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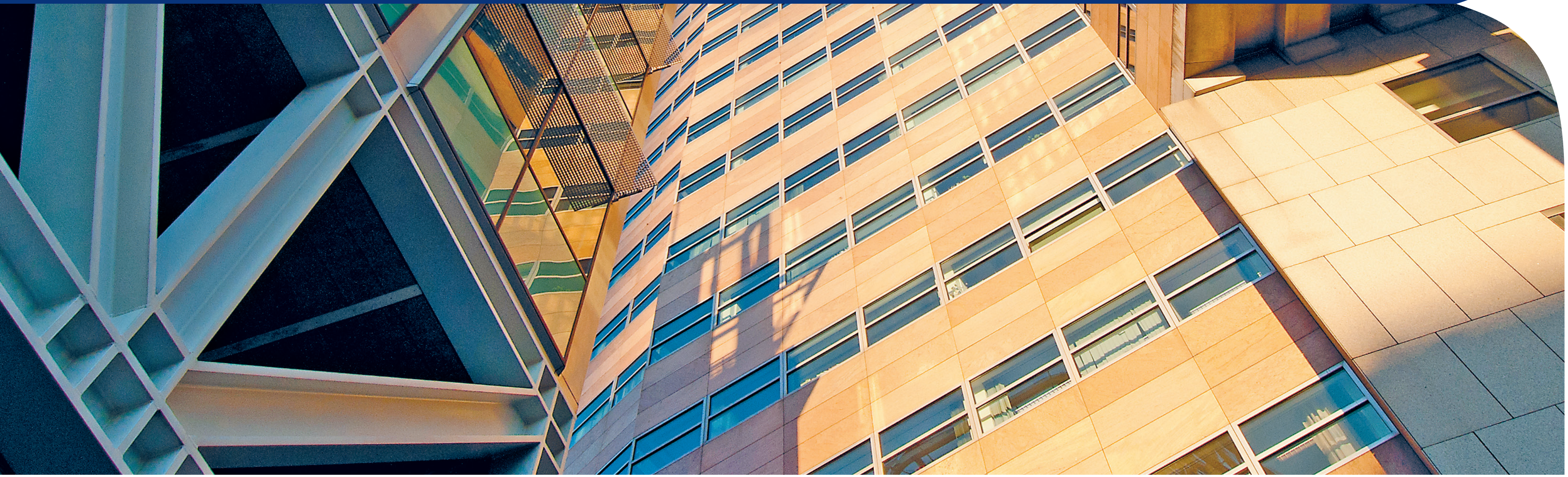

Holding Regimes New EU Countries 2014

Comparison of Selected Countries

Introduction

Loyens & Loeff
As a leading firm, Loyens & Loeff is the natural choice for a legal and tax partner if you do business in or from the Netherlands, Belgium and Luxembourg, our home markets. You can count on personal advice from any of our 900 advisers based in one of our offices in the Benelux or in key financial centres around the world. Thanks to our full-service practice, specific sector experience and thorough understanding of the market, our advisers comprehend exactly what you need.

As a fully independent law firm, Loyens & Loeff is excellently positioned to coordinate international tax and legal matters. We have our own network of offices in major financial centres, staffed with specialists in Dutch, Belgian and Luxembourg law. Through these offices, our clients have access to Loyens & Loeff's full-service legal expertise in their own time zone. Our office network is complemented by our several country desks all of which are experienced in structuring investments all over the world. It's a winning combination that enables us to assist international clients in a very effective way.

Moreover, we are on excellent terms with other leading independent law firms and tax consultants in Europe, the United States, Russia and many other countries. That way, we can guarantee you top-level advice in every part of the world. This makes Loyens & Loeff is the logical choice for large and medium-size enterprises, banks and other financial institutions, operating internationally. Loyens & Loeff scored the highest for tax advice in the 2013 editions of Legal 500, Chambers Global, Chambers Europe and World Tax.

Loyens & Loeff's primary expertise covers both the tax and legal aspects, amongst others, of mergers & acquisitions, restructurings, IPOs, structured and project financing, real estate investments, leasing transactions and intellectual property rights.

Our CEE team
Since the accession of many new countries to the European Union, we have seen an increased flow of inbound and outbound investments in these countries. In order to have a better focus on the developments in the CEE region, Loyens & Loeff established a dedicated CEE team in 2002. It is a team of enthusiastic attorneys and tax advisers with extensive experience in advising clients on transactions relating to the CEE market. As both the Netherlands and Luxembourg often provide for an ideal location for, among others, intermediary holdings or financing companies, the team is involved in many investment structures in the new EU countries. We do not avail of offices in these countries, but we work together with the leading law firms in each of them and frequently travel to the region to maintain close contact with these law firms and with our clients.

A comparison of new countries in the European Union
The CEE team has developed and maintained a concise and practical tool for our tax practitioners to compare the main features of the tax regimes in the (relatively) new countries in the European Union. We hope that this publication will find its permanent place on the desk of practitioners involved in international tax planning in relation to these countries.

This publication is intended as a tool for an initial comparison of the most relevant tax aspects of the tax regimes in the below listed EU countries where it relates to holding companies which may also engage in financing and/or licensing activities, and should never be used as a substitute for obtaining local tax advice. With respect to the various jurisdictions, we obtained the information from the firms listed below. We gratefully acknowledge the contributions of each of those firms. Additional information regarding the regimes in the selected jurisdictions may be obtained by contacting the undersigned or the contributing firms via their website shown below.

Bulgaria	Djingov, Gouginski, Kyutchukov & Velichkov	www.dgkv.com
Croatia	LeitnerLeitner	www.leitnerleitner.hr
Cyprus	Andreas Neocleous & Co LLC	www.neocleous.com
Czech Republic	White & Case LLP	www.whitecase.com
Estonia	Sorainen	www.sorainen.ee
Hungary	Ryan	www.ryan.com
Latvia	Sorainen	www.sorainen.lv
Lithuania	Sorainen	www.sorainen.lt
Malta	Francis J. Vassallo & Associates Limited	www.fjvassallo.com
Poland	Salans FMC SNR Denton Oleszczuk sp.k.	www.dentons.com
Romania	Nestor Nestor Diculescu Kingston Petersen	www.nndkp.com
Slovakia	PRK Partners s.r.o.	www.prkpartners.sk
Slovenia	LeitnerLeitner	www.leitnerleitner.com

The information contained in this publication is based on the applicable laws in effect as per January 1, 2014.

Yours sincerely,

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Holding Regimes New EU Countries

Part I

Bulgaria, Czech Republic, Hungary, Poland, Romania

1. Capital tax / stamp duty / real estate transfer tax / real estate tax

Bulgaria	Czech Republic	Hungary	Poland	Romania
Capital tax There is no capital contribution tax in Bulgaria. **Stamp duty** An insignificant amount of state fees is due upon the registration in the commercial register of (i) a newly incorporated company, (ii) a new shareholder in a limited liability company, or (iii) the increase of the capital of any commercial company. **Real estate transfer tax** Transfer of real estate or establishment of limited rights in rem over real estate is subject to municipal transfer tax of between 0.1% to 3.0%, chargeable on the higher between: • the agreed purchase price; and • the tax evaluation of the asset, determined by the municipality. However, this is not relevant upon capital contributions, because if transferred as in-kind contribution to the capital of a Bulgarian company, such a transfer will be exempt from such municipal tax. Transfer of going concern is also not subject to such tax.	**Capital tax** There is no capital contribution tax in the Czech Republic. **Stamp duty** The registration of a new company in the commercial register and subsequent changes, including the change of a shareholder or increase/decrease of registered capital, trigger a minor stamp duty (CZK 2,000 – 12,000). If a notarial deed is required (e.g. for establishment of a company, increase/decrease of registered capital etc.), notarial fees are calculated based on certain criteria (e.g. registered capital) and may vary significantly. **Real estate transfer tax (renamed to Tax on the acquisition of real estate as of 2014)** Acquisition of real estate assets is, generally, subject to the real estate transfer tax of 4%. By default the tax is payable by the transferor and the transferee is a guarantor of the tax liability.The parties may agree that the tax will be payable by the transferee instead. Transfer of shares in real estate company is not subject to real estate transfer tax. In-kind contribution of real estate into the registered capital of a company is taxable as of 2014.	**Capital tax** There is no capital (contribution) tax Hungary. **Stamp duty** Stamp duty is levied on the registration of a company in the Company Register and on any changes made to the data so registered. Stamp duty is, for instance, levied in an amount of: • HUF 100,000 in the case of the registration of a private stock company or a limited liability company; a reduced fee of HUF 50,000 may apply, if the conditions for a simplified incorporation procedure are fulfilled; • HUF 600,000 in the case of registration of a public stock company or a European Company; • HUF 100,000 in the case of the registration of any other entity with legal personality; • HUF 50,000 in the case of the registration of a branch office; and • HUF 50,000 in the case of registering a representative office; • Fixed registration duty of HUF 15,000 applies for further amendments of the AoA.	**Capital tax** In general, a capital contribution to a Polish company is subject to tax at the effective rate of 0.5%. The tax base is the value of share capital increase resulting from the contribution; the share premium is not subject to tax. Increase of a company's share capital is not subject to tax if: • as a result of the contribution the company acquires a majority of voting rights in another company (or the acquiring company that prior to the contribution already holds majority voting rights in the acquired company receives additional voting rights), or • the object of the contribution is an enterprise or an organized division of the company. Mergers of companies and transformation of a limited liability company into a joint stock company (and vice versa) are not subject to transfer tax. Conversion of a company into partnerships may be in some cases subject to tax.	**Capital tax** There is no capital contribution tax in Romania. **Stamp duty** The incorporation of a new company is subject to a registration fee amounting to RON 600.The registration of new elements during the existence of a company triggers minor registration fees (approximately RON 400-1,000). **Real estate transfer tax** Real estate transfer has to be done pursuant to agreements authenticated by public notary. There is no real estate transfer tax; however, real estate transfers are subject to notary fees ranging from 2.2% (but not less than RON 150) on the values up to RON 15,000, to 0.44% plus RON 5,080 on the values exceeding RON 600,001, depending on the (i) purchase price or (ii) the evaluation of the asset determined by the public notary authority (whichever is the greater). Furthermore, a 0.5% registration fee of the real estate with the Land Book is to be paid by the buyer.

Bulgaria

Real estate tax
A local tax on real estate is payable by the owner, chargeable on the tax evaluation of the real estate. The real estate tax of real estate assets owned by legal entities is calculated on the higher value between their book value and their tax evaluation. The rate of the tax is determined by the respective Municipal Council and may vary in the range between 0.01% and 0.45%. In case right of use is granted over the real estate asset, tax obligor for the real estate tax is the acquirer of the limited right in rem. Tax obligor for real estates, owed by the State or a municipality, is the person that manages the real estate.
As of the beginning of 2014, real estate with tax evaluation not higher than BGN 1,680 (*approx. EUR 860*) is exempted from real estate tax.

BGN 1 = € 0.511292 (fixed rate)

Czech Republic

Real estate tax
The real estate tax is payable by the owner based on the area of land or the size of a building taking into account the attractiveness of their location. The tax rate is, generally, defined as a fixed amount per square meter.

