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CMS Guide to Tax Regimes in Central and Eastern Europe

2018

Content

Introduction

CMS is extremely proud of its tax expertise in Central and Eastern Europe, which is among the best in the region. This expertise is a key part of our offering in Europe and a vital step in becoming the best European provider of legal and tax services.

The CMS Guide to tax regimes in Central and Eastern Europe is one of the fruits of our close cooperation within the region. It offers a unique overview of the tax systems of 13 countries in an informative and concise format as they apply on 1 January 2018 (or later).

Each country is introduced through a "Tax at a glance" section, where we have compiled the key tax facts that you need to know. The country files deal with the primary features of the tax system in question. They are a highly convenient, simple way of getting an idea of the basics, so that you know what to ask in a discussion of your specific business situation. The primary value of the country files lies in the overview they give of the region. This makes them indispensable for exploring the trends and policies that characterise the tax systems in CEE. For instance, you will learn that it is unusual to have a general corporate income tax rate of over 20%, with the exception of Austria. This is a fact worth noting amidst the drive to reduce budget deficits, as it proves that tax competition is far from over. On the contrary, the region is increasing its efforts to attract foreign investors in order to boost its economies (please refer to the sections on tax and other incentives).

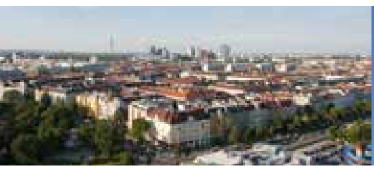
At CMS, we understand that our clients would prefer not to have to deal with each jurisdiction in the region individually. That is why our tax personnel, working in offices across CEE, support you across the region as one team. They are trained in international tax matters and can coordinate projects across jurisdictions, whether they are based in Tirana, Ljubljana or Prague. In this way we can deliver the seamless service which our clients value so highly. On the other hand, our tax personnel are local experts and professionals, who ensure that you have access to the hands-on experience and language skills you will need in the region, in order to communicate with the tax authorities effectively and quickly resolve any tax issues that may arise.

We have enjoyed putting this guide together and hope that you will find it useful.

Austria

Tax at a glance

Currency: Euro (EUR)
EU Member: Yes
OECD Member: Yes
Corporate profit tax rate: 25%
VAT rates: 20% (general rate), 13% and 10% (reduced rates)
PIT rates: progressive rates ranging from 0% to 50% (general rates) and up to 55% for income above EUR 1,000,000
Group regime: Yes
Thin capitalisation regime: No
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: Yes, proposed to apply in FY starting after 30/9/2018



Corporate profit tax

Tax rate: 25%. Even in loss position, company is subject to a minimum corporate profit tax of EUR 1,750 (which is credited CPT burden in future).

Thin capitalisation: There are no rules on thin capitalization. In course of the OECD BEPS initiative, it is assumed that rules on thin capitalization will be implemented in near future.

If a shareholder grants a loan to an Austrian company which is in financial difficulty, such loan will be regarded as equity and the shareholder is not entitled to a repayment of the loan as long as the company remains in financial difficulty.

Interest Deduction: In Austria, there is generally no limitation on the deductibility of interest.

Interest expenses incurred in connection with the acquisition of participations from a group company are not deductible. Also interest and royalty payments to related parties are not deductible if the income is not subject to tax in the recipient company or is subject to a statutory or effective tax rate below 10%.

Entertainment costs: 50% of mainly business related hospitality expenses for business partners, made for advertising purposes, are deductible. Other entertainment expenses are not deductible.

Acquisition costs of a car are deductible up to EUR 40,000, provided that the car predominantly is used for business purposes. Any acquisition surplus is not deductible.

Tax loss carried forward: Tax loss carry forward of a company subject to CPT may be offset against 75% of the profits of a given year. The remaining tax losses may be carried forward without any time limit.

Some exceptions apply (e.g. in the case of liquidations, profits which stem from the sale or the termination of (parts of the) business), allowing a company to charge tax loss carry forward available against 100% of annual taxable income.

Participation exemption: On the level of the Austrian shareholding company, dividends received from an Austrian subsidiary are tax-exempt (no minimum holding period, no minimum shareholding requirement). Capital gains resulting of the sale of the shareholding in an Austrian company are subject to 25% CPT. Dividends and capital gains received from foreign subsidiaries are tax-exempt in case certain criteria are met.

The Austrian shareholding company could opt in to treat the participation as taxable in order to achieve that deprecations are deductible.

Withholding tax: 25% WHT is generally due on payment of dividends of an Austrian subsidiary to foreign corporate shareholders, with reduction or exemption available. 20% WHT is due on royalties to non-resident companies, but can be reduced based on relevant EU Directive or agreements on avoidance of double taxation. Interest payments for loans to non-resident companies are not subject to WHT.

Transfer pricing: According to the guidelines of the Austrian fiscal administration (which are based on the OECD transfer pricing principles), all business transactions between affiliated companies must fulfil arm's length requirements. Special documentation requirements for multinational groups are laid down in the Act on Transfer Pricing Documentation.

Advance pricing agreements are available in Austria.

Group taxation: Under the Austrian group taxation regime, two or more companies (one group parent and one or more group members) can form a tax group.

A group parent could only be a company subject to unlimited tax liability in Austria or EU companies. Group members could be companies subject to unlimited tax liability in Austria, EU companies or companies from states that have entered into a comprehensive administrative assistance arrangement with Austria.

Value added tax

VAT rates: 20% (general), **13%** (accommodation in hotels and private room rental, theatre and music performances, delivery and import of living animals, plants, art objects and antiques, etc.), **10%** (food, print products, medicine, leasing of property for residential use, transport of persons, etc.).

Austrian government plans to reduce the VAT rate for accommodation in hotels and private room rental to 10%.

Threshold for mandatory VAT registration: EUR 30,000 of annual revenue

Input VAT deduction generally is available for entrepreneurs in respect of supplies of goods and services which have been effected in Austria for the purpose of its business.

VAT refund is available to taxable persons established in EU member States or in other countries under the reciprocity principle.

Personal income tax

Employment and self-employment income is taxed at the following progressive rates:

0%	up to EUR 11,000 p.a.
25%	EUR 11,000 - 18,000 p.a.
35%	EUR 18,000 - EUR 31,000 p.a.
42%	EUR 31,000 - EUR 60,000 p.a.
48%	EUR 60,000 - EUR 90,000 p.a.
50%	EUR 90,000 - EUR 1,000,000 p.a.
55%	EUR 1,000,000 p.a.

Employers are obliged to pay two special payments to the employees: one additional gross salary in June (special payment holiday) and one additional gross salary in November (special payment Christmas). Special payments are taxed at reduced income tax rates.

The personal income tax is reduced by several deductions such as commuter deduction, traffic allowance, and deduction for sole wage earner in a family with a child.

Income from capital: Dividends and interest received by an Austrian resident recipient are generally subject to a withholding tax at a special rate of 27.5%. Interest derived from bank deposits and non-bonded receivables at a financial institution are subject to a withholding tax at a special rate of 25%. Income from capital received by individual is subject to final taxation.

In case of termination of Austrian residence, exit taxation occurs if Austria loses the taxation right of the respective source of income. In this case, the value increase during Austrian residence period is taxed as capital gains.

Income from sale of real estate: profits arising out of the sale of real estate situated in Austria are taxed at a flat rate of 30%, provided that the sale is not business related.

Trade of cryptocurrencies: interest bearing cryptocurrencies are treated as income from capital and taxed at a flat rate of 27.5%, while non-interest bearing cryptocurrencies are treated as income from speculative transactions and taxed at regular progressive income tax rates. However, if the holding period of the cryptocurrencies exceeds one year, capital gains are tax exempt.

Social contributions

Austrian social contribution comprises health insurance, pension insurance, unemployment insurance, accident insurance, contribution to the family burden equalisation fund, contribution to the employee provident fund, supplementary employer contribution and municipality tax.

Employee's contribution (in 2018): payable at a rate of 18.12% from the gross salary. The maximum base amounts to EUR 5,130 per month. Special payments (additional gross salaries in June and November) are subject to social taxes at 17.12% with the maximum contribution base of EUR 10,260 p.a.

Employer's contribution (in 2018): payable at a rate of 30.51% on top of the gross salary. The maximum base amounts to EUR 5,130 per month. Special payments are subject to social taxes at 30.01% with the maximum contribution base of EUR 10,260 p.a.

EU Regulation no. 883/2004 on the coordination of social security systems or bilateral social security treaties provide exemptions from mandatory social insurance.

Real estate transfer tax (RETT)

RETT is due at a flat rate of 3.5% of the acquisition price, but the taxable base has to be at least the property value. RETT for transfers without compensation differs (depending on the property value).

Under certain conditions, RETT at a flat rate of 0.5% is triggered if shares of companies and shares of partnerships owning Austrian real estate are transferred.

Tax incentives

Tax incentives for newly established companies (and transfers of businesses): The following costs are not applicable in case of newly established companies: (i) stamp duties, (ii) RETT for real estate contributed into the company, (iii) specific labour taxes.

R&D related tax incentive premium: Companies are entitled to claim a tax premium at a rate of 14% (as of 1.1.2018) of R&D expenses for qualified in-house as well as outsourced contract R&D activities. Such tax premium is tax-exempt.

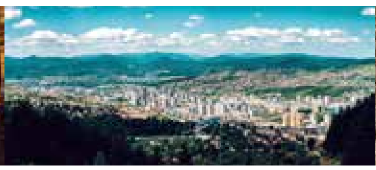
In the case of contract R&D activities, the favoured expenses are limited with EUR 1,000,000 per year. There is no limit on the premium for in-house R&D.

Bosnia and Hercegovina

Tax at a glance

Currency: Bosnian Convertible Marka (BAM)
EU Member: No
OECD Member: No
Corporate profit tax rate: 10%
VAT rate: 17%
PIT rate: 10%
Group regime: Yes
Thin capitalisation regime: Yes in FBIH, no in RS and BD
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: No
Branch remittance tax: No

*In **Bosnia and Herzegovina there are three entities: the Federation of BiH ("FBiH"), Republika Srpska ("RS") and Brčko District ("BD"),** each with separate regulations. If not indicated differently, tax effects relate to all three entities.*



Corporate profit tax

Tax rate: 10%

Thin capitalisation: In FBiH interest expenses on loans taken from related companies are not deductible if they exceed four times the registered equity. In RS and BD, there are no thin capitalization rules.

Entertainment costs: 50% tax deductible.

Tax loss carried forward: Carried forward for five years if within the same BIH entity (FBIH, RS or BD).

Participation exemption: Dividends and other profit distributions received are exempt from profit tax.

Withholding tax: On dividends 5% in FBiH and in RS, while no withholding tax in BD.

In FBIH there is 10% withholding tax on interest, royalties and certain payments to non-residents: technical service fees (for management, engineering consulting, auditing, research, etc.), insurance and reinsurance premiums, entertainment and sport events, fees for telecommunication and other services, rental payments for movable or immovable property.

WHT may be eliminated or reduced based on relevant agreement on avoidance of double taxation.

Transfer pricing: Transactions between related companies are subject to transfer pricing rules.

Advance pricing agreements: N/A

Value added tax

VAT rate: 17%

Threshold for mandatory VAT registration: BAM 50,000 (app. EUR 25,000)

VAT on **entertainment costs and car costs is** non-deductible.

VAT refund is available to taxable persons established outside BIH.

Personal income tax

The annual aggregate income as well as **employment and self-employment income** is subject to 10% tax.

