

# Tax news from Central and Eastern European countries

After the crisis, a new tax landscape

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## Tax news from Central and Eastern European countries (CEE)

### Chair

Charles-Henri Roy – CMS, Russia

### Speakers

Tamara Strucic – CMS Zagreb (Croatia)

Eszter Kalman – CMS Cameron McKenna (Hungary)

Valentin Savov – CMS Reich-Rohwig Hainz (Bulgaria)

## Summary

### — Presentation of the CEE tax systems

- General remarks
- Recent changes in CEE tax laws

### — Case Study

- Establishing a business in CEE
- Distribution in CEE (transfer pricing and PE)
- Production in CEE (tax structuring)

## CMS tax presence in CEE

Bosnia and Herzegovina

Bulgaria

Croatia

Czech Republic

Hungary

Poland

Romania

Russia

Serbia

Slovakia

Slovenia

Ukraine



## General overview of CEE tax systems

### — General remark on the CEE tax systems

- Close to the Western Europe systems
- Simplified and not (enough?) elaborated for international group of companies
- Tough tax competition before crisis to attract investors

### — Overview of recent significant changes in tax laws in CEE

- Harmonization with EU regulations
- Anti and Post-crisis reforms
- Other significant changes

## Introduction to the CEE tax legislations

### Case study

#### Assumptions

- A French group of companies in the retail industry already established in the CEE decides to develop its business in Bulgaria, Croatia, Hungary and Russia
- The group is already distributing its products through agents in some of these jurisdictions and has a representative office in Russia
- It contemplates to set up a subsidiary in Bulgaria and Croatia and to purchase the local distributor in Russia and Hungary
- On a mid-term outlook the group contemplates to produce locally in order supply directly the retailers in the CEE