The real estate tax compliance is somewhat burdensome but the tax itself does not usually represent a material cost.

CZK 1 = € 0.03639 (2 January 2014)

It should be noted that the new civil code came to effect as of January 1, 2014. New civil code introduces significant amendments to Czech civil law which were also reflected in the Czech tax regulation. New regulations should be taken into account while doing business in the Czech Republic.

Hungary

If the registered capital of the company is amended, the stamp duty is levied at 40% of the amount due upon the incorporation of the company (see above).

Real estate transfer tax
The transfer of property for consideration is subject to transfer tax payable by the purchaser, calculated on the market value of the property transferred.

The real estate transfer tax is 4% up to HUF 1 billion, while the rate on the excess is only 2%. These are altogether capped at HUF 200 million per real estate.

Real estate traders, funds, REITS and leasing companies may be subject to a flat-rate 2% transfer tax under certain conditions.

The acquisition of a building site may be exempt from transfer tax if the purchaser builds a residential building on the real property within 4 years.

Transfer tax is not only levied on the acquisition of real estate but also on the acquisition of a quota in a real estate company, if:

- the quota obtained (either by the acquirer alone or altogether with e.g. close relatives or its related companies, as the case may be) reaches 75% of all the quota.

Poland

Stamp duty
The sale of shares and partnership interests in Polish entities is subject to 1% tax. Sale of shares in joint stock companies may be exempt from the 1% tax under certain conditions, e.g. if a brokerage house acts as intermediary in the transaction.

In general, the granting of loans is subject to 2% transfer tax.

There are exemptions for:

- loans granted by foreign entities that carry on activities in the area of granting bank loans and regular loans;
- loans recognized as financial services exempt from VAT;
- shareholder loans (no minimum shareholding is required).

Nevertheless, loans granted to a partnership by its partners are always subject to 0.5% tax (such loans cannot benefit from the exemption).

Real estate transfer tax
Sale of real estate is subject to 2% transfer tax only if the transaction is outside the scope of VAT or is exempt from VAT.

Romania

Real estate tax
A local tax on buildings is payable by the owner. The tax is levied on the building's book value, at rates varying between 0.25% and 1.50%, depending on the building's location. If the building has not been revalued during the last 3 years, the rates vary from 10% to 20%. For buildings not revalued during the last 5 years, the rates vary from 30% to 40%.
A local tax on land is payable by the owners of land. The maximum rate is of RON 1.0353 per square meter for land located in urban areas, while for land located outside urban areas, the rate per square meter is up to RON 0.01456.

Starting 2014, a special tax on constructions is payable by Romanian entities or permanent establishments of foreign entities. The tax is computed by applying a rate of 1.5% on the book value of constructions existing in the taxpayer's patrimony as of 31 December of the previous year, adjusted by certain items. The tax does not apply on the assets which are subject to local tax on buildings.

RON 1 = € 0.2230 (3 January 2014)

Bulgaria	Czech Republic	Hungary	Poland	Romania
		A real estate company comprises a business association that: • owns real estate located in Hungary for more than 75% of the overall assets (liquid assets and financial receivables excluded), taking into account the book values of the assets as registered in the balance sheet at the balance sheet date; or • has a direct or indirect quota of at least 75% in a business association that owns real estate located in Hungary for more than 75% of the overall assets (liquid assets and financial receivables excluded), taking into account the book values of the assets as registered in the balance sheet at the balance sheet date. The transfer tax is levied on the market value of the real estate, prorated to the quota being acquired. On certain conditions, the transfer of real estate or quota in real estate companies between related parties may be exempt from transfer tax. **Building tax** It may be imposed by local municipalities. It is an annual levy on the persons registered as the owners as of 1 January of the given tax year. The legislation fixes the upper limit of the rate at HUF 1100/m2 or at 3.6% of the adjusted market value (= 50% of the market value) of the building.	**Real estate tax** The real estate tax generally applies to the owners, perpetual usufructuaries and freeholders of properties. The tax applies to (i) land, (ii) buildings or parts thereof and (iii) constructions or parts thereof connected with business activities. RET is payable to local authorities, which set RET rates within the statutory maximum rates. The maximum RET rates in 2014: • on land – PLN 0,89 per square meter (i.e. PLN 8,900 per ha); • on buildings or parts thereof used for business activities – PLN 23,03 per square meter of usable surface; • on constructions or parts thereof used for business activities – 2% tax on the initial value of a construction, adopted for tax depreciation purposes. PLN 1 = € 0.24046 (20 January 2014)	

Bulgaria	Czech Republic	Hungary	Poland	Romania
		Tax on land The owner of land situated in the territory of an urban area may be taxed by the relevant local municipalities. The upper limit of the tax is fixed at HUF 200/m2 or at 3% of the adjusted market value (= 50% of the market value) of the land. HUF 1 = € 0.00336 (2 January 2014)		

2. CIT
2.1 CIT and wealth taxes

Bulgaria	Czech Republic	Hungary	Poland	Romania
The general CIT rate in 2014 is 10%. Resident companies are taxed on their worldwide income. The taxable base is computed on the basis of accounting profit by adjusting it for tax purposes. Collective investment schemes, which have been admitted to public offering in the Republic of Bulgaria, national investment funds and special purpose investment companies shall be exempt from CIT. Alternative final corporate taxes are levied on some categories of expenses and are deductible for profit tax purposes, when properly documented. Out-of-pocket expenses, related to business activity, social expenses, rendered in-kind (including expenses for contributions for voluntary health and social security, “Life” insurance and certain expenses for food vouchers) and expenses on maintenance and operation of automobiles, when used for management activities are subject to 10% final CIT. **Wealth taxes** There is no wealth tax in Bulgaria.	The general CIT rate is 19% for tax periods beginning in 2010 and onwards. A special rate of 5% applies to taxable profits of investment, mutual and pension funds. Domestic source income subject to a final withholding tax is not included in the CIT base. Resident companies (i.e. legal entities seated or having a place of effective management in the Czech Republic) are taxed on their worldwide income. The tax base is computed based on the accounting profit based on the Czech accounting standards. The accounting profit is then adjusted for tax purposes. **Wealth taxes** There is no wealth tax in the Czech Republic.	The general CIT rate is 10% up to a HUF 500 million tax base, and 19% on the excess amount. *Licensing incentive* 50% of royalty revenues are exempt from CIT regardless of whether received from a related or unrelated party. *Minimum tax base* If both the pre-tax profit and the tax base of an entity are less than the “minimum tax base”, i.e. 2% of the entity’s total revenues reduced by the cost of goods sold, the cost of intermediary services are adjusted by certain items (e.g. income attributable to a permanent establishment abroad, certain percentage of shareholder loans), the minimum tax base will apply, unless the taxpayer chooses to provide a special declaration detailing its cost and income structure to the tax authority proving that its general tax base is accurate. This rule does not apply in the pre-company period and in the first tax year. *Local business tax* Hungarian companies are subject to local business tax, at a maximum rate of 2%. The tax base is fundamentally the turnover (excluding royalties) less costs of materials, costs of goods sold and mediated service fees.	The general CIT rate is 19%. A company is regarded a Polish tax resident if it either has its registered office or place of management in Poland. A Polish resident company is subject to CIT on its worldwide income. Non-resident companies are subject to CIT only on income from Polish sources (i.e. earned in Poland), unless a double tax treaty (“DTT”) provides otherwise. Income of Polish investment and pension funds as well as Polish-sourced income of foreign investment and pension funds fulfilling certain conditions may be exempt from CIT in Poland. **Wealth taxes** There is no wealth tax in Poland.	The general CIT rate is 16%.The taxable base for CIT purposes is determined by adjusting accounting profits for non-deductible expenses and non-taxable income. **Wealth taxes** There is no wealth tax in Romania.

Bulgaria	Czech Republic	Hungary	Poland	Romania
		Deduction of the above costs from the tax base can be subject to limitations. Interest and royalty income are not subject to local business tax. **Wealth taxes** There is no wealth tax in Hungary.		

2.2 Dividend regime (participation exemption)

Bulgaria	Czech Republic	Hungary	Poland	Romania
National Dividends received from other resident companies are exempt from income tax, except for dividends distributed by REITs, as well as cases qualifying as hidden distribution of profit. *International* Inbound dividends derived by a Bulgarian resident are part of the taxable base of the receiving company and taxed at the normal CIT rate. Dividends distributed by foreign entities, which are tax residents of an EU-member state, or a country, which is a party to the Agreement for the European Economic Area, are also exempt from CIT. With regard to withholding tax on inbound dividends, local entities are entitled to a tax credit for any tax paid abroad, even if no treaty exists. Thus resident persons are granted a unilateral relief under Bulgarian law, i.e. they are entitled to a direct ordinary tax credit for all identical and similar foreign taxes levied by respective competent tax authorities abroad on any passive income, including dividends.	*National* A domestic distribution of dividends is exempt from taxation if the recipient is a company of a qualifying legal form, beneficial owner and holds at least 10% of the registered capital of the distributing company for an uninterrupted period of 12 months (this holding period can be fulfilled subsequently). Both companies have to be either joint stock company (a.s.) or limited liability company (s.r.o.) or cooperative (družstvo). *International* Inbound dividends derived by a Czech resident company constitute a separate tax base that is subject to a 15% CIT. Moreover, dividends received and beneficially owned by a Czech resident company from an EU resident subsidiary are exempt in the Czech Republic if the recipient holds at least 10% of the registered capital of the distributing company for an uninterrupted period of 12 months (this holding period can be fulfilled subsequently). Both companies have to have a specified legal form, be EU residents and be subject to tax higher than 0%.	*National and international* Dividends received by Hungarian companies either from Hungarian or from foreign (both EU and non-EU) subsidiaries are exempt from CIT (except for dividends received from CFCs). *Foreign tax credit* In the absence of a treaty, unilateral relief is provided by way of a credit for income taxes paid abroad. Unilateral credit relief will be determined separately for each item of foreign-source income. The credit will be limited to 90% of the foreign tax and cannot exceed the Hungarian tax burden on the relevant income. *CFC rules* Please see paragraph 5 with respect to the CFC rules. *CFC's undistributed profits* In certain cases, the undistributed profit of a CFC due to a direct Hungarian corporate shareholder of at least 25% or having a 'dominant' quota becomes taxable in the shareholder's hands, pro-rated to his quota held on the last day of the tax year.	*National and international* Dividends received by a resident company from: • a resident company is: - CIT exempt provided that certain conditions are met (i.e. at least 10% shareholding (as an owner), holding shares for an uninterrupted period of two years (the two years holding period does not have to be met upfront); or - subject to 19% withholding CIT if these conditions are not met; • a non-resident "privileged" (e.g. EU, EEA, Swiss) company is: - CIT exempt provided that certain conditions are met (i.e. at least 10% (for Swiss company - at least 25%) shareholding (as an owner), holding shares for an uninterrupted period of two years (the 2 years holding period does not have to be met up front); the above exemption does not apply if dividend is received as a result of liquidation of the legal entity making the payments; or - CIT exempt in Poland on the basis of a tax treaty or subject to 19% CIT in Poland (with possibility to apply foreign tax credit) - if the above conditions are not met;	*National* Dividend payments between resident companies are subject to a 16% final withholding tax. Such rate is cut down to 0% in case of a shareholding of minimum 10% maintained for at least 1 uninterrupted year. Subsequently, these dividends are tax exempt in the hands of the recipient under the same conditions. *International* Dividends received by a Romanian company from a non-resident company are included in the ordinary income of the recipient company and taxed at the general tax rate. However, under the domestic law implementing the EU Parent - Subsidiary Directive, foreign-source dividends paid by an EU subsidiary to its Romanian parent company are exempt from tax in Romania if the Romanian recipient company meets the following conditions: • It holds at least 10% of the EU distributing company's shares; • The holding has lasted for an uninterrupted period of 1 year prior to the distribution date. Until the 1-year period is met, dividends are subject to tax (at 16%) which can be further on claimed back from the state.

