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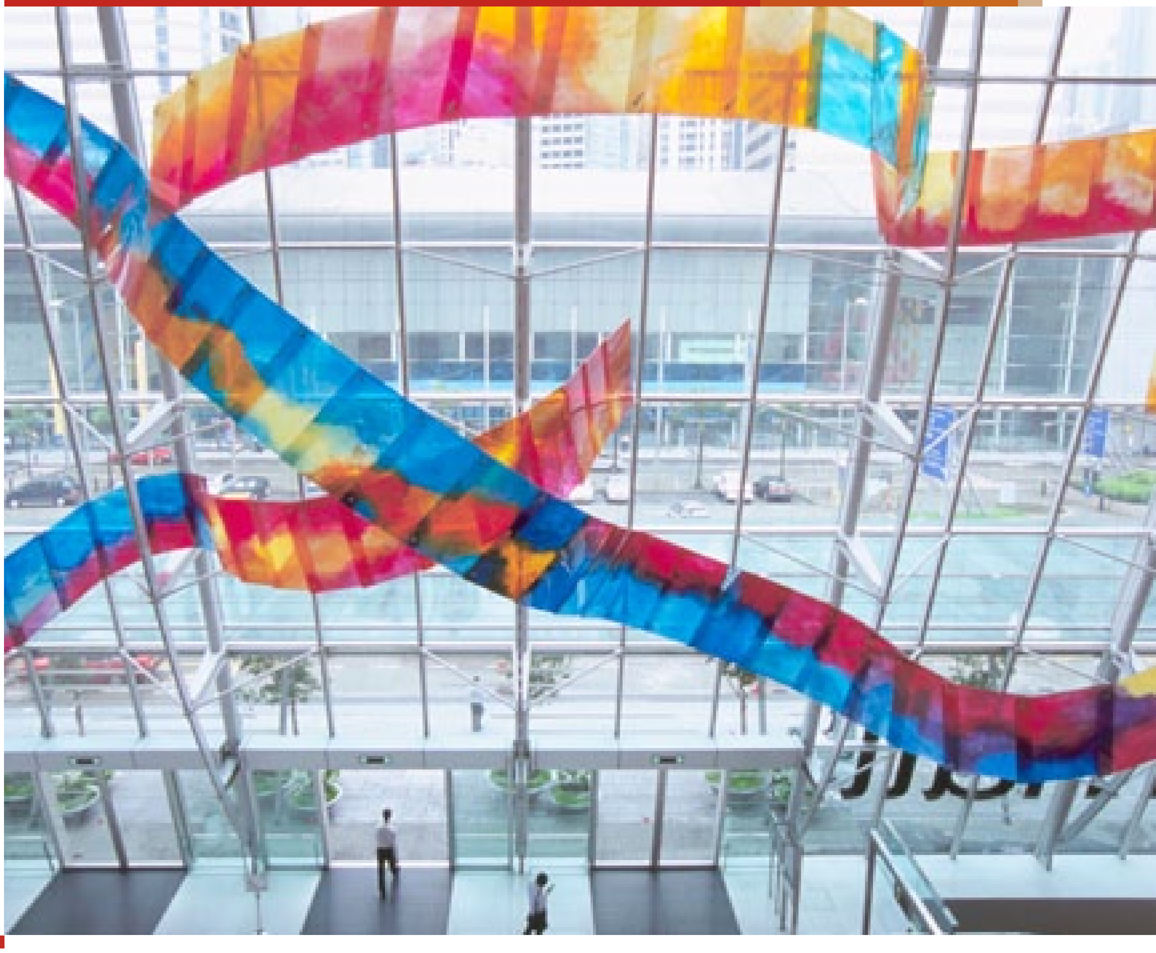
Taxes at a Glance 2011



Albania
Armenia
Azerbaijan
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Estonia
Georgia
Hungary
Kazakhstan
Latvia
Lithuania
Macedonia
Moldova
Mongolia
Montenegro
Poland
Romania
Russia
Serbia
Slovakia
Slovenia
Ukraine
Uzbekistan

Content

Preface

Central and Eastern Europe (CEE) represents a market of approximately 350 million people. The region offers attractive business opportunities, with competitive tax regimes and cost-saving planning strategies.

The PricewaterhouseCoopers network of firms has had a presence in the CEE for many years, through which it has gained in-depth knowledge and developed a good understanding of each local culture, business environment and tax system. This is an important asset, which can add value to international businesses already operating or planning to operate in the CEE.

Our CEE International Tax Structuring (ITS) Network comprises 102 specialists, including 19 partners, working together as part of our overall regional practice of 1,820 people, with around 73 partners owning and managing the business.

The CEE ITS Network enables us to assist you better in developing your tax strategies and managing your global tax position.

Taxes at a Glance briefly summarizes the tax systems of the CEE countries. The purpose of this publication is to indicate some key tax parameters and to highlight attractive features of the tax systems from an international tax planning and structuring perspective. We intend to update the publication annually.

Albania

- ☐ EU
- ☑ NATO
- ☐ OECD
- ☑ WTO
- ☑ IMF
- ☑ EBRD

Capital:	Tirana
Official language:	Albanian
Official currency:	Albanian Lek (ALL)
Population:	3,194,972 (2010)
Area:	28,748 km²
GDP growth (%):	3.3 (2009)
GDP per capita (USD):	3,780 (2009)
Double Tax Treaties:	35 (28 in force)
FDI (USD):	978 million (2009)

Highlights – Corporate taxes in Albania

- Local or foreign entities whose annual sales' turnover is under ALL 5 million (approx. EUR 37,000) are not required to register for VAT purposes. However, starting from 1 February 2011, taxpayers that provide services in the areas of medicine, financial advice, law, real estate, engineering, agriculture and hotels are required to register for VAT purposes in Albania regardless of their annual turnover.
- A foreign entity operating in Albania through a PE for a certain period may choose not to register in Albania. However, the entity's total turnover will be subject to 10% withholding tax.
- An unregistered PE that is subject to VAT in Albania can appoint a tax representative (either a local entity or an individual) to file and pay VAT in Albania.
- Certain services are exempt from VAT with no credit rights. The supply of drugs and health services provided by public or private institutions is subject to VAT at the reduced rate of 10%.
- Taxable entities have the right to claim VAT refunds if the following two conditions are met:
  – the period in which VAT credits are carried forward exceeds 3 months; and
  – the total amount of VAT credits is equal to or above ALL 400,000 (approx. EUR 2,965).
- The VAT on machinery and equipment imported by Albanian-registered entities for any type of business activity will be subject to the VAT deferral scheme under which the payment of the VAT is postponed for up to 12 months.
- Albanian-registered entities that import certain machinery and equipment (as defined by law) for use in their business activity will be subject to custom duties at the zero-rate. This applies to all types of business activity.
- Monetary Income originating from abroad and used for capital increases in Albanian companies without the evidence of an official document that certifies its origin will be treated as income and thus subject to personal income tax at a rate of 10%.

Corporate Taxation

Rate	10%	The following entities, among others, are exempt from tax on profits: • Central Bank of Albania; • Foundations or non-bank financial institutions established to support the government's development policies through credit activities; and • Film studios for cinematographic productions that are licensed and funded by the National Cinematographic Centre.
Thin capitalization (debt : equity ratio)	4:1	Applicable to long-term loans obtained not only from related parties but also from other parties, including banks and other financing institutions.
Tax loss carry-forward	3 years	Losses may not be carried forward if more than 25% of direct or indirect ownership of the share capital or voting rights of the entity is sold/transferred during the tax year.
Withholding tax	10%	Withholding tax is levied on interest, royalties, dividends and shares of partnerships' profits paid to non-resident companies, with some exemptions when a Double Tax Treaty is in place.
Special features		Transfer pricing rules apply. No group taxation. There is no Controlled Foreign Company (CFC) legislation.

Value Added Tax

General rate	20%	All businesses that exceed the threshold of ALL 5 million (approx. EUR 37,000).
Reduced rate	10%	Only for supplies of drugs and health services.
Refund period	30 days	Only when the VAT credit has been over ALL 400,000 for more than 3 consecutive months.
Special features		The standard VAT period is 1 calendar month.

Individual Taxation

Personal Income Tax	10%	If monthly income is ALL 30,000 or less, the first ALL 10,000 is tax-exempt.
Mandatory Social Security Contributions	Employer: 16.7% Employee: 11.2%	The minimum and maximum monthly contribution bases are ALL 16,820 and ALL 84,100 respectively.
Special features		Benefits in kind (among other items) are not subject to personal income tax.

Other Taxes

Property tax		On agricultural land and buildings. The tax rate varies according to the size, location and age of the assets.
Property sales tax		The tax rate varies according to the size, location and purpose of the assets.
Other		Excise tax, customs duties, local taxes, and tax on small businesses.

Exchange rate: ALL 138.77 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Armenia

- ☐ EU
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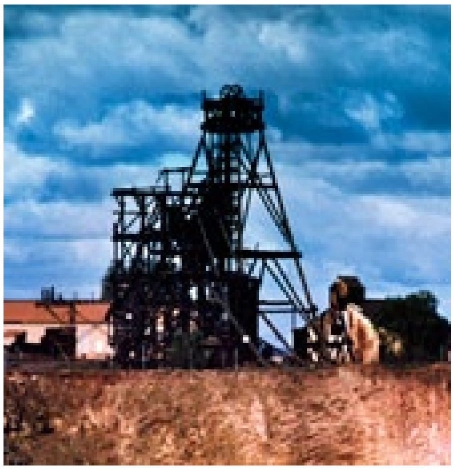
- ☑ WTO
- ☑ IMF
- ☑ EBRD

Capital:	Yerevan
Official language:	Armenian
Official currency:	Dram (AMD)
Population:	3,254,000 (2010)
Area:	29,800 km²
GDP growth (%):	2.6 (as of Nov 2010)
GDP per capita (USD):	2,671 (2009)
Double Tax Treaties:	32
FDI (USD):	2,606.3 million (2009)



Highlights – Overview of tax reforms in Armenia

Electronic tax invoices

Following the introduction of numbered tax invoices in 2009, on 26 November 2010 Government approved the procedures for issuing tax invoices electronically. Starting from 1 January 2011, VAT payers must issue tax invoices in one of the following forms:

- Electronic tax invoices;
- Paper tax invoices.

VAT payers can obtain paper tax invoice forms from the tax authorities. The forms are non-transferable and may not be duplicated.

Mandatory Social Security Payments

From 1 December 2010, foreign citizens and stateless persons conducing entrepreneurial or other activities in Armenia, as well their employers, have to make mandatory social security payments in accordance with the general procedures.

Personal Income Tax

From 1 January 2011, residents are entitled to a personal allowance deduction of AMD 32,500 (previously the personal allowance was AMD 30,000) for each month income is received.
Voluntary funded pension insurance contributions paid by the taxpayer on his/her own and/or by a third person (including the employer) on voluntary funded pension insurance terms and conditions as established by legislation, which do not exceed 5% of taxpayer's gross income, can be deducted from the taxpayer's gross income.

Compliance

Starting from 1 January 2011, a tax agent must report withholding taxes annually. Withholding tax from payments to non-residents must be transferred to the budget by 20 February of the following year. The withholding tax should be paid monthly not later than the 20th day of the month following the payment of income.
Previously, the withholding tax had to be reported to the tax authorities quarterly and had to be paid not later than the 20th day of the month following the payment of income.
Previously, resident taxpayers were required to make advance profits tax payments by the 25th day of each month. Starting from 1 January 2011, advance profits tax has to be paid quarterly. The payment should be made by the 15th day of the last month in each quarter. Each advance payment is equal to 1/6th of the profits tax actually reported for the previous year.
Starting from 1 January 2011, monthly minimum profits tax must also be paid quarterly. If the advance profits tax payable is less than 1% of revenues for the previous quarter less depreciation charges (up to a maximum of 50% of revenues), the excess is paid as a minimum profits tax.
Taxpayers are no longer required to file their balance sheet and income statement to the tax authorities together with the annual Profit Tax return.
Previously, employers with more than 5 employees in the preceding quarter were required to submit monthly reports on social security payments by the 20th day of the following month. From 1 January 2011, employers must submit quarterly returns on social security payments for the reporting quarter by the 20th day of the first month following the quarter.

Corporate Taxation

Rate	20%	The taxable base for residents is their worldwide income; the taxable base for non-residents is their Armenian-sourced income.
Thin capitalization (debt : equity ratio)	N/A	No specific rules: the deductible interest rate is capped at twice the Armenian Central Bank settlement rate for deduction purposes.
Tax loss carry-forward	5 years	A foreign company's permanent establishment may not carry losses forward. It may be able to overcome this restriction under a relevant tax treaty.
Withholding tax	5% / 10%	5% – Insurance, reinsurance, transportation.
Special features		N/A

Value Added Tax

General rate	20%
Reduced rate	N/A
Refund period	30 days

Individual Taxation

Personal Income Tax	Up to 960,000 AMD – 10% of taxable income. Over AMD 960,000 – AMD 96,000 plus 20% of taxable income over AMD 960,000.	
Mandatory Social Security Contributions	Employer: Up to AMD 20,000 – AMD 7,000 flat AMD 20,000–100,000 – 15% Over AMD 100,000 – 5%	Paid annually by the individual: Up to AMD 1,200,000 – 15%, but not less than AMD 60,000. Over AMD 1,200,000 – AMD 180,000 + 5% of the amount over AMD 1,200,000.
	Employee: 3%	

Other Taxes

Property tax	0.1%–1%	The taxable base is the cadastral (i.e. registered) value. Tax exemption applies if the cadastral value of the taxable property is up to AMD 3,000,000 (approx. EUR 6,000).
Land tax	0.5%–1%	The taxable base is the cadastral value. For land plots used for industrial purposes: 1% if located in residential areas; and 0.5% if located outside residential areas.
Other		Some services (e.g. hairdressing, photographic services, auto repairs, computer games, parking) are subject to presumptive taxes at various fixed rates.

Exchange rate: AMD 481.16 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Azerbaijan

- ☐ EU
- ☐ NATO
- ☐ OECD
- ☐ WTO
- ☑ IMF
- ☑ EBRD

Capital:	Baku
Official language:	Azerbaijan
Official currency:	Azerbaijan Manat (AZN)
Population:	8,997,400 (2010)
Area:	86,100 km^2
GDP growth (%):	5 (2010)
GDP per capita (USD):	4,090.4 (Q1-Q3 2010)
Double Tax Treaties:	31
FDI (USD):	704.7 million (2010)

Highlights – Tax regimes in Azerbaijan

TAX REGIMES

- Currently, Azerbaijan has different types of tax regime:
  - The statutory tax regime (see the Azerbaijan Summary);
  - Special Petroleum Tax regimes.

Petroleum Tax Regimes

Petroleum tax regimes apply to oil and gas Production Sharing Agreements (PSAs) and pipeline Host Government Agreements (HGAs). Each PSA and HGA is for a specific oilfield and is ring-fenced with a specific tax regime.