In FBiH 10% final tax is payable on interest income, renting and leasing income, capital gains from the sale of immovable property and property rights and income derived from lotteries and games of chance.

In RS and BD 10% final tax is due on dividend income, capital and income from royalties.

Social contributions

In FBiH social security contributions are payable by both employers and employees. Employee's contributions: pension insurance 17%, health insurance 12.5%, unemployment insurance 1.5%. Employer's contributions: pension insurance 6%, health insurance 4%, unemployment insurance 0.5%.

Self-employed pay 23% pension insurance, 16.5% health insurance and 2% unemployment insurance.

In RS social contributions are payable only by employees: pension insurance 18.5%, health insurance 12%, unemployment insurance 0.8%, child care: 1.7%.

In BD social contributions are payable by the self-employed: pension insurance 18.5%, health insurance 12%, unemployment insurance 1.5%.

Bilateral social security treaties provide exemptions from mandatory social insurance.

Real estate transfer tax (RETT)

Only FBIH introduced RETT (regulated by cantonal laws) at maximum rate of 5%.

Tax incentives

In FBiH, taxpayers who invest their own resources (funds) in machinery and equipment used for production activities, in an amount equal to at least 50% of the current tax period's total profits, may deduct 30% from their profit tax liability in the year of investment. In addition, a taxpayer who employs new employees for a period of at least 12 months may deduct from his taxable income an amount equal to double the gross salaries paid to these new employees. These new employees must not be simply transferred from related entity, or have been employed in related entity in the previous five years.

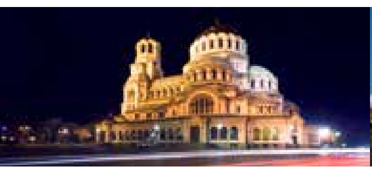
In RS, taxpayers who invest in manufacturing equipment, plants and real estate in an amount exceeding 50% of their tax base in the current tax period are entitled to reduce their tax liability by 30%.

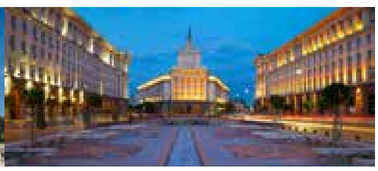
In BD, taxpayers who invest in machinery and equipment used for production activities may deduct the full amount of the investment from their taxable income. For investments in other registered activities, the tax base can be reduced by up to 50%. In addition, taxpayers who during the tax year employ new personnel on a permanent basis may reduce the tax base for the amount of gross salaries of the employed personnel, under a condition that other employment incentives are not used.

Bulgaria

Tax at a glance

Currency: The Bulgarian Lev (BGN)
EU Member: Yes
OECD Member: No
Corporate profit tax rate: 10%
VAT rates: 20%, 9%
PIT rates: 10%
Group regime: No
Thin capitalisation regime: Yes
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: No
Branch remittance tax: No





Corporate profit tax

Tax rate: 10% (flat rate)

Corporate profit tax does not apply to the collective investment schemes, national investment funds, corporations with special investment purpose and gambling organizers.

In lieu of corporate tax: tax on gambling, tax on the revenue of budget enterprises (3% and 2% for municipal enterprises) and tax on the activity of operating ships (10%).

One-off tax on certain expenses: 10% (flat rate) on certain representative expenses, social expenses provided in-kind to employees, etc.

Participation exemption: Dividend income deriving from local or EU/EEA based companies are tax exempt (anti avoidance rules may apply).

Withholding tax: 5% WHT is due on payment of dividends and liquidation quota to local and foreign legal entities.

Royalties, interest, technical services are subject to 10% withholding tax. Exemptions may apply for EU/EEA entities with respect to interest and royalties. Exemptions and relief available under applicable DTTs.

Transfer pricing: Transactions between related parties are subject to special tax regulations. Bulgarian legislation in this area is very similar to the generally accepted standards applied in the European Union. No transfer pricing documentation is mandatory, but such may be requested during a tax audit.

Thin capitalisation: Thin capitalisation rules apply in domestic and cross border transactions where the debt to equity ratio of the company exceeds 3:1. Restricted interest costs under the thin capitalisation rules may be carried forward for five years.

Tax loss carried forward: Tax losses may be carried forward for five years.

Advance pricing agreements are not available.

Value added tax

VAT rates: 20% (general), **9%** (hotels and similar to hotels accommodation, including provision of vacation accommodation and rental of camping sites or caravans).

Threshold for mandatory VAT registration: BGN 50,000 (app. EUR 25,565)

VAT refund is available to taxable persons established in EU Member States or in other countries under the reciprocity principle.

Personal income tax

Taxable income includes income deriving from employment, business activity as freelancer or other business activity, rent, capital gains, etc.

Tax incentives and reliefs are available on personal contributions for voluntary insurance or retirement pension insurance, donations, for young families, for children and disabled individuals, in cases of electronic payments, etc.

Deductions and allowances are available depending on the type of income, e.g. freelancers, farmers, agricultural products producers, etc.

The general personal income tax rate is 10% (8% on income from interest under bank accounts). The tax rate on personal income of a sole proprietor is 15%. Life insurance premiums are subject to a reduced 7% tax where the insurance policy covered 15 or more years.

Withholding tax: Dividend income and liquidation quota distributed to individuals are subject to 5% withholding tax. Tax at 10% rate applies to non-resident individuals on Bulgarian source income deriving from interest, royalties, rent and lease, capital gains on disposal of shares and property, management services.

Other taxes: Inheritance tax and donation / gift tax is levied at a rate of 0.4% to 6.6% depending on municipality and relation of the beneficiary with the deceased / donor.

Social contributions

Social security contributions (including social security i.e. pension insurance and health insurance) are payable at rates between 32.7% and 33.4%. Contributions are split between employer and employee in the following ratio: employer 18.92% - 19.62% and employee at 13.78%.

The aggregate rate of pension insurance contribution is 24.7% - 25.4% (split between employer and employee in the following ratio: employer 14.12% - 14.82% and employee at 10.58%).

The aggregate rate of health insurance contribution is 8%, of which 4.8% is payable by the employer and 3.2% is payable by the employee.

The social security contribution base is the total income, capped at BGN 2,600 (app. EUR 1330) per month; however, minimum thresholds per position and industry sector also apply.

EU Regulation no. 883/2004 on the coordination of social security systems or bilateral social security treaties provide exemptions from mandatory social insurance.

Real estate transfer tax (RETT)

RETT is paid at rate ranging between 0.1% – 3%, determined by the municipality where the property is located. Exemptions are available in certain cases depending on holding periods and types of property.

Real estate property tax is levied on the owner of property at a rate ranging between 0.01% and 0.45% of the tax value of the real estate.

Tax incentives

Full tax exemption from CPT is applicable to **collective investment schemes and national investment funds** licensed real estate investment trusts.

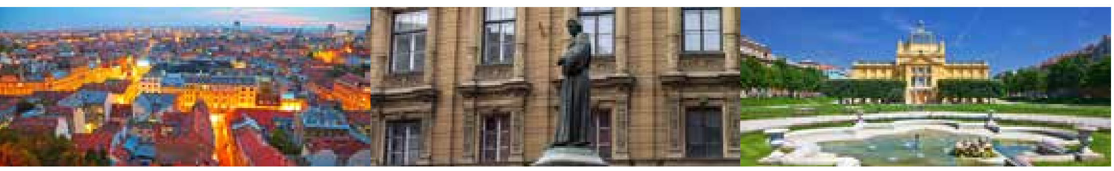
Production companies investing/implementing an initial investment project, solely in municipalities with unemployment equal to or exceeding, by 25%, the average unemployment rate for Bulgaria are entitled to up to 100% CPT retention. This incentive is only applicable upon fulfilment of a number of conditions.

Additional exemptions/allowances are available **for employment** of unemployed persons or people with disabilities, for granting scholarships, certain donations, food vouchers, transportation of workers.

Croatia

Tax at a glance

Currency: The Croatian Kuna (HRK)
EU Member: Yes
OECD Member: No
Corporate profit tax rate: 18%, 12%
VAT rates: 25%, 13% and 5%
PIT rates: 24%, 36%
Group regime: No
Thin capitalisation regime: Yes
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: No, but announced from 1/1/2019
Branch remittance tax: No



Corporate profit tax

Tax rate: 18% (general rate); 12% (reduced rate)

12% CPT rate applies for companies with revenues up to HRK 3 million annually (app. EUR 400,000).

Thin capitalisation: Tax non-deductible is interest on the part of the shareholder's loan exceeding four times his share in the taxpayer's capital or voting rights. The rule applies to loans of shareholders holding at least 25% shares, capital or voting rights of the taxpayer and loans of taxpayer's related parties. Certain exceptions to the rule are available.

Entertainment and car costs: 50% is tax deductible.

Tax loss carried forward: Tax losses may be carried forward for five years. Subject to certain conditions, tax losses are transferable to legal successor in business combinations.

Participation exemption: Dividends received are not taxable, if received from a domestic or foreign company (Ltd, Joint stock co or similar company form) that is corporate profit tax payer and if they are not tax deductible cost of paying company.

Withholding tax: 12% WHT is due on payment of dividends and 15% WHT on interest, royalties, payments in respect of other intellectual property rights and service fees paid to a non-resident abroad, who is not a natural person. WHT may be eliminated or reduced based on relevant EU Directives or agreements on avoidance of double taxation.

Payments for other services to persons seated or with the place of management in blacklisted countries (by the Ministry of Finance) are subject to 20% WHT.

Transfer pricing: Transactions between related resident and non-resident company are subject to transfer pricing rules. The rules apply also to transaction between related resident companies, if one of them has beneficial tax status or available tax losses.

Minister of Finance regularly publishes market interest on related party loans, but interest determined by applicable transfer pricing method will also be accepted, if such method is used in all contracts.

Advance pricing agreements are available in Croatia.

Value added tax

VAT rates: 25% (general), **13%** (hotels' accommodation, supply of electricity, waste collection, periodical newspapers and magazines, non-bottled water, etc.), **5%** (bread, milk, medicines, books in paper form, daily newspapers etc.).

Threshold for mandatory VAT registration: HRK 300,000 (app. EUR 40,000)

VAT on **entertainment costs is** non-deductible, VAT on **car costs** is 50% deductible.

VAT refund is available to taxable persons established in EU Member States or in other countries under the reciprocity principle.

VAT option is available for VAT exempt supplies of buildings and land.

Reduced 13% VAT rate applies on hotels' accommodation with or without food and beverages (bed & breakfast, half board and full board accommodation). Regular 25% VAT applies on consumption of food and beverages in hotels, if provided without accommodation service.

VAT liability at import of machinery and equipment exceeding the value of HRK 1 million (app. EUR 133,000) may be settled without cash outflow, by declaring VAT liability and input VAT deduction in the same VAT return.

Personal income tax

Employment and self-employment: taxed at 24% (up to HRK 17,500 monthly, app. EUR 2,300) and 36% (exceeding HRK 17,500 monthly) with **monthly personal allowance** of HRK 3,800 (app. EUR 500).

Other income: taxed at 24% (up to HRK 12,500, app. EUR 1,700 annually) and 36% on the exceeding amount.

Income from capital: dividends, interest, capital gains are taxed at 12%. Share schemes are taxed at 24% unless applied to employees. If provided to employees, income is taxed as employment sourced.

Income from property: lease of property is taxed at 12% and property rights at 24%.

