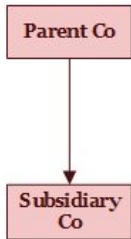
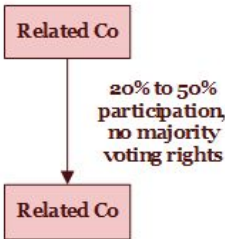
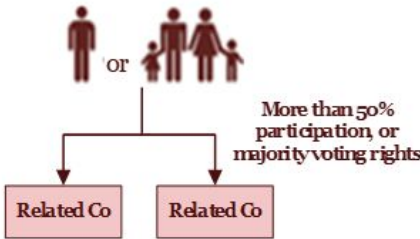
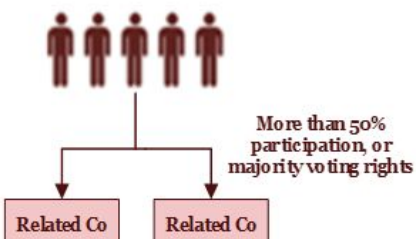
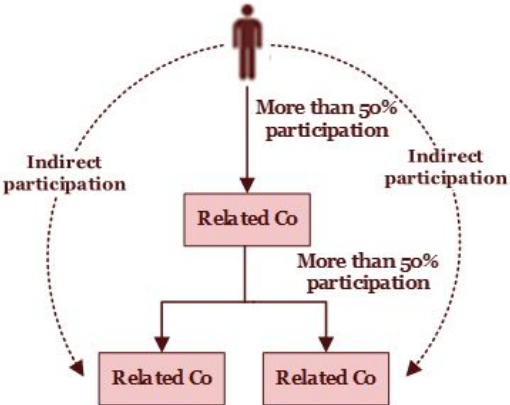
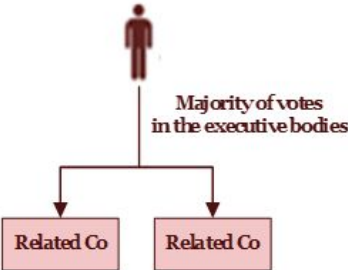
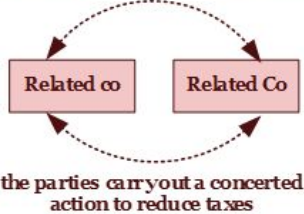
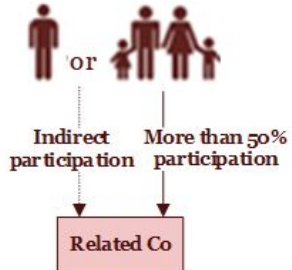
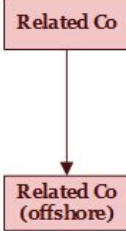


The Act On Taxes and Duties lays down the definition of a related party

The Act On Taxes and Duties lays down the definition of a related party				For Corporate Income Tax Act purposes, calculation of deemed distributed profit, <u>is considered as a related-party</u> .
<p>a)</p> 	<p>b)</p> 	<p>c)</p> 	<p>d)</p> 	
<p>e)</p> 	<p>f)</p> 	<p>g)</p> <p>There is an agreement (including a confidential agreement) between the parties for an additional fee or these</p> 	<p>h)</p> 	

Legal person
A commercial company or a cooperative society

OR
A natural person and their relatives up to the third degree, or the spouse or the in-laws of that person up to the second degree

Several, however, not more than 10 same persons

Under Section 1, Clause 18 of the act On Taxes and Duties **related parties** are defined as two or more natural or legal persons or a group of persons other than capital companies, which are related through shareholding by the central or local governments, or a group of such persons or the representatives of such persons or groups related under a contract, **if at least one of the following conditions exists:**

a) they are parent and subsidiary commercial companies or co-operative societies;

b) the shareholding of one commercial company or co-operative society in the other company ranges from 20 to 50 per cent, and the said parent and subsidiary commercial company or co-operative society does not have a majority of voting rights;

! This subparagraph does not apply to the determining of the deemed distribution of profit under Section 4, Paragraph two, Clause 2, sub-clause “e” of the Corporate Income Tax Act, **except if the transaction is carried out with a related foreign company.**

c) more than 50 per cent of the share capital or shareholding in the commercial company or co-operative society in each of these two or more commercial companies or co-operative societies is held or a decisive influence is ensured in these two or more commercial companies or co-operative societies (there is a majority of voting rights), by contract or otherwise:

- by one and the same person and the kin of that person to the third degree
- or the spouse of this person, or the in-laws of that person to the second degree

d) more than 50 per cent of the share capital or shareholding in the commercial company or co-operative society in each of these two or more commercial companies or co-operative societies is held or a decisive influence is ensured, by contract or otherwise, in these two or more commercial companies or co-operative societies (there is a majority of voting rights)

- by several, however, not more than 10 same persons;

e) more than 50 per cent of the share capital or shareholding of the commercial company or co-operative society in each of these two or more commercial companies or co-operative societies is held or by contract or otherwise a decisive influence is in these two or more commercial companies or co-operative societies (there is a majority of voting) is ensured by a commercial company or co-operative society in which a natural person (or the kin of that person to the third degree or the spouse of this person, or the in-laws of that person to the second degree), hold more than 50 per cent of the share capital of these companies or shareholding

f) one and the same person(s) has a majority of voting rights on the boards of directors (executive bodies) of these commercial companies or co-operative societies

g) in addition to a contract for a specific transaction in any form, these persons have entered into an agreement (including a confidential agreement) providing for any additional consideration not laid down in the contract or such commercial companies or co-operative societies engage in other forms of concerted activities with a view to reducing their taxes;

h) a natural person (or their relatives up to the third degree, or the spouse or the in-laws of that person up to the second degree) directly or indirectly own more than 50 percent of the company's share capital or shareholding in a cooperative society, or a natural person (or their relatives up to the third degree of kindship, or a spouse, or the in-laws of that person up to the second degree) have a decisive influence in a commercial company or cooperative societies which is ensured by contract or otherwise".

! For the taxpayers referred to in Section 2, Paragraph one, Clauses 1 and 2 of the Corporate income tax , pursuant to Section 4, Paragraph 10 of the same **when calculating the deemed distributed profit**, a transaction with a person located, established or founded in a low-tax or tax-free country or territory (an offshore) is **deemed a related-party transaction**. The list of the said countries or territories is determined by the Cabinet.