- Generally, PSA and HGA regimes apply to
  - Operating companies;
  - Foreign companies functioning as contractors;
  - Service companies providing services to the above parties.
- Currently, there are 31 ratified PSAs (but more than half of them are either inactive or have been terminated).
- Each has its own specific tax incentives, e.g.
  - 0% VAT rate;
  - Customs duty exemption;
  - Corporate income tax collected via withholding tax (only for corporate foreign subcontractors).
- PSAs are ratified by the Azerbaijan Parliament and have the force of law.
- PSAs override statutory legislation if it contradicts or is inconsistent with a PSA's provisions.

The laws below also provide tax incentives for businesses engaged in export-oriented oil and gas activities, and those operating in special economic zones.

Special Economic Regime for Export-Oriented Oil and Gas Activities

The law on the Special Economic Regime for Export-Oriented Oil and Gas Activities came into force in April 2009 and will be effective for 15 years. This law makes the following tax incentives available to contractors and subcontractors (excluding foreign subcontractors without permanent establishment in Azerbaijan):

- Local companies are permitted to choose between:
  i) profit tax at the rate of 20%; or
  ii) 5% withholding tax on gross revenues;
- Foreign subcontractors are only taxable with a 5% withholding tax;
- 0% VAT rate;
- Exemption from dividend tax and taxation on a branch's net profits;
- Exemption from customs duties and taxes;
- Exemptions from property tax and land tax.

Special Economic Zones

The Law on Special Economic Zones (SEZ) has been in effect since June 2009. Companies operating in these zones have the following tax benefits:

- A 0.5% tax levied on profits from supplied goods, and services or work performed;
- A 0% VAT rate; and
- Customs exemptions.

Corporate Taxation

Rate	20%	Banks, insurance and reinsurance companies are exempt from profit tax on the part of their profit used to increase their chartered capital. The exemption was introduced on 1 January 2009 and will be effective for 3 years.
Thin capitalization (debt : equity ratio)	N/A	There are no written thin capitalization rules in Azerbaijan's Tax Legislation but the tax authorities often take a practical approach on the deductibility of interest.
Tax loss carry-forward	5 years	No loss carry-back.
Withholding tax	4%–14%	4% – Insurance payments. 6% – Freight income and telecommunications services. 10% – Dividends, interest, financial leasing, other income from business activities. 14% – Royalties, rental of movable and immovable property.
Special features		Fair market prices should be applied in transactions between related parties, in import and export operations and in barter transactions.

Value Added Tax

General rate	18%
Reduced rate	Zero-rate VAT and VAT exemption are also available.
Refund period	5 years

Individual Taxation

Personal Income Tax	14% and 30%	30% on income over AZN 24,000 per annum.
Mandatory Social Security Contributions	Employer: 22% Employee: 3%	

Compulsory Insurance Contributions for Accidents and Occupational Diseases

(This Law came into effect on 3 July 2010.)

All Employees	Specialists	Workers
Rate (depending on the industry and job position)	0.2%–0.5% on annual employment compensation.	0.4%–2.0% on annual employment compensation.

Other Taxes

Property tax	1%	Payable on the annual average residual value of an enterprise's fixed assets (except cars).
Other		Land tax, road tax, mining tax.

Exchange rate: AZN 1.08 = EUR 1.00. EUR 0.75 = USD 1.00 on 31 January 2011.

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Belarus

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- ☑ EBRD

Capital:	Minsk
Official language:	Russian / Belarusian
Official currency:	Belarusian Roubles (BYR)
Population:	Approx. 9.5 million (2009)
Area:	207,600 km^2
GDP growth (%):	7.6 (2010)
GDP per capita (USD):	4,717 (2009)
Double Tax Treaties:	65
FDI (USD):	4,821 million (2009)

Highlights

- As a result of tax reform in 2009, the main parts of Belarus's Tax Code have now come into force. From 1 January 2010, the Tax Code is a single law which has replaced all the other tax laws that were previously in effect. As from 1 January 2010, to implement a new tax or change the existing ones, amendments have to be introduced to the Tax Code by the Belarusian Parliament. New taxes can also be introduced directly by presidential edict or decree (ukase).
- As a result of new Tax Code amendments which took effect on 1 January 2011, a 1% turnover tax and a 3% post corporate profit tax (CIT) have been cancelled, and two other taxes have been transferred to ecological tax and state administration dues.
- The Belarus CIT flat-rate is 24%. Since 1 January 2011, the CIT payment and filing procedures have improved significantly. CIT is paid quarterly in equal instalments and returns are filed annually.
- The Belarusian VAT rate was increased from 18% to 20% on 1 January 2010. Some operations, e.g. insurance services, banking operations (with some exceptions), the supply of securities, etc. are exempt from VAT. Exemptions from import VAT are available for imported vehicles (with some exceptions). A 10% reduced rate applies to a limited range of basic food items, children's goods, medicines, etc.
- Exports of goods and the provision of certain export-related services as well as the export of transportation services are subject to zero-rate VAT.
- Taxpayers can appeal against tax authority rulings in the courts.
- Individuals who qualify as Belarusian tax residents are liable to personal income tax on their total worldwide annual income at a flat-rate of 12%, which is one of the lowest rates in Europe.
- Belarus benefits from an extensive Double Tax Treaty network which consists of 65 treaties, providing many structuring opportunities. Tax treaties are generally based on the OECD Model Convention.

Corporate Taxation

Rate	24%	Since 1 January 2011 CIT is paid quarterly in equal instalments: by 22 March, 22 June, 22 September and 22 December. CIT returns are filed annually. The return for FY 2011 should be filed by 20 March 2012.
Thin capitalization (debt : equity ratio)	N/A	No thin capitalization rules exist in Belarus. However, there is a mechanism to control transfer pricing provided by Article 11 of the majority of the Double Taxation Treaties valid for Belarus. When the interest rate or amount set in a loan agreement between a company's related parties exceeds the arm's length rate or amount (i.e. what would be agreed between independent parties in normal business circumstances), the 5% withholding tax provided by the treaty will be charged on the arm's length interest charge, and any excess amounts will be taxed at the local withholding tax rate of 10%.
Tax loss carry-forward	N/A	Tax loss carry-forward is not available.
Withholding tax	6%–15%	Where a foreign legal entity does not create a PE in Belarus and is not protected by a Double Tax Treaty, withholding tax rates are as follows (withheld at source): – 6% on freight from international carriage; – 10% on debentures (bonds), including interest; – 12% on dividends; – 15% on royalties and other types of income directly specified by the Tax Code.
Special features		Starting from 1 January 2011, interest on loans used to acquire fixed, intangible and other long-term assets is deductible for CIT purposes after the asset has been put into operation. Restrictions on the deductibility of representation expenses have been cancelled. Expenses incurred on the purchase of management services, including payments for bookkeeping services, are deductible for CIT purposes.

Value Added Tax

General rate	20%	Local supplies of goods, work and services.
Reduced rate	10% / 0%	The 10% rate applies to a limited range of basic food items, children's goods, as well as agricultural crop and fishing products. Exports of goods and the provision of certain export-related services as well as the export of transportation services are subject to zero-rate VAT.
Refund period	90 days	In practice, can be significantly longer.
Special features		There are special place-of-supply rules for cross border services in order to determine whether they are provided in or outside Belarus.

Individual Taxation

Personal Income Tax	12%	The general flat personal income tax rate is 12%. There is a 15% flat-rate on income from entrepreneurial (and private notary) activity, as well as a 9% set rate on income derived by individuals from employers registered in a High Technology Park.
Mandatory Social Security Contributions	Employer or self-employed entrepreneur: 34% of salary Employee: 1%	The assessment rates are flat (34% in 2011). In 2011, the contribution base is 4 times the average monthly salary established by the Government (in January 2011, a total of BYR 5,713,348). Amounts above that are not subject to contributions.

Other Taxes

Property tax	1% per annum	Only levied on the book value of real estate (buildings, houses) and incomplete construction.
Other		Excise tax, customs duties, stamp duties, ecological tax, tax on the extraction of natural resources, land tax, offshore charge, state duties, stamp duty.

Exchange rate: BYR 3972.6 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Bosnia and Herzegovina

☐ EU
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☐ WTO
☑ IMF
☑ EBRD

Capital:	Sarajevo
Official language:	Bosnian, Croatian, Serbian
Official currency:	Bosnian Administrative Mark (BAM)
Population:	3,843,126 (2010 estimate)
Area:	51,129 km²
GDP growth (%):	0.5 (2010 estimate)
GDP per capita (USD):	7,428 (2010 estimate)
Double Tax Treaties:	30
FDI (USD):	1,000.74 million (2009)

Highlights – Personal income tax

Legislative changes

Integrated Social Security Contribution System in the BiH Federation

A new law, passed on 1 January 2010 and effective from 1 January 2011, has introduced an integrated system for the registration, monitoring and payment of Social Security Contributions (SSC).

The system is implemented through the BiH Federation Tax Authorities and is used for recording, processing, harmonising and exchanging SSC data, the control of SSC payments, and informing SSC payers.

Users of the integrated system are:

- Federal Institute for pension and disability insurance;
- Institute for health insurance and re-insurance of the BiH Federation;
- Institute for employment of the BiH Federation;
- Tax Authorities;
- Federal Statistics Agency.

Taxpayers are all employers, legal entities or individuals that are statutorily or voluntarily insured, and which are obliged to calculate, withhold and pay SSC in accordance with the Law on Social Security Contributions and laws which regulate pension and disability insurance, health insurance and unemployment insurance.

SSC payers are obliged to register in the integrated system with the Tax Authorities and to submit registration forms to the Tax Authorities for new employees within 7 days from start of employment. Annual SSC returns have to be submitted by 30 April of the year following the fiscal year concerned.

Minimum excise duty for cigarettes in Bosnia and Herzegovina

The Law on Excise Duties prescribes that cigarettes will be subject to proportional duty (42% of retail price) and flat-rate duty (BAM 0.45 per packet of 20 cigarettes).

The Indirect Tax Authorities (ITA) have also introduced a minimum excise duty, which is calculated on the basis of the most popular cigarette brand in the 12 month period from 1 July to 30 June immediately preceding the period when the duty is payable. The excise duty paid cannot be lower than the excise duty paid on the most popular brand.

The ITA has announced that the minimum excise duty is BAM 54 per 1,000 cigarettes, i.e. BAM 1.08 per packet of 20 cigarettes.

The minimum excise duty applies from 1 January 2011.

Corporate Taxation

Rate	10%	In both the Federation and the Republic.
Thin capitalization (debt : equity ratio)	N/A	There are no thin capitalization rules.
Tax loss carry-forward	5 years	In both the Federation and the Republic.
Withholding tax	5% / 10%	Interest, royalties, fees for market research, tax advisory services, audit services, and insurance and reinsurance premiums are subject to a final withholding tax in the Federation, and there is 5% withholding tax on dividends. In the Republic, 10% withholding tax is payable on interest paid to non-residents, revenue paid to foreign legal persons, interest paid on loans to PEs or subsidiaries from their foreign partners, royalties, and fees for management, consulting, financial, technical or administrative services. These rates can be reduced to 0% under Double Tax Treaties.
Special features		Tax incentives in the Federation are available to taxpayers in the year in which they are established. Incentives in the form of CIT exemption are available if over 30% of total income is generated through exports. Also, a taxpayer that invests a minimum total of BAM 20 million over 5 consecutive years in production in the Bosnia and Herzegovina Federation is also exempt from CIT, but BAM 4 million has to be invested in the first year. Taxpayers can be exempted from corporate income tax for the year in which they employ invalids or people with special needs as more than 50% of their workforce. The corporate income tax law in the Republic does not offer tax incentives.

Value Added Tax

General rate	17%	The standard rate is 17%. The VAT regime is valid in both the Federation and the Republic.
Reduced rate	N/A	
Refund period	60 days	30 days for export companies.
Special features		Exported services and goods and the supply of goods and services related to the international transport of goods or passengers are zero-rated.

Individual Taxation

Personal Income Tax	10%	10% in the Federation and from 1 Feburary 2011 also 10% in the Republic. Both rates apply on the difference between total taxable income generated in one tax period and total deductions which can be recognized as expenses incurred in generating the income.
Mandatory Social Security Contributions	Employer: 10.5% In FBiH Employee: 31% In FBiH 33% In RS	In both entities, the base is gross income. In the Republic, there are no employer's contributions, but the employer is obliged to calculate, withhold and pay the employee's contributions of 33% from 1 February 2011. In the Federation, the employer pays contributions of 10.5%, but also has to calculate, withhold and pay the employee's contributions of 31%.
Special features	0.5% tax for disaster protection and 0.5% tax for water protection	These taxes apply in the Federation. The employer has to calculate and pay them on the basis of the net salary.

Other Taxes

Local business tax		The local business tax depends on local regulations and types of business.
Other		In the Republic, immovable property tax is between 0.05% and 0.5% calculated on an annual basis, depending on property value. In the Federation, cantonal laws determine the tax rate according to the value of the immovable property.

Exchange rate: 1.96 BAM= EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Bulgaria

- ☑ EU
- ☑ NATO
- ☐ OECD
- ☑ WTO
- ☑ IMF
- ☑ EBRD

Capital:	Sofia
Official language:	Bulgarian
Official currency:	Bulgarian Lev (BGN)
Population:	7,606,551 (2008)
Area:	110,910 km²
GDP growth (%):	-5.0 (2009)
GDP per capita (USD):	4,398 (2009)
Double Tax Treaties:	68
FDI (USD):	4,374.66 million (2009)

Highlights – Main features of the Bulgarian tax system

Over the past decade Bulgaria has gradually reduced its direct tax rates, used VAT as a major tax revenue source, and has increased the average level of tax compliance by improving its tax administration practices.

- One of the lowest corporate and personal income tax rates in Europe (10%).
- Reasonable definition of "taxable profit" – genuine business expenses are normally tax-deductible.
- Compliance with EU and OECD requirements against harmful tax practices.
- Transition to substance-over-form tax practices. Trend towards more efficient administration of taxes.
- Exemption from corporate income tax for production activities in high unemployment regions.
- Special preferential VAT regime for imports of non-excisable goods related to large investment projects.
- Dividends distributed by Bulgarian companies to entities resident in EU Member States and the EEA are not subject to withholding tax.
- Implementation of the Interest and Royalties Directive.
- Opportunities for tax efficient mergers and other company reorganisations in accordance with EU tax legislation.
- Special purpose investment companies, collective investment schemes and licensed investment companies are exempt from corporate tax.
- Income gained from transactions on a licensed EU/EEA stock exchange is exempt from corporate and withholding tax.
- Deductibility of costs of fixed intangible assets created as a result of R&D.
- EU customs legislation is directly applicable.
- No stamp duty or transfer taxes for investors in securities.
- Broader anti-avoidance rules and definition for beneficial ownership introduced as of 1 January 2011.
- 68 effective Double Tax Treaties.

Investors and international traders can benefit from the business opportunities in Bulgaria, its low direct taxes, specific tax planning opportunities, EU membership and political stability as well as from specific encouragement measures and other favourable conditions for potential investments.

