not signed/ratified the MLI or ratified under certain conditions.

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

VAT and other indirect taxes

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

Excise Tax is paid by importers or sellers of

1) all types of alcohol
2) alcoholic products
3) tobacco products
4) heated tobacco products, nicotine-containing liquids for use in electronic cigarettes
5) gasoline (except for jet fuel), diesel fuel ethanol mix petrol (gasohol), benzanol, nephras, mixed light hydrocarbons, ecological fuel
6) motor vehicle
7) crude oil, gas condensate
8) alcohol-containing medical products registered in accordance with the legislation of the Republic of Kazakhstan as medicinal products. Sellers of fuel and diesel are also liable for Excise Tax.

VAT options in Kazakhstan	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	No
Import VAT deferment	No
Local reverse charge	✓
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	69 mKZT (approx. 145 kEUR)

Personal income tax / Social security system

A resident of the Republic of Kazakhstan shall be recognised as an individual staying at least 183 calendar days in any consecutive 12-month period ending in the current tax period (calendar year) or one who while not permanently residing in the Republic of Kazakhstan, whose centre of vital interests is within the Republic of Kazakhstan.

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

Social Tax and Social Contributions are paid at the expense of an employer. Mandatory Pension Fund Contributions, Mandatory Social Health Insurance Contributions are withheld from employment income by an employer.

Wage related taxes in Kazakhstan		Minimum wage		Average wage in private sector	
Exchange rate KZT/EUR	473.8	in EUR	in KZT	in EUR	in KZT
		148	70,000	700	331,660
Total wage cost		165	111.36%	780	111.36%
Employer's social security and other contributions		17	11.36%	80	11.36%
Gross salary		148	100.00%	700	100.00%
Personal income tax		4	2.67%	53	7.51%
Employees' contributions		18	12.00%	84	12.00%
Net salary		126	85.33%	563	80.49%

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Corporate taxes and other direct taxes

Resident companies are subject to corporate income tax on their worldwide income, while the object of taxation for a non-resident taxpayer is only taxable income generated from a source in Kosovo. The Corporate Income Tax (CIT) system in Kosovo adheres to the principles of worldwide taxation.

The annual turnover threshold for taxation has been reduced from an annual turnover of EUR 50,000 to EUR 30,000. Resident companies and sole traders whose gross annual income exceeds EUR 30,000 are subject to CIT. Below the threshold, taxpayers can opt for a special quarterly payment on their gross income.

The CIT rate 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 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 harbours	✓	Low value-added services: mark-up to a maximum 7%.
Level of attention paid by Tax Authority		9/10

Transfer pricing (TP) effective from 2017 regulates the intra-companies pricing arrangement between related business entities. Controlled taxation comes into effect 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 an annual controlled transactions form to the tax authorities 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 harbours to prove that the arm's length principle is respected. Safe harbours involve calculating total costs of all group members for the low value-adding intra-group services on an annual basis. For such services, there is no need to prepare a transfer pricing study, but instead a profit mark-up to a maximum 7% on costs is allowable.

VAT and other indirect taxes

Transfer pricing (TP) effective from 2017 regulates the intra-companies pricing arrangement between related business entities. Controlled taxation comes into effect 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.

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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

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

Taxable income is calculated as annual income minus expenses. It is possible to deduct only properly documented expenses provided that expenses are connected with the taxable income. Dividends and capital gains are excluded from taxable income. The percentage of depreciation norms for fixed assets is set in the Tax Code and is similar to IFRS principles in substance. Loss carry forward is available within the following 5 calendar years inclusively; the rule on carry forward of the losses does not apply to losses generated during periods when a company enjoyed tax benefits. There are no thin capitalization rules.

WHT is applied to incomes paid to non-residents that are not registered for tax purposes in Kyrgyzstan. The taxable incomes are listed in the Tax Code. Kyrgyzstan has signed 32 Treaties on the Avoidance of Double Taxation. The treaty rates prevail over the Tax Code, however it is important to have a duly issued tax residency certificate for the non-resident to apply the treaty. The Multilateral instrument (MLI) is not in force.

VAT and other indirect taxes

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

Sales Tax applies to revenue besides VAT. The rate varies from 0% to 5% depending on the type of activity and method of receipt of the revenue in cash or in not.

Excise Tax is paid by importers or sellers of:

1) Alcoholic products
2) Tobacco products
3) Oil products.

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

VAT options in Kyrgyzstan	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	Available without limits.
Import VAT deferment	No
Local reverse charge	✓
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	30 mKGS (approx. 324 kEUR)

Personal income tax / Social security system

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

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

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

Wage related taxes in Kyrgyzstan		Minimum wage		Average wage in private sector	
Exchange rate KGS/EUR	92.80	in EUR	in KGS	in EUR	in KGS
		129	12,000	377	35,000
Total wage cost		152	117.25%	442	117.25%
Employer's social security and other contributions		22	17.25%	65	17.25%
Gross salary		129	100.00%	377	100.00%
Personal income tax		13	100.00%	38	100.00%
Employees' contributions		13	10.00%	38	10.00%
Net salary		103	80.00%	302	80.00%

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Corporate taxes and other direct taxes

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

Transfer pricing in Latvia		
Arm's length principle	✓	Since 2005
Documentation liability	✓	Since 2013
APA	✓	Since 2013
Country-by-Country liability	✓	Since 2017
Master file-local file (OECD BEPS 13) applicable		Since 2018
Penalty		
lack of documentation	✓	Penalty of up to 1% of the controlled transaction, but not exceeding EUR 100,000.
tax shortage	✓	20% tax on gross value of underpayment + late payment interest
Related parties	> 50%	Generally, 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 harbours	No	Low value-added services: 5% mark-up.
Level of attention paid by Tax Authority		8/10

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

Tax exemption is not applicable to profits from the sale of financial instruments (e.g., investment fund notes, securities, bonds, etc.), 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 63 double tax treaties, WHT may be avoided.

VAT and other indirect taxes

The general VAT rate is 21% for the sale of goods and services. A reduced rate of 12% is used, for example, for medical goods, periodicals, accommodation services, and thermal energy supplied to private individuals. Furthermore, a reduced 5% VAT rate is applicable for the supply of fruit and vegetables which are typically grown in Latvia. As of 1 January 2022, VAT on books, news websites, etc. has been reduced from 12% to 5%, and on e-books from 21% to 5%. A 0% rate is applicable for the export of goods and for the supply of Covid-19 vaccines and devices and services related to Covid-19 treatments. Exemptions are in place for postal services, medical and health services, certain financial services, etc. Entrepreneurs with annual sales of less than EUR 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 1 July, 2021 the 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 has been 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 earned within employment are taxed with PIT and SSC at standard rates. The examples below show the cost to the employer and employee in the cases of the minimum and the average wage in the private sector.

Wage related taxes in Latvia	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	620		1,352	
Total wage cost	766	123.59%	1,671	123.59%
Vocational training contribution	–	0.00%	–	0.00%
Social contribution tax	146	23.59%	319	23.59%
Gross salary	620	100.00%	1,352	100.00%
Personal income tax*	10,98	20.00%	242	20.00%
Employees' contributions	65,1	10.50%	142	10.50%
Net salary*	544	87.73%	968	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 rate for corporate income tax is 15% in Lithuania. An incentive corporate income tax rate of 5% is applied to small companies with an annual turnover 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.

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

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

Transfer pricing in Lithuania		
Arm's length principle	✓	Since 2004
Documentation liability	✓	Since 2004
APA	✓	Since 2012
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 2019
Penalty		
lack of documentation	✓	EUR 1,820 – 5,590 (EUR 3,770 – 6,000 for recurrences)
tax shortage	✓	10% – 50% on tax underpayment (20% - 100% starting from 1 May 2023) + late payment interest; fines can be doubled on recurrent basis.
Related parties	> 25%	Direct or indirect control.
Safe harbours	✓	Low value-added services: 5% mark-up
Level of attention paid by Tax Authority		9/10

VAT and other indirect taxes

VAT options in Lithuania	Applicable / limits
Distance selling	EUR 10,000/year; the OSS system is applicable.
Call-off stock	✓
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	No, it is an optional regime for agricultural producers only.
Import VAT deferment	✓
Local reverse charge	Taking over property as a transfer of contribution to a legal entity; taking over a material improvement of a building; supply of certain types of scrap metal; supply of construction services; supply of mobile phones, tablets and laptops (applicable until 31 December 2026).
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	Local taxable person – EUR 45,000 /12 months; Foreign taxable person – No.