City tax: levied by municipalities and cities at the rates up to 18 % in addition to and based on the PIT.

If provided to employees, share schemes are taxed as employment income at 24% and 36%. Otherwise, share schemes are taxed at flat rate of 24%.

Cryptocurrencies are currently viewed equivalent to money market instruments. Capital gains derived from the **trade of cryptocurrencies** are taxed at 12%.

Social contributions

Pension insurance of 20% (15% Pillar I + 5% Pillar II) is payable by the employee from the gross salary. For certain types of income, the contribution is capped by maximum base, which is published annually following the movement in gross average salary.

Health insurance of 15%, **occupational health and safety insurance** of 0.5% and **insurance for unemployment** of 1.7% are paid by employer on top of gross salary.

Social contributions are partly paid by the employer and partly by the employee.

Maximum monthly base for social contributions in 2018 is set at HRK 48,120 (app. EUR 6,400). Directors and board members employed with the company are required to pay social contributions on a minimum base of HRK 5,213 (app. EUR 690) for 2018.

EU Regulation no. 883/2004 on the coordination of social security systems or bilateral social security treaties provide exemptions from mandatory social insurance.

Real estate transfer tax (RETT)

RETT is paid at 4%. Exemption is available if real estate is contributed into the capital of the company.

Tax incentives

Investment of at least TEUR 50 and 3 new jobs created entitles **micro-enterprises** to 50% decrease of corporate profit tax rate for up to 5 years.

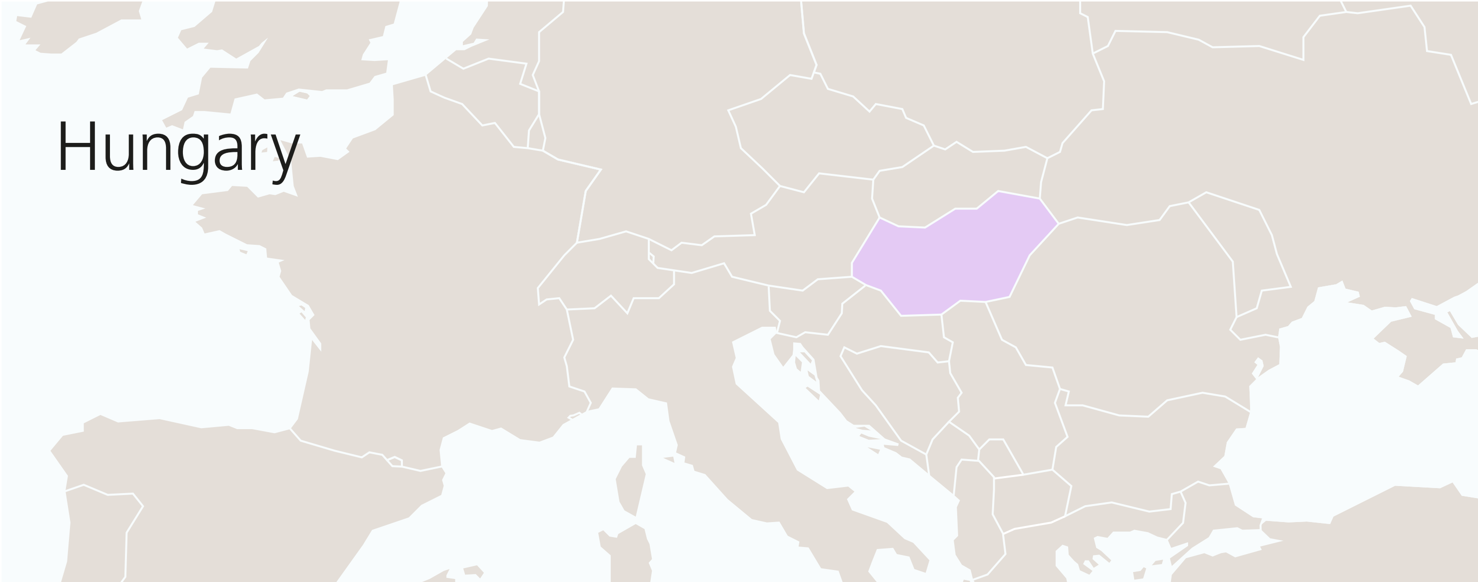
Small, medium and large enterprises may use 50%, 75% or 100% decrease of corporate profit tax rate for up to 10 years for:
— investment up to MEUR 1 and 5 new jobs created,
— investment of MEUR 1 to MEUR 3 and 10 new jobs created,
— investment of more than MEUR 3 and 15 new jobs created respectively.

Corporate profit tax base can be additionally decreased for up to 80% of **education and training costs**.

Additional tax incentives for R&D projects are announced for 2018.

Special incentives relating to non-taxation of accommodation and meals provided to **seasonal workers** are available to taxpayers in hotel & leisure industry.

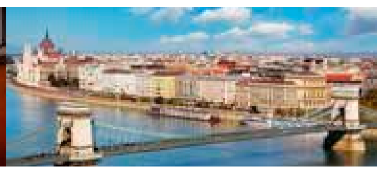
Hungary



Tax at a glance

Currency: The Hungarian Forint (HUF)
EU Member: Yes
OECD Member: Yes
Corporate profit tax rate: 9%
VAT rates: 27%, 18% and 5%
PIT rate: 15%
Group regime: No tax grouping for CIT purposes.
Thin capitalisation regime: Yes
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: Yes
Branch remittance tax: No





Corporate profit tax

Tax rate: 9% (general rate)

Thin capitalisation: If debt/equity ratio exceeds 3:1, the interest charged on the excess debt amount will not be deductible for CPT purposes.

Tax loss carried forward: Tax losses may be carried forward for five years, but the period of carrying forward losses also depends on when the losses were generated. Tax losses can only be used up to the 50% of the current year's tax base. Subject to certain conditions, tax losses are transferable to legal successor in business combinations.

Participation exemption: No capital gains tax regime, as capital gains and losses are included in the CPT base. Gains realised on the sale of participation (of any threshold) after a 1 year holding period is exempt from CPT provided that the acquisition of the participation was declared to the tax authority within 75 days.

Withholding tax: No withholding tax applies on interest, royalties nor dividends paid to entities.

Transfer pricing: Transfer pricing legislation relies on the arm's length principle approach and follows the OECD Transfer Pricing Guidelines. Transfer pricing rules apply to all related-party transactions, including those between domestic corporations.

Advance pricing agreements: Available.

Value added tax

VAT rates: 27% (general), **18%** (a few socially sensitive food items and dairy products, hotel services, festival entrance fees, etc.), **5%** (books, daily and other newspapers, central heating, live entertainment services, medicines and medical related goods, meat and certain types of milk, etc.).

Threshold for mandatory VAT registration: registration is mandatory, but small businesses having a sales revenue of less than HUF 8 million (app. EUR 25,400) can apply for VAT exemption and issue their invoices without VAT.

VAT is non-deductible e.g. on the sale of cars and motor vehicles; sale of fuels; sale of food and beverages; restaurant services; entertainment services; taxi services; sale of residential properties; construction or refurbishment of residential properties; parking and road fees.

VAT refund is available to taxable persons established in EU Member States or in other countries under the reciprocity principle.

VAT option is available for the leasing and rental of property, the sale of land (except for building plots) and buildings if the occupancy permit has been issued for more than two years before the sale.

A temporary 5% preferential VAT is due on the sale of new or under construction residential property units or single-family buildings. Preferential rate also applies if less than 2 years passed from the date of their occupancy permit at the time of the sale. Temporary period for the preferential VAT rate expires after 31 December 2019.

Personal income tax

Personal income tax is levied at a flat rate of **15%**.

Social contributions

Social security contribution: 18.5% of an employee's gross salary paid by the employee (pension - 10%, health insurance: 7% and unemployment: 1.5%).

Social contribution tax: 19.5 % on the top of the employee's gross salary paid by the employer.

Vocational training contribution: 1.5 % on the top of the employee's gross salary paid by the employer.

EU Regulation no. 883/2004 on the coordination of social security systems or bilateral social security treaties provide exemptions from mandatory social insurance.

Other taxes and tax incentives

Local business tax
The applicable rate of the local business tax is set by local municipalities; however, it cannot exceed **2%**. Tax base is the net sales revenues as decreased by certain items.

Innovation contribution

Rate: **0.3%**. The tax base is the net sales revenues as decreased by certain items.

Real estate transfer tax (RETT)

The transfer of a real estate is subject to RETT payable by the purchaser at the rate of 4% up to a market value of HUF 1 billion (app. EUR 3.22 million) and 2% on the exceeding part of the purchase price. The overall tax liability is capped at HUF 200 million (app. EUR 645 000) per property.

The acquisition of the shares of a company predominantly owning real estate located in Hungary is subject to transfer tax, similarly to the transfer of real estate.

Property and land tax
Local municipalities may levy building tax with a maximum tax rate of HUF 1,854/m2 (app. EUR 6/m2) and land tax with a maximum tax rate of HUF 337/m2 (app. EUR 1/m2).

Special sectoral taxes apply to certain business activities e.g. banking, insurance, energy suppliers, telecoms, etc. Further taxes such as motor vehicle tax, company car tax, tourism tax, environmental product levy, energy tax, etc. also exist.

Tax incentives

Development tax allowance
Companies effecting significant investments (above HUF 1 or 3 billion, app. EUR 3 or 9 million) may benefit from **a tax allowance up to 80% of their CPT liability for a period of 13 years.** Lower thresholds apply for SMEs (minimum investment HUF 500 million, app. EUR 1.6 million), for investments in “free entrepreneurial zones” and in certain favoured sectors (minimum investment HUF 100 million, app. EUR 322,000).

Reit

Formation of REITs for holding real estate investments is possible and it is entitled for full exemption from corporate profit tax.

Benefits for R&D activities
50% of the profit from industry-related royalties (including software license fees) **is exempt** from CPT.

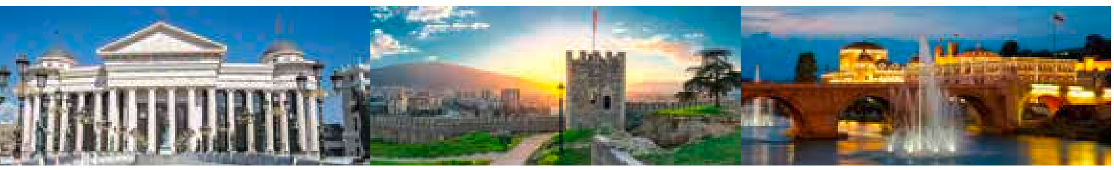
Tax exemption of capital gains on sale of IPs after a one-year holding period if acquisitions of the IP was declared to the tax authority within 60 days.

Development reserve
Hungarian corporate tax system supports investments into tangible assets also in the form of an accelerated depreciation up to HUF 500 million (EUR 1.6 million).

Macedonia

Tax at a glance

Currency: The Macedonian denar (MKD)
EU Member: No
OECD Member: No
Corporate profit tax rate: 10%
VAT rates: 18%, 5%
PIT rate: 10%
Group regime: N/A
Thin capitalisation regime: Yes
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: No
Branch remittance tax: No



Corporate profit tax

Tax rate: 10%

Thin capitalisation: If debt/equity ratio exceeds 3:1, the interest charged on the excess debt amount will not be deductible for CPT purposes. The rule applies to loans of non-resident shareholders participating in the company's capital with at least 25%. Third parties' loans that are guaranteed by the shareholder are also subject to the thin cap rule. Thin cap rule does not apply to the newly incorporated entities in the first three years of operation, including the year of incorporation.