Bulgaria	Czech Republic	Hungary	Poland	Romania
	Dividends received by a Czech resident company from its subsidiary resident in Norway or Iceland are tax exempt under the similar conditions. The exemption does not apply to dividends distributed from a Czech subsidiary in liquidation (for further conditions please see Section 3.1). The exemption can also be applied, if a Czech resident company receives dividends from a company, which: • is a tax resident of a state that has concluded a tax treaty with the Czech Republic; • has a legal form similar to a Czech joint stock company or a limited liability company or cooperative; • the parent-subsidiary relationship is fulfilled (10% for at least 12 months); and • the subsidiary is subject to CIT of 12% or more. The exemption does not apply to dividends received by a Czech parent company from its subsidiary in liquidation (irrespective of the place of seat of the subsidiary). The participation exemption also does not apply should either the holding company or the subsidiary (regardless of tax residency) be tax exempt from CIT or similar tax, or if they may choose to be tax exempt or similar tax advantage.	This rule does not apply – i.e. the undistributed profit triggers no CIT – if a Hungarian tax resident private individual shareholder holds an interest (voting rights) of at least 10% or has a 'dominant' quota in the above Hungarian corporate shareholder of the CFC. Naturally, when actually distributed later on, the previously taxed CFC income will not be taxed for a second time. In addition, upon the subsequent alienation of such shares due to the reduction of the CFC's capital or the termination of the CFC without succession, the earlier tax on the undistributed profits will become recoverable.	• a non-resident "unprivileged" company is: - CIT exempt in Poland on the basis of a tax treaty; or - subject to 19% CIT in Poland (with possibility to apply foreign tax credit). *Foreign tax credit* Tax credit (both direct and underlying) in respect of foreign tax withheld on dividends may also be applicable, depending on a number of requirements under both domestic rules and treaties. Based on domestic rules: • Direct, proportional ordinary tax credit may be used when income of a Polish tax resident is taxed abroad and that income is not tax exempt in Poland. • Additional underlying, proportional tax credit is applicable whenever a company which is a Polish tax resident holds a minimum of 75% shares in an entity taxed on its worldwide income in any treaty country outside the EU/EEA/ Switzerland for an uninterrupted period of 2 years and there is a tax treaty in place. In any case, the foreign tax credit cannot exceed the Polish CIT amount on the foreign dividends.	Starting 2014, dividends received by Romanian companies from entities established in non-EU countries with which Romania has concluded a DTT are also exempt from CIT, under conditions similar to those mentioned above with respect to the shareholding period and quota.

2.3 Gains on shares (participation exemption)

Bulgaria	Czech Republic	Hungary	Poland	Romania
Capital gains on the sale of shares are included in the taxable base of resident companies and taxed at the normal CIT rate.	Capital gains are part of the general tax base and subject to CIT at the ordinary rate. Certain participations (especially investments held for trade) are also subject to fair market revaluation accounting. Revaluation gains on such participations are subject to tax unless the below exemption applies. Capital gains realized on sale of shares in domestic or foreign companies can be exempt from taxation if the seller is a beneficial owner of such income and has held at least 10% of the registered capital of the subsidiary for an uninterrupted period of 12 months (this holding period can be fulfilled subsequently). In respect of the sale of a Czech subsidiary, both companies have to be either a joint stock company or a limited liability company or a cooperative. In respect of the sale of an EU subsidiary, both companies have to have a specified legal form, be EU residents and be subject to tax. In respect of the sale of companies from other countries, the exemption applies as long as, the subsidiary • is a tax resident of a state that has concluded a tax treaty with the Czech Republic;	Gains realized on a shareholding in another (Hungarian or foreign) company are in principle subject to CIT (10%/19%). However, capital gains on the sale of qualifying participations are exempt from CIT, unless held in a CFC. To qualify for the exemption, the participation should be a so-called “registered” or “reported” participation: • the participation is at least 10%; and • has been held for at least one year; and • has been reported to the tax authority within 75 days of acquisition. Foreign companies holding shares in a Hungarian company could also avail of the participation exemption on capital gains, if they transfer their place of effective management to Hungary and acquire Hungarian tax residence. In such case, the shares should be reported to the Hungarian tax authority within 75 days from the date of transfer. A deduction from pretax profits will be available for capital gains on shares reported to the Tax Authority (notified shares), as well as for gains recognized on the retirement of notified shares as in-kind contributions.	Capital gains from the disposal of shares are subject to 19% CIT and aggregated with other income.	Starting 2014, capital gains obtained from the sale of shares held in a Romanian legal entity or a foreign legal entity established in a state with which Romania has concluded a DTT are exempt from CIT, if the taxpayer has held at least 10% of the relevant entity’s share capital for a minimal uninterrupted period of 1 year as of the date of share transfer. Otherwise, capital gains are treated as ordinary business income and taxed accordingly. **Liquidation** Starting 2014, income obtained by a Romanian company from the liquidation of another Romanian legal person or of a foreign legal entity established in a state with which Romania has concluded a DTT are exempt from CIT provided that it has held at least 10% of the liquidated entity’ share capital for an uninterrupted period of one year.

Bulgaria	Czech Republic	Hungary	Poland	Romania
	• has a legal form similar to a Czech joint stock company or a limited liability company or cooperative; • the parent-subsidiary relationship is fulfilled (10% for at least 12 months); and • the subsidiary is subject to CIT of at least 12%. The exemption does not apply to the gains on the sale of a Czech subsidiary in liquidation. Furthermore, the exemption does not apply to the gains on sale of shares that were purchased as a part of business enterprise. The participation exemption also does not apply, should either the holding company or the subsidiary be tax exempt from CIT or similar tax, if they may choose to be tax exempt or similar tax advantage, or if they are subject to CIT at the rate of 0%.	Other than the above, there is a CIT exemption for gains on shares realized due to a • reduction of capital, or • a termination without legal succession, excluding all CFC subsidiaries. This exemption is also available for qualifying participations even within one year. A deferral of CIT can also be sought on gains in the case of a preferential transformation or preferential exchange of shares under certain conditions, largely in line with the EC Merger Tax Directive.		

2.4 Losses on shares

Bulgaria	Czech Republic	Hungary	Poland	Romania
Capital losses are deductible for tax purposes except for losses from transfer of financial instruments.	Capital losses are generally not deductible. However, losses arising from the sale of shares held for trade (except for shares representing controlling or significant influence = holding of at least 20%) and losses resulting from revaluation of such investments to fair market value are deductible.	Capital losses on shares are generally deductible. However, the impairment, and losses and even currency exchange losses realized on participations in a CFC or on so-called “registered” or “reported” participations are not deductible for CIT purposes.	There are no special rules as to deduction of a capital loss. Therefore, losses incurred on the sale of shares are generally tax deductible and may be deducted from other revenues.	Capital losses on shares resulted further to their evaluation according to accounting regulations are deductible for CIT purposes.

2.5 Costs relating to the participation

Bulgaria	Czech Republic	Hungary	Poland	Romania
In principle, all expenses related to the business operations of the taxable persons and supported by sufficient documentation are tax deductible.	Generally, costs related to the holding of any participation/share (e.g. interest on a loan, shareholder costs) are tax non-deductible. Interest on loans received as far as 6 months before an acquisition of a subsidiary are tax non-deductible, unless it is proved and specifically documented by a taxpayer that such loan is unrelated to the shareholding. Non-deductible indirect costs related to the participation are deemed equal to 5% of the actually received dividends; unless it is proved that the actually incurred indirect costs are lower. However, these provisions apply only in respect to participations in companies that fulfill Parent-Subsidiary conditions, i.e. EU, Iceland and Norway companies, and companies residing in countries with which the Czech Republic concluded a valid tax treaty, with the 10% ownership for 12 months criteria fulfilled etc.; please see Section 2.2.	Costs relating to the participation are generally deductible, but thin capitalization rules apply to interest expenses (please see Section 5). In addition, payments to a CFC may not be deductible if the business nature of the expenses cannot be proven.	Polish tax law does not provide for rules pertaining to costs relating to the participation. Thus, deductibility of such costs should be analyzed on a case-by-case basis. Expenses incurred on the disposal of a capital asset are deductible for the seller. Generally Polish tax authorities accept the approach that interest on loans taken to acquire shares in the Target should be tax deductible when interest is paid or compounded. In practice it is advisable to secure this approach by obtaining a tax ruling. Please see Section 5 with respect to the thin- capitalization rules.	The legislation does not contain specific provisions on the deductibility of costs related to holding participation/shareholding. Such deductibility is currently debatable and open to various interpretations.

2.6 Currency exchange results

Bulgaria	Czech Republic	Hungary	Poland	Romania
Currency exchange losses/gains from the valuation of monetary assets are considered deductible losses/taxable income for the purpose of adjustment of the financial result.	Both realized and unrealized currency exchange results are generally accounted for in the profit-loss account and are taxable or tax deductible.	It is possible to defer the CIT effects of unrealized currency exchange results of fixed financial assets and long-term liabilities until the currency exchange result is actually realized, provided that the transactions are not hedged. The deferral of the tax effects is the taxpayer's choice. Currency exchange losses realized on participations in a CFC or on so-called "registered" or "reported" participations are not deductible for CIT purposes.	Positive currency exchange differences constitute taxable revenues and negative currency exchange differences constitute tax deductible costs. Taxpayers are allowed to choose the method of settlement of currency exchange differences for CIT purposes. They can opt for settlement according to either the rules provided in accountancy regulations or separate rules provided in the CIT Act.	Currency exchange results registered in accounts are treated as ordinary revenues/ expenses. In case of long-term loans from other than financing entities, the net foreign exchange losses are treated as interest, being subject to thin capitalization rules.