Corporate Taxation

Rate	10%	Special purpose investment companies, collective investment schemes and licensed investment companies are exempt.
Thin capitalization (debt : equity ratio)	3:1	If the debt-to-equity test fails, a specific formula applies.
Tax loss carry-forward	5 years	Tax loss carry-back available in limited cases.
Withholding tax	5% / 10%	5% – Dividends and liquidation quotas if distributed to individuals and non-EU/EEA companies; interest and royalties accrued to affiliated companies, under certain conditions. 10% – Interest, royalties, management and technical services fees, rental payments, capital gains, any fees for services and use of rights as well as penalties and damages payments accrued to entities in low-tax jurisdictions (with some exemptions).
Special features		Transfer pricing rules; no group taxation; specific tax regimes for gambling and commercial marine shipping.

Value Added Tax

General rate	20%	
Reduced rate	7% / 9%	For hotel accommodation. (7% until 31 March 2011, 9% thereafter.)
Refund period	3 months	30 days under certain conditions.

Individual Taxation

Personal Income Tax	10%	Flat-rate taxation.
Mandatory Social Security Contributions	Employer: 17.4%+ (0.4%–1.1%) Employee: 12.9%	Maximum monthly taxable base: BGN 2,000.

Other Taxes

Real estate annual tax	0.01%–0.45%	The rate is set by each municipality according to the location of the real estate. The taxable base can be the market price, specifically determined tax value or the gross book value. No tax for agricultural land and forests.
Transfer tax (for transfers of real estate and vehicles)	0.1%–3.0%	
Other		Taxes on certain expenses (e.g. corporate hospitality), vehicle tax, donation tax, inheritance tax, tourist tax.

Exchange rate: BGN 1.96 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Croatia

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- ☑ IMF
- ☑ EBRD

Capital:	Zagreb
Official language:	Croatian
Official currency:	Croatian Kuna (HRK)
Population:	4,429,000 (2009)
Area:	56,538 km²
GDP growth (%):	-5.8 (2009)
GDP per capita (USD):	13,660 (2009)
Double Tax Treaties:	49
FDI (USD):	2,838 million (2009)

Highlights

- Changes to the Croatian Corporate Profit Tax Act and Personal Income Tax Act came into force on 1 July 2010:

Profit tax

- Provisions on transfer pricing and interest deduction have been introduced for business relationships between resident parties if one party has beneficial tax status (i.e. pays taxes at lower rates) or is entitled to carry forward tax losses from previous years.
- The entitlement to carry forward tax losses in mergers and acquisitions is prescribed in detail, limiting the entitlement where the legal predecessor was inactive and in cases when there is a significant change in business activity or ownership structure.
- Provisions set aside to pay for employees' untaken holidays and made in accordance with the accounting regulations are allowed for tax purposes as well.
- The minimum value of long-term assets (assets used by the company for more than one year) has now increased to HRK 3,500.

Withholding Tax

- In addition to the current withholding tax rate of 15%, an increased rate of 20% has been introduced. It applies to all service fees paid to foreign entities whose registered office or place of management is in a country where the profit tax rate is below 12.5%. This provision does not apply to European Union member countries.

Personal Income Tax

- Individuals' Croatian personal income tax liability is calculated and paid monthly, using the following tax rates and bands:

Tax rate	Tax band (HRK)
12%	up to 3,600
25%	3,600–10,800
40%	over 10,800

- The tax allowances on the basis of voluntary pension payment premiums, endowment insurance, private and additional health insurance premiums, health service fees, costs for purchase or construction of the first housing property are all abolished as of 1 July 2010.

Crisis Tax

- The special 2% tax on earnings between HRK 3,000 and 6,000 was abolished in July 2010. The special 4% tax on income over HRK 6,000 was abolished on 1 November 2010.

Corporate Taxation

Rate	20%	
Thin capitalization (debt : equity ratio)	4:1	Any interest on loans received from non-financial institutions that exceeds the 4:1 debt equity ratio is not tax-deductible.
Tax loss carry-forward	5 years	Restrictions for mergers and acquisitions.
Withholding tax	15%	Interest, royalties and other intellectual property rights (copyrights, patents, licenses, trade marks, designs or patterns, production processes, production formulas, drafts, plans, industrial or scientific know-how and similar rights) and service fees (for market research services, tax and business advisory and audit fees paid to non-residents).
Special features		Tax incentives available, depending on the amount of investment and number of employees.

Value Added Tax

General rate	23%	
Reduced rate	10%	Services related to organized stays (accommodation) are subject to the 10% rate. VAT is also due at the 10% rate on certain magazines and newspapers.
	0%	The zero-rate applies to supplies of certain products or services.
Refund period	30 days	

Individual Taxation

Personal Income Tax	12%–40%	The highest rate applies on taxable income that exceeds six times the taxpayer's basic personal allowance (over HRK 10,800 per month).
Mandatory Social Security Contributions	Employer: 17.2%	Employee contributions are capped at annual gross salary of HRK 551,304 for 2011.
	Employee: 20%	

Other Taxes

Real estate transfer tax	5%	Levied on the market value.
Other		Excise taxes, inheritance and gift tax, vehicle tax, tax on vessels, tax on holiday houses, consumption tax, tax on trade names, tax on the use of public land.

Exchange rate: HRK 7.38 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Czech Republic

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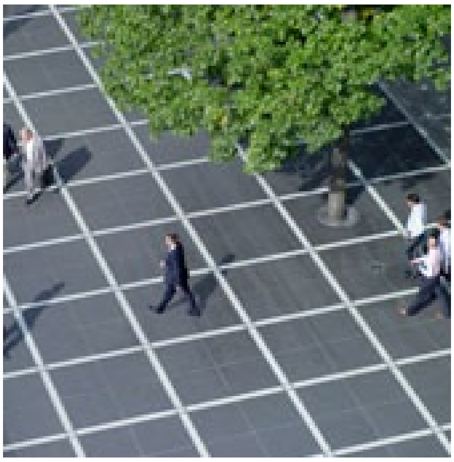
- ☑ EBRD

Capital:	Prague
Official language:	Czech
Official currency:	Czech Koruna (CZK)
Population:	10,526,685 (2010)
Area:	78,867 km²
GDP growth (%):	-4.1 (2009)
GDP per capita (USD):	18,139 (2009)
Double Tax Treaties:	77
FDI (USD):	2,665 million (2009)



Highlights – Tax holidays and other tax benefits

- **Investment incentives** in the following forms are available to both multinational and domestic investors for large-scale manufacturing projects:
  - Corporate income tax relief (tax holidays);
  - Grants for job creation or training/re-training of employees;
  - Acquisition of land or land with infrastructure on preferential terms.
- Support from **structural funds** is available for a wide range of activities carried out by newly-established or already existing companies/entrepreneurs.
- A special tax allowance is available as part of support for **R&D activities**. The costs incurred on R&D can be deducted from the income tax base twice (as "normal" tax-deductible costs and then again as a special tax allowance).
- Taxpayers can request binding rulings on e.g. transfer pricing (APAs), use of tax losses carried forward, the classification of an expense as technical appreciation of an asset versus repairs and maintenance, eligibility of a cost of the R&D tax allowance, etc.
- The **Parent/Subsidiary Directive** is fully implemented and provides for the tax exemption of dividends paid and received between EU companies (holding condition: 10% of the shares for at least 12 months).
- Tax exemption under similar conditions is also available for dividends paid to Switzerland, Norway and Iceland and dividends received from Double Taxation Treaty countries outside the EU if:
  - The subsidiary was subject to corporate income tax at the nominal rate of at least 12% in the year when the distribution was approved and in the previous year; and
  - The subsidiary has a legal form similar to a Czech limited liability company or joint stock company.
- A participation exemption is available for capital gains realised by Czech and EU corporations on sales of shares in subsidiaries under conditions similar to the dividend exemption (see above).
- **Capital gains realised by individuals** on the sale of shares and units in mutual funds in certain cases are fully tax-exempt (holding period thresholds of 6 months or 5 years apply, depending on the type of shares).

Corporate Taxation

Rate	19%	
Thin capitalization (debt : equity ratio)	4:1	4:1 for related party loans and back-to-back financing loans (6:1 for insurance companies and banks); interest from profit-participating loans is non-deductible.
Tax loss carry-forward	5 years	Tax loss carry-forward is subject to specific rules (the "same business" test upon a change of ownership or a merger).
Withholding tax	15%	Dividends, interest, royalties, and certain services. Filing of Czech tax return available at taxpayer's choice.
Special features		The Income Taxes Act incorporates the Parent-Subsidiary, Merger, Interest-Royalty and Savings Directives. A participation exemption regime is available. Advance pricing agreements and other rulings are available. No tax grouping.

Value Added Tax

General rate	20%	VAT grouping possible.
Reduced rate	10%	Applicable to the majority of foodstuffs and non-alcoholic beverages; pharmaceuticals; regular mass land, air and water transport; books and magazines in specific cases; sporting and recreational activities; some leisure activities; etc.
Refund period	30 days	

Individual Taxation

Personal Income Tax	15%	Flat tax rate calculated on a "super-gross" salary (the social security and health insurance paid by the employer is included in the tax base).
Mandatory Social Security Contributions	Employer: 34% Employee: 11%	These percentages include social security and health insurance (maximum base is capped at 72 times the average monthly salary, i.e. CZK 1,781,280).

Other Taxes

Real estate transfer tax	3%	The tax base is either the sales price or the officially assessed value, whichever is the higher.
Other		Gift tax, inheritance tax, real estate tax, road tax, excise duty, environmental taxes. No stamp duty taxes.

Exchange rate: CZK 25.06 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Estonia

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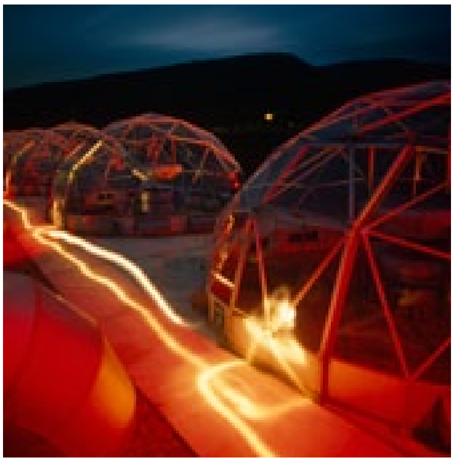
Capital:	Tallinn
Official language:	Estonian
Official currency:	Euro (EUR)
Population:	1,340,127 (2010)
Area:	45,227 km^2
GDP growth (%):	-13.9 (2009)
GDP per capita (USD):	10,342 (2009)
Double Tax Treaties:	47
FDI (USD):	1,605.33 million (2009)



Highlights

Since 2000, Estonia has operated a corporate income tax system under which all undistributed corporate profits are exempt from income tax. This exemption applies to both active (e.g. trading) and passive (e.g. dividends, interest, royalties) income as well as capital gains.

- Estonian companies qualify for the benefits of EC directives and Estonia's Double Tax Treaties, and may therefore be used for a combination of holding, financing and other activities.
- There are presently no thin capitalization rules in Estonia and no withholding tax is collected from cross-border interest payments made by Estonian companies, unless the interest significantly exceeds the arm's length rate.
- Apart from the general exemption on retained earnings, a participation exemption applies to qualifying dividends from the foreign company (in which the Estonian company has at least a 10% shareholding), allowing the tax-exempt distribution of such dividends by Estonian holding companies.
- There is no withholding tax on any dividends paid to non-residents.
- Estonia has a flat personal income tax rate of 21%, which applies to all items of income gained by a resident taxpayer.
- From 2011, Estonia has introduced a tax-exempt investment account scheme for resident individuals, under which they can defer the date of taxation of certain investment income and gains derived from qualified securities.
- Tax returns and payments can be submitted electronically.

Corporate Taxation

Rate	21%	Undistributed corporate profits are tax-exempt. Distributed profits are generally subject to 21% corporate tax (21/79 on the net amount of a profit distribution).
Thin capitalization (debt : equity ratio)	N/A	Estonian tax legislation does not include thin capitalization rules.
Tax loss carry-forward	N/A	
Withholding tax	0%–21%	Certain payments to non-residents and resident individuals are subject to withholding taxes.

Value Added Tax

General rate	20%	
Reduced rate	9%	Books, periodicals (with a few exceptions), hotel accommodation services and listed pharmaceuticals.
Refund period	30 days	Generally, within 4 months to EU businesses and within 6 months to non-EU businesses.
Special features		Estonia operates an extended reverse-charge VAT regime.

Individual Taxation

Personal Income Tax	21%	Flat-rate.
Mandatory Social Security Contributions	Employer: 34.4% Employee: 2.8% / 3.8% / 4.8%	Employee's 2% contribution to the cumulative pension scheme (withheld from the employee by the employer); applies to individuals who voluntarily applied to continue with these contributions from 1 January 2010. For other employees who have joined the cumulative pension scheme, the contribution rate is 1% in 2011.

Other Taxes

Land tax	0.1%–2.5%	Land tax is calculated on the assessed value of land and does not include the value of buildings. The rate is set by each municipality.
Local taxes		Advertisement tax, road/street closure tax, sales tax, boat tax, motor vehicle tax, tax on keeping animals; entertainment tax may be imposed.
Other		Excise duties on tobacco, alcohol, some packaging materials, electricity and motor fuel. Heavy goods vehicle tax, gambling tax, state fees, pollution charges.

Exchange rate: EUR 0.75 = USD 1.00 on 1 January 2011.

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Georgia

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Capital:	Tbilisi
Official language:	Georgian
Official currency:	Georgian Lari (GEL)
Population:	4,600,000 (2010 estimate)
Area:	69,700 km^2
GDP growth (%):	-3.9 (2010 estimate)
GDP per capita (USD):	5,057 (2010 estimate)
Double Tax Treaties:	31
FDI (USD):	433 million (Q1-Q3 2010)

Highlights – Recent changes in Georgia

In addition to its rich history and exciting tourist destinations, Georgia is catching the eye of foreign investors for its:

- Low tax rates;
- Strategic geographical location;
- Competitive trade regimes with low import tariffs;
- Mobile and educated labour force;
- Simplified licensing and permit procedures.

Under the new tax code, the following tax rates are in force from 1 January 2011:

- Personal income tax: 20% flat-rate;
- Withholding tax on dividends: 5%;
- Withholding tax on interest: 5%.

Future Developments

Under the new tax code, the reduction of the personal income tax rate has been deferred for 2 years. The rate will now fall to 18% from 1 January 2013 and to 15% from 1 January 2014. Withholding tax on dividends and interest will also be decreased according to the following schedule:

WHT on Dividends:

- 2013 – 3%
- 2014 – 0%

WHT on Interest:

- 2014 – 0%

Corporate Taxation

Rate	15%	The taxable base is gross taxable income less deductible expenses.
Thin capitalization (debt : equity ratio)	3:1	Interest expense may be disallowed if a company's debt-to-equity ratio exceeds 3:1.
Tax loss carry-forward	5 years / 10 years	Tax losses can be carried forward for 5 years, which may be extended to 10 years (if the statute of limitations is thereby increased to 11 years, specific procedures apply).
Withholding tax	5%	5% – Dividends. 5% – Interest.
Other withholding tax	4% / 10% / 15%	4% – Oil and Gas subcontractor income. 10% – International telecommunications services and international transportation services. 15% – Other service fees related to Georgian-source income paid to non-residents (consultancy, management, etc.).