The general rate is 21%, the reduced rates are 9% (e.g., books, central heating, public transportation, tourist accommodation and catering [until 31 December 2023], cultural and sports activities [until 30 June 2023], the activities of performers, such as singers, actors, etc. [until 30 June 2023] and 5% [e.g. medicine, journals, newspapers, and technical aids for the disabled]). The options/limits based on the EU Directive are presented within the VAT legislation.

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

Personal income tax / Social security system

Employment-related income, board member fees, royalties received from an employer, income under a civil agreement received by a manager of a small partnership who is a member of the small partnership are taxed at the rate of 20% in cases where income does not exceed EUR 101,094 per calendar year in 2023. PIT at a rate of 32% is applied to excess amounts.

Income from profit distribution is taxable at a flat PIT rate of 15%.

Other income (e.g., interest, royalties, capital gains, rental income) is taxable at a PIT rate of 15% in case such income does not exceed EUR 202,188 per calendar year in 2023. PIT at the rate of 20% is applied to amounts that exceed this.

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

The gross salary of employee is also subject to social contributions at a rate of 19.5%, and the employer is required to deduct this tax. The employer also has to pay 1.77% social contributions on top of the employee's gross salary. An additional 3% contribution may be paid by individuals who have decided to accumulate an additional pension (the employer is required to deduct this tax).

Lithuania is subject to EU regulations laying down social security principles for persons migrating between EU Member States.

Wage related taxes in Lithuania	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	840		1,685	
Total wage cost	855	101.77%	1,715	101.77%
Social contribution tax	15	1.77%	30	1.77%
Gross salary	840	100.00%	1,685	100.00%
Personal income tax*	43	20.00%	283	20.00%
Employees' social contributions	164	19.50%	329	19.50%
Net salary	633	75.38%	1,073	63.71%

* Non taxable allowance of EUR 625 (on minimum wage) and EUR 270.14 (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.

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

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

Capital gains from the sale of shares and other capital assets are taxable for non-residents – 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 below MDL 1,200,000 (approx. EUR 58,500) for a calendar year:

- 4% on total revenue

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

- they become a VAT payer;
- more than 50% of the revenue is generated by VAT exempted supplies

A special tax regime for residents of IT Parks (Law No 77/2016), 7% on monthly sales income but no less than MDL 3,510 per employee per month (Unique Tax). This regime is available for the period until 2027 inclusively. 70% of the sales generated by a resident should correspond to the list of IT services approved by law (including 3D programming and R&D) This unique tax includes all payroll taxes as well as social insurance contributions and compulsory state health insurance and all local taxes. Consequently, a resident of an 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, milk and dairy products, medicines, natural gas, agricultural products, etc.) and 12% (e.g., hotel accommodation, restaurant services).

Transfer pricing in Moldova		
Arm's length principle	✓	Since 2024 for operations that cumulatively exceeds EUR 1,000,000.
Documentation liability	✓	Since 2024
APA	No	
Country-by-Country liability	No	
Master file-local file (OECD BEPS 13) applicable	✓	Since 2024
Penalty		
lack of documentation	✓	EUR 7500–25000
tax shortage	No	–
Related parties	Min. of 25%	Direct or indirect control.
Safe harbours	No	
Level of attention paid by Tax Authority	N/A	

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

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.

Personal income tax / Social security system

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

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

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

Meal vouchers are taxed with SCC at a rate of 24%.

The minimum monthly gross wage for the period starting 1 January 2023 in real sector is MDL 4,000 per month.

Wage related taxes in Moldova		Minimum wage		Average wage in private sector	
Exchange rate MDL/EUR	19.84	in EUR	in MDL	in EUR	in MDL
		202	4,000	590	11,700
Total wage cost		250	124.00%	731	124.00%
Vocational training contribution		–		–	
Social Contribution tax		48	24.00%	142	24.00%
Health Insurance Contribution		-		–	
Gross salary		202	100.00%	590	100.00%
Personal income tax*		8	12.00%	51	12.00%
Employees' Social contributions		–		–	
Employees' Health contributions		18	9.00%	53	9.00%
Net salary		175	86.83%	486	82.39%

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

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Corporate taxes and other direct taxes

Since FY2022, corporate income tax rate is progressive and dependent on taxable profits realized (compared to the 9% flat rate that had been previously applicable) and it applies to both resident and non-resident companies. Resident companies are taxed on their worldwide income, while non-residents are taxed only on income generated in Montenegro. The tax base is the pre-tax profit modified by several increasing and decreasing items. Capital gains are included in the annual corporate profits tax return and are subject to 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 given to newly founded legal entities engaged in manufacturing in economically underdeveloped municipalities. The total amount of the tax exemption may not exceed EUR 200,000 for a period of eight years. In Montenegro, there are no specific thin capitalization rules, except that interest paid to a non-resident must be on arm's length terms.

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 over 40 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% for real estate that is the residence of the taxpayer. Secondary real estate (not used as a residence) is taxed at rates ranging from 0.3% to 1.5%. Illegally built objects are taxed at between 0.3% and 2%, whereas undeveloped construction land is taxed at 0.3% to 5% range.

Transfer pricing in Montenegro		
Arm's length principle	✓	Since 2002
Documentation liability	✓	Yes for large taxpayers (revenues over EUR 10m). Others must submit on request.
APA	No	–
Country-by-Country liability	No	–
Master file-local file (OECD BEPS 13) applicable	No	–
Penalty		
lack of documentation	✓	✓
tax shortage	No	Not specifically stated.
Related parties	25% <	The parties between whom special relations exist, which could directly impact the conditions or economic results of the transaction between them.
Safe harbours	✓	Corporate Income Tax Law envisions safe harbour rules in relation to intercompany loans and interest rates. The safe harbour rate for FY23 is set at 3.98% p.a.
Level of attention paid by Tax Authority		5/10

VAT and other indirect taxes

VAT options in Montenegro	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	No
Import VAT deferment	No
Local reverse charge	Purchase of electricity, heating gas and other heating and cooling energy procured for further supply.
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	EUR 30,000/year

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 30,000 must register for VAT purposes. The options/limits are based on the VAT Act in Montenegro.

Personal income tax / Social security system

In Montenegro, resident individuals are taxed based on their worldwide income, and non-residents are taxed only on income derived from Montenegro. Montenegro has progressive taxation for salaries (taxed at the rate of 0% / 9% / 15%) and income stemming from self-employment (taxed at a rate of 9% or 15%). There is also a flat rate of 15%, which is applicable for other sources of income (e.g., capital gains, interest, etc.).

Active incomes fall under the scope of the SSC system: an individual's social contributions equal 15,5% altogether. These include contributions for pensions (15%) and unemployment (0.5%). The employer's contribution is at a rate of 6.4% of an employee's salary. This includes pensions (5.5%) and unemployment insurance (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% to15%, depending on municipality, with most municipalities having a 13% rate.

Wage related taxes in Montenegro	Minimum wage		Average wage in private sector	
	in EUR		in EUR	
	533		880	
Total wage cost	567	106.00%	938	106.00%
Employer's contributions	34	6.00%	58	6.00%
Gross salary	533	100.00%	880	100.00%
Employees' contributions	82	6.00%	16	6.00%
Personal income tax	–	0.00%	137	0.00%
Surtax	1	0.40%	4	0.40%
Net salary	450	84.51%	727	82.66%

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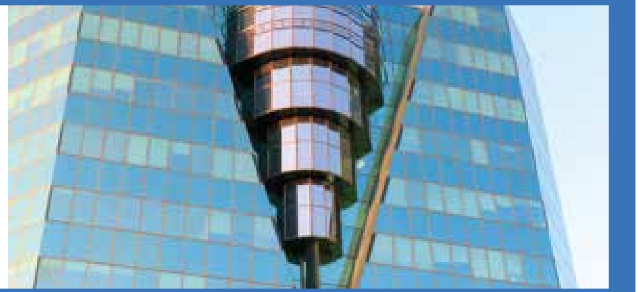

Corporate taxes and other direct taxes

There is a 10% flat general corporate income tax rate for all taxpayers in North Macedonia. Exceptionally, companies with 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 at 1% of their total revenue.