2.7 Tax rulings

Bulgaria	Czech Republic	Hungary	Poland	Romania
There is no regime for binding advance rulings. However, it is common practice to direct written inquiries to the revenue authorities to solve an open question or get confirmation on a certain taxation practice or duty. The rulings of the Executive Director of the National Revenue Agency are not binding on persons outside the revenue administration. If, however, a taxpayer acts in accordance with a ruling and the ruling is later decided to be inconsistent with the law, no penalties (including interest) can be applied to the taxpayer.	There is no general advance ruling system in the Czech Republic. The tax authorities may issue a binding ruling on a taxpayer's request regarding the possibility to utilize the tax loss after the substantial change in the structure of shareholders (see Section 2.8). Moreover, a taxpayer may request the tax authority for a binding assessment on whether prices agreed upon with related parties are at arm's length. The whole group structure must be disclosed. Additional areas where binding tax rulings can be issued are technical appreciation of assets, R&D deduction and two other areas relating to individuals and non-profit organizations. In addition, the binding ruling can be issued on whether a taxable supply, in terms of a correct classification, is subject to general or reduced tax rate or reverse charge mechanism for the VAT purposes. A fee of CZK 10,000 will be charged for the filling of a request. None of those are frequently used because of practical problems. There is also a possibility to apply for an opinion of the General Finance Directorate on interpretative issues, but such opinions are not legally binding.	Binding tax rulings may be requested by taxpayers and foreign entities in relation to any type of tax provided the ruling relates to the tax consequences of a future transaction, and a detailed description is provided. Binding tax rulings may be obtained also for transactions not qualifying as future transactions; this ruling would be available in connection with CIT, local business tax and personal income tax issues. The Ministry of Finance must generally issue a ruling within 75 days, which can be extended with further 60 days. If the taxpayer requests for an accelerated procedure, the ruling is issued within 45 days, which may be extended with 30 days. The fee for the ruling is HUF 5 million in an ordinary procedure, and HUF 8 million in an accelerated procedure. The ruling issued is effective for an unlimited period of time, until the legislation or the content of the transaction changes. Further to the 'ordinary' binding ruling described above, a so called 'long- term binding ruling' is also available for larger taxpayers fulfilling certain conditions. The 'long-term' ruling would be referred to CIT issues only.	The tax authorities may issue a ruling at the request of a taxpayer. The request sets out the facts, the question and the taxpayer's opinion on the case. A positive tax ruling issued by the Minister of Finance contains confirmation of the taxpayer's position via either the Minister of Finance's opinion on the applicable tax treatment together with supporting argumentation, or just a pure confirmation of the applicant's standpoint. If a ruling is negative, it is possible to appeal and challenge it before tax courts. A tax ruling should generally be issued by the Minister of Finance within 3 months of filing the application. In more complicated cases, the Ministry is entitled to extend the deadline. However, the 3-month deadline is generally kept by the tax authorities. The tax regulations give the applicant strong protection if it follows the tax treatment presented in the tax ruling issued by the Minister of Finance. This protection results from the fact that acting in line with the tax ruling cannot be held against the applicant. This implies that as long as the applicant acts in line with the tax ruling: • no tax penal proceedings will be initiated against persons responsible for tax matters; • no penalty interest will be charged if any tax is due;	Advance tax rulings and transfer pricing rulings may be issued by tax authorities. The rulings are binding on the tax authorities. Under the law, advance tax rulings are to be issued within 3 months and are subject to a fee of € 1,000. Transfer pricing rulings are to be issued in 12 months (18 months if it refers to a bi/multilateral ruling) and are subject to fees up to € 20,000. In practice, the above-mentioned terms are usually prolonged. Although possible under the law, tax rulings have been rather seldom obtained in practice so far, being a time consuming and administratively burden process.

Bulgaria	Czech Republic	Hungary	Poland	Romania
		The ‘long-term’ ruling would remain in force for 3 financial years (including the year of request), even if the underlying tax laws change. The fee for the ‘long-term’ ruling is HUF 8 million in an ordinary procedure, and HUF 11 million in an accelerated procedure. For a 50% decreased procedural fee, it is possible to extend the scope of already existing binding rulings, if proven necessary due to future legislative or factual changes. Related parties may request the National Tax Authority to issue an advance ruling (APA) on the transfer pricing aspects of a future transaction. The National Tax Authority must issue a ruling within 120 days. This period can be extended twice, each time for a further 60 days. The advance ruling is binding for all tax authorities, unless relevant circumstances change. The advance ruling on transfer pricing is valid for a pre-determined period of 3 to 5 years. Upon request, this period can be extended once for a further 3 years.	• applicant will not have to pay any tax arrears that have arisen as a result of acting in line with the tax ruling. This tax exemption is only applicable if the transaction or other event has been performed after the receipt of the ruling; that is why receiving the ruling before the transaction is so crucial. Generally speaking the protection lasts until the tax ruling is changed or dismissed by the tax authorities (e.g. if they find it incorrect or the law changes) - detailed rules are provided in this respect. An appeal procedure is available. The fee for tax rulings is PLN 40, chargeable in practice on each question in the application. There is also an advance ruling system applicable to transfer pricing arrangements (APA).	

2.8 Loss carry over rules

Bulgaria	Czech Republic	Hungary	Poland	Romania
Carry back Loss carry back is not permitted in Bulgaria. **Carry forward** The ordinary losses may be carried forward to offset taxable profit earned in the 5 succeeding calendar years.	**Carry back** Loss carry back is not permitted in the Czech Republic. **Carry forward** Losses may be carried forward for 5 tax periods. However, special limitations apply in the case of a substantial change in a shareholding structure (a substantial change is any change which affects more than 25% of the registered share capital or voting rights or results in a substantial influence of a shareholder), de/mergers and transfers of enterprises. Losses can be transferred in mergers and transfers of enterprises if EU Merger Directive conditions are fulfilled.	**Carry back** In general, no carry back is permitted in Hungary. However, taxpayers operating in the agricultural sector may account deferred losses by self-revision or by correcting the amount of tax paid in the previous two tax years by reducing the pre-tax profit of the preceding two tax years by the amount of the deferred loss; losses carried back per year cannot exceed the 30% of the relevant tax year's pretax profit, however if the taxpayer fails to exercise this option, or transfers only part of the loss to the debit of the previous two tax years, the general loss carry forward rules may be applied to the remainder. **Carry forward** From 2004, Hungary has allowed the carry forward of tax losses indefinitely. When accrued losses are deducted, losses carried forward from earlier years must be written off first. Carried forward losses are deductible up to the 50% of the relevant year's CIT base (as calculated without the losses carried forward) per year. In the case of corporate restructuring and preferential transfer of assets, losses can be carried forward by the successor company only if certain conditions are fulfilled.	**Carry back** Loss carry back is not permitted in Poland. **Carry forward** Losses may be carried forward for a maximum of 5 years, and in each year up to 50% of the total loss may be set off.	**Carry back** Loss carry back is not permitted in Romania. **Carry forward** Losses may be carried forward for 7 years.

Bulgaria	Czech Republic	Hungary	Poland	Romania
		Without going into details, related-party relationship and generating income from the previous business activity would be generally required.		

2.9 Group taxation for CIT purposes

Bulgaria	Czech Republic	Hungary	Poland	Romania
There is no group taxation regime for CIT purposes.	There is no group taxation regime for CIT purposes.	There is no group taxation regime for CIT purposes.	A "tax capital group" (tax consolidated group) may be formed for CIT purposes in Poland. Taxable income for the group is calculated by combining the income and losses of all the companies. A tax consolidated group formed and registered with the relevant tax authorities is treated as a separate taxpayer for CIT purposes. The basic requirements for obtaining the status of a tax capital group are the following: • A tax capital group may be formed only by limited liability or joint- stock companies based in Poland, provided that average share capital is not lower than PLN 1,000,000. • The holding company should hold at least 95% of the shares in the other group companies. • Subsidiary companies cannot be shareholders in the holding company or other subsidiary companies in the group. • None of the members of the group can have tax liabilities towards the Treasury (e.g. VAT, CIT). • The holding company and the subsidiaries have agreed to establish the capital group for at least three years by means of a notarial deed. The agreement must be filed with the tax office.	There is no group taxation regime for CIT purposes.

Bulgaria	Czech Republic	Hungary	Poland	Romania
			After the creation of the tax consolidated group, the companies forming this group should additionally satisfy the following requirements: • None of the companies included in the group can singularly benefit from tax exemptions (excluding VAT exemptions). • The annual level of the group's profitability cannot be less than 3%. • Companies in the group cannot maintain relationships with companies from outside the group resulting in a breach of transfer pricing restrictions. If all the above-mentioned restrictions are met the tax capital group may take advantage of the following benefits: • The losses of some of the members of the tax capital group can be set off against the taxable income of its other members. • Transfer pricing restrictions do not apply between companies in the group. • Donations between companies in a tax capital group are CIT-neutral, as the donor can treat the value of the donation as a tax cost; donations outside the group are not deductible.	

3. Withholding taxes payable by the holding company

3.1 Withholding tax on dividends paid by the holding company

Bulgaria	Czech Republic	Hungary	Poland	Romania
Dividends paid to non- resident companies are subject to final withholding tax of 5%, unless a lower tax treaty rate applies. A special exemption from withholding taxation is provided for dividends distributed to companies tax residents of an EU Member State, or a country which is a party to the Agreement for the European Economic Area. No additional conditions apply. As of 1 January 2010, this exemption does not cover hidden distributions of profit. Also, tax on dividends is not payable when the dividends are distributed in favour of a foreign contractual fund. **Liquidation/Share repurchase** Liquidation quotas are subject to withholding tax at the rate of 5% chargeable on the balance between the market value of the quotas and the documented acquisition price of the respective shares. This rule applies unless a tax treaty relief applies. A special exemption from withholding taxation (save for cases of hidden distribution of profit) is provided for liquidation quotas distributed to companies tax residents of a EU Member State, or a country which is a party to the Agreement for the European Economic Area.	Dividend payments from resident companies to other resident companies are subject to a 15% final withholding tax. Double taxation is avoided by not including dividends, which were subject to a 15% withholding tax in the general tax base of receiving companies. A domestic distribution of dividends can be exempt from taxation if the recipient – beneficial owner – holds at least 10% of the registered capital of the distributing company for an uninterrupted period of 12 months (this holding period can be fulfilled subsequently). Both companies have to be either joint stock company (a.s.) or limited liability company (s.r.o.) or cooperative (družstvo). The exemption does not apply to dividends distributed from a Czech subsidiary in liquidation, unless distributed by such a subsidiary to EU resident parent company. Dividends paid to a non- EU or non-EEA country with whom the Czech republic does not have a tax treaty in place (DTT or TIEA (bilateral or multilateral)) are subject to a withholding tax of 35%.	Hungary does not impose withholding taxes on dividend distributions (even to tax haven countries) if the recipient is a corporate entity. Dividend distributions to individuals are subject to 16% dividend withholding tax, unless limited by e.g. a tax treaty to a lower rate.	Dividends paid by a resident company to: • non-resident “privileged” (e.g. EU, EEA, Swiss) parent company are: - withholding tax exempt provided that certain conditions are met (i.e. at least 10% (for Swiss company - at least 25%) shareholding (as an owner), holding shares for an uninterrupted period of two years – this condition does not have to be met upfront); - taxed according to relevant tax treaty - if these conditions are not met; • non-resident “unprivileged” parent company are taxed according to relevant tax treaty or 19% withholding tax if no tax treaty can be applied. To benefit from the lower withholding rate (or exemption), a certificate of tax residency has to be provided by the company receiving the dividends. Additionally, in order to apply the exemption resulting from EU Parent-Subsidiary regime a written confirmation is required from the company receiving the dividends stating that it fulfills requirements for exemption.	Outbound dividends paid by Romanian companies are subject to withholding of 16% unless the EU Parent-Subsidiary Directive (see below) or a different treaty rate applies. A 50% tax rate applies to dividends paid to a state with which Romania has not concluded a legal instrument under which the exchange of information can be performed, if such transaction qualifies as artificial (i.e. transaction which does not have economic substance and cannot be used within the frame of usual economic activities, performed with the main purpose to avoid taxes or to obtain tax advantages). Dividends distributed to companies resident in EU are exempt of tax providing that at the distribution moment the recipient holds a participation of at least 10% in the share capital of the distributing company for at least 1 continuous year (the EU Parent-Subsidiary Directive). Until the 1-year period is met, dividends are subject to tax (at 16%) which can be further on claimed back from the state.