Value Added Tax

General rate	18%	Most goods.
Reduced rate	0%	Some specific transactions are taxable at 0%.
Refund period	3 months	In practice, the refund process can be longer.

Individual Taxation

Personal Income Tax	20%	Flat-rate.
Mandatory Social Security Contributions	Employer: N/A	Cancelled from 1 January 2008.
	Employee: N/A	

Other Taxes

Property tax	1%	Payable on the taxable value of fixed assets.
Excise duties		Various, depending on the type of goods, e.g. alcohol, tobacco, petroleum products.
Other		Land tax – various, based on land type and location.

Exchange rate: GEL 2.36 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Hungary

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- ☑ EBRD

Capital:	Budapest
Official language:	Hungarian
Official currency:	Hungarian Forint (HUF)
Population:	9,994,000 (2010)
Area:	93,028 km²
GDP growth (%):	1.2 (2010)
GDP per capita (USD):	18,815 (2010 estimate)
Double Tax Treaties:	67
FDI (USD):	2,067 million (Q3 2010)

Highlights – Hungary as an attractive investment location

- A standard EU tax system and OECD compliance.
- No withholding tax on dividends, interest, royalty or on service fees.
- 50% of gross royalty income is tax-deductible.
- Incentives for R&D.
- No tax on gains arising from the sale of registered share participations held for more than 1 year.
- Corporate tax exemption on dividends received.
- Exemption from tax on profits of permanent establishments abroad through most of the tax treaties.
- Advance binding rulings available.
- Deductibility of investment costs.
- No capital tax on registration.
- No stamp duty/transfer tax on the sale of shares except for real estate-owning companies.
- Option to keep capital and books in EUR.
- Any foreign currency may be used as functional currency if at least 25% of business (as defined) takes place in that currency.
- Flexible depreciation rules.
- A party to major international treaties and conventions on intellectual property rights protection.
- Extensive Double Tax Treaty network.
- VAT grouping opportunities.
- Separation of registered office and central place of management.

Corporate Taxation

Rate	10%–19%	The tax rate is 10% up to HUF 500 million tax base and 19% on the tax base above.
Thin capitalization (debt : equity ratio)	3:1	The thin capitalization rules cover liabilities that entail the payment of interest (except interest from financial institutions).
Tax loss carry-forward	Unlimited	Tax losses can be carried forward indefinitely.
Withholding tax	0%	No withholding tax on dividends, interest, royalty and service fees.
Special features		Capital gains on the sale of registered shareholdings are exempt and subject to a 1 year minimum holding period. CFC rules apply to companies owned by Hungarian resident individuals or if the majority of the company's income derives from Hungarian sources. Binding rulings and Advance Pricing Arrangements (APAs) are available.

Value Added Tax

Standard rate	25%	
Reduced rates	18% / 5%	18% for milk and dairy products, hotel accommodation, district heating for households. 5% for pharmaceutical and nutritional products, books.
Refund period	30 / 45 days	Residents: via VAT return.
	4–8 months	Non-resident: EC directive or reciprocity. Reclaim to be filed in country of residence.
Special features		Real estate rental. Domestic reverse-charge for special transactions. Financial institutions. VAT grouping. Cost-sharing exemption.

Individual Taxation

Personal Income Tax	16%	The rate applies to the so-called "super gross" tax base, i.e. taxable gross income multiplied by 1.27.
Mandatory Social Security Contributions	Employer: 27% Employee: 17.5%	The threshold contribution base is HUF 156,000/month.
Special features	Flat tax rate	On capital gains, interests and dividends.

Other Taxes

Local Business Tax	Max. 2%	Adjusted sales turnover from business activities carried out in the municipality.
Real Estate Transfer Tax	4%	On fair market value of real estate if asset or substantial participation acquired (except intra-group).
Other		Excise tax, energy tax, customs duties, stamp duties, healthcare tax, registration tax, R&D tax, pharma taxes, community tax, tourism tax, environmental taxes, WEEE, bank tax, austerity tax.

Exchange rate: HUF 278.8 = EUR 1.00. EUR 0.75 = USD 1.00 on 31 December 2010.

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Kazakhstan

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- ☑ EBRD

Capital:	Astana
Official language:	Kazakh
Official currency:	Kazakhstan Tenge (KZT)
Population:	15,778,160
Area:	2,717,300 km^2
GDP growth (%):	3.1 (2008)
GDP per capita (USD):	8,450 (2008)
Double Tax Treaties:	42
FDI (USD):	51,543 (2008)

Highlights

- Kazakhstan is a developing country with large reserves of natural resources (oil & gas, minerals, etc.). However, it is also a country with an ever-changing tax system and aggressive tax authorities.
- A new Tax Code came into force on 1 January 2009. Some of the major changes are:
  – The corporate income tax rate was reduced from 30% to 20% in 2009. It is expected to be reduced to 17.5% in 2013 and to 15% in 2014;
  – The value added tax rate was reduced from 13% to 12% in 2009;
  – Withholding tax rates on income paid to non-residents were modified to a general rate of 15% (e.g. withholding tax on royalty and capital gains income). However, payments to tax-haven residents are subject to 20%.
- The “stability tax regime” governing exploration and production in the oil & gas industry (subsurface users’ contracts) was effectively abolished (except for contracts that were signed prior to 1 January 2009, which underwent a tax inspection, and subsurface contracts approved by the President).
- Kazakhstan offers a number of tax incentives, primarily targeting:
  – Priority sectors of the economy, which include agriculture and small businesses;
  – Special Economic Zones: Astana New City, Aktau Sea Port, IT Park, Ontustik.
- The tax system is relatively complex and is characterized by form over substance – there is an emphasis on documentation.
- Dividends paid to individual residents are taxed at 5%, while the general personal income tax rate is 10%.
- Legal entities resident in Kazakhstan are exempt from withholding tax on domestic dividends. Dividends paid to non-residents are also exempt if the following criteria are met:
  – Shareholding period of more than 3 years;
  – Less than 50% of the assets of the Kazakhstan legal entity paying the dividends consists of subsurface user property in Kazakhstan.
- Dividends and interest on securities which are on the official list of the domestic stock exchange (KASE) on the date of accrual are tax-exempt.
- Capital gains on the sale of securities, which, on the date of sale, are listed on a domestic or foreign stock exchange by means of open trade, are tax-exempt. Capital gains on sales of shares of companies which are not subsurface users are also tax-exempt.
- Simplified (automatic) tax treaty relief is available in certain cases, e.g. dividends and interest, if certain conditions are met.
- Controlled Foreign Company (CFC) rules apply to both legal entities and individuals that are tax residents in Kazakhstan if they directly or indirectly hold a shareholding of 10% or more in a non-resident legal entity which is located and/or registered in a country with a privileged taxation regime (e.g. the tax rate is less than 10%).
- Kazakhstan is currently party to 42 Double Tax Treaties. Two Double Tax Treaties were ratified by the government of Kazakhstan in 2010 (Spain and Armenia). Two Double Tax Treaties (Luxembourg and UAE) have been signed but not yet ratified.

Corporate Taxation

Rate	20%	The rate reductions planned for 2010, 2011 and 2012 have been postponed to 2013 and 2014.
Thin capitalization (debt : equity ratio)	6:1	9:1 for financial institutions. The ratio will be adjusted to 4:1 (7:1 for financial institutions) as from 1 January 2012.
Tax loss carry-forward	10 years	For subsurface users – ring-fencing, no consolidation.
Withholding tax	5% / 15% / 20%	Exempt: Domestic inter-company dividends, inbound inter-company dividends. 5% – Dividends paid to resident individuals. 15% – Dividends paid to non-residents, interest, royalties, capital gains. 20% – Income from rendering services. 20% – Payments to tax-haven residents.
Special features		Transfer pricing rules apply. Entities must have TP documentation on cross-border related-party transactions.

Value Added Tax

Standard rate	12%	
Reduced rates	N/A	
Refund period	60 days	Usually subject to excessive delays.
Special features	0%	Exports of goods; International transport; Exempt turnover.

Individual Taxation

Personal Income Tax	10%	Flat-rate.
Social Tax	11%	For employer.
Mandatory Social Security Contributions	Employer: 5%	Capped.
Pension	Employee: 10%	
Special features		Most benefits are taxable.

Other Taxes

Real estate and land tax	0.1%–1.5%	1.5% – General Property tax rate, only applies to immovable property. 0.5% – Individual entrepreneurs. 0.1% – Non-profit organisations. The land tax rate depends on the land area and quality.
Local taxes		Property tax, vehicle tax.
Other		Environmental tax, excise duties and custom duties.

Exchange rate: KZT 196.55 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Latvia

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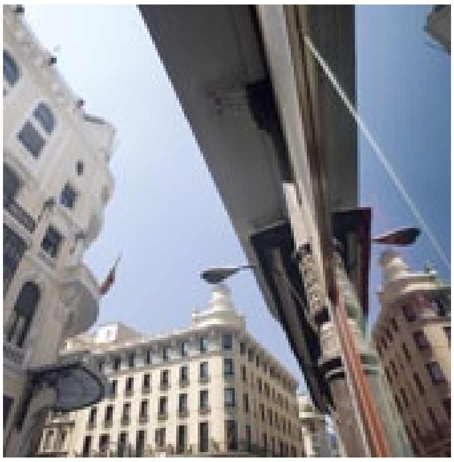
- ☐ EBRD

Capital:	Riga
Official language:	Latvian
Official currency:	Lats (LVL)
Population:	2.23 million (2010)
Area:	64,589 km²
GDP growth (%):	-1.7 (Q1-Q3 2010)
GDP per capita (USD):	8,344 (2009)
Double Tax Treaties:	51
FDI (USD):	11,458.57 million (2009)



Highlights

Tax law amendments effective from 1 January 2011:

- Companies can apply for CIT relief of 25% of investments in qualifying projects approved by the government. There are criteria for qualifying for the relief and companies have to invest a minimum of LVL 5 million (ca. EUR 7 million).
- A new tax regulation allows the deduction of tax losses resulting from debt assignment if specific criteria are met.
- The VAT rate has increased from 21% to 22%.
- Mandatory social security contributions have increased from 33.09% to 35.09%.
- The personal income tax rate has decreased from 26% to 25%.
- The personal allowance has increased from LVL 35 to LVL 45 (ca. EUR 50 to 65).
- Property tax on private housing has increased from 0.1%–0.3% to 0.2%–0.6%.

Corporate Taxation

Rate	15%	
Thin capitalization (debt : equity ratio)	4:1	The debt-to-equity ratio is 4:1, but the thin capitalization rules also limit interest deductibility to 1.2 times the average short-term interest rate at banks. The thin capitalization rules do not apply to interest paid to banks resident in Latvia, the EEA or in countries with which Latvia has an effective Double Tax Treaty. The debt-to-equity ratio does not apply to certain financial institutions.
Tax loss carry-forward	8 years	Latvian companies are entitled to carry their tax losses forward for 8 years.
Withholding tax	2% / 5% / 10% / 15%	Dividends paid to EU/EEA entities are exempt from WHT if certain conditions are met, while dividend payments to other non-resident entities are subject to 10% WHT. Until 30 June 2013, WHT on interest paid to related EU companies has been set at 5% and will be rescinded from 1 July 2013. Interest payments to other related non-resident companies are subject to 10% WHT. 15% WHT is payable on royalties for copyrights, and 5% WHT on all other royalty payments. Until 30 June 2013, WHT on all royalty payments to related EU companies has been set at 5% and will be rescinded from 1 July 2013. 10% WHT is payable on management and consulting fees, but exemption can be obtained if there is an effective Double Tax Treaty. 2% on proceeds from the sale of real estate and shares in real estate companies.
Special features		Tax grouping is available under strict conditions. Transfer pricing documentation is not mandatory, but transactions between related parties must be at arm's length.

Value Added Tax

General rate	22%	
Reduced rate	12%	Medicines and medical supplies, newspapers, utilities (supplies of gas and heat to individuals), etc.
Refund period	3 months – 1 year	Applicable to companies registered for VAT in another EU country and to non-EU companies on a reciprocal basis.

Individual Taxation

Personal Income Tax	25%	Flat-rate with an annual allowance of LVL 540 (approx. EUR 768) from 1 January 2011.
Mandatory Social Security Contributions	Employer: 24.09% Employee: 11%	

Other Taxes

Real estate and land tax	1.5% / 0.2%–0.3%	1.5% on cadastral (registered) value of land, commercial buildings and engineering structures. 0.2%–0.6% on private housing.
Natural resources tax	Various rates	On the extraction of natural resources, pollution of the environment; dealing with hazardous goods; packaging; electronic and electrical equipment.
Excise duties	Various rates	On petroleum and petroleum products, alcohol, tobacco products, coffee and non-alcoholic beverages.

Exchange rate: LVL 0.70 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Lithuania

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- ☐ EBRD

Capital:	Vilnius
Official language:	Lithuanian
Official currency:	Lithuanian Litas (LTL)
Population:	3.3 million
Area:	65,200 km²
GDP growth (%):	1.3 (2010)
GDP per capita (USD):	16,997 (2010)
Double Tax Treaties:	48
FDI (USD):	13,952.7 million (2009)

Highlights

Main advantages

- Convenient geographical location – Lithuania is between the western and eastern parts of Europe, and has well-developed access to the sea at the port of Klaipeda.
- Uncomplicated legislation on starting up businesses, business-friendly tax environment and relatively low business costs.
- Good infrastructure and high technological and R&D potential.
- High educational level, good labour regulations, high quality of labour force and low crime rate.
- Flow of EU funds.

Main tax advantages

- No withholding tax on dividends paid to shareholders with stakes of 10% or more held for a minimum of 1 year, if certain conditions are met.
- No withholding tax on dividends received from EEA countries if the dividends were distributed from profits which were subject to CIT.
- Interest paid by Lithuanian companies to foreign companies established in the EEA and in countries with which Lithuania has a treaty for the avoidance of double taxation is not subject to withholding tax in Lithuania and no holding requirements apply.
- No capital gains tax on the sale of a 25% stake held for a minimum of 2 years if no reorganization is carried out.
- Free economic zones (0% CIT for 6 years in some areas).
- Goodwill arising on the acquisition of shares can be deductible for CIT purposes if certain conditions are met.
- There is no capital duty on acquisitions of shares in Lithuania.
- Losses may be carried forward for an unlimited period if certain conditions are met. However, losses from the transfer of securities may only be carried forward for 5 successive years.
- Current-year losses incurred after 1 January 2010 can be transferred to another legal entity of the group if certain conditions are met.
- R&D expenses can be deducted three times in the tax period when they are incurred.
- Entities involved in investment projects are able to reduce their taxable profits by up to 50% by the acquisition costs of fixed assets that meet certain requirements.
- The “participation exemption” rule applies to dividends received by Lithuanian or foreign entities’ permanent establishments if not less than 10% of the voting shares are held for a continuous period of at least 12 months.
- The “participation exemption” rule does not apply to dividends received from foreign entities if the dividends were distributed from profits that were not subject to CIT.