Tax-deductible expenses: Expenses related to the business activity of the entity, paid voluntary contributions up to 4 average monthly gross salaries; costs for donations up to 5% and sponsorships up to 3% of the total turnover in a financial year; etc.

Tax loss carried forward: Tax losses may be carried forward for three years.

Participation exemption: Dividends are exempt if they are received from a resident company, under the condition that the CPT for such dividend is paid.

Withholding tax: 10% WHT is due on dividend income, interest, royalty (including payments by Macedonian permanent business unit of a non-resident); entertainment or sports activities; management, consulting, financial services, research and development services; insurance premiums in relation to insurance or reinsurance against risks; telecommunication services and lease of immovable assets in Macedonia.
WHT may be eliminated or reduced based on agreements on avoidance of double taxation.

Transfer pricing: All transactions or creation of liabilities between related companies are subject to transfer pricing rules. Arm's length principle applies.

Advance pricing agreements are not available in Macedonia.

Simplified tax regime for trade companies classified as small or micro traders and legal entities residents of Macedonia that keep accounting pursuant to the Law on Trade Companies may apply. Such companies will be exempt from the obligation of payment of CPT, in the event the total turnover does not exceed 3,000,000 MKD (app. EUR 49,000), and will pay annual tax at the rate of 1% on total turnover if the total income is in the amount between 3,000,0001 to 6,000,000 MKD (app. between EUR 49,000 to 98,000).

Value added tax

VAT rates: 18% (general), **5%** (preferential, applicable to products for human consumption; drinking water of the public systems; supply and discharge of urban waste waters and water for irrigation of agricultural land; publications; seeds and planting material, etc.).

Threshold for mandatory VAT registration: MKD 1,000,000 (app. EUR 16,240)

VAT refund is available under the reciprocity principle.

Transfer of housing premises and housing buildings is VAT exempt (as long as they are used for housing purposes), except for the first transfer made within 5 years as of the construction.

The Reverse Charge Mechanism: A VAT taxpayer, recipient of goods or services, is obliged to calculate, pay and report VAT obligation if the supply is performed by a taxpayer with no registered seat or subsidiary in Macedonia. Reverse charge applies also to construction industry, waste management industry and in enforcement procedures.

Personal income tax

Personal earnings, income from sole proprietorship, income from sale of own agricultural products, income from property and property rights, income from copyrights and industrial property rights, capital income, capital gains, gains from games of chance and other incomes is taxed at **10%.**

Social contributions

Pension and disability insurance: 18%.

Disability contribution and physical impairment caused by injury at work: 4%

Health insurance: 7.3%

Unemployment insurance: 1.2%.

Maximum monthly base for mandatory social contributions is the amount of 16 average salaries, for self-employees the amount of 12 average salaries and for user of a remuneration during temporary unemployment 80% of the average salary.

Exemptions from mandatory social insurance may be applicable for non-residents employed in foreign legal entities, international organizations and institutions or foreign diplomatic and consular missions based on bilateral social security treaties.

Real estate transfer tax (RETT)

RETT at 2 - 4% applies to transfer of real estate, determined by the municipality council.
Exemption is available if real estate is contributed into company's share capital.

Tax incentives

Ten-year CPT and PIT exemption is available for companies who invest in technological industrial development zones. These companies are **also exempt from VAT** for goods, equipment and materials (excluding the supply intended for end consumption). In addition, customs exemptions are provided for purchase of equipment, machines and spare parts.

CPT is not paid for the amount of profit from previous years reinvested for development purposes, including investment in material assets (immovable assets or equipment) and non-material assets (computer software and patents).

Employment incentives: Employer who will engage employees for an unlimited duration will be exempted from personal income tax in duration of 3 years for these employees, under the condition that the person was previously registered as an unemployed person in the Employment Agency for period of at least 1 year.

Montenegro

Tax at a glance

Currency: The Euro (EUR)
EU Member: No
OECD Member: No
Corporate profit tax rate: 9%
VAT rates: 21%, 7%, 0%
PIT rates: 9%, 11%
Group regime: Domestic only
Thin capitalisation regime: No
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: No
Branch remittance tax: No



Corporate profit tax

Tax rate: 9%

Advertising and promotion expenses: Deductible up to 1% of the company's total income.

Tax loss carried forward: Tax losses may be carried forward for five years.

Participation exemption: Dividends are exempt if received from a company subject to Montenegrin Corporate Profit Tax Law.

Withholding tax: 9% WHT is due on dividends, interest, royalties, capital gains, rent from lease of movable assets and real estate, service fees for market research, consulting and auditing services, fees for purchase of used, unfinished and agricultural products, paid to non-resident companies. WHT may be eliminated or reduced based on agreements on avoidance of double taxation.

Transfer pricing: All transactions or creation of liabilities between related companies are subject to transfer pricing rules.

Advance pricing agreements are not available in Montenegro.

Value added tax

VAT rates: 21% (general), 7% (basic foods, certain medicines, hotels', non-bottled water, books and newspapers, etc.) and 0% (exported goods, goods supplied to free zones, certain medicines, etc.).

Threshold for mandatory VAT registration: EUR 18,000.

VAT on **entertainment and car costs** is non-deductible.

VAT refund is available.

The Reverse Charge Mechanism: A taxable person is required to apply reverse charge on goods and services supplied by a foreign entity who has not appointed a tax representative in Montenegro.

Personal income tax

Income from capital, capital gains, property, copyright and industrial property rights, employment and self-employment is taxed at 9%.

The portion of the employment income exceeding average monthly gross salary in Montenegro for the previous year (EUR 765 in 2017) is taxed at 11%.

City tax: Municipalities may impose an additional surtax on tax paid on income from employment, self-employment, capital, property and property rights. The rate depends on the municipality and ranges from 10% to 15%.

Social contributions

Pension insurance: 5.5% paid by the employer; 15% paid by the employee; 20.5% paid in case of self-employment.

Health insurance: 4.3% paid by the employer; 8.5% paid by the employee; 12.8% paid in case of self-employment.

Unemployment insurance: 0.5% paid by the employer and the employee; 1% paid in case of self-employment. The employers are required to additionally pay 0.2% for contribution to the Work fund.

Maximum annual contributions for pension and disability insurance are capped at EUR 52,308.

Bilateral social security treaties provide exemptions from mandatory social insurance.

Other taxes and incentives

Real Estate Transfer Tax: transfer of real estate is taxed at 3%. Exemption is available if real estate is contributed into company's share capital.

Special tax on coffee: coffee imported or manufactured in Montenegro is taxed EUR 0.8 - 2.5 per kilogram.

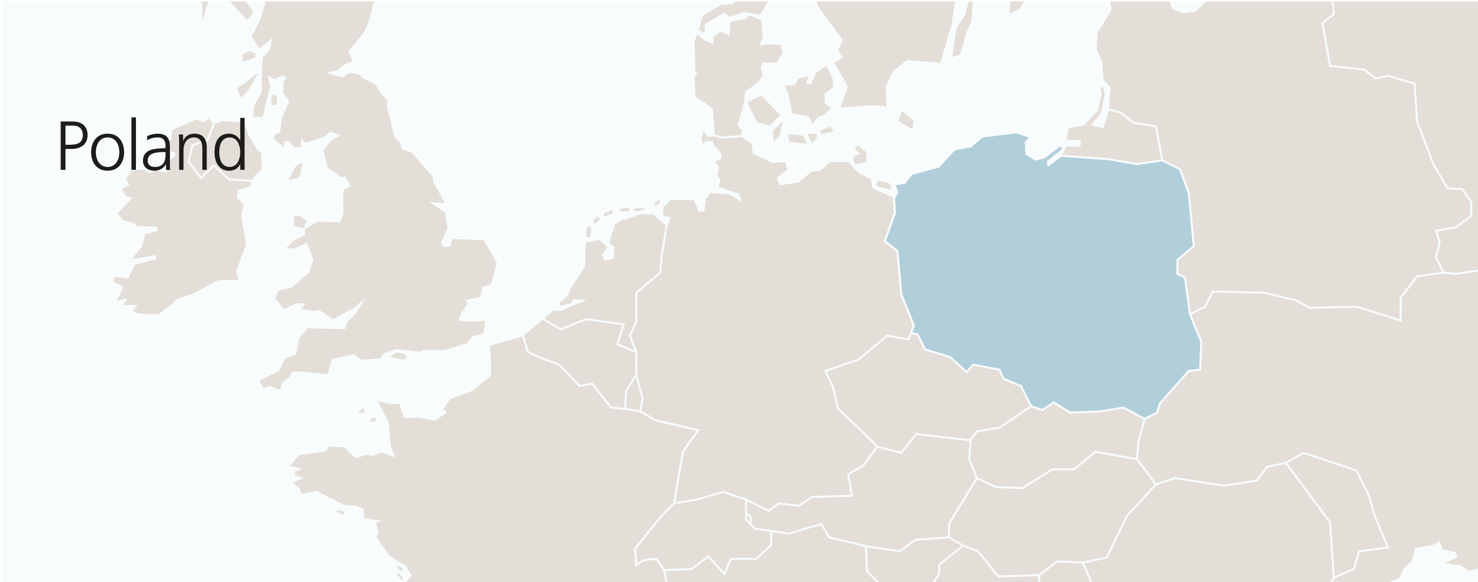
Tax incentives

Eight-year corporate profit tax exemption (capped at EUR 200,000) is available for certain types of start-up companies incorporated in underdeveloped municipalities.

Corporate profit tax reduction: Companies may request a 6% reduction of the paid corporate profit tax, if the tax was duly paid.

Employment incentives: Companies hiring certain types of employees (elderly, unemployed, Roma, etc.) may be exempt from payment of personal income tax and mandatory social security contributions born by the employer in the period of 12 months.

Start-up companies incorporated in underdeveloped municipalities who hire new employees for five-year period or indefinitely are exempt from payment of personal income tax for four years.



Poland

Tax at a glance

Currency: The Polish Złoty (PLN)
EU Member: Yes
OECD Member: Yes
Corporate profit tax rates: 19%, 15%
VAT rates: 23%, 8%, 5% and 0%
PIT rates: 18%, 19%, 32%
Group regime: Yes
Thin capitalisation regime: Yes
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: Yes
Branch remittance tax: No



Corporate profit tax

Tax rate: 19% (general rate) 15% (reduced rate)

15% CPT rate applies for companies with income up to EUR 1,200,000 annually and companies starting their business activity - for the tax year in which they started their activity

Thin capitalization: The excess of debt financing costs up to PLN 3,000,000 annually are not subject to thin capitalization regulations. The excess of debt financing costs above PLN 3,000,000 (app. EUR 700,000) annually is tax deductible only up to the amount equivalent to 30% of the EBITDA ratio. The excess of debt financing costs itself is the amount by which debt-financing costs (all costs related to obtaining funds) exceed the interest income.

Entertainment and car costs: entertainment costs are not tax deductible; cars costs are deductible up to EUR 20,000.

Tax loss carried forward: The tax loss is deductible from income within 5 consecutive tax years. The amount of income reduction in any of these five years may not exceed 50% of the loss incurred. The tax loss cannot be settled by a legal successor.

Participation exemption: As a rule, dividends are subject to 19% CPT rate. Dividend income deriving from local or EU/EEA based companies are tax exempt provided that company receiving the dividend holds minimum 10% of shares for at least 2 years in the company paying the dividend.