The tax base is the pre-tax profit modified by several increasing and decreasing items. Losses can be carried forward within a limited period of 3 years. 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.

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 as yet.
Master file-local file (OECD BEPS 13) applicable	No	The report has to contain: Master File, Local File and attachments.
Penalty		
lack of documentation	✓	~ EUR 2,500-3,000 / missing documents, doubled for recurrence 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 harbours	✓	Interest income/expense from the loans as EURIBOR +1% (or SKIBOR +1% for loans extended in MKD).
Level of attention paid by Tax Authority		7/10

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

In North Macedonia, there is a withholding tax at a rate of 10% on dividends, interests, royalties and other incomes paid by a North Macedonian company to a foreign company. The entities obliged to pay withholding tax should submit a report on the withholding tax paid on the form "DD-I" to the Public Revenue Office once a year. This form must be submitted by 15 February of 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.

VAT and other indirect taxes

The general rate is 18%; a reduced rate of 5% is applicable for food products, pharmaceuticals, production equipment, computers and public transportation. Exports are zero-rated. VAT-exempt services are mainly banking services, insurance, certain services provided by medical doctors and dentists, certain types of education and training, as well as other activities that are tax exempt with regard to their public interest or special nature. A reduced rate of 10% was recently introduced for hotel and restaurant services.

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)

Other indirect taxes in North Macedonia include fuel tax and excise duties.

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 of 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 to 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). Altogether social security contributions payable by employees amount to 28% of their gross salary: the pension contribution is 18.80%; health care insurance is 7.50%; unemployment insurance is 1.20%; and health care at work insurance is 0.5%. The examples below show the cost of the employer and the employee in the case of the minimum wage level and average wage. The personal allowance is MKD 105,456 on an annual basis, while the monthly personal allowance amounts to MKD 8,788.

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

The highest base for the payment of mandatory social security contributions on a monthly basis is 18 average salaries paid in Macedonia for employees and members of managing and supervisory bodies and 12 average salaries for the self-employed.

Wage related taxes in North Macedonia		Minimum wage in MAC		Average wage in MAC	
Exchange rate MKD/EUR	61.69	in EUR	in MKD	in EUR	in MKD
		482	29,739	801	49,397
Total wage cost		482	100.00%	801	100.00%
Social contribution on salary		–	0.00%	–	0.00%
Gross salary		482	100.00%	801	100.00%
Employees' contributions		135	28.00%	224	28.00%
Personal income tax*		20	4.16%	43	5.37%
Net salary		327	67.84%	533	66.63%

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

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Corporate taxes and other direct taxes

Polish companies are taxable on their worldwide income. Non-resident companies are taxable only on Polish sources of income, subject to DTT. The standard CIT rate is 19%. The preferential CIT rate for "small taxpayers" (whose sales revenue in the previous FY did not exceed the PLN equivalent of EUR 2,000,000) is 9%. This rate also applies for newly-created entities (additional requirements are needed). In Poland, CIT is generally payable on income. Tax deductible costs exceeding revenues in any given FY constitute a loss which may be deducted from income over the next 5 consecutive years (no more than 50% of a loss can be offset in any one year). Starting from tax losses incurred in FY2019, it is possible to activate the tax loss of a given tax year as a one-off amount up to PLN 5,000,000. The surplus may be settled in line with the general rule described above. As of 1 January 2022, changes in the regulations concerning debt financing costs entered into force. Expenses for debt financing are qualified as tax deductible costs to an amount of no more than 30% of EBITDA or an amount not exceeding PLN 3,000,000 (depending on which amount is higher). Interest, royalties and certain types of immaterial services paid to non-Polish residents are, as a rule, subject to 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 Million per annum summed for one non-resident. The excess amounts are subject to a base WHT rate pursuant to the CIT Act (19% or 20%) and only then can the tax remitter apply for a WHT refund if the payment could be exempt or qualifies for a reduced rate from the proper DTT. It is also possible to apply for an opinion on the application of preference (additional requirements are required). 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 harbours	✓	Low value-added services: 5% mark-up. Loans: for 2023 the basic interest rate on IC loans is (depending on the loan currency), i.a., WIBOR 3M, WIRON 3, Average SOFR, LIBOR USD 3M, EURIBOR 3M, plus margin up to 2.9 pp (the Borrower) and minimum of 2.4 pp (the Lender).
Level of attention paid by Tax Authority		10/10

VAT and other indirect taxes

As a rule, the standard VAT rate is 23%. Preferential rates of 8% and 5% apply to certain goods and services. Other goods and services (e.g., exports, intra-Community supplies of goods, international transport services) may be zero-rated or exempt. Due to inflation during the period from 1 February 2022 to 31 December 2022, reduced rates apply to, e.g., fuels; heat; natural gas; some food products. Until 30 June 2023, a 0% VAT rate applies to certain food products as well as goods and services provided free of charge, which is intended to help Ukraine.
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	✓
Cash accounting – yearly amount in EUR (approx.)	EUR 1,200,000/ year
Import VAT deferment	✓
Local reverse charge	Reverse charge mechanism applies to gas supplied in the gas system, electricity supplied in the electricity system and greenhouse gas emission allowance transfer services when such supplies are made directly or through an authorized entity on a commodity exchange, a regulated market or an organized trading platform.
Option for taxation	
letting of real estate	For residential purposes (exempt), for commercial purposes (23%).
supply of used real estate	Exempt (additional requirements needed).
VAT registration threshold	PLN 200,000 /year (approx. EUR 50,000)

Personal income tax / Social security system

PIT is calculated on income. However, the income calculation differs depending on the source from which the income is earned (for example, employment contract, sole traders' activity, personally performed activities, etc.). PIT is calculated according to a progressive tax scale at a rate of 12% 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 an amount of income not exceeding PLN 85,528 in the given tax year.
Employee Capital Plan (ECP): Payments to PPK are made both by the employer and the plan participant. The basic payment to PPK made by the plan participant is equal to 2% (as of 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 equal 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*	4.78	in EUR	in PLN	in EUR	in PLN
		729	3,490	1,439	6,884
Total wage cost		**890**	**121.98%**	**1,755**	**121.98%**
Employer's social security**		131	17.93%	258	17.93%
Other insurance (approx.)		19	2.55%	37	2.55%
Contribution to the PPK 1.5%		11	1.50%	22	1.50%
Gross salary		**729**	**100.00%**	**1,439**	**100.00%**
Employees` contributions		100	13.71%	197	13.71%
Healthcare insurance		57	9.00%	112	9.00%
Personal income tax***		7	12.00%	80	12.00%
Contribution to the PPK 2%		15	2.00%	29	2.00%
Net salary		**551**	**75.56%**	**1,021**	**70.99%**

* Average exchange rate announced by National Bank of Poland as of February 14th, 2023.
** Capped at income of PLN 208,055.00 for pension and retirement contributions.
*** Taxable base = gross salary – employee's contributions – statutory tax deductible costs.
**** Average wage in private sector as of January 2022 announced by the Main Statistical Office.
***** Minimum wage January – June 3,490.00.
1. Minimum wage July – December 3,600.00.
2. (Revenue x (-7.35%) + PLN 819.08) ÷ 0.17, for Revenue higher than PLN 8,549 and not exceeding PLN 11,141.