Corporate Taxation

Rate	15% / 5%	The general rate is 15%. For small entities it is 5% under certain conditions. Maritime entities can apply the rate of 15% on the fixed tax base (without any deductions) calculated with reference to the freight capacity of a ship.
Thin capitalization (debt : equity ratio)	4:1	This ratio applies unless the entity can prove that it would have enjoyed the same borrowing conditions under the same terms from an unrelated party. 'Equity' excludes profit/loss of the period. Bank debt is excluded unless guaranteed by a related party. The 4:1 ratio is calculated on the last day of the tax period.
Tax loss carry-forward	Unlimited period of time / 5 years	Generally, for an unlimited period. However, losses from the disposal of securities or financial derivatives can only be carried forward for 5 years and may only be offset against similar income.
Withholding tax	10% / 15%	10% – Interest, royalties, compensation for violation of copyrights. Withholding tax on royalties paid to related parties and EU tax residents will be reduced to 0% as from 1 July 2011. 15% – Dividends, 'tantiemes' (bonuses from distributed profits), sports activities performed in Lithuania, sale or rent of immovable property; 0% – Dividends on holdings of 10% or more retained for a minimum period of 1 year if certain requirements are met.
Special features		Transfer pricing documentation in a prescribed format is compulsory for all taxpayers with an annual turnover exceeding LTL 10 million (EUR 2.896 million). Transfer pricing regulations closely follow the OECD guidelines, although Lithuania is not an OECD Member.

Value Added Tax

General rate	21%
Reduced rate	9% / 5%
Refund period	90 days

Individual Taxation

Personal Income Tax	5% / 15% / 20%	5% on income from self-employment activities, with some exceptions. 15% generally on all types of income. 20% on income from distributed profits.
Mandatory Social Security Contributions	Employer: 30.98%–31.7% Employee: 3%	No cap.
Mandatory Health Contributions	Employee: 6%	No cap.

Other Taxes

Real estate tax	0.3%–1%	Specific rate is set by municipalities. It is levied on the value of real estate owned by legal entities, and by private individuals when it is used for commercial purposes.
Land tax (for privately owned land)	1.5%	Tax is levied on the value of private land located in Lithuania and owned by companies or individuals.
Land lease tax (for land rented from the State)	0,1%–4%	Tax is levied on the value of state-owned land used by Lithuanian and foreign companies for their economic activities. The specific tax rate is set by municipalities.
Other	Various	Pollution tax. Real estate transactions (sales, swaps, renting, mergers, etc.) must be confirmed by a notary. The fee depends on the type of transaction and real estate and is between 0.2% and 0.6%, but cannot be more than LTL 20,000 (EUR 5,792). Changes in ownership rights must be registered in the Real Estate Register. The title deed registration fee depends on the type of real estate and its average market value, but the fee for one real estate unit cannot be more than LTL 5,000 (EUR 1,448).

Exchange rate: LTL 3.45 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Macedonia

- ☐ EU
- ☐ NATO
- ☐ OECD
- ☑ WTO
- ☑ IMF
- ☑ EBRD

Capital:	Skopje
Official language:	Macedonian
Official currency:	Macedonian Denar (MKD)
Population:	2.1 million (2009)
Area:	25,713 km^2
GDP growth (%):	0,7 (2009)
GDP per capita (USD):	4,657 (2009)
Double Tax Treaties:	32
FDI (USD):	356.4 million (2008)

Highlights

- Full corporate income tax exemption on retained profits.
- A corporate income tax rate of 10%, payable at the time of dividend and any other profit distribution. Corporate income tax is also levied on non-deductible expenses incurred by companies, regardless of whether they have generated profit or loss.
- No corporate income tax is payable on dividends distributed to domestic legal entities.
- No separate capital gains tax on asset or share sales for corporate taxpayers.
- General tax deductions available for all kinds of business activities, including full tax deduction on foreign exchange losses and interest financing provided by unrelated parties at commercial rates.
- Companies operating in a Technological and Industrial Development Zone ('TIDZ') are exempt from corporate income tax and personal income tax for employees for a period of up to 10 years from the date the company starts operating in the TIDZ.
- Interest financing provided by shareholders is tax-deductible subject to thin capitalization rules that require a 3:1 debt-to-equity ratio.
- Taxes paid abroad by branches of Macedonian companies can be credited up to the amount that would be payable under the prevailing rate of Macedonian corporate income tax.
- A flat personal income tax rate of 10%.
- VAT is generally in accordance with the principles of the 6th EU VAT Directive.
- According to the EU-Macedonia Stabilization and Association Agreement, zero customs rates apply on products for export into the EU that have Macedonian preferential origin.
- The tax procedure law codifies all tax administrative procedures and prescribes a duty of care for tax officials.
- All tax statements and returns can be submitted electronically.
- Transfer pricing rules generally follow the arm's length principle.
- Currently 32 applicable Double Tax Treaties.

Corporate Taxation

Rate	10%	Corporate income tax is payable upon payment of dividends and other profit distributions.
Thin capitalization (debt : equity ratio)	3:1	For loans provided by shareholders.
Tax loss carry-forward	N/A	
Withholding tax	10%	Domestic withholding tax of 10% on certain payments to foreign residents. Double Tax Treaty relief is possible.
Special features		Transfer pricing rules impose severe penalties on both corporations and responsible persons for underestimation or false reporting of the taxable base.

Value Added Tax

General rate	18%	On most goods.
Reduced rate	5%	Only on a few goods, such as food, water, seeds, agricultural machinery, fertilizers, etc.
Refund period	30 days	

Individual Taxation

Personal Income Tax	10%	Flat-rate.
Mandatory Social Security Contributions	27%	18% – Pension insurance; 7.3% – Health insurance; 1.2% – Unemployment contribution; 0.5% – Additional health insurance.

Other Taxes

Property tax	0.1%	The tax base is the property's market value.
Transfer tax	3%	The tax base is the property's market value.

Exchange rate: MKD 61.51 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Moldova

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- ☑ IMF
- ☑ EBRD

Capital:	Chisinau
Official language:	Moldovan (Romanian)
Official currency:	Moldovan Leu (MDL)
Population:	3,564 million (2010)
Area:	33,843 km²
GDP growth (%):	6.5 (Q3 2010)
GDP per capita (USD):	N/A
Double Tax Treaties:	44
FDI (USD):	2,800 million (Q3 2010)

Highlights – 0% Corporate income tax rate in 2011

- Corporate income tax (CIT) rate is 0% in 2011. From 2012, the CIT rate is expected to be 10%.
- Moldova has 44 Double Tax Treaties (DTTs) in effect. DTTs with Ireland and Portugal have also come into effect from 2011.
- The Commentaries to the OECD Model Tax Convention on Income and Capital apply in Moldova as a guide to the interpretation of DTTs.
- Relatively low tax burden for individuals, as follows:

Tax rate	Taxable annual income
7%	up to MDL 25,200
18%	over MDL 25,200

- Optional social security contributions for expatriates.
- No medical insurance contributions for expatriates working in Moldova under a secondment agreement (i.e. with no local employment contract).
- Contributions in kind to statutory capital are exempt from customs duty and VAT provided certain conditions are met.
- VAT payers are entitled to refunds of VAT incurred in relation to capital investments (with a few exceptions) in some areas of Moldova. Currently, investments made in Chisinau and Balti do not qualify for such VAT refunds.
- Refundable VAT can also be offset against other liabilities to the Moldovan budget, against liabilities to creditors by means of assignment and against import duties and charges.
- Moldova has an extensive network of Free Trade Agreements (FTA) with CIS countries; is a CEFTA member; and currently benefits from EU Autonomous Trade Preferences (ATP).
- From 1 September 2010, the threshold for taxpayers having to register as VAT payers has increased to MDL 600,000 (EUR 37,000) from MDL 300,000 (EUR 18,000) (the minimum value of delivered goods and services and of imported services within 12 consecutive months).

Corporate Taxation

Rate	0%	Taxpayers are obliged to calculate taxable income for CIT purposes and submit yearly CIT returns. The Moldovan tax authorities (MTA) can impose a fine of 15% for under-reporting taxable income.
Thin capitalization (debt : equity ratio)	N/A	There are no thin capitalization rules. However, in 2011 individuals and legal entities can deduct the interest expenses they incur up to the rate of 7% (except for interest payable to financial institutions and micro-financing organisations).
Tax loss carry-forward	5 years	Tax losses can be carried forward in equal instalments for 5 years, but only up to the amount of annual taxable income.
Withholding tax	15%	15% on dividends, interest, royalties, and other payments including payments to non-residents, if related expenses are non-deductible for CIT purposes. DTTs may provide more favourable rates.
Special features		No formal transfer pricing documentation requirements are in place. No Controlled Foreign Company (CFC) legislation and no group taxation are available.

Value Added Tax

Standard VAT rate	20%	
Reduced VAT rates	8% / 6%	8% on bakery and dairy products, sugar, certain pharmaceutical products, certain phyto-technology, horticultural and zootechnical products.
Refund period	45 days	6% on natural and liquefied gas.
Special features		Refunds only available for businesses carrying out specific types of activity (e.g. exports). In practice the refund period can be longer. Payment of VAT on services is subject to the reverse-charge mechanism.

Individual Taxation

Personal Income Tax	7%–18%	18% on annual income over MDL 25,200.
Mandatory Social Security Contributions	Employer: 23% Employee: 6%	Optional for expatriates.
Special features		Health insurance contributions: Each taxpayer (employer and employee) – 3.5%. No contributions for expatriates working under a secondment agreement (i.e. no local employment contract).

Other Taxes

Real estate tax	0.1%	For legal entities – the value estimated by the local cadastral (i.e. registry) offices.
Transfer tax		Tax on natural resources, road taxes and other local taxes.

Exchange rate: MDL 16.11 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Mongolia

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- ☐ OECD
- ☑ WTO
- ☑ IMF
- ☑ EBRD

Capital:	Ulaanbaatar
Official language:	Mongolian
Official currency:	Togrog (MNT)
Population:	3,086,918 (2010 estimate)
Area:	1,564,116 km^2
GDP growth (%):	7 (2010 estimate)
GDP per capita (USD):	2,111 (2010 estimate)
Double Tax Treaties:	26
FDI (USD):	547 million (2010)

Highlights

- Mongolia – a country with a rich history, large territory and sparsely distributed population, is now developing a mining-centered economy. The exploitation of its rich mineral resources (copper, gold, coal, etc.) has been increasing over the past several years.
- Some of the major developments in Mongolian Tax Law of 2010 are as follows:
  - The windfall profits tax of 68% imposed on the marginal prices of gold and copper ore and concentrate was cancelled with effect from 1 January 2011;
  - New, higher rates for Mineral Royalties have been introduced to reflect increased international prices but further processing of the raw materials in Mongolia will reduce the rates;
  - Final mining products (i.e. processed rather than raw materials) for export are zero-rated for VAT purposes. Raw mining materials are exempt from VAT.
- The new Law on Air Pollution fees came into effect in July 2010. Produced raw coal, used or imported organic solvents and vehicles are subject to these fees.
- Taxpayers are required to register for Mongolian VAT purposes when their taxable turnover exceeds MNT 10 million (approx. USD 8,000).

Incentives

- Tax incentives or benefits are available to the agricultural and mining industries.

Foreign Investment

- Mongolian companies with at least 25% foreign ownership are entitled to request a Stability Agreement covering the tax laws in Mongolia. The agreement can be for 10 years if the initial investment is at least USD 20 million, and for 15 years if the investment is over USD 50 million.

Mining Investment Agreement

- Mining stability agreements guaranteeing tax stability and other business rights can be concluded with the Mongolian Government. The minimum investment refers to the amount invested in the first 5 years of a project and will provide stability for fixed terms as follows:
  - USD 50 million for 10 years;
  - USD 100 million for 15 years;
  - USD 300 million for 30 years.

Mineral royalties and license fee

- Mining license holders have to pay royalties on the sales value of all products extracted from a mining claim that are sold, shipped for sale, or used.
- A license holder is also required to pay a license fee. This is based on the activity and size of the licensed area and the mineral being mined.

Double Tax Treaties

- Mongolia is currently party to 26 Double Tax Treaties and 6 which are pending (Belarus, Egypt, Italy, North Korea, Thailand, and United Arab Emirates).

Corporate Taxation

Rate	10% / 25%	10% – MNT 0–3,000 million (approx. USD 2.5 million). 25% – Amounts over MNT 3,000 million.
Thin capitalization (debt : equity ratio)	3:1	If a shareholder lends more than three times the value of the capital it has invested, the interest paid to the shareholder qualifies as a dividend and is subject to WHT.
Tax loss carry-forward	4–8 years and 2 years	Infrastructure and mining sector: 4–8 consecutive years. Other sectors: 2 consecutive years.
Withholding tax	2% / 10% / 20% / 30% / 40%	2% – Income from the sale of immovable property. 10% – Dividends, royalties and capital gains paid to residents. 20% – Payments to non-residents for services, goods. dividends, interest, royalties, capital gains. 30% – Income from the sale of rights.
Special features		Transfer pricing rules apply .

Value Added Tax

Standard VAT rate	10%	General rate.
Reduced VAT rates	0%–10%	Taxable rate on imported, produced and sold gasoline and diesel fuel (percent and rate are set by the Cabinet within the limit).
Refund period	100 days	Usually subject to long delays.
Special features	0%	Exports of goods, international transport, final mining products, services provided to domestic or international aircraft making international flights, etc.

Individual Taxation

Personal Income Tax	10%	Flat-rate.
Mandatory Social Security Contributions	11%–13%	Employer's contribution: not capped.
	10%	Employee's contribution: capped at MNT 108,000 per month (approx. USD 80).
Special features		Most benefits are taxable.

Other Taxes

Real estate tax	0.6%	0.6% to 1% from 1 January 2013.
Local taxes		Stamp duty, land fee, vehicle tax, etc.
Other		Air pollution fees, excise duties and custom duties.

Exchange rate: MNT 1,680 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Montenegro

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- ☐ NATO
- ☐ OECD
- ☐ WTO
- ☑ IMF
- ☑ EBRD

Capital:	Podgorica
Official language:	Montenegrin
Official currency:	Euro (EUR)
Population:	620,145
Area:	13,812 km^2
GDP growth (%):	5.7 (2009)
GDP per capita (USD):	6,485 (2009)
Double Tax Treaties:	35
FDI (USD):	1,303 million (2009)

Highlights – Low tax rates and special capital gains tax regime for individuals

Taxation of corporations

- The corporate income tax rate is 9% – still one of the lowest in Europe.
- The withholding tax rate is 9%.
- Withholding tax applies to capital gains, royalty income, interest, income from leasing property, and fees paid to non-residents for consulting, marketing and audit services.
- No thin capitalization rules.
- The development of transfer pricing regulations and practice is still at an early stage.
- The most recent amendments to the corporate taxation legislation were introduced on 1 January 2010, abolishing tax incentives for hiring new staff and tax deductions for investing in assets for efficient energy production. In addition, capital gains are fully taxable (the previous 50% decrease of the tax base was abolished).