Withholding tax: WHT is payable on income from **participation in profits of legal persons** in Poland, **interest, royalties** and **remuneration for intangible services**.

The WHT rate on **dividends** is **19%** and **20%** on **interest** and **royalties**. WHT rate on other services is **10%** or **20%** depending on their type. In addition, double tax treaties may provide different rates for a given service.

Transfer pricing: Transactions between related companies are subject to transfer pricing regulations. The obligation to prepare a transfer pricing documentation applies to entities whose revenues or costs exceeded EUR 2,000,000 in the previous tax year.

Advance pricing agreements are available in Poland.

Value added tax

VAT rates: 23% (general), **8%** (certain food items, medical products, hospitality services and accommodation), **5%** (certain food items, such as bread, dairy products, meats, books, newspapers), **0%** (export, intra-Community supply).

Threshold for mandatory VAT registration: PLN 200,000 (app. EUR 47,600)

VAT on **entertainment costs** is non-deductible, VAT on **car costs** (purchases of passenger cars, as well as goods and services connected with use of it) is 50% deductible.

VAT refund is available to taxable persons established in EU Member States or in other countries under the reciprocity principle.

VAT option is available for VAT exempt supplies of buildings and land.

The reduced 8% rate (related to accommodation services) applies only to accommodation services (possibly accommodation with breakfast). Other services, even if they were sold in a package with accommodation, should be taxed separately and not as components of one comprehensive service.

Personal income tax

Employment, business activity and self-employment and other income: taxed at **18%** (up to PLN 85,528 annually, app. EUR 20,300) and **32%** (exceeding PLN 85,528 annually).

Income of natural persons conducting business activity, at their request, may be taxed with the 19% flat-rate tax.

Income from capital: dividends, interest, capital gains are taxed at 19%. Share schemes are taxed at flat rate of **19%** unless provided to employees. If provided to employees, income is taxed as employment income at 18% and 32%.

Income from property: as a rule lease of property is taxed at **18%** (up to PLN 85,528 annually) and **32%** (exceeding PLN 85,528 annually) or at **19%** (if conducted as business activity), however, private lease of property may be taxed at **8,5%** (up to PLN 100,000 annually) and **12,5%** (exceeding PLN 100,000 annually) at the taxpayer's request. Sale of property is as a rule taxed at **19%**, however if certain conditions are met, income from sale of property is tax exempt.

Cryptocurrencies are currently viewed nonequivalent to money market instruments. Capital gains derived from the **trade of cryptocurrencies** are taxed at 18% (up to PLN 85,528 annually, app. EUR 20,300) and 32% (exceeding PLN 85,528 annually).

Social contributions

Retirement insurance of 19.52% and **Disability pensions insurance** of 8% is payable half by the employee from the gross salary and half by the employer on top of gross salary.

Health insurance of 9%, **and Illness insurance** of 2.45% are payable by employee from the gross salary.

Accident insurance of 0.67-3.33%, **Bridging Pension Fund** of 1.5%, **Labour Fund** of 2.45% and **Employment Benefit Fund** of 0.1% are payable by the employer on top of gross salary.

Social contributions are partly paid by the employer and partly by the employee.

Maximum annually base for social contributions in 2018 is set at PLN 133,290 (app. EUR 31,700).

EU Regulation no. 883/2004 on the coordination of social security systems or bilateral social security treaties provide exemptions from mandatory social insurance.

Real estate transfer tax (RETT)

The rates of RETT are determined by the council of each municipality and applies only within their jurisdiction. RETT rates are expressed as a fixed amount per square meter of real estate.

Several RETT exemptions are available (e.g. farmlands, public roads, railways, ports, airports). Additional exemptions may be introduced by resolutions of municipalities.

Excise duty

Excise duty is payable by producers, importers and traders effecting intra-Community acquisitions of excise goods (energy products and electricity, alcohol and alcoholic beverages, manufactured tobacco) and passenger cars. Rates are expressed depending on the type of goods.

Tax incentives

Government grants for new investments: up to 10% eligible costs (depending on investments' expenditures) and up to PLN 15,600 (app. EUR 3,600) per job place created.

Special Economic Zones (SEZ) CPT exceptions are given to entrepreneurs investing in Poland, that meet certain conditions. The amount of CPT exceptions varies from 10% to 50% of investments' eligible costs, depending on the investment location.

R&D CPT exception are given to entrepreneurs investing in research and development activities, that meet certain conditions. The amount of CPT exceptions may be up to 100% of investments' eligible costs, depending on the investments' expenditures.

Romania

Tax at a glance

Currency: Romanian Leu (RON)
EU Member: Yes
OECD Member: No
Corporate profit tax rate: 16%
VAT rates: 19%, 9% and 5%
PIT rate: 10%
Group regime: No
Thin capitalisation regime: Yes
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: Yes (starting 2018)
Branch remittance tax: No



Corporate profit tax

Tax rate: 16%

Thin capitalisation: As of 1 January 2018, new rules apply for the deductibility of interest expenses. The excess borrowing costs (i.e. the difference between borrowing costs and interest income) higher than the deductible threshold of EUR 200,000 will be deductible up to 10% of the company's adjusted tax profits. This is calculated starting with the difference between accounting recorded income and expenses, decreased by the non-taxable income and to which corporate profit tax expense, exceeding borrowing costs and tax depreciation are added back.

Car costs: 50% is tax deductible.

Entertainment costs: 2% of the adjusted accounting profit (i.e. accounting profit to which the corporate profit tax and entertainment expenses are added up).

Tax loss carried forward: Tax losses may be carried forward for seven years. Subject to certain conditions, tax losses are transferable to legal successor in business combinations. The carry back of losses is not permitted.

Participation exemption: Dividends received are not taxable, if received from a domestic company or from a foreign entity resident in a country that has a tax treaty concluded with Romania and the Romanian recipient company holds at least 10% of the distributing company's shares for an uninterrupted period of one year.

Capital gains from the sale/transfer of shares held in a Romanian or foreign company tax resident in a country that has a tax treaty concluded with Romania are exempt if the recipient company holds at least 10% of the share capital of the entity whose shares are sold/transferred for an uninterrupted period of one year.

Withholding tax: Payments made to non-residents in relation to interest, royalties, commissions, services, etc. are subject to 16% withholding tax rate. Payments of dividends made to non-residents are subject to 5% withholding tax rate.

Payments made in a bank account in a jurisdiction that has not concluded an agreement with Romania for the exchange of information and the respective transaction qualifies as artificial are subject to 50% withholding tax.

The withholding tax may be reduced under the applicable agreement on avoidance of double taxation or relevant EU Directives.

Transfer pricing: Transactions between related parties are subject to transfer pricing rules. The rules apply also to transactions between related resident companies.

Transfer pricing documentation requirements exist and depend on categories of taxpayers, materiality thresholds and types of transactions. The content of the transfer pricing file is detailed in the Romanian legislation and is broadly in line with the Code of Conduct on Transfer Pricing Documentation for Associated Enterprises in the European Union

Advance pricing agreements are available in Romania.

Value added tax

VAT rates: 19% (general), **9%** (medicines, accommodation in hotels or in areas with a similar function, food, restaurants and catering services, drinking water and water used for irrigation in agriculture, fertilizers, pesticides and seeds used in agriculture), **5%** (books, newspapers and periodicals, admission to museums, castles, historical monuments, fairs and exhibitions, cinema tickets, delivery of housing that fulfil certain conditions including usable area of maximum 120 sq. m. and maximum value of RON 450,000, etc.)

Threshold for mandatory VAT registration: RON 220,000 (app. EUR 47,000). The threshold will be increased to RON 300,000 (app. EUR 65,000) based on a draft law expected to be published soon.

VAT on car costs is 50% deductible.

VAT refund is available to taxable persons established in EU Member States or in other countries under the reciprocity principle.

The reverse-charge mechanism applies to the supply of buildings, parts of buildings and plots of land which are subject to VAT.

Import VAT deferment (declaring the VAT as both input and output VAT in the VAT return) is available under certain conditions (e.g., imports higher than RON 100 million in the last 12 months, companies having the status of Approved Economic Operators).

Personal income tax

Employment and self-employment, other income and income from capital and property: taxed at a flat rate of 10%.

Income from dividends: taxed at 5%

Income tax exemption applies for employees who develop IT products as well as work in applied R&D or technology development.

Social contributions

Pension insurance of 25% of gross salary (payable by employee, uncapped). Pension insurance for special working conditions – 4% or 8% of gross salary depending on working conditions (payable by employer).

Health insurance of 10% of gross salary (payable by employee, uncapped).

Work assurance contribution of 2.25% of gross salary (payable by employer).

Pension insurance on **income from self-employment activities** is paid on a chosen income, which cannot be lower than the minimum gross salary. Health insurance on income from independent activities is paid based on the minimum gross salary. The minimum gross salary for 2018 is set at RON 1,900 (app. EUR 400).

EU Regulation no. 883/2004 on the coordination of social security systems or bilateral social security treaties provide exemptions from mandatory social insurance.

Real estate transfer tax (RETT)

Transfer of real estate in Romania is subject to notary and Land Book fees, at the amount of app. 1% of the real estate transfer price. Fees are typically payable by the buyer.

Building tax is levied on the owner of property. The rate is between 0.08% and 0.2% of the property taxable value for residential buildings and 0.2% and 1.3% of the property taxable value for non-residential buildings. The tax rate will increase to 5% if the building is not valuated at each 3 years.

Tax on microenterprises income

The maximum threshold of a microenterprise income has been increased to EUR 1,000,000 from 1 January 2018.

Newly set-up Romanian legal entities are automatically registered as micro-enterpise taxpayers until exceeding the threshold of EUR 1,000,000. From that moment on, CPT applies.

The tax rates are: **1%** for microenterprises with one or more employees; **3%** for microenterprises with no employees.

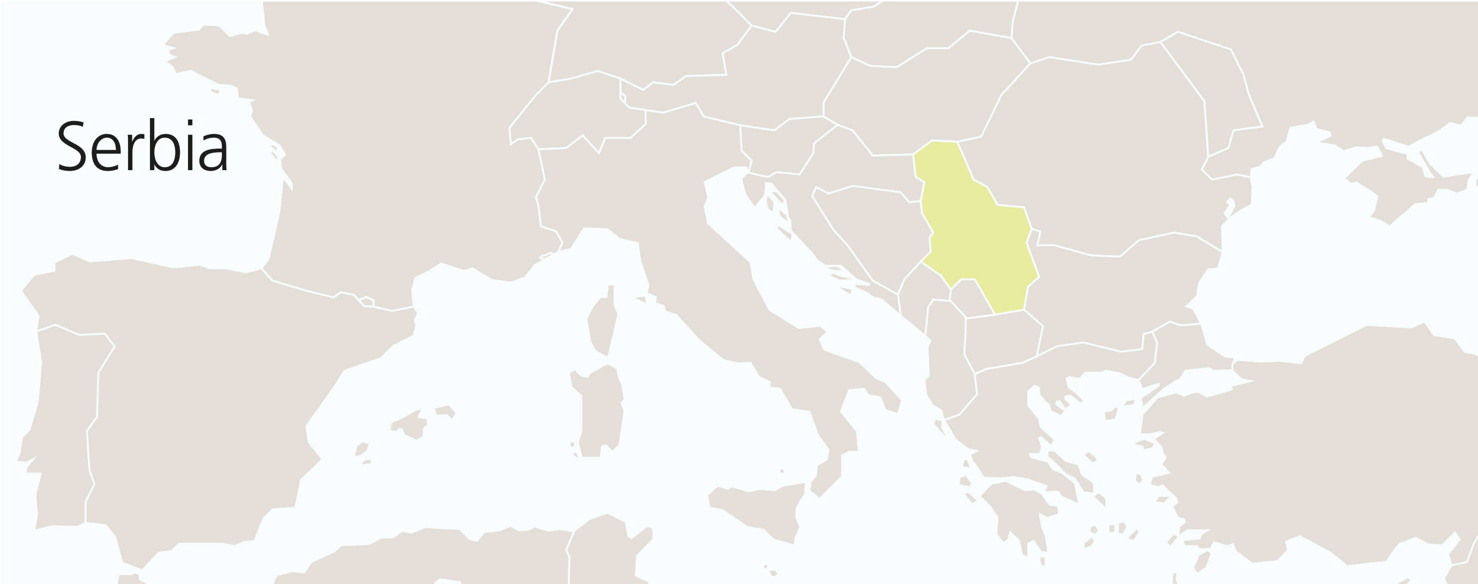
Tax base is the income derived from any source (operating, financial, etc.) with several exceptions, such as: income from reversal of provisions, income from subsidies for operating activities, income from compensations received under insurance contracts, income from foreign exchange differences. No deduction of expenses is allowed.