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Corporate taxes and other direct taxes

CIT is 16%. To calculate the taxable profit, the accounting profit is adjusted upwards (with non-deductible expenses) or downwards (with non-taxable revenues). A maximum 50% additional deduction can be applied for certain R&D expenses.
Capital gains arising from the sale of the participations held in any state that Romania has concluded a DTT with are non-taxable.
Tax consolidation is applicable in the field of CIT at the level of two or more legal entities. Once tax consolidation has been opted for, it must be applied for 5 years.
A new incentive is in place for the period 2021 - 2025 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).
The current tax incentive for profit reinvested in certain equipment is extended starting with 2023 with additional investments (assets used in production and processing activity, Retechnology assets).
Treaty network consisting of around 87 DTTs.
From 2023, the WHT rate on Dividends increases from 5% to 8% for resident/non-resident legal entities/individuals.
The WHT for Interest and Royalties is 16%.
Capital gains from the sale of shares are tax exempt (certain conditions apply). In all other relations for WHT, the general tax rate and double tax treaties are applicable.
Romania deposited a notification on 06.03.2023 confirming the completion of its internal procedures for the entry into effect of the MLI provisions for 55 DTTs.
From 2023, the micro company scheme is optional.
The revenue threshold for applying this regime has decreased from EUR 1 m to EUR 500k. Companies must have at least 1 employee, the revenues from management/consulting activities need to be capped to 20% of total revenues - except for audit, accounting and tax, shareholders with more than 25% shares that have additional shareholdings in other companies applying the same micro scheme must be limited to a maximum of 3 entities.
The regime now has a unique tax of 1%.
Legal entities in certain domains are not eligible to apply the micro tax regime (e.g., insurance and reinsurance, gambling).
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.

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	✓	Public CbCR rules in line with Directive (EU) 2021/2101 are applicable in Romania with FY 2023.
Master file-local file (OECD BEPS 13) applicable	✓	Only Local File rules are applicable.
Penalty		
lack of documentation	✓	For large and medium tax payers – approx. EUR 2,500-2,900. Other taxpayers – EUR 410-720. Adjustment of tax base plus late payment interest and penalties may be applicable.
tax shortage	✓	Regular tax regime.
Related parties	minimum of 25%	Direct or indirect control.
Safe harbours	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**

VAT and other indirect taxes

The general rate is 19%. Reduced rates are 9% (e.g., medicines, food, agricultural products, hotel accommodation, restaurant services, etc.) and 5% (e.g., for books, certain residential sales and photovoltaic systems, etc.).
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 turnover of less than RON 4.5 m (EUR 915K).
The VAT legislation applicable to the EU cross border transactions has been aligned at the EU level as of 1 January 2020 when "EU VAT quick fixes" entered into force. Romania has also implemented such provisions in domestic legislation.
E-Invoicing systems are mandatory as of 01.07.2022 for the taxpayers who deliver goods classified as a tax risk (such as fruit, vegetables, alcoholic drinks, new constructions, mineral products, clothing and footwear).
An E-transport system for real time goods tracking is mandatory as of 01.07.2022 for all the taxpayers who arrange the transport of goods classified as a tax risk within Romania (e.g., fruit, vegetables, alcoholic drinks, clothing, footwear and some minerals and metals).
Other indirect taxes applicable include excise and environmental tax.
SAF-T reporting is implemented in Romania based on the timeline below:
- Large taxpayers as of 01.01.2022
- Medium taxpayers and financial entities as of 01.01.2023
- Other taxpayers including non-residents with VAT registration in Romania as of 01.01.2025.

VAT options in Romania	Applicable / limits
Distance selling	The OSS system is applicable.
Call-off stock	✓
VAT group registration	✓
Cash accounting – yearly amount in EUR (approx.)	EUR 915,000/year
Import VAT deferment	Certificate of payment deferral / AEO / simplified customs procedure / products subject to VAT r/c.
Local reverse charge	For sale of: certain types of waste, certain types of cereal, wood, greenhouse gas emission certificates, electricity, natural gas, green certificates, land and buildings, laptops and mobile phones.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	approx. EUR 61,000

Personal income tax / Social security system

A 10% flat tax rate is applicable to revenues obtained from dependent activities (e.g., employment or activities assimilated to employment) or independent activities (freelancers).

As of 01.01.2018, 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%).

As of 2023, the annual base for calculating Social Security Contributions for some categories of income (e.g., independent activities, intellectual property, etc.) is amended. The base can be chosen by the taxpayer, but it cannot be lower than the level of 12 minimum gross salaries (for a ceiling between 12 and 24 minimum gross salaries), or the level of 24 minimum gross salaries for income obtained above the threshold of 24 minimum gross salaries.

Wage related taxes in Romania		Minimum wage		Average wage in private sector	
Exchange rate RON/EUR	4.92	in EUR	in RON	in EUR	in RON
		610	3,000*	1,380	6,789
Total wage cost		**623**	**102.25%**	**1,411**	**102.25%**
Employer contributions		14	2.25%	31	2.25%
Gross salary		**610**	**100.00%**	**1,380**	**100.00%**
Employees' contributions		213	35.00%	483	35.00%
Personal Deduction **		122		–	
Personal income tax***		27	10.00%	90	10.00%
Net salary		**369**	**60.50%**	**807**	**58.50%**

* The minimum monthly gross wage guaranteed in payment, without including bonuses or other additions, if of RON 3,000 for FY 2023, for a normal working schedule. In the construction sector, the minimum monthly gross wage for the period January 1, 2023 – December 31, 2023 is RON 4,000 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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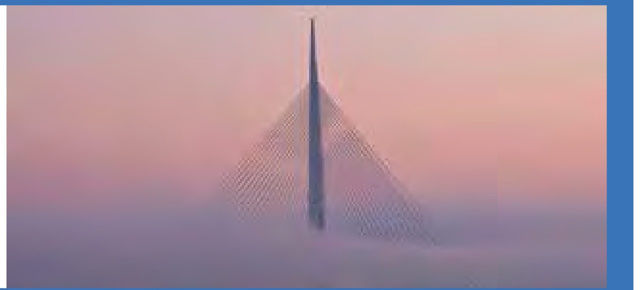

Corporate taxes and other direct taxes

There is a flat 15% general corporate income tax rate. Tax is levied on both resident and non-resident companies. Resident companies are taxed on their worldwide income, and non-residents are taxed only on income generated in Serbia. The tax base is the pre-tax profit modified by several increasing and decreasing items. Capital gains are also included in the 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). There is also a requirement that interest paid to a non-resident must be on arm's length terms.

Transfer pricing in Serbia		
Arm's length principle	✓	Since 2013
Documentation liability	✓	Since 2013, transfer pricing documentation is submitted along with the CIT return.
APA	No	–
Country-by-Country liability	✓	Tax resident that is the ultimate parent entity of an MNE.
Master file-local file (OECD BEPS 13) applicable	No	–
Penalty		
lack of documentation	✓	~ EUR 16,900 for missing documentation
tax shortage	✓	30% on tax underpayment + late payment interest
Related parties	25% <	Direct or indirect control or common managing director, close family members, non-resident entities from tax havens.
Safe harbours	✓	Interest as described in the Governmental Rulebook, transactions (other than financial) below EUR 68,000 are not subject to TP rules.
Level of attention paid by Tax Authority	8/10	

A withholding tax at a 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 60 double tax treaties.

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

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

VAT and other indirect taxes

The general rate is 20%, reduced rates are 10% (e.g., bread, milk, accommodation services, medications, fertilizer, etc.) and there is VAT-exemption for exports, transport and other services that are associated with the importation of goods. Taxpayers with revenue in excess of approximately EUR 68,000 must register for VAT purposes. Non-residents may register for VAT purposes only through a tax representative.

The other indirect tax type in Serbia is excise duty.

VAT options in Serbia	Applicable / limits
Distance selling	No
Call-off stock	✓
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	approx. EUR 405,000/year
Import VAT deferment	No
Local reverse charge	Sale of secondary raw materials and services that are directly related to these goods, transactions of construction buildings, and construction work.
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	approx. EUR 68,000/ past 12 months

Personal income tax / Social security system

In Serbia, resident individuals are taxed based on their worldwide income, while non-residents are taxed only on income in Serbia. There is a flat rate of 10% for gross salaries. Capital gains are taxed at 15%. Furthermore, the tax rate on income from agriculture and forestry is 10%. Income from the letting of real estate is taxable at 20%, but before that, the gross basis is reduced by standardized costs equalling 25%. The tax rate on income from royalties and other intellectual property amounts to 20%.