Other taxes

- The personal income tax rate is 9% from 1 January 2010.
- Capital gains realized by individuals on or after 1 January 2011 are subject to 9% personal income tax. Capital gains realized by individuals before that date are not subject to personal income tax.
- The employer's social security contribution rate is 9.8%. The employee's contribution rate is 24%.

Corporate Taxation

Rate	9%	
Thin capitalization (debt : equity ratio)	N/A	
Tax loss carry-forward	5 years	Operational losses cannot be offset against capital gains (and vice versa).
Withholding tax	9%	9% on dividends, shares in profit, interest income, royalties and other intellectual property rights, capital gains, lease fees for movable and immovable property, and fees for market research, audit and consulting services.
Special features		Group taxation is allowed, subject to certain conditions. The separation of the taxation of operating profit from the taxation of capital gains is enforced in practice by the introduction of a new corporate profit tax return.

Value Added Tax

General rate	17%	
Reduced rate	7%	Applicable to public transportation, books, serial publications, computer equipment (among other items).
Refund period	60 / 30 days	The 30 day period is reserved for taxpayers whose main activity is the export trade of goods.

Individual Taxation

Personal Income Tax	9%	Flat-rate.
Mandatory Social Security Contributions	Employer: 9.8% Employee: 24%	The maximum base for pension contributions was capped at annual income of EUR 31,015.60 in 2010. The maximum base for 2011 has not been published yet.
Special features		Capital gains realized on sales of real-estate property and shares by individuals are subject to 9% tax from 1 January 2011.

Other Taxes

Transfer tax on real estate	3%	Based on the purchase price.
Real estate tax	0.08%–0.8%	Market value of the property. Rates depend on location.

Exchange rate: EUR 0.73 = USD 1.00 on 1 February 2011.

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Poland

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- ☑ OECD
- ☑ WTO
- ☑ IMF
- ☑ EBRD

Capital:	Warsaw
Official language:	Polish
Official currency:	Złoty (PLN)
Population:	38,204,000 (2010)
Area:	312,685 km²
GDP growth (%):	3.8 (2010)
GDP per capita (USD):	18,836 (2010)
Double Tax Treaties:	81
FDI (USD):	10,575 milion (2010)

Highlights – Why consider Poland?

- Poland has the highest population of the CEE countries and is an attractive location with a fast-developing economy.
- Young, well-educated and ambitious people and the low costs of conducting business are Poland's strongest assets.
- A high level of computerization and a good knowledge of foreign languages make international business communications easier.
- Poland has a relatively low corporate income tax rate – 19%.
- Dividends received from abroad by companies based in Poland are not taxed in Poland (relates to qualifying companies based in the European Union, the EEA and Switzerland).
- Poland has an extensive Double Tax Treaty network (81 treaties). Most are based on the OECD Model Convention.
- It is possible to conclude Advanced Pricing Agreements with the Ministry of Finance, providing stability for taxpayers' business operations.
- It is possible to obtain binding rulings on tax laws.
- State aid is available in the form of exemption from corporate income tax on investments and business activities carried out in Special Economic Zones, and/or cash grants.
- There are no Controlled Foreign Company ("CFC") rules.
- The only anti-tax haven rules applicable in Poland concern:
  - Withholding tax (20%) imposed on fees for selected services paid to non-residents (e.g. management services);
  - Transfer pricing regulations concerning transactions with companies located in tax havens (also applicable to transactions between unrelated entities).

Corporate Taxation

Rate	19%	Many tax incentives are available, especially various forms of state aid and opportunities for businesses to operate in Special Economic Zones where temporary corporate income tax exemption is possible.
Thin capitalization (debt : equity ratio)	3:1	Thin capitalization restrictions only apply to selected related-party transactions.
Tax loss carry-forward	5 years	Only tax loss carry-forward is available. The value of the deduction may not exceed 50% of the loss incurred in the year in which it was reported.
Withholding tax	19% / 20% / 10%	19% – Dividends. 10% – Sea and air transportation services. 20% – Interest, royalties and selected service fees.
Special features		Binding advance rulings are available from the tax authorities / Ministry of Finance. Group taxation is available under certain conditions. Participation exemption applies on dividends received from EU and certain other countries, generally subject to a 10% minimum shareholding. Dividends paid to companies from EU and some other countries are tax exempt. Transfer pricing rules apply (also to transactions between branches and their head offices).

Value Added Tax

General rate	23%	
Reduced rate	5% / 8%	8% – e.g. pharmaceutical products, the construction industry, certain food products. 5% – e.g. agricultural products, books, specialist periodicals and music scores.
Refund period	60 days	Exceptionally 25/180 days.

Individual Taxation

Personal Income Tax	18% / 32%	Individuals conducting business activities can opt for a flat-rate of 19% subject to certain conditions.
Mandatory Social Security Contributions	Employer: 17.48%–20.14%	The employer's contribution rate includes an accident insurance element.
	Employee: 13.71% (plus health care contribution)	The employee's contribution is deductible for personal income tax purposes.

Other Taxes

Real estate and land tax		Exemption from real estate tax may be granted by local authorities in developing areas.
Local taxes		No local business taxes are levied.
Other		Property tax, tax on means of transport, inheritance and donation tax, dog tax, agricultural and forestry tax, civil law activities tax.

Exchange rate: PLN 3.98 = EUR 1.00 EUR 0.75 = USD 1.00 on 1 February 2011.

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Romania

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- ☑ WTO
- ☑ IMF
- ☑ EBRD

Capital:	Bucharest
Official language:	Romanian
Official currency:	Romanian Leu (RON)
Population:	21.5 million (2009)
Area:	237,500 km²
GDP growth (%):	-1.9 (2010)
GDP per capita (USD):	11,767 (2010)
Double Tax Treaties:	82
FDI (USD):	4,660 million (2009)

Highlights

Corporate taxation

- The minimum tax was repealed as of 1 October 2010. This resulted in two fiscal periods in calendar year 2010 for taxpayers that paid the minimum tax, which affected the period available for carrying fiscal losses forward.
- Taxpayers, Romanian credit institutions and Romanian branches of foreign credit institutions have to make quarterly advance profit tax payments of 25% of the total profit tax due for the previous year, adjusted by the inflation rate. For 2011, the inflation rate is 3.2%.
- Starting in 2012, all taxpayers will make quarterly advance profit tax payments.
- Dividend withholding tax rate for payments made both to residents and non-residents (EU or EFTA) has been raised from 10% to 16%, unless certain conditions are met.
- The restrictions on the deductibility of fuel expenses imposed in 2010 continue to apply in 2011.
- The Romanian Fiscal Code reintroduces the 3% income tax for micro-companies. The tax is optional in the sense that qualifying taxpayers may apply for the micro-company tax regime or continue to be profit-tax payers.
- Large and Medium-Size taxpayers have to submit fiscal forms electronically. For other categories of taxpayers, electronic submission is optional.
- The transitional period for implementing the EU Interest and Royalty Directive expired at the end of 2010. Hence, from 1 January 2011 zero withholding tax applies for interest and royalty payments if the conditions in the Directive are met.

VAT

- The standard VAT rate was increased from 19% to 24% as of 1 July 2010.
- As of 1 August 2010, taxpayers engaged in intra-community operations with goods and services have to register in “the Register of Intra-Community Operators”.
- The reverse-charge mechanism is being introduced for local deliveries of goods between companies registered for VAT purposes in Romania for certain categories of foods, including cereals and commercial crops, vegetables and fruits, meat, sugar, flour, bread and bakery products. These provisions will apply following the approval of the European Council and will remain in effect until 31 December 2011.
- New procedures allow electronic submission of the forms for claiming refunds of VAT paid in other Member States, via the electronic portal provided by the National Agency for Fiscal Administration. The threshold for importers wishing to obtain a VAT deferment certificate has been reduced to RON 100 million (formerly the threshold was RON 150 million). In addition, the time period for qualifying is now either the past calendar year or the last 12 consecutive months.

Corporate Taxation

Rate	16%	The flat corporate income tax rate of 16% continues for 2011. The 3% income tax for micro-companies has been reintroduced.
Thin capitalization (debt : equity ratio)	3:1	Not applicable to loans contracted from credit institutions, non-banking financial institutions and other entities that grant loans according to the law, or to interest from bonds traded in a regulated market.
Tax loss carry-forward	7 years	For losses determined on 31 December 2009 and after, the carry-forward period is 7 years. For losses incurred before 2009, the carry-forward period is 5 years.
Withholding tax	16%	The standard WHT rate is 16%. This rate can be reduced under Double Tax Treaties or by EU Directives. Under the Parent-Subsidiary Directive / Interest and Royalty Directive, the WHT rate can be reduced to zero.
Special features		From May 2010, transfer pricing rules apply to transactions between resident related parties. Taxpayers are required to prepare transfer pricing documentation covering their related party transactions, to be presented, if requested, during a tax inspection. The deadline for presenting the transfer pricing documentation is 3 calendar months, with the possibility of a single 3 month extension.

Value Added Tax

General rate	24%	All supplies of goods and services, except those subject to the 9% or 5% reduced rates.
Reduced rates	9%	Access to castles, museums, fairs, exhibitions, cinemas, supplies of books, newspapers, medicines and accommodation.
	5%	Housing supplied as part of the welfare policy.
Refund period	45 days	In practice, the refund period can be much longer.
Special features		Simplification measures for call-off and consignment stock, goods on trial and work on movable goods, VAT warehouse regime.

Individual Taxation

Personal Income Tax	16%	Flat tax rate, applicable to most types of income. Exceptions to the flat-rate include income from real estate transactions (depending on the ownership period and the value of the real estate); and 25% on gambling income.
Mandatory Social Security Contributions	Employer: 28.0%–39.2%	The employers' rate varies depending on the area of activity.
	Employee: 16.5%	Capped.
Special features		Tax-free secondment benefits available; salary tax exemption for employees working in software creation (certain conditions have to be fulfilled).
Minimum gross salary	RON 670	Approx. EUR 157/month.
Average gross salary	RON 2022	Approx. EUR 474/month.

Other Taxes

Building tax	0.25%–1.5%	If a building has not been revalued in the last 3 years, the rate will be increased to between 5% and 10%.
Other		Excise duties on motor and heating fuels, electricity, tobacco products, alcohol and coffee. Pollution tax on motor vehicles. Land tax, vehicle tax, construction tax and other local taxes.

Exchange rate: RON 4.27 = EUR 1.00. EUR 1.00 = USD 1.38 on 1 January 2011.

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Russia

- ☐ EU
- ☐ NATO
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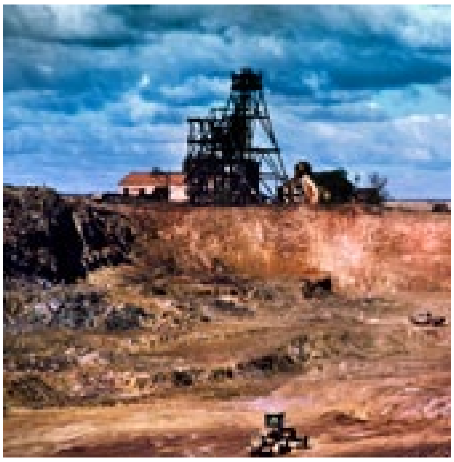
- ☑ IMF
- ☑ EBRD

Capital:	Moscow
Official language:	Russian
Official currency:	Russian Roubles (RUB)
Population:	141.9 million (2010)
Area:	17,075,000 km^2
GDP growth (%):	4.0 (2010)
GDP per capita (USD):	15,900 (estimate 2010)
Double Tax Treaties:	77
FDI (USD):	15,906 million (2009)



Highlights

- The government has made significant progress in fiscal reform over the past several years, resulting in the overall systematization and simplification of the laws and tax administration. Overall tax legislation has been significantly improved, thus reducing certain ambiguities and inefficiencies. Reforms are still pending in certain areas, until clearer and more comprehensive tax regulations have been drafted.
- The Russian corporate profit flat tax rate of 20% is one of the lowest among most other countries in the region. However, social tax and other taxes and levies, along with the administrative burden (registration requirements, tax audits, etc.), increase the pressure on companies. At the same time a consolidated taxpayer regime may be introduced in the very near future, bringing improved tax efficiency for large Russian groups.
- The general VAT rate is 18%. A 10% rate applies to a limited range of basic food items, children's goods, medicines, etc. Certain operations (mostly financial, including insurance, banking, REPO, etc.), are exempt from VAT. Exemptions from import VAT are available for various types of equipment (previously exemption applied only to capital contributions).
- Exports of goods and the provision of certain export-related services are subject to zero-rate VAT. However, securing refunds of input VAT on exported goods is still a major problem for taxpayers in Russia.
- On 1 January 2011 assessment rates for insurance contributions (which replaced Unified Social Tax) were increased from 26% to 34% (maximum taxable amount set at RUB 463,000). Salaries and other forms of remuneration for foreign nationals temporarily residing in Russia under employment and civil law contracts are exempt from insurance contributions taxation.
- Russian individual residents are liable to tax on their total worldwide annual income at a flat-rate of 13% (except for dividends and other minor exceptions), which is one of the lowest rates in Europe. New legal amendments have been proposed, mostly improving technical aspects of PIT legislation as well as introducing tax deductions for sale of shares by individuals under certain conditions.
- Russia benefits from an extensive Double Tax Treaty network (77 treaties currently in force) which provide many structuring opportunities. Tax treaties are generally based on the OECD Model Convention. Recently Russia has started revising the DTTs currently in force to include limitations on benefits, taxation of capital gains on shares and more extensive exchanges of information. The beneficial ownership concept is also expected to be introduced into Russian domestic tax legislation.
- Recent trends indicate a definite move to a "substance over form" approach (e.g. recent initiatives have concerned the possibility of introducing a new tax residence concept based on effective management and control, CFC rules, beneficial ownership, etc.) and improvements to the Russian tax legislation (including the forthcoming introduction of extensive transfer pricing rules), which will require transactions to be transparent and properly documented, and businesses to be responsive to change in all aspects of operations, and to have excellent tax and legal assistance.