Tax incentives

Companies whose sole business activity is research, development and innovation are entitled to 10-year CPT exemption.

CPT exemption is available for profits reinvested in certain technological equipment purchased and put in use.

An additional 50% deduction for eligible expenses arising from research and development activities is available.



Serbia

Tax at a glance

Currency: The Serbian Dinar (RSD)
EU Member: No
OECD Member: No
Corporate profit tax rate: 15%
VAT rates: 20%, 10%
PIT rates: 20%, 15%, 10%
Group regime: Domestic only
Thin capitalisation regime: Yes
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: No
Branch remittance tax: No

Corporate profit tax

Tax rate: 15%

Thin capitalisation: Interest and loan related expenses between related parties will not be tax-deductible if debt-to equity ratio exceeds 10:1 in case of banks and financial leasing companies or 4:1 in case of other companies.

Tax-deductible expenses: Advertising and marketing expenses 10%; promotion and entertainment expenses 0.5%. Percentage is applied based on to the company's total income.

Tax loss carried forward: Tax losses may be carried forward for five years.

Participation exemption: Dividends are exempt if they are received from a resident company.

Withholding tax: 20% WHT is due on dividends, interest, royalties, rent from lease of movable assets and real estate located in Serbia, and service fees for market research, accounting, auditing, and other business and legal consulting services, paid to non-resident companies. Payment for purchase of secondary raw materials and waste is subject to 1% WHT. WHT may be eliminated or reduced based on agreements on avoidance of double taxation.

Income from interest, royalties, rent from lease of movable assets and real estate located in Serbia, and service fees, realised by companies located in tax jurisdictions deemed by the Ministry of Finance as tax heavens, is subject to a special 25% WHT.

Transfer pricing: All transactions or creation of liabilities between related companies are subject to transfer pricing rules.

The companies may choose to apply "safe harbour" rates applicable to interest on related party loans (published annually by the Ministry of Finance) or to apply appropriate OECD transfer pricing method.

Advance pricing agreements are not available in Serbia.

Serbia signed and ratified Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.

Value added tax

VAT rates: 20% (general), **10%** (basic foods, medicines, hotels' accommodation, sale of residential buildings, supply of natural gas and heating energy, waste collection, non-bottled water, books and newspapers, etc.).

Threshold for mandatory VAT registration: RSD 8,000,000 (app. EUR 67,800)

VAT on costs of transportation, accommodation and food for employees, entertainment and car costs, is non-deductible.

VAT refund is available under the reciprocity principle.

VAT option is available for sale of buildings, which is generally VAT exempt and subject to RETT.

The Reverse Charge Mechanism: VAT liability may be settled without cash outflow by declaring VAT liability and input VAT deduction in the same VAT return. A taxable person is required to apply reverse charge on received construction goods and services, goods and services supplied by a foreign entity that is not a taxable person in Serbia, etc.

Personal income tax

Employment and self-employment: taxed at 10%; director fees are taxed at 20%.

Income from capital: dividends, interest and open investment fund units taxed at 15%. Share schemes applied to employees are taxed as income from employment.

Income from property, copyright and industrial property rights: royalties and lease of property is taxed at 20%.

Capital gains: taxed at 15%.

Other income: taxed at 20%.

Annual income tax: if the sum of certain types of income exceeds the three times average annual salary in Serbia, it is taxed at 10%, while the portion of such income exceeding the six times average annual salary is taxed at 15%.

Social contributions

Pension insurance: 12% paid by the employer; 14% paid by the employee; 26% in case of self-employment.

Health insurance: 5.15% paid by the employer and the employee; 10.3% paid in case of self-employment.

Unemployment insurance: 0.75% paid by the employer and the employee; 1.5% paid in case of self-employment.

Maximum monthly base for mandatory social contributions in 2018 is set at RSD 329,330 (app. EUR 2,790).

Private pension and health insurance: Payments made by employers to private pension or health insurance of the employee are exempt up to RSD 5,757 (app. EUR 50), while payments exceeding this threshold are treated as income from employment.

Bilateral social security treaties provide exemptions from mandatory social insurance.

Real estate transfer tax (RETT)

RETT at 2.5% applies to transfer of real estate **and intellectual property rights**.

Exemption is available if real estate and intellectual property rights are contributed into company's share capital.

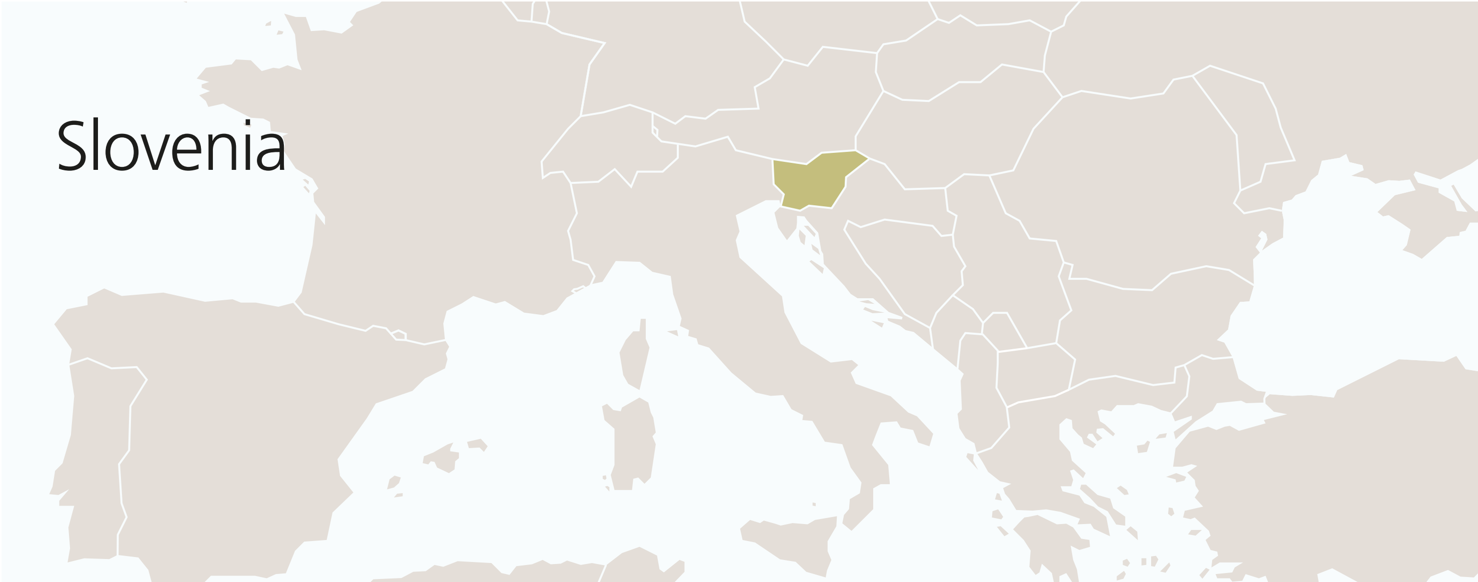
Tax incentives

Ten-year corporate profit tax exemption is available for companies who invest RSD 1 billion (app. EUR 8.4 million) into fixed assets and additionally hire one hundred full-time employees.

Employment incentives: Companies hiring new employees by 31 December 2019 may be entitled to refund 65% - 75% percent of taxes and mandatory social security contributions payable on the new employee's salary.

From 1 October 2018 until 31 December 2020, start-ups may use 100% exemption on salary tax and mandatory social security contributions for its shareholder(s) and up to nine employees in the period of twelve months following the date of start-up's incorporation.

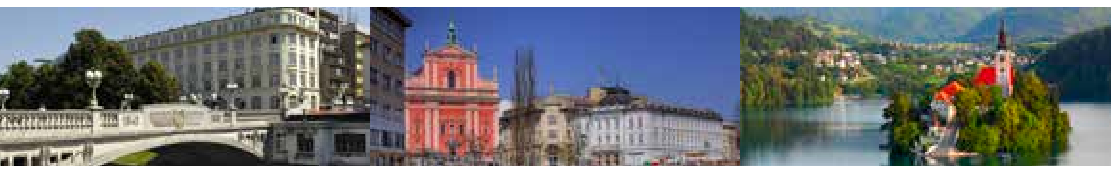
Customs duties: Exemption from customs duties or lower rates may be available based on international agreements – CEFTA, EFTA, U.S. GSP program, free trade agreements with the EU, Russian Federation, Turkey, Belorussia and Kazakhstan. In addition, each year lower custom duty rates or exemptions are prescribed for certain goods, equipment and machinery.



Slovenia

Tax at a glance

Currency: euro (EUR)
EU Member: Yes
OECD Member: Yes
Corporate profit tax rate: 19%
VAT rates: 22% and 9.5%
PIT rates: progressive rates, 16%, 27%, 34%, 39% and 50%
Group regime: No
Thin capitalisation regime: Yes
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: No
Branch remittance tax: No



Corporate profit tax

Tax rate: 19%. Tax rate of 0% is, pending certain conditions, available to funds, pension insurance undertakings and venture capital companies.

Tax basis: Tax basis is determined by adjusting the income statement for tax relevant items.

Taxpayers whose income in the previous year is lower than EUR 50,000 (or lower than EUR 100,000 EUR if with at least 1 full time employee) may elect to take a lump-sum deduction of 80% of annual revenue in lieu of actual expenses.

Participation exemption: Dividends received from subsidiaries located in countries which are not included on the black list are 95% tax exempt. Dividends received from a subsidiary in a black-listed country are fully taxable.

Pending certain conditions, 47.5 % of capital gains achieved on the sale of shares may be tax exempt. 50% of capital loss is not tax recognized.

Tax loss carried forward: Tax loss may be carried forward indefinitely and utilized up to the amount of 50% of the tax base for the current year.

Tax incentives:
— Deduction of up to 100% of the amount invested in domestic R&D activities or purchase of R&D services;
— Deduction of up to 40% of the amount invested in intangible assets and equipment (limitations apply);
— Tax relief for voluntary additional pension insurance, employment of disabled, employment of persons under 26 years or older than 55 years.

Withholding tax: Unless the rate is reduced by the application of DTT or the income is WHT exempt under the EU Directives, 15% WHT is due on payment of dividends, interest and royalties paid to a non-resident.