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Active incomes fall under the scope of the SSC system: social contributions on behalf of employee 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%). Contributions on behalf of employer amount to 16.15% and include contributions for pension and disability insurance at 10% rate and health insurance (5,15%). There is no unemployment insurance payable on behalf of employer. Personal deductions are applicable.

Wage related taxes in Serbia		Minimum wage		Average wage in private sector	
Exchange rate RSD/EUR	117.4	in EUR	in RSD	in EUR	in RSD
Non-taxable amount		185	21,712	185	21,712
		345	40,480	884	103,797
Total wage cost		536	115.15%	1,018	115.15%
Social contribution tax		70	0	134	15.15%
Gross salary		466	100.00%	884	100.00%
Personal income tax		28	6.03%	70	7.91%
Employees' contributions		93	19.90%	176	19.90%
Net salary*		345	74.07%	638	72.19%

* 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 applies for taxpayers if their income does not exceed EUR 49,790/tax period. The tax base is calculated from accounting profit (loss) as modified by certain increasing and decreasing items.
Tax losses incurred in the tax periods starting from 1 January 2020 can be deducted for a maximum of five consecutive tax periods, up to 50% of taxpayer's tax base.
There are several types of tax incentives potentially available, e.g., super-deduction of R&D costs, additional deduction of costs incurred for certain machinery and equipment linked to Industry 4.0 or tax exemption of part of income for granting the right to use a protected patent/software created by the taxpayer.

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

Business restructuring (mergers, acquisitions, etc.) can be carried out solely at fair market values (in specific cases – historical value method available).
Participation exemption rules for capital gains on sales of shares (ownership interest) could be applied under specific conditions.
Thin capitalization rules apply in Slovakia, to be extended by ATAD provisions as of 1 January 2024.
Withholding tax (under Slovak law)

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

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

VAT and other indirect taxes

The basic VAT rate is 20%. The reduced rate at 10% applies, e.g., to accommodation services, pharmaceutical products, books, lenses, basic food items (e.g., bread, butter, milk), some periodicals, healthy foodstuffs (e.g., dairy products), honey, most of vegetables and fruits. In 1Q 2023, the reduced rate will also apply to certain sports services (e.g., ski lifts, swimming pools) and to restaurant/ catering services.
As of 1 January 2023, the reduced VAT rate of 5% applies on supply of a building, including building land, which meets the conditions of state-supported rental housing.

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

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, etc.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	EUR 49,790

Personal income tax / Social security system

The PIT rate is progressive and depends on amount of income earned. The PIT rate is 19% for a tax base up to EUR 41,445.46/year (for 2023) and 25% for amounts exceeding this limit. Certain tax allowances (e.g., personal, spouse allowance, tax bonus for children) may be claimed on personal income.
The 15% tax rate applies to natural persons achieving income from entrepreneurial (other self-employed) activities, provided their income does not exceed EUR 49,790/year.
Dividends (from profit generated after 1 January 2017) and some other income (e.g., share in the liquidation balance of the company/cooperative, the settlement share, etc.) are subject to taxation at 7% (capped by DTT for non-residents) or at 35% if the recipient or payer of the dividends is from 'non-cooperative' jurisdiction.
Income attributable from controlled foreign companies (CFC) is taxed at 25% in hands of natural persons.
Both employers and employees are subject to social security and health insurance contributions on the employee's gross monthly salary. 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 8,477 (in 2023).
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.
As of 1 January 2023, a minimum health insurance contribution has been introduced, being EUR 32.81/month for employees (in 2023).

Wage related taxes in Slovakia	Minimum wage		Average wage*** in private sector	
	in EUR		in EUR**	
	700		1,296	
Total wage cost	**946**	**135.20%**	**1,752**	**135.20%**
Vocational training contribution	–		–	
Social contribution tax	246	35.20%	456	35.20%
Gross salary	**700**	**100.00%**	**1,296**	**100.00%**
Personal income tax*	115	19.00%	213	19.00%
Employees' contributions	94	13.40%	174	13.40%
Net salary	**491**	**67.60%**	**909**	**67.60%**

* The gross salary could be decreased by social security and health insurance contributions (employee's part) and personal allowance (EUR 410.24 EUR/month in 2023 - not considered above).
** For 3rd quarter 2022.
*** The wage from regular employment contract.

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Corporate taxes and other direct taxes

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 various 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 2023 changes were introduced affecting the determination of the tax base using standardised expenditure for taxable persons with income between EUR 50,000 and EUR 100,000, if employing one full time employee for at least 9 months for a continuous period (previously five months) special tax treatment for 2023 can be used. In the other cases, with income up to EUR 50,000, there are no changes in the notification. Losses can be carried forward without limitation and can only be used for up to 50% of the tax base. In addition, special rules apply in cases of M&A transactions. Slovenia uses thin capitalisation rules (4:1), but they do not apply if the 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 EU ATAD I are applicable from 2019.

A withholding tax of 15% is applied on dividends, interest, royalties and rental income paid by a Slovenian company to a foreign company. However, if conditions are met, an exemption (or decrease in the percentage of withholding tax) is applicable to payments to EU residents (under the parent subsidiary directive & the interest and royalty directive), and under international double taxation treaties (there are currently over 50 treaties).

Real estate transfer tax (RETT) is applied on the transfer of immovable property at the rate of 2% the if transaction is not subject to VAT where the tax base is selling price.

DAC7 obligatory reporting from 2023.

Transfer pricing in Slovenia		
Arm's length principle	✓	Since 2005 in Article 16 of the Slovene Corporate Income Tax Act (CITA)
Documentation liability	✓	Slovene Ministry of Finance issued regulations on TP on 1 January 2007
APA	✓	Available
Country-by-Country liability	✓	Since 2016
Master file-local file (OECD BEPS 13) applicable	✓	Since 2006
Penalty		
lack of documentation	✓	If adequate transfer pricing documentation is not in place, the penalty is EUR 1,200 to EUR 15,000 for micro and small legal entities, EUR 3,200 to 30,000 for medium and large legal entities and up to EUR 4,000 for the responsible representative.
tax shortage	✓	30% of underpaid tax for micro and small legal entities (underpaid tax from EUR 1,500 to EUR 150,000). • 45% of underpaid tax for medium and large companies (underpaid tax from EUR 2,000 to EUR 300,000). • Responsible representative up to EUR 5,000.
Related parties	✓	
Safe harbours	✓	For interest rates in line with the government regulations for thin cap, a 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 forms. 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 the OSS system is applicable.
Call-off stock	✓
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	EUR 400,000/year. Cash transactions between companies are regulated by the Tax Procedure Act, which sets out both limitations and exceptions. The Tax Procedure Act stipulates that legal persons, sole proprietors, individuals engaged in self-employment, administrative and other state bodies, self-governing local authorities and holders of public powers must transfer payments for goods and services to transaction accounts. Similarly, a legal person shall not be obliged to transfer payments for goods and services supplied by it to the transaction account of a legal or natural person carrying out an activity, provided that the individual payment does not exceed EUR 420.
Import VAT deferment	Yes, special treatment for tax non-residents with use of Slovene VAT ID number, simplification can be used only in cases where they appoint tax representative.
Local reverse charge	Construction works and supply of staff in relation to construction works, supply of immovable property (limited), supply of waste and used material based on specifications, transfer of greenhouse gas emission allowances.
Option for taxation	
letting of real estate	✓
supply of used real estate	✓
VAT registration threshold	EUR 50,000/year

Personal income tax / Social security system

Personal income tax rates are progressive from 16% to 50% (change from 2023 onwards), and apply on active income sources (employment, business income, agriculture and forestry, other income). Capital and rental income is taxed at a flat rate (dividends at 25%, interest at 25%, capital gains from 0% to 25%, depending on the holding period, rental income at 25% (10% lump sum costs or actual costs deductible).