Corporate Taxation

Rate	20%	Corporate tax is divided into Federal and regional components of 2% and 18% respectively (regional legislative bodies can set lower corporate tax rates, but not less than 13.5%).
Thin capitalization (debt : equity ratio)	3:1	Russian thin capitalization rules apply to loans granted by foreign parent companies or Russian sister companies, or guaranteed by an affiliated company. In general, interest expenses are deductible provided interest rates do not deviate significantly (i.e. more than 20%) from rates on similar loans or are within legally established limits (in the majority of cases, no similar loans exist). From 1 January 2011 to 31 December 2012 interest expenses are deductible for tax purposes provided the rate set up by the parties is not more than the refinancing rate of Russian Central Bank multiplied by 1.8 for Rouble loans and the refinancing rate of Russian Central Bank multiplied by 0.8 for loans in foreign currency. N.B. The refinancing rate of the Russian Central Bank is now 7.75% (from 1 June 2010). Interest accrued on Rouble loans contracted before 1 November 2009 is deductible at the current refinancing rate of the Central Bank of Russia multiplied by 2 for loans in RUB during the first half of 2010 (1 January – 30 June 2010).
Tax loss carry-forward	10 years	Tax loss carry-back is not available.
Withholding tax	10%–20%	Where a foreign legal entity does not create a PE in Russia and is not protected by a Double Tax Treaty, withholding tax rates are as follows (withheld at source): – 10% on freight income; – 15% on dividends and income from participations in Russian enterprises with foreign investments; – 20% on some other income from Russian sources, including royalties, interest, capital gains (special procedure for disposal of immovable property and shares in Russian subsidiaries where the major assets are immovables).
Special features		Starting from 1 January 2008, dividends received by Russian companies are exempt from tax in Russia provided that certain conditions are met (365 day holding period, 50% shareholding with an investment value over RUB 500 million, the foreign subsidiary paying the dividends is not in a country blacklisted by the Russian Ministry of Finance). Limitation of RUB 500 million is abolished since 1 January 2010 in relation to dividends paid starting from 1 January 2011 and accrued in relation to the activities carried out in 2010. On 1 January 2011 new legislation came into force introducing a 0% tax rate for income derived from the sale of shares and interests in the charter capital of Russian entities, provided certain conditions are met (5 year holding period, non-quoted shares or quoted shares of hi-tech/innovative companies).

Value Added Tax

General rate	18%	
Reduced rates	10% / 0%	The 10% rate applies to a limited range of basic food items, children's goods, medicines and some mass media products. Exports of goods and the provision of certain export-related services are subject to zero-rate VAT.
Refund period	3 months	In practice, can be significantly longer.
Special features		There are special rules (similar to the EU Directive 2006/112/EC) for cross-border services, for determining whether they are provided inside or outside Russia.

Individual Taxation

Personal Income Tax	13%	The general rate on the personal worldwide income for Russian residents is 13%. Dividends are taxed at the rate of 9%, and certain other types of income (e.g. prizes) at 35%. Non-residents are taxed at 30% on income received from Russian sources.
Mandatory Social Security Contributions	Employer or self-employed entrepreneur: 34%	The assessment rates are flat (26% of salary in 2010, 34% in 2011). In 2011, annual salary is taxable up to RUB 463,000 and any amount above is non-taxable.
	Employee: 0%	

Other Taxes

Property tax on organizations	Up to 2.2%	Levied on the net book value of fixed assets.
Other		Regional legislative bodies can set lower property tax rates, and also grant exemptions. Excise tax, customs duties, stamp duties, mineral resources extraction tax, payments for the use of natural resources, water tax, transport tax, gambling tax, land tax.

Exchange rate: RUR 39.89 = EUR 1.00 EUR 0.74 = USD 1.00 on 9 February 2011.

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Serbia

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- ☑ IMF
- ☑ EBRD

Capital:	Belgrade
Official language:	Serbian
Official currency:	Serbian Dinar (RSD)
Population:	7,306,677 (2010 estimate)
Area:	77,474 km²
GDP growth (%):	1.5 (2010 estimate)
GDP per capita (USD):	5,324 (2010)
Double Tax Treaties:	47
FDI (USD):	1,026 million (Q1-Q3 2010)

Highlights – Low tax rates and various planning opportunities

- Nominal corporate income tax (CIT) rate of 10% – one of the lowest in the CEE-CIS region – can be additionally decreased by tax incentives.
- Various incentives for investments in fixed assets and investments in underdeveloped areas.
- Tax losses/credits are available even after mergers, acquisitions and spin-offs.
- Tax loss carry forward for 5 years.
- Companies are entitled to deferred taxation of capital gains arising from mergers, acquisitions or spin-offs.
- Tax-efficient combination of debt/equity financing, subject to thin capitalization thresholds.
- Currently, debt push-down can be achieved by merging a Serbian acquisition vehicle with the target company.
- Still some Double Tax Treaties with 0% withholding tax on interest and royalties.
- Undeveloped transfer pricing regulations and practice.
- Cross-border loans must be registered with the National Bank of Serbia.
- Limited foreign exchange regulations.

Corporate Taxation

Rate	10%	
Thin capitalization (debt: equity ratio)	4:1	Interest and related costs are deductible up to four times of taxpayer's net assets (ten times for banks).
Tax loss carry-forward	5 years	Applicable to operational and capital losses.
Withholding tax	20%	Management services are not subject to withholding tax.
Special features		Deductibility of marketing expenses is capped at 5% of gross revenue. Entertainment expenses are treated separately and are deductible up to the limit of 0.5% of gross revenues. Group consolidation is allowed under certain circumstances.

Value Added Tax

General rate	18%	
Reduced rate	8%	Basic food products and some services.
Refund period	45 / 15 days	15 days for major exporters.
Special features		Non-residents are not allowed to deduct input VAT through fiscal representatives.

Individual Taxation

Personal Income Tax	12% / 20%	Salaries taxed at 12%, other income at 20% (with deduction of various costs).
Mandatory Social Security Contributions	Employer: 17.9% Employee: 17.9%	The minimum social security base is 35% of average monthly salary, while the maximum contribution base is capped at five times average salary.
Special features	10% / 15%	PIT-Annual income above the prescribed threshold is additionally taxed at progressive rates.

Other Taxes

Property tax	0.3% / 0.4%	Based on net book value on 31 December of the previous year. Land taxed at 0.3% and real estate at 0.4%.
Transfer tax	2.5%	Transfers of immovable property.
Other	1.5% / 2.5%	Inheritance and gift tax rate for taxpayers in the second order of succession is 1.5% and for taxpayers in the third and subsequent orders of succession is 2.5%.

Exchange rate: RSD 105.50 = EUR 1.00. EUR 0.75 = USD 1.00 on 1 January 2011.

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Slovakia

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- ☑ WTO
- ☑ IMF
- ☑ EBRD

Capital:	Bratislava
Official language:	Slovak
Official currency:	Euro (EUR)
Population:	5,421,937 (2009)
Area:	49,035 km^2
GDP growth (%):	6.2 (2008)
GDP per capita (USD):	22,141 (2008)
Double Tax Treaties:	61
FDI (USD):	1,343 million (2008)

Highlights

- Income tax rate of 19%.
- Flat 20% VAT rate, with a few exceptions where a 10% rate applies.
- No withholding tax on interest and royalties to other EU countries (if certain conditions are met).
- No taxation of dividends.
- No thin capitalization restrictions.
- Social security contributions capped for employers and employees.
- Calculation of income tax base directly from IFRS profit for entities reporting under IFRS for Slovak statutory purposes, subject to some adjustments.
- Extensive Double Tax Treaty network.
- Investment incentives available in the form of tax credits.
- Tax losses can be carried forward over 7 consecutive tax periods without restrictions.
- Specific transfer pricing documentation requirements from 2009 for some entities.
- Step-up in tax values of assets and liabilities on mergers is possible.

Corporate Taxation

Rate	19%	Flat-rate.
Thin capitalization (debt : equity ratio)	N/A	There are no thin capitalization rules in Slovakia.
Tax loss carry-forward	7 years	Tax losses carried forward can be used over 7 (post 2009 tax loss) or 5 (pre 2010 tax loss) consecutive years without restrictions. A legal successor, e.g. following a merger, can continue using the tax losses.
Withholding tax	19%	Applies to interest, royalties and capital gains, under certain conditions. No withholding tax is levied on dividends paid out of post-tax profits arising in 2004 and later years. Pre-2004 dividends paid to a direct EU shareholder with a share of more than 25% are not subject to withholding tax. Exemptions under the EU Interest and Royalties Directive have been incorporated into the Slovak Income Tax Act. Some payments from Slovak sources, such as income from the sale of real estate in Slovakia, are not subject to withholding tax or tax securement if paid to EU residents.
Special features		No local business taxes are levied. No stamp duties or similar taxes on the transfer of shares. No group taxation. The tax year may differ from the calendar year. Specific transfer pricing documentation requirements from 2009.

Value Added Tax

General rate	20%	
Reduced rate	10%	For specific pharmaceutical products and devices, and printed materials.
Refund period	2/3 months	VAT refunds should be offset against the next month's VAT liability. If such offset cannot be made, the refund will be paid within 30 days of filing the VAT return for the month following the month in which the refund arose. For certain monthly VAT payers, VAT refunds are paid within 30 days of the filing deadline for the month in which the refund arose.
Special features		VAT grouping is possible.

Individual Taxation

Personal Income Tax	19%	Levied on taxable income, decreased by statutory personal allowances.
Mandatory Social Security Contributions	Employer: 34.4% (capped) + 0.8% (uncapped) Employee: 13.4% (capped)	The maximum monthly capped contributions are EUR 919.26 for an employer and EUR 343.21 for employees.
Special features	Sole traders	Sole traders who are not VAT payers can either deduct expenses actually incurred, or opt for a flat 40% deduction from their taxable income. Special social security caps may apply.

Other Taxes

Other		Land tax, building tax, apartment tax: tax rates set by local municipalities, within certain limits. Customs and excise duties, motor vehicle tax. Other municipal taxes. No real estate transfer tax.

Exchange rate: EUR 0.75 = USD 1.00 on 1 January 2011.

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Slovenia

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Capital:	Ljubljana
Official language:	Slovenian
Official currency:	Euro (EUR)
Population:	2,049,332 (2011)
Area:	20,273 km²
GDP growth (%):	-8.1 (2009)
GDP per capita (USD):	24,174 (2009)
Double Tax Treaties:	46
FDI (USD):	10.5 million (2009)

Highlights – Recent tax changes in Slovenia

Corporate income tax (CIT)

- Tax relief is now available, subject to certain conditions, for taxpayers who employ hard-to-place workers. A hard-to-place worker is a person, younger than 26 or older than 55, who has been registered as unemployed for at least 6 months and who has not been employed by the taxpayer or a related party in the past 24 months. The tax allowance equates to 45% of the salary paid to the person during the first 24 months of their employment, up to the amount of the taxpayer's taxable profits.
- There have also been changes to relief for investment in research and development. This has been doubled from 20% to 40% of the cost of investments in research and development. Correspondingly, additional regional tax relief has been increased to 50% or 60%.
- In 2010 a new decree came into effect that enables entities based in the Pomurje region of Slovenia to benefit from additional employment incentives and additional tax relief for investments. These extra benefits are available from 2010 to 2015. As a result, provided certain conditions are met, entities whose registered office is in Pomurje are entitled to a 70% tax allowance for investments in equipment and intangible assets as well as to certain employment allowances.

Personal income tax (PIT)

- A progressive tax allowance has been introduced in order to reduce the tax burden on individuals with low incomes.

Value added tax (VAT)

The following amendments to Slovenian VAT came into effect on 1 January 2011:

- The place of supply of services related to admissions to cultural, artistic, sporting, scientific, educational, entertainment and similar events such as trade fairs and exhibitions will be:
  - Where the event takes place, if supplied to a taxable person; and
  - Where the supplier has established his business, if supplied to a non-taxable person.
- The place of supply of services related to cultural, artistic, sporting, scientific, educational, entertainment and similar activities, including the supply of services of event organisers, will be:
  - Where the customer has established his business, if supplied to a taxable person; or
  - Where the activities take place, if supplied to a non-taxable person.
- The sale of new (less than 2 years old) apartments and houses are subject to VAT at 20%. However, apartments of 120 m² and smaller, and houses of 250 m² and smaller, are regarded as part of social policy, and remain subject to the reduced VAT rate of 8.5%.
- Minimum conditions have been set for importers or suppliers without a fixed establishment in Slovenia to use the exemption for the import of goods dispatched or transported from a third country into a Member State other than that in which the dispatch or transport of the goods ends (Customs Procedure 42).

Corporate Taxation

Rate	20%	This rate has been reduced from 21% in 2009.
Thin capitalization (debt : equity ratio)	5:1	The debt-to-equity ratio of 6:1 applied from 2008 to 2010, and was reduced to 5:1 in 2011, and it will be further reduced to 4:1 in 2012.
Tax loss carry-forward	Unlimited	If there is a change of ownership, restrictions may apply.
Withholding tax	15%	This rate applies to a number of payments, including dividends, interest, royalties and payments for services to certain countries.
Special features		Binding rulings are available from the General Tax Office.

Value Added Tax

General rate	20%	All goods and services subject to VAT that do not qualify for the reduced rate or an exemption.
Reduced rate	8.5%	Generally applies to foodstuffs; live animals; seeds; plants; water supplies; medicines; medical equipment; transport of passengers; books; admission fees; royalties for writers and performers; certain works of art; certain residential properties; hotel accommodation; use of sports facilities; burial and cremation services; public hygiene services; minor repairs of bicycles, shoes and clothing; domestic care services; hairdressing services.
Refund period	21 days	If exceeded, late-payment interest applies (10% annual rate).
Special features		For supplies of construction work, staff for construction work, immovable property, waste and used materials, and for carbon credit transfers, the person liable to pay the VAT is the taxable person to whom the supply is made.

Individual Taxation

Personal Income Tax	16% / 27% / 41%	41% is charged on taxable annual income over EUR 15,268.77 for 2011. Additional allowances are available for low-income taxpayers.
Mandatory Social Security Contributions	Employer: 16.1%	
	Employee: 22.1%	

Other Taxes

Real estate tax	2%	Certain transfers are exempt.
Other	6.5%	Tax on insurance premiums.

Exchange rate: EUR 0.75 = USD 1.00 on 1 January 2011.

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Ukraine

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- ☑ IMF
- ☑ EBRD

Capital:	Kiev
Official language:	Ukrainian
Official currency:	Ukrainian Hryvnia (UAH)
Population:	45,795,911 (2010)
Area:	603,700 km²
GDP growth (%):	4 (2010)
GDP per capita (USD):	6,665 (2010)
Double Tax Treaties:	68
FDI (USD):	4,000 million (2010)

Highlights

Why come to Ukraine?

- Skilled labour force.
- Rich in natural resources.
- Host country of the European football championship in 2012.
- Growing economy after the downturn in 2008.

Advantages

- Low tax rate for individuals (15% / 17%).
- No developed transfer pricing regulations.
- No thin capitalization rules as usually defined.
- Very generous depreciation rates; tax depreciation is based on accounting standards.
- Many Double Tax Treaties (some with zero withholding tax on interest, dividends and royalties).
- No tax on commercial immovable property (apart from land tax).
- No direct legislative debt-push-down restrictions.
- No stamp duty on share capital.
- Multiple tax incentives for energy-saving projects and alternative energy production.
- Income tax exemption until 2021 for newly constructed or reconstructed hotels; manufacturing of clothes, shoes, etc.; shipbuilding and aircraft construction industries.