Service fees paid to companies located in black-listed countries for advisory, marketing, market analysis, HR, IT, administrative and legal services and lease payments for real estate located in Slovenia are subject to 15 % WHT.

Transfer pricing: Transactions between related resident and non-resident company are subject to transfer pricing rules. The rules apply also to transaction between related resident companies, if one of them has beneficial tax status or available tax losses. Documentation and reporting requirements apply.

Minister of Finance regularly publishes market interest on related party loans, but interest determined by applicable transfer pricing method should also be accepted.

Thin capitalisation: Interest on loans from shareholders who, directly or indirectly, at any time during a tax year, hold at least 25% of the capital or voting rights of the taxable person (with the exception of banks and insurance companies as borrowers) is deductible only if it is attributable to the part of the loan that does not exceed the 4:1 debt/equity ratio.

Interest paid in excess of this rate is regarded as a hidden profit distribution, which means that it is essentially re-characterised as dividend-like income.

Binding rulings and advance pricing agreements are available in Slovenia.

Value added tax

VAT rates: 22% (general), **9.5%** (reduced)

Threshold for mandatory VAT registration: EUR 50,000. Small businesses may apply for voluntary VAT registration. Voluntary registration is valid for 5 years.

VAT refund is available to taxable persons established in EU Member States or in other countries under the reciprocity principle.

Option to apply VAT is available for otherwise VAT exempt supplies of buildings and land.

Personal income tax

Employment and self-employment: PIT is levied on the tax basis (gross salary less social security contributions) based on progressive tax brackets of 16% (taxable income up to EUR 8,021.34 p.a.), 27% (taxable income from EUR 8,021.34 up to EUR 20,400.00 p.a.), 34% (taxable income from EUR 20,400.00 up to EUR 48,000.00 p.a.), 39 % (taxable income from 48,000.00 up to EUR 70,907.20 p.a.) and 50% (taxable income above 70,907.20 p.a.). In addition to general allowance, additional allowances are available (dependent family members, disability, etc.).

Dividends, interest and rental income: 25% final tax.
For rental income, if paid by the taxpayer itself, the taxable income is reduced by the actual maintenance costs proven by invoices. Alternatively, a lump-sum deduction of 10% of the income may be claimed.

Capital gains: Capital gains are taxable at the rate of 25 % for natural persons (residents or non-residents). The tax rate is reduced each five years of holding period.

Capital gains are exempt after a 20-year holding period.

Stock options: The difference between the actual stock option price and the market value of shares is taxable when exercised. Such income is considered as benefit in kind taxable as employment income. The stock option income, if deemed to be received from a Slovenian employer, is subject to social security contributions.

Cryptocurrencies: capital gains achieved by natural persons are not subject to taxation unless when the trading may be classified as business activity.

Social contributions

Rates: social security contributions are payable by both the employer (16.1 % of gross salary) and the employee (22.1 % of gross salary) and include contributions for pension and disability insurance, health insurance, unemployment insurance and insurance for parental care. Contributions are withheld by the employer.

The basis for calculation of the social security contributions is not capped.

EU Regulation no. 883/2004 on the coordination of social security systems or bilateral social security treaties provide exemptions from mandatory social insurance.

Real estate transfer tax (RETT)

Rate: 2%

Taxable person: Seller, the liability may be contractually transferred to the buyer of real estate.

Tax basis: market value of real estate as determined by the tax authority, the taxable person has the right to present individual appraisal and contest the tax basis.

Financial services tax

VAT exempt financial services are subject to financial services tax at the rate of 8.5%.

If the transaction is subject to VAT, RETT is not levied.

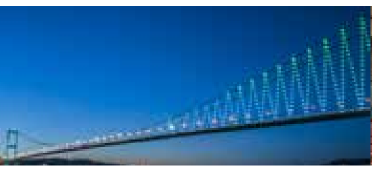
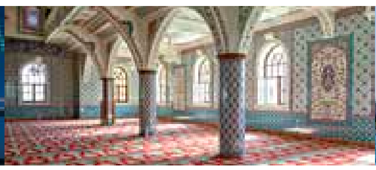
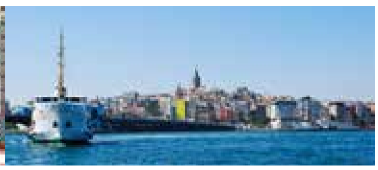
Charge for the use of building land

The charge applies for city areas and settlements of urban importance. The charge is assessed based of several factors (location, area, utilities available, infrastructure available, etc.) and levied at rates published by municipalities.

Turkey

Tax at a glance

Currency: Turkish Lira (TL)
EU Member: No
OECD Member: Yes
Corporate profit tax rate: 20%
(increased to 22% for the years 2018, 2019 and 2020)
VAT rates: 1%, 8% and 18%
PIT rates: 15%-35%
Group regime: No
Thin capitalisation regime: Yes
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: Yes
Branch remittance tax: Yes

Corporate profit tax

Tax rate: 20% (general rate)

The CPT rate is increased to 22% for the tax periods 2018, 2019, and 2020.

Thin capitalisation: If a loan from shareholder (or from person related to shareholder) exceeds triple the shareholders equity of the borrower company at any time within the relevant year, it will be considered thin capital. For loans received from related banks or financial institutions (excluding institutions that provide financing only to related parties), the ratio can be doubled. Certain exceptions to the rule are available.

Interest paid or accrued and foreign exchange losses calculated on such thin capital are re-classified and taxed as dividends distributed by the company.

Expense and costs: As far as the expenses and costs are directly related to the business and required to maintain income, they are fully deductible. The specific cost and expenses determined by law or the ones not directly related to the business are considered non-deductible expenses.

Tax loss carried forward: Tax losses can be carried forward for five years. Subject to certain conditions, tax losses are transferable to legal successors in mergers.

Participation exemption: Dividends received by resident entities from another resident entity are not subject to WHT and are exempted from CPT. Dividends received from a foreign company are taxable. Certain exemptions for the dividends received from a foreign company are available.

Withholding tax: 15% WHT is due on payment of dividends/repatriated branch profits and 20% WHT on interest, royalties, payments in respect to other intellectual property rights and service fees paid to a non-resident abroad, who is not a natural person. WHT may be eliminated or reduced based on the agreements on avoidance of double taxation.

A tax deduction of 30% will be applied to companies (including the business centres of tax resident corporations located in such countries) located or engaged in activities in certain countries to be announced by the Council of Ministers (the Council of Ministers has not specified these countries, yet).

Transfer pricing: Transactions between a related resident and non-resident company are subject to transfer pricing rules. Traditional transfer pricing methods listed in the OECD Transfer Pricing Guidelines are also accepted by Turkish Tax authorities and clearly defined as the transfer pricing methods to be used.

Advance pricing agreements are available in Turkey.

Value added tax

VAT rates: The general VAT rate in Turkey is 18%. However, reduced rates are applied for providing certain goods and services, such as providing newspapers and magazines (1%), houses (up to net 150 m2) (1%) and medical products and devices (8%), etc.

VAT on **non-deductible expense is** also non-deductible.
VAT refund is available to non-resident individuals or entities who have incurred VAT costs in Turkey for some transactions.

Examples **of VAT exempt transactions:** export of goods and services; roaming services rendered in Turkey for non-resident customers in line with the international roaming agreements, under the condition of reciprocity; petroleum exploration activities; international transportation; supply of machinery and equipment (including import) to those who are VAT taxpayers and have an investment certificate issued by the relevant authorities; services rendered in Free Trade Zones etc.

Personal income tax

Employment and self-employment: Individual income and gains are subject to income tax at progressive tax rates, which vary between 15% and 35% and are calculated on a cumulative basis.

The income tax brackets for the year 2018 and relevant income tax rates are provided below.

Up to TL 14,800 (app. EUR 2,900)	15%
Between TL 14,800 and TL 34,000 (app. EUR 6,700)	20%
Between TL 34,000 and TL 80,000 (app. EUR 15,800) TL 34,000 and TL 120,000 (app. EUR 23,600) for salary income	27%
Above TL 80,000 Above TL 120,000 for salary income	35%

Income from capital: Dividends and capital gains are taxed at progressive tax rates, which vary between 15% and 35%, as explained above.

Dividends distributed to resident or non-resident individuals are subject to 15% withholding tax.

For the resident individuals who obtain dividends from resident companies, half of the gross dividend amount is exempt from personal income tax. Other half is declared via annual income tax return and WHT is offset from the income tax accrued.

WHT is the final tax for dividend income earned by non-resident individuals. WHT may be reduced based on the agreements on avoidance of double taxation.

Interest income from bank deposits is subject to WHT. The withholding tax rates differ depending on the currency and maturity.

Income from property: Lease of property and property rights are taxed at progressive tax rates, which vary between 15% and 35%, as explained above. Certain exemptions are available.

Social contributions

Social security contributions, payable by the employer and the employee, are calculated on salary limits of a minimum of TL 67.65 (app. EUR 13) and a maximum of TL 507.38 (app. EUR 100) per day for the period from 1 January 2018 to 31 December 2018. Rates are defined according to labour categories. For Turkish nationals, the general rates are 20.5% (if certain conditions are satisfied, it is reduced to 15.5%) for the employer and 14% for the employee.

The employee's portion of the social security contributions is deductible when determining taxable income.

Bilateral social security treaties provide exemptions from mandatory social insurance.

Real estate transfer tax (RETT)

RETT is paid at 4%, borne equally by the seller and buyer.

Exemption is available if real estate is contributed into the capital of the company.

Tax incentives

Investment incentives are available to investors through an "Investment Incentive Certificate".

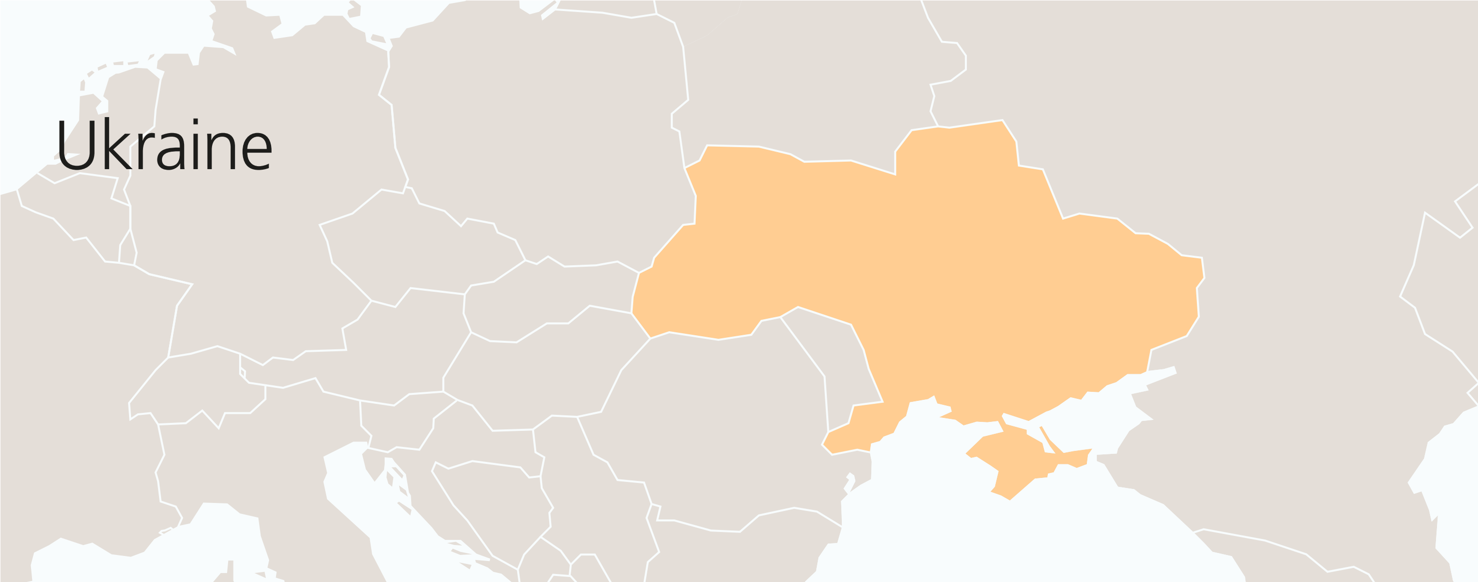
Local and foreign investors have equal access to the following four different schemes:

1. General Investment Incentives Scheme;
2. Regional Investment Incentives Scheme;
3. Large-Scale Investment Incentives Scheme;
4. Strategic Investment Incentives Scheme.