Social security contributions are applicable 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	
	1,203		2,032	
Total wage cost	**1,397**	**116.13%**	**2,359**	**116.09%**
Employer's contribution**	194	16.10%	327	16.10%
Gross salary	**1,203**	**100.00%**	**2,032**	**100.00%**
Employees' contributions**	266	22.10%	449	22.10%
Tax and surtax*	83	6.90%	230	11.32%
Net salary	**854**	**70.99%**	**1,353**	**66.58%**

* 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 of 18% applies to the worldwide income of resident companies.
For non-resident companies (and their permanent establishments (PE) in Ukraine) CIT is only payable on 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 with certain tax adjustments (depreciation, accruals and provisions, thin capitalization, tax losses, etc.).
Thin capitalization rules apply to loans granted by any non-residents (the debt-to-equity ratio is 3.5), with exceptions for certain financial and leasing entities.
Tax losses can be carried forward indefinitely with limitations for large taxpayers. Loss carry back is not permitted.

Transfer pricing in Ukraine		
Arm's length principle	✓	Since 2013
Documentation liability	✓	Since 2013
APA	✓	Applicable to large taxpayers, no cases in practice.
Country-by-Country liability	✓	First filed in 2023 for FY ending in 2022 For MNE with income ≥ EUR 750 million (+ other conditions).
Master file-local file (OECD BEPS 13) applicable	✓	May first be requested in 2023 for FY ending in 2021 For MNE with income ≥ EUR 50 million.
Penalty		
lack of documentation	✓	3% of the value of controlled transactions, but not more than UAH 536,800 (approx. EUR 13,781) for the 2023 reporting year.
tax shortage	✓	25% of tax underpayment; 50% in case of recurrent violation within 1095 days + late payment interest.
Related parties	25% <	Direct/indirect or common control; (formalized or de-facto); transactions with non-related non-residents may fall under TP control.
Safe harbours	No	–
Level of attention paid by Tax Authority		7/10

Companies with annual income below UAH 40 million (approx. EUR 1.03 million) are entitled not to apply any tax adjustments (except for tax losses carried forward).
A 15% withholding tax (WHT) is imposed on passive income (dividends, interest, royalties) paid to non-residents.
Payment for services is WHT-exempt (except for engineering). WHT is also levied on other payments to non-residents, e.g., constructive dividends, alienation of shares in Ukrainian asset-rich companies, freight, etc.
A lower WHT rate or exemption may apply under a double tax treaty (DTT). Ukraine has a wide DTT network (there are more than 70). A "look-through approach" is available. The application of DTT benefits is restricted by a "principal purpose test".
TP rules apply to controlled transactions (CT) with related non-resident parties, and with non-related foreign companies (registered in low-tax jurisdictions, tax transparent). The TP rules apply only if the company's annual revenue exceeds UAH 150 million (approx. EUR 3.9 million), and it had CT with the same counterparty for more than UAH 10 million (approx. EUR 257 K).
Undistributed profits of controlled foreign companies (CFC) are taxed at 18% at the level of Ukrainian company or individual (subject to exemptions). The first reporting period is 2022.
Non-residents operating in Ukraine through PE are required to register with the tax authorities and file their CPT returns.
Sole traders, companies with annual income below UAH 7.8 million (approx. EUR 201 K) and agricultural producers may apply for the simplified taxation system.
A special beneficial tax regime, Diia City, is available for IT companies and start-ups.

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 the import of some agricultural products; 7% for the supply of pharmaceuticals and some services; 0% for the export of goods, the import of certain goods and services).
The VAT registration threshold is revenue of UAH 1 million (approx. EUR 26 K) over 12 consecutive months. Voluntary registration is available.

Under the general rule, the place of the supply of services is the place where the supplier is registered. However, there are some exceptions (e.g., for consulting, marketing, information services, software development, etc.).
The reverse-charge mechanism applies to services provided by a non-resident.
A so-called "Google tax" of 20% is imposed on the provision of electronic services by non-residents to individuals within the customs territory of Ukraine.
Ukrainian VAT is administrated through an electronic system. The taxpayer is entitled to issue VAT invoices for the amount within a certain cap.

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 26) over 12 consecutive months.

There are VAT exemptions (tobacco products, gold) and temporary VAT incentives for the supply of certain goods and services (electric vehicles, scrap metals, equipment for renewable energy, etc.).

For the period of martial law, a 7% VAT rate is applied to the import and supply of gasoline, diesel fuel, and similar goods to the territory of Ukraine.
The other indirect tax in Ukraine is excise tax. The excisable goods are spirits, beer, tobacco, petroleum, cars, trailers, motorcycles, and electricity.
The excise tax on gasoline, diesel fuel, and liquefied gas is abolished till 01 July 2023.

Personal income tax / Social security system

The flat PIT rate of 18% is imposed on both active income (e.g., employment, benefits in kind) and passive income (e.g., interest, royalties, investment income) for residents and non-residents.
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 apply.
There is a temporary military levy (until the completion of the military reform) at a rate of 1.5% that applies to all income subject to PIT.
During martial law, the income and gains of combatants and individuals living in combat areas received from charitable organizations are PIT exempt. Also, financial support provided to law enforcement officers and military personnel is not subject to military levy.
A reduced PIT rate of 5% applies to salaries of individuals employed by Diia City residents, to remuneration of gig-experts and to author's remuneration.
Most forms of active income fall under the scope of social security contribution (SSC) with an employer's contribution of 22%; there is no employee's contribution. The minimum monthly SSC is UAH 1,474 (approx. EUR 38), the maximum monthly SSC is UAH 22,110 (approx. EUR 566).

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
		217	6,700	469	14,500
Total wage cost		265	122%	572	122%
	Social contribution tax	48	22%	103	22%
Gross salary		217	100%	469	100%
	Personal income tax	39	18%	84	18%
	Military tax	3	2%	7	2%
Net salary		175	80%	378	80%

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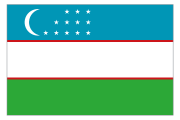
Uzbekistan



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Corporate taxes and other direct taxes

In general, the concept is similar to the CIT concept in developed countries worldwide. Taxable income is calculated as annual income minus expenses. It is only possible to deduct properly documented expenses provided that the expenses are connected with the taxable income. Dividends and capital gains are excluded from taxable income. Percentage of depreciation norms for fixed assets is fixed in the Tax Code and by substance is similar to IFRS principles. Loss carry forward is available without any limits in amount and time. The rules on carry forward of losses do not apply to losses generated during periods when a company has enjoyed tax benefits. There are thin capitalization rules. A CFC rule exists.

Transfer pricing in Uzbekistan		
Arm's length principle	✓	Since 2020
Documentation liability	✓	Since 2022
APA	✓	Since 2022
Country-by-Country liability	No	–
Master file-local file (OECD BEPS 13) applicable	No	–
Penalty		
lack of documentation	✓	Less than 500 EUR.
tax shortage	✓	40% of tax shortage
Related parties		Legal entities are considered to be interrelated: - legal entities if one legal entity directly or indirectly participates in another legal entity and the share of such participation in the charter capital exceeds 20% - an individual and a legal entity, if the individual directly or indirectly participates in the legal entity and the share of such participation in the authorised capital exceeds 20%.
Safe harbours	No	–
Level of attention paid by Tax Authority		7/10

WHT applies to incomes paid to non-residents that are not registered for tax purposes in Uzbekistan. The taxable incomes are listed in the Tax Code. Uzbekistan has signed 54 Treaties on Avoidance of Double Taxation. The treaty rates prevail over the Tax Code, however it is important to have a duly issued tax residency certificate for the non-resident to apply the treaty. The Multilateral instrument (MLI) is not in force.