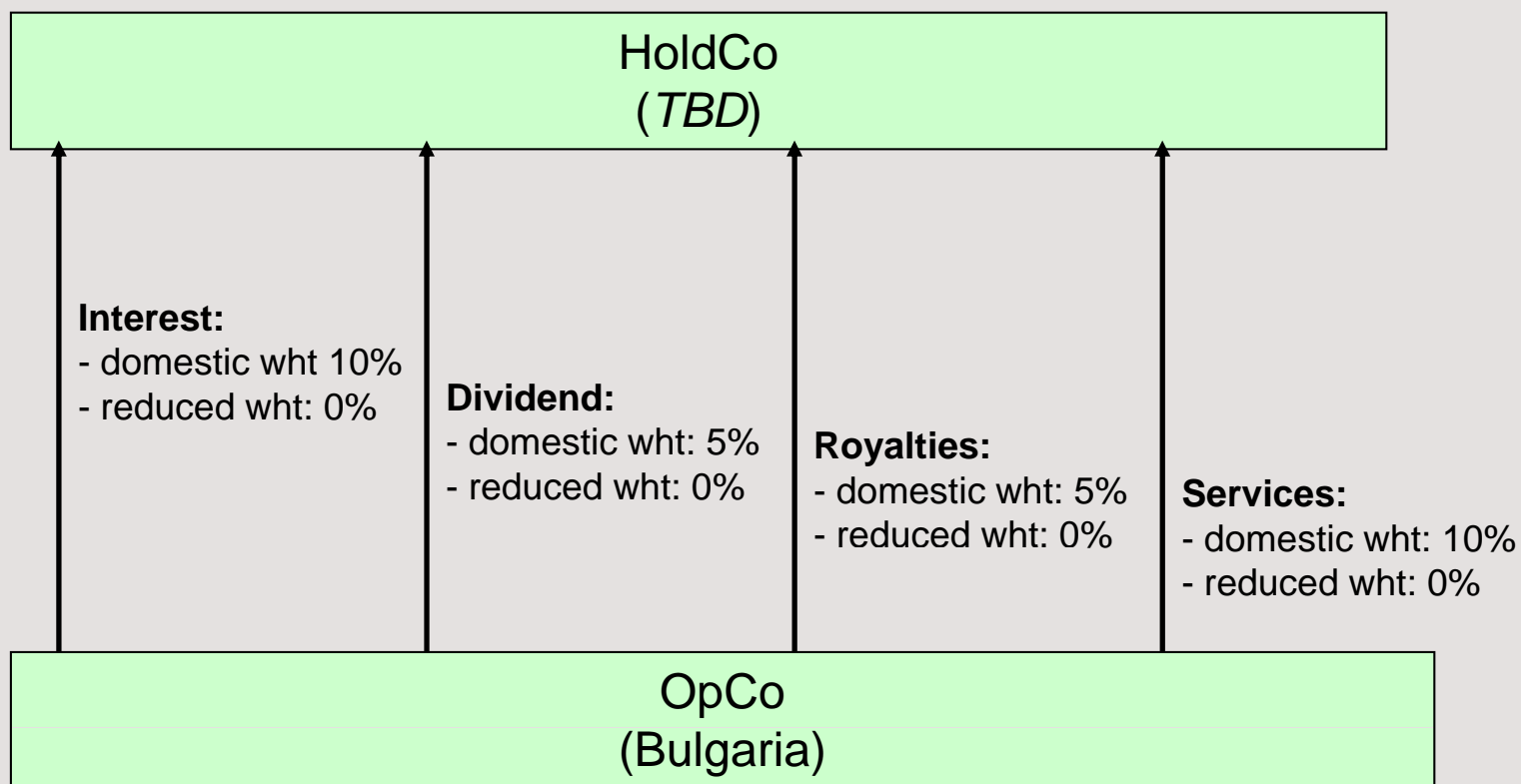
## Establishing a business in CEE

### Setting-up a company / Purchasing a target

- Setting up an entity vs purchasing an existing company
  - Identification of tax risks
  - Statute of limitation
  - Formalities
- Jurisdiction of the founder/purchaser
  - Existence of a tax treaty
  - Anti-avoidance provisions
  - Withholding taxes
    - Dividends
    - Royalties
    - Interest
    - Services (management fees)

## Establishing a business in CEE

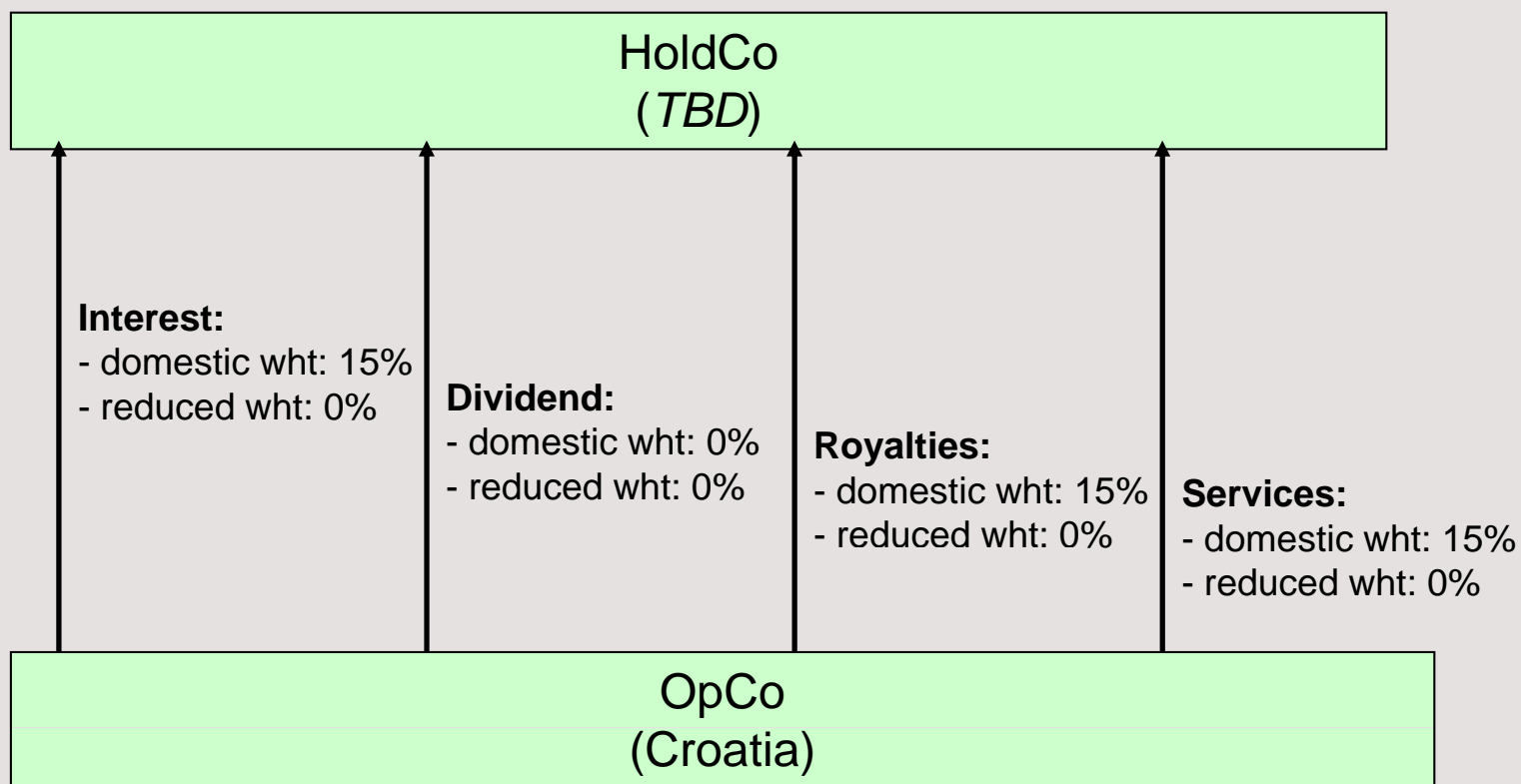
Jurisdiction of the parent company: Bulgaria