Bulgaria	Czech Republic	Hungary	Poland	Romania
Income from liquidation quotas obtained by a foreign contractual fund is not subject to withholding taxation. Upon redemption/repurchase of shares, the company shall form a reserve in the amount of the nominal value of all the repurchased shares. This reserve may be distributed among the shareholders only in case of reduction of the capital by the amount of the repurchased shares, or may be used for increase of the capital.	Dividends paid to other non-resident companies are subject to a withholding tax of 15%, which may be reduced by the virtue of tax treaties or Parent-Subsidiary exemptions (under same conditions as mentioned above). The exemptions also does not apply, should either the holding company or the subsidiary (regardless of tax residency) be tax exempt from CIT or similar tax, if they may choose to be tax exempt or similar tax advantage, or if they are subject to CIT at the rate of 0%.Liquidation/Share repurchase Liquidation share proceeds exceeding the paid-in capital (or the acquisition costs of the share) is subject to a withholding tax of 15%. This rate can be reduced by the virtue of most tax treaties. Redemption/repurchase of shares is generally not considered a partial liquidation.		**Liquidation/Share repurchase** Proceeds from the liquidation of a Polish company are considered as dividends, subject to dividend withholding tax (see point above). If repayment of capital results from automatic or compulsory redemption of shares and the amount repaid on a share exceeds its cost of acquisition in Poland such income is subject to tax under the same rules as dividends (see comments above). The income of a Polish tax resident company from disposal of shares for the purpose of redemption (voluntarily redemption) is subject to 19% CIT under general rules and aggregated with other income. Income of a foreign tax resident from disposal of shares in a Polish company for the purpose of redemption of the shares may be exempt from taxation in Poland under a tax treaty.	**Liquidation/Share repurchase** In case the liquidation share of a Romanian company is lower than the paid-in capital, there is no withholding on the paid-out amount. In the opposite case, the amount of the liquidation share exceeding the paid-in capital would be subject to withholding if remitted to non-residents. Redemption of shares is not taxable if the structure of the shareholding after redemption remains the same.

3.2 Withholding tax on interest paid by the holding company

Bulgaria	Czech Republic	Hungary	Poland	Romania
In general, interests paid to non-residents are subject to a final withholding tax at a rate of 10%, unless a lower treaty rate applies. In order to benefit from treaty benefits (i.e. lower withholding tax rates), the recipient of the income must acquire an advance approval (tax clearance) from the Bulgarian revenue authorities. As of 1 January 2010, a foreign resident of an EU- country or a country that is a party to the Agreement for the European Economic Area, that is liable for payment of Bulgarian withholding tax on interest, royalties, capital gains, etc. is entitled to re-calculate the tax due. The tax which would be due after the re-calculation is equal to the tax which a local Bulgarian entity would be liable to pay (i.e. the foreign resident shall be entitled to deduct expenses related to the generated income, etc.) This right is exercised through filing a form annual declaration. The above rule shall not apply to residents of non-EU countries, which are parties to the Agreement for the European Economic Area which have not executed a tax treaty with Bulgaria in effect, or the treaty executed does not contain provisions for exchange of information or cooperation upon collection of taxes.	Interest paid to a resident of a non-EU or non-EEA country with whom the Czech republic does not have a tax treaty in place (DTT or TIEA (bilateral or multilateral)) is subject to a withholding tax of 35%. Withholding tax of 15% applies to interest paid to other foreign lenders. This rate can be reduced by the virtue of most tax treaties. The EU Interest and Royalties Directive is implemented into the Czech law. Effective from 1 May 2004, the interest payments to EU, Swiss, Norwegian or Iceland recipients are exempt from withholding tax if the Interest and Royalties Directive criteria are met. The exemption can be applied provided that the recipient (beneficial owner of interest payment) and the interest payer are directly related (direct shareholding or voting power of at least 25%; if a person meets the criteria in respect to more entities, all these entities are considered directly related) for an uninterrupted period of at least 24 months (can be fulfilled subsequently) and only if the interest payment (income) is not attributable to a Czech or non-EU permanent establishment of the recipient.	In general there is no withholding tax on interest paid to a corporate entity.	There is a 20% withholding tax on interest paid to foreign lenders that may be reduced by virtue of tax treaties. The reduced withholding tax rate is applicable provided that a certificate of tax residency of the foreign beneficial owner is provided. Poland implemented the Interest and Royalties Directive. Therefore, interest payments between parent and subsidiary, subsidiary and parent and between direct sister companies (in all cases a minimum 25 % interest and two year holding period is required) are free from withholding tax. If the interest rate on a loan is not at arm's length, the excess payment may potentially be challenged as not deductible under general rules. However, such payment may not be automatically reclassified as a dividend payment. Under Polish CIT regulations transposing the EU Interest and Royalties Directive regime and under most treaties the interest that is paid to a related party which exceeds the arm's length level may not benefit from the lower withholding tax rates (applicable under the EU Interest and Royalties Directive regime or relevant treaties) for the part exceeding the market level.	In general, interest and royalties paid to non-residents are subject to a final withholding tax of 16%, unless a lower treaty rate applies. A 50% tax rate applies to interest paid to a state with which Romania has not concluded a legal instrument under which the exchange of information can be performed, if such transaction qualifies as artificial. Interest and royalties obtained from Romania by companies resident in EU are exempt from withholding tax provided that the beneficial owner of interest/royalty has held at least 25% in the share capital of the payer for at least 2 continuous years ending as of the date of interest/royalty payment.

Bulgaria	Czech Republic	Hungary	Poland	Romania
Bulgaria has a transitional period with regard to the EU Interest and Royalties Directive up and until 31 December 2014. This period applies with regard to withholding for both interest and royalty payments. Until 31 December 2014 the withholding tax can be no more than 5%. With reference to the implementation of the EU Interest and Royalties Directive, as of the beginning of 2011, the applicable tax rate is 5%, if the respective qualifying requirements have been met. For purposes of application of the reduced rate, the law provides that one entity is considered associated with another entity should one of the following conditions has been fulfilled as of accrual of the income for a preceding **uninterrupted period of at least 2 years**: • Entity (A) holds at least 25% in the capital of entity (B). • Entity (B) holds at least 25% in the capital of entity (A). • A third entity (C), which is either a local company or a company tax resident of another Member State, holds at least 25% in the capital both of entity (A) and entity (B). Effective as of the beginning of 2014, there is an opportunity for application of the reduced 5% rate prior to the expiration of the 2-year term when the holding of the necessary minimum capital is uninterrupted at the time of income accrual.	Prior decision of the tax authorities is necessary to apply the exemption.			

Bulgaria	Czech Republic	Hungary	Poland	Romania
In cases where the possession of the required minimum capital is interrupted prior to the expiration of the minimum 2-year term, the general rate of 10% shall apply to the interest income and royalties initially levied with the 5% reduced rate. The withholding tax due shall be adjusted as if the tax rate was 10%. In relation to the difference between due and paid in withholding tax default interest shall accrue for the period as of the date on which the withholding tax should have been paid and the date of its effective payment. Foreign entities that meet the requirements for application of the reduced 5% rate, but nevertheless have their interest and royalty income levied at 10%, could request and get a refund of overpaid tax not later than 1 year of the request thereof. The relevant companies must have a legal form listed in the EU Interest and Royalties Directive and be subject to a CIT without the option for exemption. Whenever the beneficiary of the income is a permanent establishment of a foreign entity, the reduced rate shall be applied in case • such permanent establishment is established in another EU Member State; and • the local payer of the income is associated with the foreign entity to which permanent establishment the income is paid.				

3.3 Withholding tax on royalties paid by the holding company

Bulgaria	Czech Republic	Hungary	Poland	Romania
Royalties paid to non- residents are subject to a final withholding tax at a rate of 10%, unless a lower treaty rate applies. As of 1 January 2010, a foreign resident of an EU- country or a country that is a party to the Agreement for the European Economic Area, that is liable for payment of Bulgarian withholding tax on interest, royalties, capital gains, etc. is entitled to re-calculate the tax due. The tax which would be due after the re-calculation is equal to the tax which a local Bulgarian entity would be liable to pay (i.e. the foreign resident shall be entitled to deduct expenses related to the generated income, etc.) This right is exercised through filing a form annual declaration. The above rule shall not apply to residents of non-EU-countries that are parties to the Agreement for the European Economic Area which have not executed a tax treaty with Bulgaria in effect, or the treaty executed does not contain provisions for exchange of information or cooperation upon collection of taxes.	Payments for the use or the right to use, of industrial rights, software, know-how and copyrights paid to a resident of a non-EU or non-EEA state with whom the Czech republic does not have a tax treaty in place (DTT or TIEA (bilateral or multilateral)) are subject to a withholding tax of 35%. Withholding tax of 15% applies to the above types of income paid to other non- resident recipients. This tax rate can be reduced by virtue of the relevant tax treaty. The EU Interest and Royalties Directive is implemented into the Czech law: Effective from 1 January 2011, the royalty payments to EU, Swiss, Norwegian or Iceland recipients are exempt from withholding tax if the EU Interest and Royalties Directive criteria are met. The exemption can be applied provided that the recipient (beneficial owner of royalty payment) and the payer are directly related (direct shareholding or voting power of at least 25%; if a person meets the criteria in respect to more entities, all these entities are considered directly related) for an uninterrupted period of at least	In general, no withholding tax applies to royalty payments made to corporate entities.	There is a 20% withholding tax on royalties paid to foreign recipients that may be reduced by virtue of tax treaties. In order to obtain a reduction of the withholding rate, a certificate of tax residence is required. See information Section 3.2. for the transposition of the Interest and Royalties Directive. The rules set out in Section 3.2 apply to the payment of royalties. If the foreign company is not covered by a tax treaty and it provides certain intangible services, e.g. advisory, accounting, legal, marketing, management of data processing, HR (other than qualified as royalties) to a Polish resident company, a 20% domestic withholding tax rate is applicable as well. In the case of treaty protected service providers income from the provision of such services falls under business profits and thus may not be taxed in Poland unless the service provider generates its income through a Polish permanent establishment. Nevertheless, the Polish service recipient should be provided with a tax certificate of the foreign service provider in order not to withhold 20% withholding tax under the tax treaty regime.	Royalties paid to non-resident companies are subject to a 16% final withholding tax, unless a lower treaty rate applies. A 50% tax rate applies to royalties paid to a state with which Romania has not concluded a legal instrument under which the exchange of information can be performed, if such transaction qualifies as artificial. See information in Section 3.2 for the implementation of the EU Interest and Royalties Directive. The same conditions apply.