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

VAT and other indirect taxes

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

VAT options in Uzbekistan	Applicable / limits
Distance selling	No
Call-off stock	No
VAT group registration	No
Cash accounting – yearly amount in EUR (approx.)	No
Import VAT deferment	No
Local reverse charge	✓
Option for taxation	
letting of real estate	No
supply of used real estate	No
VAT registration threshold	1 bUZS (approx. 83 kEUR)

Excise Tax is paid by importers or sellers of:

1) Alcoholic products
2) Tobacco products
3) Oil & gas products
4) Motor vehicles.

Personal income tax / Social security system

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

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

Wage related taxes in Uzbekistan		Minimum wage		Average wage in private sector	
Exchange rate UZS/EUR	11.94	in EUR	in UZS	in EUR	in UZS
		77	920,000	400	4,777,496
Total wage cost		86	112%	448	112%
	Social contribution tax	9	12%	48	12%
Gross salary		77	100%	400	100%
	Personal income tax	9	12%	48	12%
	Employees' contributions	–	0%	–	0%
Net salary		68	88%	352	88%

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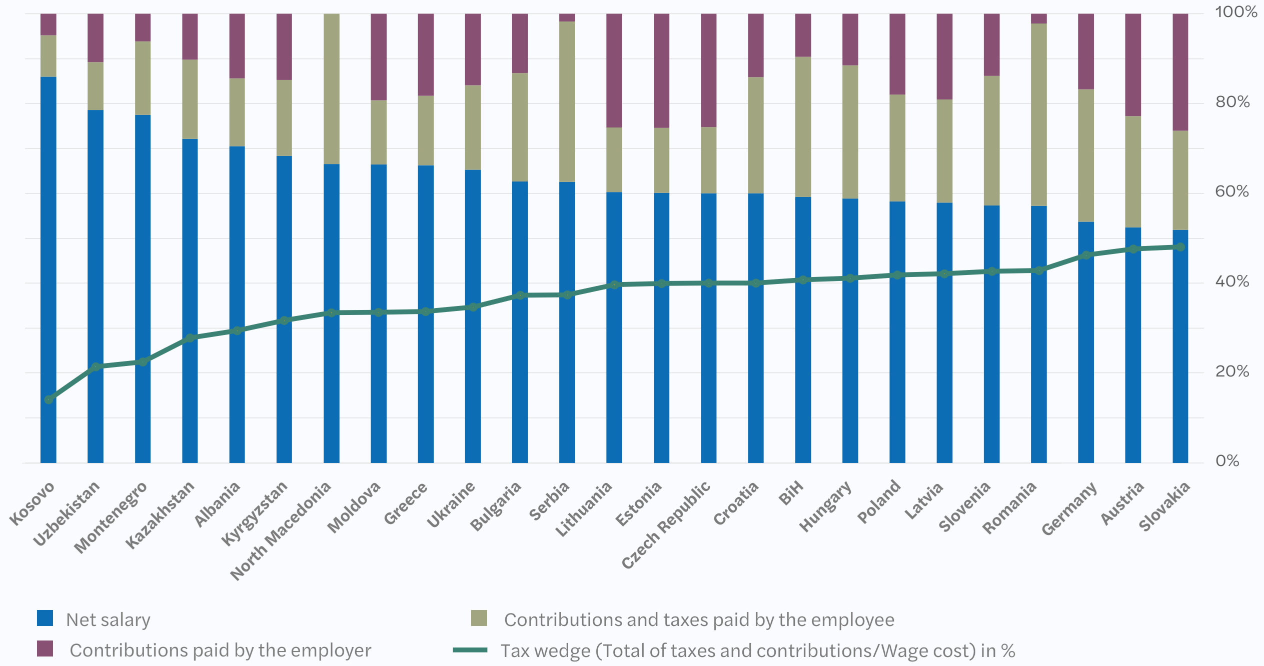
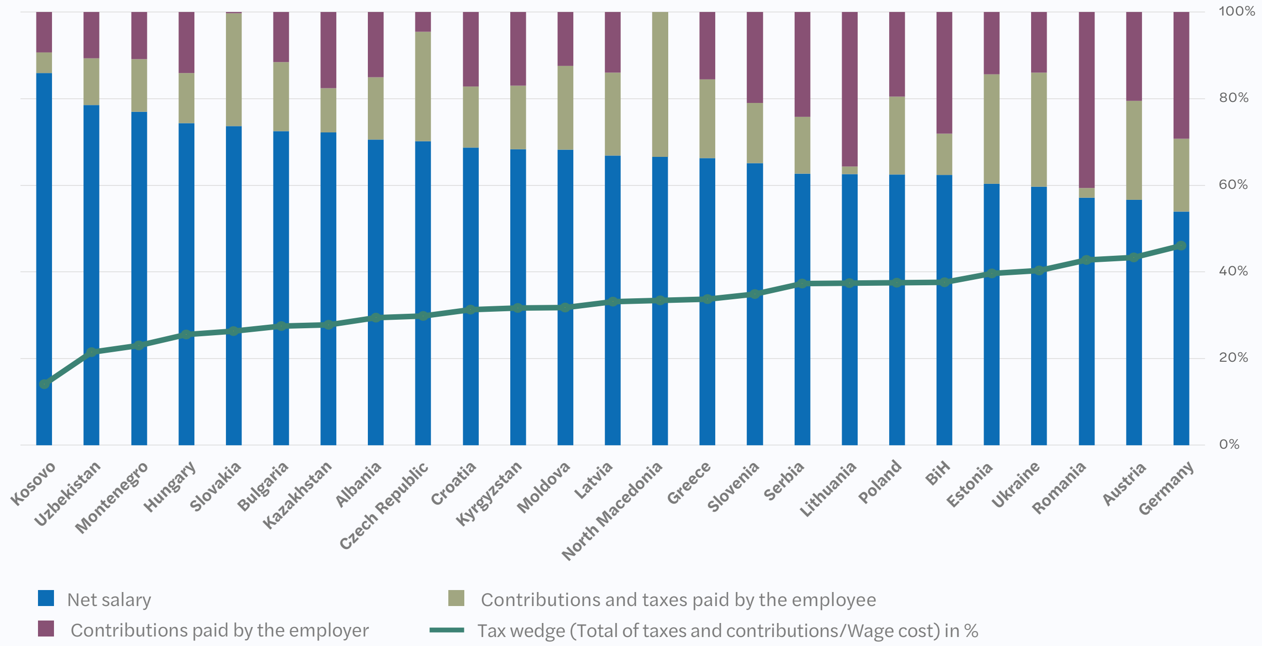
Labour-related tax burdens in the CEE region

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

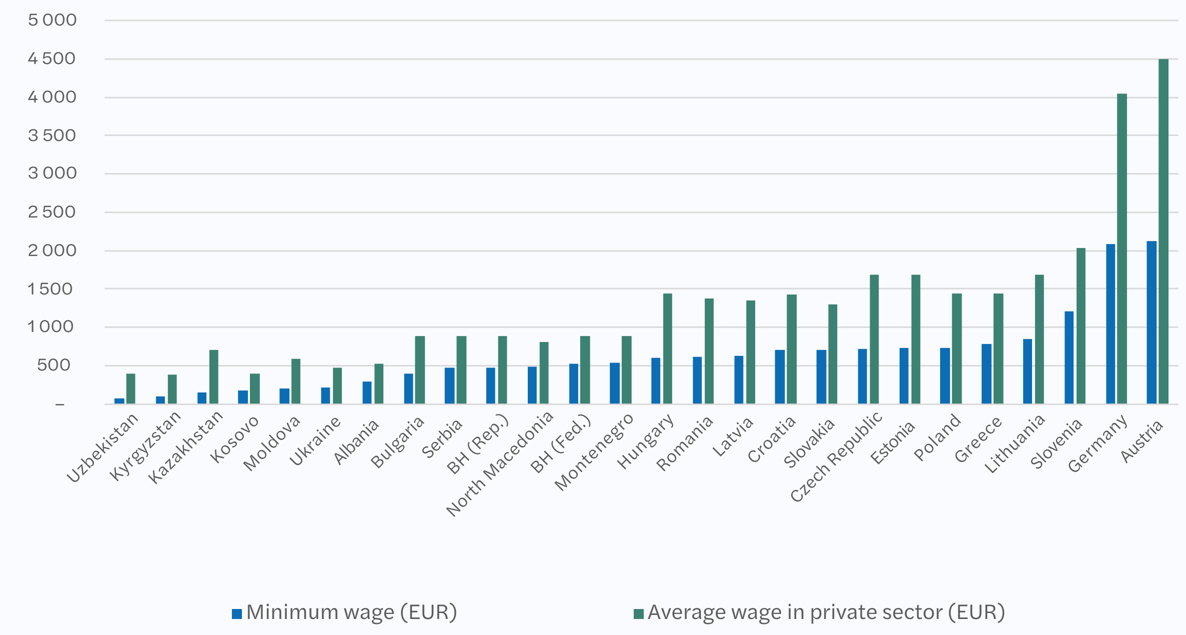
Monthly gross salary equal to the average wage and NO family ties