Disadvantages

- According to the World Bank's "Doing Business 2010" report, Ukraine is the third hardest place in the world to file taxes.
- Ukraine has a changeable tax system, and legislative amendments are frequent; the new Tax Code came into force on 1 January 2011.
- Ukraine has onerous compliance procedures.
- VAT liability/credit are determined in accordance with the "first event" rule, i.e. they are recognized on either the date on which a payment is received/made or the date on which goods (services) are supplied, whichever occurs first.
- High social security contributions (36.76%–49.70%); the contribution base is capped at 15 times the social security benefit minimum base, per employee per month (from 1 January 2011 approx. USD 1,800).
- Only 85% of payments to entities located in tax haven jurisdictions are deductible.
- Obtaining VAT refunds and excess withheld taxes is very burdensome.
- Costs of goods and services purchased from private entrepreneurs on a simplified tax regime are not deductible.
- Fees for consultancy, marketing, advertising and engineering services as well as royalties paid to non-residents are limited for deduction (up to 4% of net revenue, excluding VAT and excise duties).

Future development of the tax system

- New transfer pricing regulations will be introduced on 1 January 2013.
- The tax authorities and courts will be paying greater attention to the economic reasons for transactions undertaken by taxpayers.
- A new Ukraine-Cyprus Double Tax Treaty may be signed.

Corporate Taxation

Rate	23%	Profits from private life assurance and pension insurance are taxed at 0%. Qualifying small legal entities may opt for a simplified taxation regime.
Thin capitalization (debt : equity ratio)	N/A	No thin capitalization rules according to generally accepted principles. However, there is a deduction limit on interest paid to non-resident shareholders and their related entities.
Withholding tax	15%	Dividends, interest, royalties, capital gains. These rates may be reduced under tax treaties concluded by Ukraine.
Special features		85% deductibility of payments to non-residents located in offshore jurisdictions, which includes countries commonly referred to as tax havens. Ukraine has transfer pricing rules but they are not actively applied in practice. The beneficial ownership test was recently introduced into domestic tax law and applies to any income paid to a non-resident.

Value Added Tax

General rate	20%	0% VAT applies to the export of goods and related services.
Reduced rate	N/A	
Refund period	4 months	Exporters may be eligible for the automatic (accelerated) VAT refund procedure. The government has to pay late-payment interest at 120% of the NBU prime rate on overdue VAT refunds.
Special features		Consulting, engineering, legal, accounting, software development and information supply services are not subject to VAT. VAT exemption for supplies of equipment for energy-saving projects and alternative energy generation.

Individual Taxation

Personal Income Tax	15% / 17%	Dividends – 5%; interest – 0%; royalties, inheritance and gifts may be taxed at rates from 0% to 17%.
Mandatory Social Security Contributions	Employer: 36.76%–49.7% (the highest rates are applied to high-risk business) Employee: 3.6%	The tax base is capped at 15 subsistence minimums per employee per month (approx. USD 1,800).

Other Taxes

Specific Pension Fund charges		Purchase of real estate – 1%. Purchase of vehicles – 3%.
State (stamp) duty		Purchase of real estate – 1%.
Other		Land tax, environmental tax. Tax on immovable residential property – from 2012.

Exchange rate: UAH 7.98 = USD 1.00. EUR 0.70 = USD 1.00 on 1 January 2011.

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Uzbekistan

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- ☑ IMF
- ☑ EBRD

Capital:	Tashkent
Official language:	Uzbek
Official currency:	Uzbek Soum (UZS)
Population:	28 million (2010 estimate)[1]
Area:	448,900 km²
GDP growth (%):	8.5 (2010)
GDP per capita (USD):	3,100 (2010 estimate)
Double Tax Treaties:	44
FDI (USD):	2,400 million (2010)

Highlights

- The Tax Code in force since 1 January 2008 has been amended with effect from 1 January 2011. There was also a Presidential Decree amending certain tax rates as of 1 January 2011. The most significant changes are as follows.
- To encourage the timely replacement of fully-depreciated equipment, a charge of 0.25% of the equipment's historical value will be collected from legal entities (except for micro-firms and small enterprises) for the continued use of such equipment. At the same time, revenue from the sale/disposal of fully-depreciated equipment is exempt from corporate income tax and can be deducted from the unified tax payment base.
- Exemption from VAT on medicines imported into Uzbekistan does not apply if the type of medicine is produced locally.
- Sales of cotton fibre in Uzbekistan will be subject to zero-rate VAT.
- Exemption from property tax on equipment purchased under loan agreements has been abolished.
- Employment income paid from grants made by states, international and foreign governmental organisations, certain international and foreign non-governmental organisations, as well as grants made under international agreements with Uzbekistan is exempt from unified social security and individual pension fund contributions.
- VAT exemption for sales of precious metals has been abolished.

Corporate Taxation

Rate	9%	A rate reduction is available to exporters if export sales exceed a certain threshold.
Thin capitalization (debt : equity ratio)	N/A	
Tax loss carry-forward	5 years	Allows taxable income of the respective year to be reduced by up to 50%.
Withholding tax	6% / 10% / 20%	6% – Telecommunications, international freight. 10% – Dividends, interest, insurance and reinsurance premiums. 20% – Royalties, rental and lease income, management fees, freight forwarding, etc.
Special features	15%	This rate applies to commercial banks.

Value Added Tax

General rate	20%	0% on exports of goods for foreign currency.
Reduced rate	N/A	
Refund period	20 days	Overpayments are generally offset against future tax liabilities. Refunds can be difficult to obtain.
Special features		Input VAT on capital expenditure should be capitalised (i.e. it cannot be claimed for offsetting).

Individual Taxation

Personal Income Tax	10%–22%	The maximum PIT rate applies on the income that exceeds ten times the minimum monthly wage (MMW). The MMW is currently UZS 49,735.
Mandatory Social Security Contributions	Employer: 25% Employee: 4.5%	Due on total remuneration payable to staff.
Special features		Filing deadline for annual PIT returns is 1 April; final payment is due by 1 June.

Other Taxes

Property tax	3.5%	Net book value of non-current assets.
Mandatory contributions to designated funds	Combined rate of 3.5%	Contributions are equal to taxes and are charged on gross turnover, less VAT and excise tax where applicable.
Taxes on resources		Water-use, land and subsurface taxes.

Exchange rate : UZS 2213.36 = EUR 1.00. EUR 0.75 = USD 1.00 on 26 January 2011.

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Summary

The following table summarizes some important information concerning corporate taxation. Please note that withholding tax (WHT) refers to payments which a resident tax payer pays to a non-resident legal entity. Below you will see commonly applied parameters, however in specific cases there may be exceptions and further data may be available in the country profile.

	Corporate income tax	Thin capitalization	Loss carry forward	WHT on dividends[1]	WHT on interest[1]	WHT on royalties[1]	WHT on capital gains[1]
Albania	10%	4:1	3 years	10%	10%	10%	10%
Armenia	20%	-	5 years	10%	10%	10%	10%
Azerbaijan	20%	-	5 years	10%	10%	14%	10%
Belarus	24%	-	-	12%	10%	15%	15%[2]
Bosnia and Herzegovina	10% in FBiH and RS[3]	-	5 years	5% in FBiH and 0% in RS	10% in FBiH and RS	10% in FBiH and RS	10% in FBiH and RS
Bulgaria	10%	3:1	5 years	5%	5% / 10%[4]	5% / 10%[4]	10%
Croatia	20%	4:1	5 years	-	15%	15%	-
Czech Republic	19%	4:1[5]	5 years	15%	15%[6]	15%[6]	-
Estonia	21%[7]	-	-	-	0% / 21%[8]	10%	-[9]
Georgia	15%	3:1	5 years	5%	5%	15%	-[10]
Hungary	10% / 19%	3:1	indefinite	-	-	-	-
Kazakhstan	20%	6:1/9:1	10 years	15%	15%	15%	15%
Latvia	15%	4:1	8 years	0% / 10%[11]	5% / 10% / 15%[12]	5% / 15%[12]	2%[13]
Lithuania	15% / 5%	4:1	indefinite[14]	15%[15]	10%[15]	10%[15]	15%[15]
Macedonia	10%	3:1	N/A	10%	10%	10%	-
Moldova	0%	N/A[16]	5 years[17]	15%	15%	15%	15%
Mongolia	10% / 25%	3:1	2/4–8 years[18]	20%	20%	20%	20%
Montenegro	9%	-	5 years	9%	9%	9%	9%
Poland	19%	3:1	5 years	19%	20%	20%	-[19]
Romania	16%	3:1	7 years	16%	16%	16%	16%
Russia	20%	3:1	10 years	15%	20%	20%	20%
Serbia	10%	4:1	5 years	20%	20%	20%	20%
Slovakia	19%	-	7 years	-	19%	19%	19%
Slovenia	20%	5:1	indefinite	15%	15%	15%	-
Ukraine	23%[20]	-[21]	indefinite	15%	15%	15%	15%
Uzbekistan	9%	-	5 years	10%	10%	20%	20%

NOTES
1 Unless reduced by a Double Tax Treaty, EU Directive or domestic exemption, if applicable.
2 12% on sales of shares.
3 Bosnia and Herzegovina consists of two entities, the Federation of Bosnia and Herzegovina, and Republika Srpska.
4 Under certain conditions the 5% rate applies to interest and royalties accrued to affiliated companies.
5 PPL fully non-deductible.
6 Czech tax return can be filed if taxpayer's chooses.
7 Undistributed profits are tax-exempt. Distributed profits are subject to 21% corporate tax (21/79 on the net amount of the profit distribution).
8 21% applies to the part of the interest amount that significantly exceeds the arm's length level.
9 Taxation by self-assessment in specific cases (gains derived from real estate or certain shares of companies whose assets include real estate).
10 In some cases CIT may apply.
11 The zero-rate applies on dividends to EU/EEA resident recipients. In other cases a Double Tax Treaty might reduce the WHT rate to 5%.
12 The 15% rate applies on payments to offshore entities; payments to related EU companies are subject to 5% WHT if certain criteria are met.
13 WHT applies on proceeds from sale of real estate and shares in real estate companies.
14 Except from losses from the disposal of securities or financial derivatives, which can be carried forward for 5 years and may only be offset against similar income.
15 Unless reduced by a tax treaty, EU Directive or domestic exemption. The taxation of interest is more favourable under local legislation, which provides that as from 1 January 2010 interest paid from Lithuanian companies to foreign companies established in the European Economic Area and in countries with which Lithuania has a DTT are not subject to WHT in Lithuania and no holding requirements apply. WHT on royalties paid to the related parties EU tax residents will be reduced to 0% as from 1 July 2011. 15% WHT is due on income received by a foreign entity from the sale or rent of immovable property, for violations of copyright and on tantiems (bonuses from distributed profits).
16 However, the deductibility of interest expenses may be limited to 7% in many cases.
17 Fiscal losses shall be carried forward for the following 5 years, but limited to equal instalments.
18 4–8 consecutive years in the infrastructure and mining sector.
19 Unless relevant Double Tax Treaty provides WHT taxation based on a so called "real estate clause".
20 The CIT rate will be reduced to 21% in 2012, 19% in 2013 and16% from 1 January 2014 onwards.
21 Deduction of interest accrued to non-resident shareholders and their related entities is limited to interest income plus 50% of EBIT. The excess interest is carried forward to future periods and deducted within the same limits.

Summary

The following table summarizes some important information concerning individual taxation and value added tax. Below you will see commonly applied parameters, however in specific cases there may be exceptions and further data may be available in the country profile. Please note that the reduced VAT rate does not include the zero-rate and the VAT-exempt without credit category.

	Personal income tax	Social security employer	Social security employee	VAT general	VAT reduced	Refund period[1]
Albania	10%	16.7%	11.2%	20%	10%[2]	30 days
Armenia	10% / 20%[3]	15%–5%[4]	3%	20%	-	30 days
Azerbaijan	14% / 30%	22%	3%	18%	-	5 years
Belarus	12%[5]	34%[6]	1% of salary	20%	10%	90 days
Bosnia and Herzegovina	10% in FBiH and RS	10.5% in FBiH	31% in FBiH 33% in RS	17%	-	60 days
Bulgaria	10%[5]	17.8%–18.5%	12.9%	20%	7% / 9%[7]	90 days
Croatia	12%–40%	17.2%	20%	23%	10%	30 days
Czech Republic	15%[5]	34%	11%	20%	10%	30 days
Estonia	21%[5]	34.4%	2.8% / 3.8% / 4.8%[8]	20%	9%	30 days
Georgia	20%	-	-	18%	0%	90 days
Hungary	16%[9]	27%	17.5%	25%	5%	45 days[10]
Kazakhstan	10%	11%	5%	12%	-	60 days
Latvia	25%	24.09%	11%	22%	12%	90 days – 1 year
Lithuania	5% / 15% / 20%[11]	30.98%–31.7%	3%	21%	5% / 9%	90 days
Macedonia	10%[12]	-	27%	18%	5%	30 days
Moldova	7% / 18%	23%	6%	20%	6% / 8%	45 days
Mongolia	10%	11%–13%	-	10%	0%–10%	Approx. 100 days
Montenegro	9%	9.8%	24%	17%	7%	60/30 days
Poland	18% / 32%	17.48%–20.14%	13.71%	23%	5% / 8%	60 days
Romania	16%[5]	28% / 39.2%	16.5%	19%	5% / 9%	45 days
Russia	13%[5]	34%[13]	-	18%	0% / 10%	90 days
Serbia	12% / 20%	17.9%	17.9%	18%	8%	45/15 days
Slovakia	19%	34.4%+0.8%	13.4%	20%	10%	90/60 days
Slovenia	16% / 27% / 41%	16.1%	22.1%	20%	8.5%	21 days
Ukraine	15% / 17%[14]	36.76%–49.7%[15]	3.6%[15]	20%	-	120 days[16]
Uzbekistan	11% / 22%	25%	4.5%	20%	-	20 days

NOTES
1 In some cases shorter or longer period may apply.
2 Only applicable to supplies of drugs and health services.
3 The 10% rate applies to the first AMD 960,000 (EUR 1,995) of annual income. The 20% rate applies on annual income over AMD 960,000.
4 Regressive rate.
5 Flat-rate.
6 34%, but maximum amount of salary taxed is equal to 4 average wages established by the Government (in January 2011 – BYR 5 713 348).
7 The 7% rate only applies until 1 April 2011.
8 4.8% Employee social security contributions only apply if the employee has submitted a voluntary application to continue with the 2% cumulative pension contributions from 1 January 2010. For other employees who have joined the cumulative pension scheme, 3.8% social security contributions apply in 2011. 2.8% social security contributions apply for employees who have not joined the cumulative pension scheme.
9 Applicable on the so-called "super gross" tax base, i.e. taxable gross income multiplied by 1.27.
10 In some cases shorter period may apply for residents. In the case of non-residents, the refund period is 6 months.
11 Mandatory health contributions 6%.
12 Mandatory health contributions 7.3%.
13 34%, but maximum amount of salary taxed is RUB 463,000.
14 The 17% rate applies to income exceeding 10 minimum salaries (approx. 1,180 USD for 2011).
15 The tax base is capped at 15 times the minimum social security base per employee per month (from 1 January 2011 approx. USD 1,800).
16 N/A in the first 12 months of registration (except for VAT credit accrued on the acquisition/construction of fixed assets). In practice, obtaining VAT refunds may be complicated.

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