Bulgaria	Czech Republic	Hungary	Poland	Romania
With reference to the implementation of the EU Interest and Royalties Directive, as of 1 January 2011 the withholding tax on royalties is reduced to 5%, if the respective qualifying requirements have been met. The qualifying requirements provided for in the Bulgarian Law on Corporate Taxation, reiterate those provided for in the Directive. In brief, the main local requirements are: • The beneficial owner of the income should be a tax resident of another EU Member State. • The local legal entity - payer of the income should be an associated company to the beneficiary of the income. Whenever the beneficiary of the income is a permanent establishment of a foreign entity, the reduced rate shall be applied in case • such permanent establishment is established in another EU Member State; and • the local payer of the income is associated with the foreign entity to which permanent establishment the income is paid. Further, an entity is considered associated to another entity should one of the following conditions has been fulfilled as of accrual of the income for a preceding uninterrupted period of at least 2 years:	24 months (can be fulfilled subsequently) and only if the royalty payment (income) is not attributable to a Czech or non-EU permanent establishment of the recipient. Prior decision of the tax authorities is necessary to apply the exemption.			

Bulgaria	Czech Republic	Hungary	Poland	Romania
• Entity (A) holds at least 25% in the capital of entity (B). • Entity (B) holds at least 25% in the capital of entity (A). • A third entity (C), which is either a local company or a company tax resident of another Member State, holds at least 25% in the capital both of entity (A) and entity (B). The exceptions, regarding the uninterrupted 2-year period of shareholding, are the same as outlined for interest payments under item 3.2. above. In addition to the exceptions provided for in Article 4 of the Directive, Bulgarian law sets forth 3 additional exceptions to the application of the reduced 5% rate on interest and royalties and the entitlement to tax refund, namely when the income: • represents expenses of a permanent establishment in Bulgaria not recognized for tax purposes, save for expenses for interests which are regulated by the thin cap rule; • is accrued by a foreign entity from a country which is not a Member State, through a Bulgarian permanent establishment of such foreign entity; • is from transactions where the main motive or one of the main motives for execution of the transaction is deviation or evasion from taxation.				

4. Non-resident capital gains taxation - domestic legislation and tax treaties

Bulgaria	Czech Republic	Hungary	Poland	Romania
Capital gains from any transaction on shares and other securities issued by Bulgarian companies are included in the company's ordinary tax base (except for gains from sales of financial instruments which are exempt). Most tax treaties to which Bulgaria is a party give the right to charge gains from the sale of a shareholding interest to the state of residency of the receiver of this income. Foreign beneficiaries are subject to a 10% withholding tax rate, unless a treaty relief applies.	Capital gains arising from the sale of a shareholding interest in a Czech company by a Czech non-resident company are treated as Czech-source income and subject to the ordinary CIT rate in the Czech Republic, unless a tax treaty provides otherwise, which is, however, mostly the case. Gains on the sale of shares in a non-Czech company realized by a Czech non- resident would be regarded as Czech source income provided that the buyer of the shares is a Czech resident or a Czech permanent establishment of a Czech non-resident and the shares are considered as tradable securities according to Czech tax law. In such case the capital gain would be subject to the ordinary CIT rate in the Czech Republic, unless a tax treaty provides otherwise, which is, however, mostly the case.	Capital gains realized by non-residents on the transfer of shares in a Hungarian resident company are, in principle, not taxable in Hungary. However, if non-residents have a shareholding in 'real estate companies', they qualify as Hungarian taxpayers and are generally subject to CIT (10%/19%) in Hungary on the capital gain realized upon the alienation of the participation (i.e. sale, in-kind contribution, transfer without consideration and withdrawal of share through a capital decrease). A taxpayer qualifies as a 'real estate company' if: • the value of Hungarian real estate exceeds 75% of the aggregate book value of the total assets shown in its financial statement on a group level (including the taxpayer, its Hungarian tax resident related companies and the foreign related companies having a Hungarian permanent establishment either with or without Hungarian real estate); and	Capital gains from the alienation of shares in resident company held by non-residents are taxed in accordance with respective provisions of the tax treaty, i.e. either: • CIT exempt in Poland and taxed in the country of non-resident; or • subject to 19% CIT in Poland if the assets of resident company consist wholly or principally of immovable property situated in Poland. In general where a tax treaty is applicable, taxation will in principle be attributed to the country where the non-resident shareholder is resident by virtue of the applicable tax treaty.	Capital gains derived by a non-resident company without a Romanian permanent establishment from the sale of immovable property located in Romania, or of shares in Romanian companies, are taxable at the general CIT rate. Tax compliance obligations would arise for the seller if the purchaser is not a Romanian legal entity or a Romanian permanent establishment. Starting 2009, the following types of income are not subject to Romanian withholding tax: • income derived by non-resident collective placement bodies without legal personality from the transfer of securities or shares held directly or indirectly in a Romanian legal entity; • income derived by non-residents on foreign capital markets from the transfer of shares held in Romanian companies or securities issued by Romanian residents. Most tax treaties of Romania allocate the right to tax gains from the sale of a shareholding interest to the state of residency of the receiver of this income. Nevertheless, several tax treaties allocate the right to tax gains from the sale of a shareholding interest in a real estate company to the state where the said real estate is located (i.e. Romania).

Bulgaria	Czech Republic	Hungary	Poland	Romania
		• any of the shareholders of the taxpayer or of a group member is resident on at least one day of the tax year in a non-treaty foreign country or in a treaty country where the tax treaty allows Hungarian taxation on such capital gains. These rules do not apply if the real estate company is listed on a recognized stock exchange. The Hungarian domestic rules could be overruled by an applicable tax treaty, if taxation is attributed to the country where the non-resident shareholder is resident by virtue of the applicable tax treaty.		

5. Anti-abuse provisions / CFC rules

Bulgaria

CFC rules
There is no CFC legislation.

Thin capitalization rules
The deduction of interest paid on loans taken from shareholders or third parties (minus the total amount of interest income received) is limited to 75% of the positive financial result (without taking into account interest income and expenses) of the tax obligor. However, the rules only apply if the borrowed capital of the company exceeds a 3 to 1 debt-to-equity ratio. Interest on bank loans and interest paid under financial lease agreements is only subject to thin capitalization rules where the arrangement is between related parties. The thin cap rules do not apply to credit institutions.

Transfer pricing rules
The revenue authorities may make an adjustment to the profit arising from a transaction between related or between unrelated persons if such persons have concluded the transaction under conditions that are not at arm's length.

Czech Republic

CFC rules
There is no CFC legislation.

Thin capitalization rules
Under the Czech Income Taxes Act, financial expenses (interest on loans and other related financial expenses (bank fees etc.)) are not deductible, if they (i) relate to profit sharing loans or (ii) exceed the 4:1 debt to equity ratio (6:1 ratio for banks and insurance companies) in respect of related party loans. Profit sharing loans provided by related parties are included in calculation of debt to equity ratio, however, the ratio is not applied to financial expenses from these profit sharing loans as they are already fully non-deductible. Back-to-back loans (i.e. loans provided by an unrelated party A to an unrelated party B that are provided under the condition that a directly corresponding loan or deposit is provided to party A by party C while party C and party B are related for Czech tax purposes) are subject to thin capitalization rules as related party loans subject to a 4:1 or 6:1 debt to equity ratio.

Hungary

CFC rules
A foreign company will constitute a CFC if:

- either (a) it has a shareholder who is a Hungarian tax resident private individual holding an interest (voting rights) of at least 10% or a 'dominant' quota during the majority of the days of the tax year, or (b) the majority of its revenues during the tax year are derived from Hungarian sources; and
- either (a) the ratio of the CIT paid (payable) by the foreign company (decreased by any tax refunded) and the tax base is less than 10%, or (b) no CIT is due as the foreign company's tax base is zero or negative despite its positive profits.

As an exception, a foreign company meeting the above conditions will not constitute a CFC if:

- it is seated or resident in an EU member state, an OECD member state or a treaty country, and has a 'real economic presence' there (meaning that at least 50% of the company's group- level revenues derives from manufacturing, processing or e.g. commercial services performed by using its own assets and employees); or

Poland

CFC rules
There are no special provisions in Polish law regarding CFC's. However, there are plans to introduce CFC rules in Poland in 2014.

Thin capitalization rules Interest paid is not deductible to the extent a 3:1 debt to equity ratio is exceeded and the loan is granted:

- by a shareholder owning a minimum of 25% of the share capital or by a group of shareholders owning in aggregate a minimum of 25% of the share capital; or
- between companies in which another company owns a minimum of 25% of the share capital.

Transfer pricing rules
The Polish CIT Law contains transfer pricing regulations. Such regulations authorize the tax authorities to assess the income on the transaction between related parties if the authorities consider it as being not on an at arm's length basis. In addition, Polish taxpayers must prepare transfer pricing documentation regarding transactions with related parties as well as with entities from low-tax jurisdictions listed in the Regulations of the Minister of Finance.

Romania

CFC rules
There is no CFC legislation.

Thin capitalization rules
Interest expenses related to loans from entities other than authorized credit institutions are primarily limited to:

- the central bank reference interest rate for loans denominated in Romanian lei; and
- the announced annual interest rate for loans denominated in a foreign currency (currently 6%).

In addition, interest and net foreign exchange losses related to long-term loans from entities other than authorized credit institutions are deductible to the extent the debt to equity ratio does not exceed 3:1. Interest may be carried forward until full deductibility is realized.

Transfer pricing rules
Related persons for transfer pricing rules are:

- parties who have a direct or indirect (including the participation of an associated person) share of at least 25% of the value/number of shares or voting rights in the other party or controls it; or