Monthly gross salary equal to the average wage with 3 children



Minimum wages and average wages in 2023



Tax rates in the countries of the CEE region

2023	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% / 13% / 23%	16.70%
Austria	20% / 10% /13%	0%–55%	21.03% social insurance + approx. 8.6% other taxes and contributions.
Bosnia and Herzegovina	17%	10%* / 8%**	10.5%* / No**
Bulgaria	20% / 9%	10%	18.92%
Croatia	25% / 13% / 5% / 0%	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%	20.225%
Greece	24% / 13% / 6%	Progressive: 9% / 22% / 28% / 36% / 44%	22.29%
Hungary	27% / 18% / 5%	15%	13.00%
Kazakhstan	12%	10% / 5% / 15% / 20%	10.8%
Kosovo	18% / 8%	Progressive: 0% / 4% / 8% / 10%	5.00%
Kyrgyzstan	12%	10%	17.25%
Latvia	21% / 12% / 5% or 0%	20% / 23% / 31%	23.59%
Lithuania	21% / 9% / 5%	15% / 20% / 32%	1.77%
Moldova	20% / 12% / 8%	12%	24.00%
Montenegro	21% / 7%	0%/ 9% / 15%	6.4%
North Macedonia	18% / 10% / 5%	10%	No
Poland	As a rule 23% / 8% / 5% / 0%, however, due to inflation in the period from 1 January 2023 to 30 June 2023, 0% VAT rate applies to certain food products and services/goods provided for the purposes of helping Ukraine.	12% / 32%	21.98%
Romania	19% / 9% / 5%	10%	2.25%
Serbia	20% / 10%	10%	15.15%
Slovakia	20% / 10% / 5%	15% / 19% / 25%	35.2%
Slovenia	22% / 9.5% / 5%	Progressive: 16% – 50%	16.1%
Ukraine	20% / 14% / 7% / 0%	18%*	22%**
Uzbekistan	12% / 0%	12%	12%

Bosnia and Herzegovina * In Federation of BIH. ** In Republika Srpska. **Croatia** * For the person under 30 employed on variable-term contract, there is no contributions on salary (16.5%) for a period of 5 years. **Czech Republic** * On income exceeding approx. EUR 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 22,110 (approx. EUR 566).

Corporate income tax key features

	Corporate income tax rate(s)	IFRS accounting available (for all companies)	Group taxation available	Interest limitation (Thin Cap or EDITDA based)	Withholding tax on interest, dividend or royalty	R&D / patent box incentive	Loss carry-forward (years)	Transfer pricing documentation liability	Other comments and recent developments
Albania	Exempted / 0% / 15%	✓	No	✓	✓	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 the first 10 years).
Austria	24%	No	✓	✓	✓	✓	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.
BH (Fed.)	10% / 0%	✓	✓	✓	✓	✓	5	✓	-
BH (Rep.)	10% / 0%	No	No	No	✓	No	5	✓	0% for small taxpayers in Republika Srpska.
Bulgaria	10%	✓	No	✓	✓	No	5	✓	TP local file is obligatory for companies above a threshold defined by the law.
Croatia	18% / 10%	✓	No	✓	✓	✓	5	✓	-
Czech Republic	19%	✓ (but for corporate income tax, Czech Accounting Standards apply)	No	✓	✓	✓	5 years (and loss carry-back for 2 years)	✓ (optional but recommended)	DAC 6 mandatory disclosure requirements.
Estonia	No	✓	No	No	✓	No	✓	✓	CIT is paid only on the distributed dividends: lower rate 14/86, standard rate 20/80.
Germany	15% (~30%*)	✓	✓	✓	✓	No	No limitation period	✓	Loss carry back. *Together with trade tax.
Greece	22%	✓	No	✓	✓	✓	5	✓	Abolishment of solidarity tax as of 1 January, 2023, extension of low VAT to transport, coffee, non-alcoholic beverages, gyms, dance schools, films and tourism packages up to June 2023.
Hungary	9%	✓	✓	✓	No	✓	5	✓	No WHT on dividend, royalties and interest payments. ATAD regulations implemented.
Kazakhstan	20%	✓	No	✓	✓	No	10	✓	Since 2023, limits on the deduction of intercompany/intra-group expenses where introduced. Since 2023, participation exemption rule under which dividends payable to shareholders and non-residents owning shares for more than 3 years was cancelled.
Kosovo	10% / 9% / 3%	No	No	No	✓	No	4	✓	The loss carry forward period for tax losses has been reduced from 6 to 4 years. The basis and rate of taxation of insurance companies has changed from a 5% tax on gross premiums to a 10% tax on income.
Kyrgyzstan	10%	✓	No	No	✓	No	5	No	Since 2023 Sales Tax at the rate of 1-2% is applied to all types of sales on top of VAT. Before 2023 it did not apply to sales paid via bank transfer. In some cases 0% Sales Tax can be applied.
Latvia	20%*	✓	No	✓	No	No	No	✓	*The tax base of CIT divided by 0.8 and then multiplied by 20%, which means that the effective CIT rate is 25% of the taxable base.

Corporate income tax key features

	Corporate income tax rate(s)	IFRS accounting available (for all companies)	Group taxation available	Interest limitation (Thin Cap or EDITDA based)	Withholding tax on interest, dividend or royalty	R&D / patent box incentive	Loss carry-forward (years)	Transfer pricing documentation liability	Other comments and recent developments
Lithuania	15% / 5%	✓	No, however, losses can be transferred to another group entity.	✓	✓	✓	No limitation period	✓ except for local transactions	0% rate for small companies for the first financial year.
Moldova	12%	✓	No	✓	✓	N/A	5	✓	-
Montenegro	Progressive tax rate set between 9% and 15% depending on realized profits.	✓	✓	No	✓	No	5	✓	At the end of FY2021, several changes were implemented to the CIT Law, as stated above, with implementation from FY2022 onwards.
North Macedonia	10%	✓ (large and mid-sized entities)	No	✓	✓	No	3	✓	The Transfer Prices Report Rulebook was recently introduced.
Poland	9%/ 19%	No	✓	✓	✓	✓	5	✓	Changes in the so-called Estonian CIT; changes in WHT; changes to the so-called bad debt relief; repeal of provisions on so-called hidden dividends; minimum tax.
Romania	16%	No	✓	✓	✓	✓	7	✓	Tax consolidation rules are introduced.
Serbia	15%	✓	✓	✓	✓	✓	5	✓	–
Slovakia	15% / 21%	No	No	✓	✓	✓	5	✓	Exit tax; Participation exemption rules; Country-by-Country (CbC) Reporting; CFC rules applicable for companies and natural persons; ATAD (incl. hybrid mismatch) rules.
Slovenia	19%	✓	No	✓	✓	✓	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.
Ukraine	18%	✓	No	✓	✓	No	Yes (no limitation period except for large taxpayers)	✓	There is a beneficial tax and legal regime Diia City for IT companies and start-ups.
Uzbekistan	15%	✓	No	✓	✓	No	No limits	✓	Transfer pricing regulation came into effect only from 2022 and 2023 is the 1st year of reporting. The VAT rate has decreased from 15% to 12% since 2023.

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