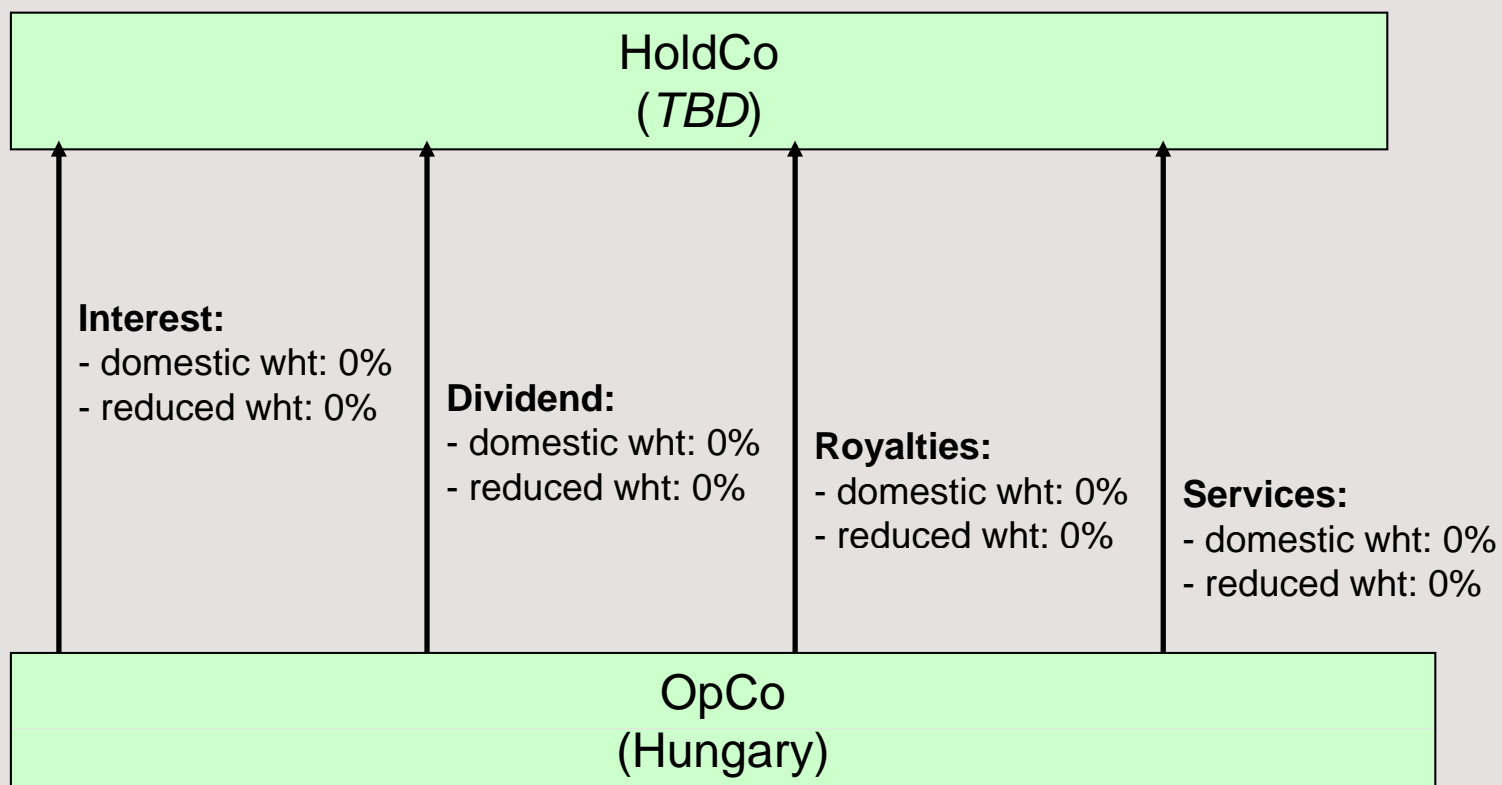
## Establishing a business in CEE

Jurisdiction of the parent company: Croatia



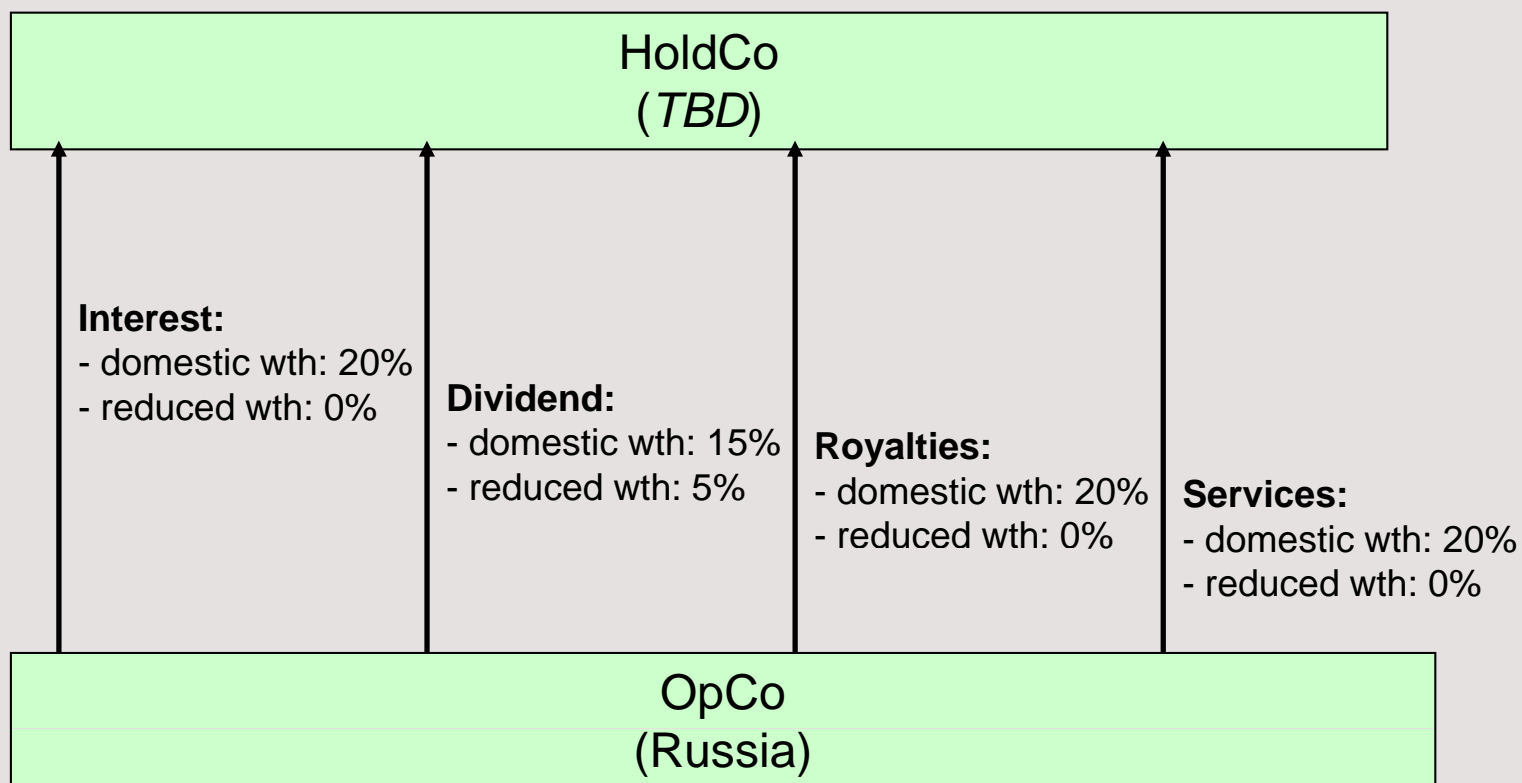
## Establishing a business in CEE

Jurisdiction of the parent company: Hungary



## Establishing a business in CEE

Jurisdiction of the parent company: Russia



## Distributing in CEE

### Transfer pricing and permanent establishment issues

#### — Distribution through an agent: risk of PE

- Bulgaria
- Croatia
- Hungary
- Russia

#### — Distribution through a subsidiary: transfer pricing rules

- Bulgaria
- Croatia
- Hungary
- Russia

## Producing in CEE Tax structuring

- Financing the industrial investment
  - Increase of share capital
  - Financial Assistance
  - Loans
    - Thin capitalization rules
- Structuring the distribution and production activities in each jurisdiction (same entities or separate entities)
  - Tax Consolidation
  - Parent-Subsidiary regime