Bulgaria	Czech Republic	Hungary	Poland	Romania
Related companies are defined as follows: • the entities, one of which participates in the management of the other or of its subsidiary, as well as the entities, in the management or controlling body of which participates the same person; • a company or person holding more than 5% of the voting shares in a company; • a person exercising control over the other; • persons directly or indirectly controlled by a third party or its subsidiary; • the persons exercising common control over a third party or its subsidiary; • persons, one of whom is a trade representative of the other; • persons, one of whom has made a donation to the other; • persons, participating directly or indirectly in the management, control or capital of a third party or parties, and therefore they could agree on terms differing from the usual; and • local and foreign person (as well as the shareholders therein), with which the local person has executed a deal, when: (a) the foreign person is registered in a non EU member state in which the corporate (or similar) tax on the income already realized or to be realized by the foreign person as a result of the deal is more than 60% lower than the CIT in Bulgaria (unless the local person	The non-deductible interest under thin capitalization rules received by a Czech tax non-resident may be reclassified and treated as a dividend for withholding tax purposes (the reclassification must be also allowed by the respective tax treaty). Consequently, the non-deductible interest for the Czech borrowing company may then be subject to dividend withholding tax. This does not apply to interest received by EU, Swiss, Norway or Iceland tax residents. **Transfer pricing rules** Related parties for the purposes of the transfer pricing rules are broadly defined in relation to 25% share in the capital or voting rights of the other party. Generally, all related party transactions should be carried on at arm's length prices. Otherwise, the tax authorities could adjust the tax base of a company by an ascertained difference between actual and arm's length price. OECD and EU transfer pricing rules were translated and published officially by the Ministry of Finance but they are not incorporated in law and, therefore, they are not legally binding. As a result, there are no contemporary documentation requirements. Please see Section 2.7 for tax ruling policy on transfer pricing issues.	• at least 25% of the foreign company's shares are held on each day of the tax year by a company or its affiliate that has been listed on a recognized stock exchange for at least five years on the first day of the tax year. The taxpayer would be liable to prove appropriately that it does not qualify as a CFC, except from the beneficiary ownership status due to an indirect holding. Also, the taxpayer would be liable to keep an appropriate register on all transactions falling within the scope of the CFC rules. The register should include, among others, the main elements of the transaction, the contracting parties involved (name, trade registry number, tax ID, etc.) the terms and conditions of the agreement (scope, starting date, etc.) The lack of the documentation would incur penalty payment obligations. **Thin capitalization rules** Thin capitalization rules apply to both related and third party debts. Interest paid on debts is non-deductible to the extent that a debt-to-equity ratio of 3:1 is exceeded. Debt to financial institutions is excluded for the purpose of this calculation.	If a taxpayer fails to submit the statutory transfer pricing documentation within 7 days from the tax authorities' request and the tax authorities assess additional taxable income resulting from a transaction, the difference between the income declared by the taxpayer and the income assessed by the tax authorities is subject to a 50% penalty tax rate.	• parties in which a third party holds directly or indirectly (including the participation of associated persons) at least 25% of the value / number of shares or voting rights. Related parties transactions should be performed at arm's length. During a fiscal audit, Romanian taxpayers may be required to provide the tax authorities with a transfer pricing documentation file. Failure to do so within the established deadline is subject to a fine of maximum RON 14,000, the tax authorities being also entitled to estimate the applied transfer prices and to assess the additional tax liabilities accordingly, if any. **Substance over form** In determining the amount of any tax or fee, the tax authorities may disregard a transaction that does not have an economic purpose or may reclassify the form of a transaction to reflect its proper economic substance. Also, in case of transactions qualified as artificial (i.e. transactions which do not have economic substance and cannot be used within the frame of usual economic activities, performed with the main purpose to avoid taxes or to obtain tax advantages) the provisions of the relevant DTT's are not applicable.

Bulgaria	Czech Republic	Hungary	Poland	Romania
proves that the foreign person is not subject to preferential tax treatment or that the foreign person has realized the goods/services on the Bulgarian market); and (b) in case of effectuated DTT, the country in which the foreign person is registered refuses to or cannot exchange information regarding the relationship or the deals between the local and the foreign persons; (c) for the purposes of application of this hypothesis of relatedness, each person, regardless local or not, which is controlled by a person covered by the conditions under (a) and (b), is considered *foreign person*; Accordingly, for the purposes of application of this hypothesis of relatedness foreign entities operating in Bulgaria through a PE/fixed base, or foreign individuals realizing income from Bulgarian source through a fixed base are considered local persons for the transactions carried through the PE/fixed base. Transfer pricing rules also apply to branches or permanent establishments of non-resident companies in Bulgaria.		*General anti-abuse* There is a general anti- avoidance rule which allows the tax authorities to ignore the legal form of an arrangement between entities and to look at the actual substance or genuine purpose of a contract or transaction ("substance over form principle"). Under an additional general anti-avoidance provision, costs, expenditures and losses related to a contract or a transaction are not deductible for CIT purposes if the purpose of the contract or transaction is merely to achieve tax advantages. An "abuse of law" doctrine applies in Hungary to contracts and transactions entered into or performed. This means that rights and transactions must be exercised and carried out properly and lawfully, in line with their specific purpose. The doctrine allows the tax authorities to assess, on the basis of all relevant facts and circumstances, tax liabilities stemming from contracts, transactions or other arrangements which are considered to have the sole purpose of circumventing tax provisions and avoiding taxes. **Transfer pricing rules** The transfer pricing rules are generally based on the OECD guidelines and state that transactions between related parties must be at arm's length for taxation purposes. Transfer prices must be documented.		

6. Tax and investment incentives

Bulgaria	Czech Republic	Hungary	Poland	Romania
Bulgaria has tax and investment incentives for both resident and non- resident investors for investments in municipalities with unemployment, which is higher than the average, as qualified by the Minister of Finance. A generally available incentive not restricted by the type of the investment activity performed is related to hiring of unemployed individuals. A legal entity is entitled to decrease its financial result with certain amounts provided it has hired a person under an employment relationship for not less than twelve successive months who, at the time of hiring, was: • registered as unemployed for more than one year; or • a registered unemployed person over the age of 50 years; or • an unemployed person with reduced working capacity. The authorized by law one-time deduction from the financial result of the company refers to the amounts paid for labor remuneration and the contributions remitted on the account of the employer to the public social security funds and the National Health Insurance Fund during the first twelve months after the employment of specified employees.	Certain limited costs for research and development and for vocational education, which have already been included in the accounting profit and considered tax deductible, may be deducted from the tax base for the second time as a special tax allowance. Other tax incentives are provided in a form of up to 10 year tax holiday (tax relief) based on the approved investment project in manufacturing industry, building of technological centers and strategic services.	Large number of incentives are available e.g. relating to material investments, investments in intangible assets (e.g. IP rights), investment in certain underdeveloped regions, environmental investments, employment enhancing investments, etc. Similarly to capital gains from the alienation of shares, (hidden) capital gains derived by a Hungarian company on the disposal of certain qualifying valuable rights (e.g. IP rights) could be exempt from CIT, if the following conditions fulfill: • the rights are held for at least one year; and • the acquisition of the rights is duly reported to the Hungarian Tax Authority within 60 days from the acquisition / transfer of the place of effective management to Hungary.	There are very attractive CIT incentives for investors in special economic zones (SEZ) in Poland. A SEZ is a demarcated, greenfield area where business activities may be conducted under special conditions. Currently, there are 14 SEZs in Poland. The main benefit of operating in a SEZ is the possibility of obtaining an exemption from the 19% Polish CIT Depending on the given SEZ location, the CIT exemption cannot exceed the maximum intensity of public aid, i.e. up to 50% of the higher amount of: • the eligible investment cost; or • the two-year labor costs of new staff employed for the purposes of the investment. The value calculated as mentioned above indicates the amount of CIT that may not be paid by an investor. The amount of CIT exemption may be used until the end of SEZs, i.e. currently the end of 2026. An investor may benefit from the CIT exemption by obtaining a permit for business activities within a SEZ. Consequently, the above tax benefits are limited to several locations in Poland. Several types of activity do not qualify for a permit, e.g. manufacturing explosives, tobacco products, alcoholic products, etc.	No significant tax incentives are currently provided under Romanian law. The Romanian legislation contains a general framework for stimulating investments in certain fields of activity and provides for certain regional state aid schemes. The Romanian legislation provides for the following main incentives: • A supplementary deduction may be claimed, for profits tax purposes, amounting to 50% of research and development expenses. • The accelerated depreciation method may also be applied for machinery and equipment used for research and development activities. • Reinvested dividends are exempt from dividend tax, under certain conditions. • The local tax applicable on buildings and related land, located at the Black Sea, held by legal entities and used for providing tourism services during a minimum period of 6 months per calendar year is reduced by 50%. • Taxpayers have the possibility to reschedule the payment of tax liabilities for a maximum period of 7 years, under certain conditions.

Bulgaria	Czech Republic	Hungary	Poland	Romania
Investors may enjoy a tax preference of 100% deferral of the CIT due for the manufacturing activity upon meeting a number of criteria provided for by the law. Briefly, said requirements are: • the investor should perform manufacturing activity only in municipalities having a 25% or higher unemployment rate; and • certain requirements for granting of a tax incentive representing de minimis aid or the requirements for granting of a tax incentive representing state aid for regional development are fulfilled. Incentives regarding donations and provision of scholarship are also available upon fulfillment of the eligibility requirements therefor.			There are certain conditions for eligibility for the CIT exemption: As a rule, the SEZ permit is granted for business activities to be performed on a plot of land already located within the SEZ. Alternatively, the territory of a SEZ may be extended. The SEZ tax exemption is treated as allowable state aid for investments under EU rules. The total amount of public aid for investments from various sources, including SEZs and grants, cannot exceed the above limits of the maximum intensity of public aid. **Research and development incentive** A significant benefit has been provided for entrepreneurs who are granted research and development centre (R&D) status in Poland. The most important benefit is the possibility to accelerate the tax deductibility of costs through innovation fund write-offs. The innovation fund is a special fund created by the R&D aimed at financing R&D work (therefore, there is a condition of reinvesting funds from the innovation fund). The amount of write-offs allocated to the innovation fund cannot exceed 20% of revenues raised by the R&D in a given year.	

Bulgaria	Czech Republic	Hungary	Poland	Romania
			Costs of abandoned investments are recognized as tax-deductible costs. Those costs are deductible on the date of sale of abandoned investments or their liquidation.	

Holding Regimes New EU Countries

Part II

Slovakia, Cyprus, Estonia, Latvia

1. Capital tax / stamp duty / real estate transfer tax / real estate tax

Slovakia	Cyprus	Estonia	Latvia
Capital tax There is no capital contribution tax in Slovakia. **Stamp duty** The incorporation of a new company is subject to a registration fee depending on the form of the company (€ 829.50 for a joint stock company and € 331.50 for any other form) and a duty payable upon the registration of the change in the registered capital of a company (€ 66). Non-monetary contribution to the registered capital of a company has to be evaluated by the expert opinion or by audited financial statements. **Real estate transfer tax** Real estate transfer tax has been abolished as per 1 January 2005. **Real estate tax** Real estate located on the territory of the Slovak Republic is subject to real estate tax, which is levied on buildings, land and apartments. In general, the owner of a real property is obliged to submit a tax return for the calendar year in which the real estate was purchased. The tax is payable on the basis of the tax assessment issued and distributed by the tax authorities.	**Capital tax** Registration of a limited company is subject to a registration fee of EUR 102 plus capital duty of 0.6% of the authorized capital. Capital duty is payable at 0.6% on any subsequent increases in authorized capital. **Exemptions** All contributions with regard to a merger or reorganization are exempt. This also applies where non-EU member states are involved. Dormant companies and certain others are exempt from the company maintenance fee. **Stamp duty** Stamp duty is payable on contracts relating to property or business in Cyprus. The rates of stamp duty are as follows: • For transactions with a consideration up to € 5,000 no stamp duty is payable; • For transactions with a consideration in excess of € 5,000 but not exceeding € 170,000, stamp duty of € 1.50 for every € 1,000 or part thereof is payable;	**Capital tax** There is no capital contribution tax in Estonia. **Stamp duty** The registration of the company or changes in the share capital are subject to a stamp duty. Stamp duty for registration is € 140.60 (or € 185.34 for a speed-up procedure). Changes to share capital etc. are subject to stamp duty of € 17.89. **Real estate transfer tax** No special real estate transfer taxes are levied. However, a notary fee and a state fee are due upon the transfer of real estate. The rate depends on the value of the transaction and could be up to 0.5% of the transaction value. **Real estate tax** There is no real estate tax but there is a land tax which varies from 0.1% to 2.5% of the cadastral value of land excluding buildings. Rate is set by municipalities by 31st January each year. On 1 January 2011, the euro became legal tender in Estonia. The irrevocably fixed exchange rate is € 1 = EEK 15.6466.	**Capital tax** There is no capital contribution tax in Latvia. **Stamp duty** Stamp duty for registration of a company or changes in the share capital is up to approx. EUR 460 and 140 respectively. 2% - 6% stamp duty applies upon registration of the ownership of real estate with the Land book. Stamp duty is normally levied based on the transaction’s price. 1% duty applies on contribution of property into share capital. Minor notary fees apply. **Real estate tax** Real estate tax is currently applied at a rate of 1.5% and is levied on an annual basis. Unused agricultural land is subject to a 3% rate. Real estate tax is calculated based on cadastral value of the real estate. Real estate tax is also applied to residential buildings and apartments with the following progressive rates: • 0.2% – for cadastral value not exceeding EUR 56,915; • 0.4% – for cadastral value from EUR 56,915 to EUR 106,715; • 0.6% – for cadastral value exceeding EUR 106,715. A 7 EUR minimum is payable.