The 6 following incentive elements have been determined:
— Reduced corporate tax rate (differ on a regional and sectorial basis)
— Value added tax exemption (general incentives)
— Subvention on the share of insurance premiums to be paid by employers (differ on a regional and sectorial basis)
— Customs duty exemption (general incentives)
— Interest subvention (differ on a regional and sectorial basis)
— Allocation of an investment site (differ on a regional and sectorial basis)

Additional incentives for R&D projects
The R&D Law provides exclusive incentives for R&D and design investment projects in Turkey, as well as for the production of motor vehicles, aircraft, spacecraft, and related machinery thereof, including military aircrafts. Incentives are available if a prescribed minimum of personnel is employed in specific activity. The most incentives will remain effective until 2024 and include:

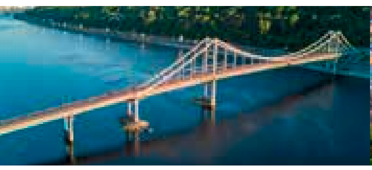
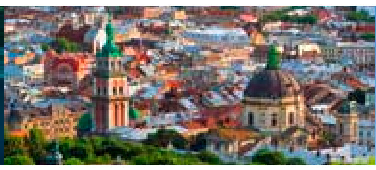
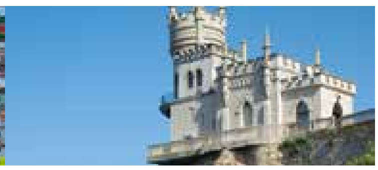
— 100% deduction of R&D expenditure from the tax base;
— Half of the R&D and design expenditure increase incurred in the operational year compared to the previous year will be deductible (criteria will be determined by Council of Ministers);
— Income withholding tax exemption for employees (until December 31, 2023);
— 50%social security premium exemption for employers (until December 31, 2023);
— Stamp duty exemption for applicable documents;
— Customs duty exemption for imported products within the scope of R&D projects;
— Techno-initiative capital for new scientists up to TRY 500,000;
— Deduction from the tax base of certain funds granted by public bodies and international organisations.



Ukraine

Tax at a glance

Currency: The Ukrainian Hryvnia (UAH)
EU Member: No
OECD Member: No
Corporate profit tax rate: 18%
VAT rates: 20% and 7%
PIT rate: 18%
Group regime: No
Thin capitalisation regime: Yes
Participation-exemption regime: Yes
Transfer pricing regime: Yes
CFC regime: No
Branch remittance tax: No

Corporate profit tax

Tax rate: 18% (general rate).

Certain types of business are subject to special tax treatment, which may provide for lower tax rates (e.g. insurance).

Thin capitalisation: Thin capitalization rules apply to all loans received by resident companies from non-resident related parties where the debt is greater than 3.5 times the company's equity (10 times for financial institutions and companies engaged solely in leasing activities). Deductions from interest paid on such loans is limited to 50% of profits before interest, tax, depreciation and amortisations (EBITDA) for the relevant tax period. Non-deductible interest may be carried forward to future periods until deducted in full, but the carry forward amount is reduced by 5% annually.

Entertainment and car costs: Generally tax deductible.

Tax loss carried forward: Tax losses may be carried forward indefinitely.

Participation exemption: Ukrainian dividends received from payers of CPT (with certain exemptions) are exempt from income taxation in Ukraine for the Ukrainian parent company.

Withholding tax: 15% WHT on **dividends, interest, royalties** - unless the rate is reduced under agreements on avoidance of double taxation. **6%** WHT on **freight charges**; **12%** WHT on **insurance payment** to non-residents; **20%** surtax applies to payments for **advertising services** performed outside of Ukraine.

Transfer pricing: Transactions between related resident and non-resident companies are subject to transfer pricing rules. TP rules also apply to transactions of a resident company (i) with residents of listed low-tax jurisdictions, (ii) with counter-parties which are exempt from corporate profit taxation, and (iii) transactions concluded through a non-resident commissionaire. Transfer pricing applies to resident companies with the annual revenue over UAH 150 million (app. EUR 4.5 million) that engage in the transfer pricing controlled transactions exceeding UAH 10 million a year (app. EUR 300,000) with one counterparty.

Advance pricing agreements are available in Ukraine.

Branch remittance tax: Tax regulation provide for establishment of representative offices or permanent establishments and not for establishment of branches of nonresident companies. Under the tax treaties between the country of the head office and Ukraine, no tax is withheld from after-tax profits of representative office or permanent establishment. In the absence of the tax treaty, 15% withholding tax is due on the repatriation of after-tax profits.

Value added tax

VAT rates: 20% (general), **7%** (supply of pharmaceuticals and healthcare products).

Threshold for mandatory VAT registration: UAH 1,000,000 (app. EUR 30,000)

VAT on **entertainment costs** and on **car costs is** deductible.

VAT refund is available.

The Reverse Charge Mechanism on services provided by non-residents: Ukrainian taxpayer must self-assess VAT on the value of the services provided by the non-resident if the place of supply is determined to be at the territory of Ukraine. The input VAT is recognized by the resident taxpayer in the reporting period in which the corresponding amount of the output VAT is recognized.

Personal income tax

Employment, self-employment, other income: taxed at 18%.

Income from capital: Dividends on shares and corporate rights accrued by resident payers of corporate profit tax are taxed at rate of 5%. Dividends on shares or investments certificates payable by non-resident companies, collective investment vehicles and non-payers of CPT are taxed at the rate of 9%. Interest and capital gains are taxed at 18%.

Income from property: lease of property is taxed at 18%. First sale of residential immovable property (subject to prior ownership of such immovable property for over 3 years), and first sale of a motor vehicle is exempt from taxation. Subsequent sale of movable and immovable property is subject to 5% personal income tax.

Military tax: 1.5% applies to all income of an individual in addition to 18 % personal income tax.

Cryptocurrencies are unregulated in Ukraine. Income derived from operations with cryptocurrencies should be, in principle, taxed at the rate of 18%.

Social contributions

Social security contribution of 22% is payable by the employer on top of the gross employment income. Maximum monthly base for social security contributions in 2018 is capped at the equivalent of 15 times the minimum monthly salary – UAH 55,845 (app. EUR 1,700).

Health insurance, occupational health and safety insurance and insurance for unemployment are included in the social security contribution.

Social security contributions are paid by the employer.

Bilateral social security treaties provide exemptions from mandatory social insurance.

Other taxes and tax incentives

Unified tax system: private entrepreneurs, small enterprises and agricultural producers that meet specific criteria may apply a special taxation regime with a flat rate tax payable on their income at a low rate. E.g., private entrepreneurs may pay a fixed tax as low as UAH 176.2 per month (app. EUR 5). Small enterprises (and private entrepreneurs) with annual income up to UAH 5 million (app. EUR 151,500) may choose between a flat rate tax of 5% of their income or 3% in case of separate VAT reporting. Agricultural producers may pay tax depending of the type and value of the used land (for example 0.95% of the normative pecuniary valuation of arable land, grasslands and pastures).

Tax incentives

Enterprises operating the **aircraft industry** may benefit from temporary CPT exemptions.

The supply of **software** is exempt from VAT until 1 January 2023. Software includes operating systems, computer programs, system administration, websites, online services, etc.

Starting from 2017, ‘tax holidays’ until 2021 have been introduced for newly established taxpayers with annual income less than UAH 3 million (app. EUR 1 million). Certain requirements must be met: (i) payroll amount must not be less than two statutory minimum wages monthly (per each employee), i.e. 7,446 UAH (app. EUR 230) and (ii) taxpayers are compliant with limitations on types of activities according to the specific list. For example, IT companies selling services/products abroad are expressly excluded from the list of limitations i.e. can be eligible for tax holidays provided other conditions described above are met.

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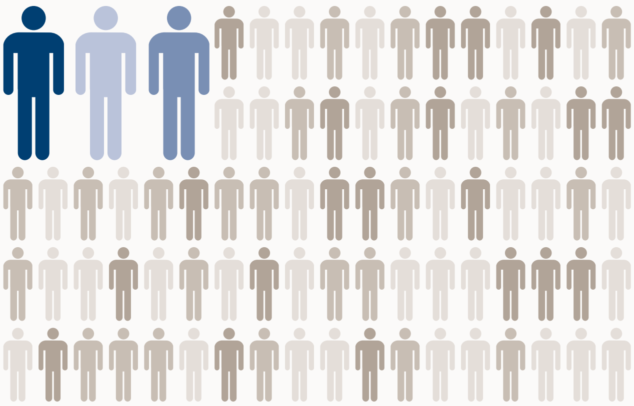
CMS Facts and Figures

48 new partners in 2017, taking the total to over 1,000

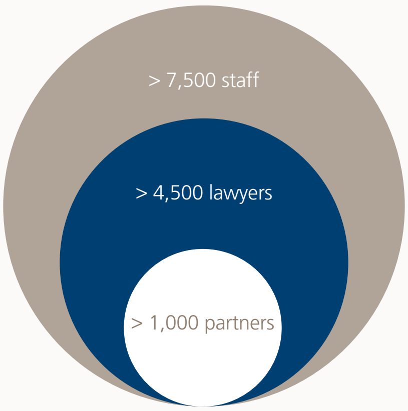


Top rankings in 2016
M&A League Tables (by deal count)

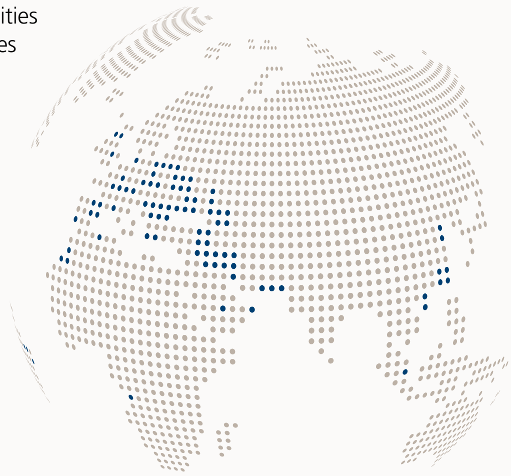
#1 Europe
(Bloomberg)

#3 Global
(Bloomberg up to USD 500m)

Acritas Sharplegal Top 20
Global Brand Ranking



Operating in 68 cities across 42 countries



EUR 1.3bn
turnover for 2017

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