Slovakia	Cyprus	Estonia	Latvia
The real estate tax base is calculated according to the area in square meters on buildings and apartments or the value of land. The basic tax rates for buildings, land, and apartments are stipulated in the Act on Municipal Taxes (0.25% of the total value of the land or up to € 0,33 for each square meter of building and/or apartment). However, the rates can be changed by the respective municipality.	• For transactions with a consideration in excess of €170,000 stamp duty of € 2.00 for every € 1,000 or part thereof is payable. • The maximum stamp duty payable on a contract is capped at € 20,000. • Where no amount of consideration is specified in the contract the stamp duty is € 35. For a transaction which is evidenced by several documents stamp duty is payable on the main contract and ancillary documents are charged at a flat rate of € 2. A number of categories of documents are exempt from stamp duty, including documents relating to corporate reorganizations (which are exempt from all forms of taxation) and ship mortgage deeds or other security documents. **Real estate transfer tax** Transfers of real estate are subject to real estate transfer tax (transfer fees) according to the purchase price or the current market value of the property as calculated by the Land Registry department ("the consideration") as follows: For the part of the consideration up to € 85,000 the transfer fees are 3% of the consideration. • For the part of the consideration between € 85,000 and € 170,000 the transfer fees are 5% of the consideration. • For the part of the consideration exceeding € 170,000 the transfer fees are 8% of the consideration.		Municipalities are entitled to impose a different real estate tax rate ranging from 0.2 to 3.0 per cent in accordance with regulations that must be issued by the municipality no later than on 1 November of the pre-taxation year. Otherwise the mentioned default rates of real estate tax apply.

Slovakia	Cyprus	Estonia	Latvia
	Real estate tax Immovable property tax is payable on 30 September each year by all owners of immovable property in Cyprus. The tax is assessed on the taxpayer's total holding of immovable property on the preceding 1 January. For 2013 and earlier years the tax was based on 1980 values. The government has announced that it intends to re-base the tax for 2014 onto current values, and a comprehensive revaluation is in progress, but the new rates and valuations are not yet available. For reference the 2013 rates applied to each successive tranche of the 1980 value were as follows: • First €40,000 0.6% • Next €80,000 0.8% • Next €50,000 0.9% • Next €130,000 1.1% • Next €200,000 1.3% • Next €300,000 1.5% • Next €2,200,000 1.7% • Above €3,000,000 1.9%		

2. CIT

2.1 CIT and wealth taxes

Slovakia	Cyprus	Estonia	Latvia
The general CIT rate is 22% with effect from 1 January 2014. Legal entities seated in Slovakia are taxed on their worldwide income. **Wealth taxes** There is no wealth tax in Slovakia.	The general CIT rate is 12.5%. Interest received in, or closely related to, the ordinary course of business is subject to CIT at 12.5% on the amount received, less any costs (including interest paid) incurred in earning the interest. Tax paid or withheld on foreign income can be credited against Cyprus tax. However, if income received is exempt in Cyprus (e.g. dividends) foreign tax paid cannot be credited. **Special Defense Contribution Tax (“SDC tax”)** Interest received other than in, or closely related to, the ordinary course of business is subject to a 30% special defense contribution tax (‘SDC Tax’) on the amount received, without any deduction for costs of earning the interest. The deduction is made at source if received from Cyprus, otherwise by assessment on the basis of returns. Interest received in, or closely related to, the ordinary course of business is not subject to SDC Tax, but is subject to CIT as described above. **Wealth taxes** There are no wealth taxes in Cyprus.	Estonia provides a unique CIT system as resident companies (and permanent establishments of non- resident companies) do not pay income tax for retained or reinvested earnings. The CIT obligation is deferred to the moment of distributing the profits. Therefore, as far as profits are not distributed, there is no CIT obligation for resident companies. The CIT is levied on the profit distributions (dividends and gifts, fringe benefits, other non-business expenditures and excessive capital reductions) made by companies at the gross rate of 21%. Rate will decrease to 20% by 2015. Thanks to Estonian unique CIT system there is no need for depreciation / amortization rules. However, the outcome is the same as there was unlimited depreciation for tax purposes. For the same reason there are no limits on carry forward of losses. The taxable period is the calendar month. **Wealth taxes** There are no wealth taxes in Estonia.	The standard flat CIT rate is 15%. The standard taxation period is a calendar year. Resident companies are taxed on their worldwide income, according to the CIT law provisions. Reduced rate of 9% from turnover applies to registered micro-enterprises (with turnover below EUR 100,000, maximum 5 employees and shareholders being only individuals). **Wealth taxes** There are no wealth taxes in Latvia.

2.2 Dividend regime (participation exemption)

Slovakia	Cyprus	Estonia	Latvia
National and international Although there is no full participation exemption in Slovakia, certain types of income are exempt from CIT, i.e. dividends paid out of profits derived by the distributing company on or after 1 January 2004. Dividends from profits generated before 1 January 2004 and distributed according to a resolution of general meeting of a company (cooperative) adopted after 31 December 2012 are subject to 15% tax rate. No tax would however apply on abovementioned dividends distributed by an entity with a seat in an EU Member State to a Slovak resident, who has a direct shareholding of at least 10% of the registered capital of this entity.	In principle all dividends derived from a foreign participation are fully exempt from tax, with no minimum holding period requirement, unless the “passive dividend” provisions are triggered, namely if more than 50% of the paying company’s activities result directly or indirectly in investment income and the foreign tax is significantly lower than the tax rate payable in Cyprus. Both these conditions must be met for the provisions to be triggered, in which case the dividend will be subject to 17% SDC tax; otherwise the exemption is available. **EU Subsidiaries** Dividends derived from an EU passive investment subsidiary may be caught within the ambit of the passive dividend provisions. However, a tax credit is available in Cyprus for the underlying CIT suffered by an indirect subsidiary operation at a tier lower than the direct EU subsidiary of a Cyprus parent company. Finance subsidiaries Financing activities fulfilling the conditions set out in Section 2.1, i.e. interest received in, or closely related to, the ordinary course of business, are treated as trading activities. Consequently, dividends derived from a group financing company which fulfills the conditions set out above are exempt from SDC tax.	An Estonian company is exempt from Estonian CIT on a distribution of dividends that are received from a qualifying legal person and: • the payer is a resident of EU or Switzerland and subject to CIT; or • the dividend received was taxed or subject to withholding. A qualifying legal person is a resident or non-resident, in which the Estonian company holds at least 10% of the shares or votes.	Dividends received by a resident company from any non-resident company are exempt from CIT. The exemption, however, is not applicable to dividends received from black-listed offshore jurisdictions (e.g. Curacao or Liechtenstein).

2.3 Gains on shares (participation exemption)

Slovakia	Cyprus	Estonia	Latvia
Capital gains from the disposal of shares are subject to CIT at the ordinary rate (22%).	In principle any profits from the disposal of securities are exempt from taxation. "Securities" are very widely defined and include shares, bonds, debentures, founder's shares and other company securities or instruments such as preference shares, options on titles, short positions on titles, futures / forwards on titles, swaps on titles, depositary receipts on titles such as ADR / GDR, index participations where these result in titles, repurchase agreements or repos on titles, participations in companies and units in collective investment schemes of all types. Gains from the sale of shares of unlisted companies owning immovable property in Cyprus are subject to capital gains tax at 20% to the extent that the gains are derived from such property.	Gains on shares are not subject to Estonian CIT unless profit is distributed (see above Section 2.1).	Capital gains from the alienation of shares are tax exempt, except if they are derived from shares in a company registered in black-listed offshore jurisdictions.

2.4 Losses on shares

Slovakia	Cyprus	Estonia	Latvia
A capital loss incurred from the sale of shares is generally tax non-deductible. However, this would not apply, if the shares are traded on the listed securities market and their purchase price is not higher and certain specific requirements are met. For registered security dealers a capital loss incurred from the sale of shares is always deductible.	Capital losses on disposal of shares are not tax deductible unless the shares are in an unlisted company holding real estate in Cyprus. A capital loss on the shares of such a company is deductible from current year capital gains deriving from the disposal of: • Cyprus real estate; or • shares of an unlisted company which holds Cyprus real estate. For special provisions with regard to capital losses, see Section 2.8.	Capital losses from the sale of shares do not attract Estonian CIT. The overall outcome is the same as in a conventional tax system where the losses are deductible for an unlimited period of time.	Losses incurred from alienation of shares are non-deductible for CIT purposes.

2.5 Costs relating to the participation

Slovakia	Cyprus	Estonia	Latvia
The precondition for treating costs as tax deductible is that these were duly accounted for in the P/L account and were incurred to generate, maintain, and ensure a taxable income. The Slovak Income Tax Act treats those expenses incurred to generate income which are not included in the tax base (e.g., dividends) as non-deductible. Therefore, as the holding of shares in a company generates primarily dividend income that is not included in the tax base, it may lead to a conclusion that the interest on loans used by the parent company for the acquisition of a subsidiary may be considered non-deductible. On the other hand, it may be argued that the entity may potentially realize a taxable capital gain on the sale of the shares. Thus, the tax deductibility must be considered on the individual basis.	The general position is that all outgoings and expenses wholly and exclusively incurred by a company in the production of its taxable income and evidenced by adequate supporting documentation will be allowed as deductible, and there are no specific limitations for the deduction of expenses related to the acquisition of a participation. The tax authorities normally argue that, since the holding of shares by a holding company produces no taxable income, since dividends are exempt from tax, the expenses relating to the acquisition and holding of the shares are not tax- deductible. However, interest incurred in acquiring a 100% subsidiary is tax-deductible provided that the assets of the subsidiary do not include assets not used in the business. Please see Section 5 with respect to the thin capitalization rules.	Costs related to acquisition of a participation are taxed with Estonian CIT only if: • such acquisition does not relate to a business; or • relates to the acquisition of securities issued by a low-tax territory company. The outcome in these situations is the same as in a conventional tax system where those costs would not be tax deductible.	Latvian legislation does not provide for any specific regulation. Please see Section 5 with respect to thin capitalization rules.

2.6 Currency exchange results

Slovakia	Cyprus	Estonia	Latvia
The taxpayers may decide that "unrealized" currency exchange differences will be included in the tax base in the tax period in which the receivable is collected or the payment is performed. From 1 January 2014 no prior announcement to the relevant tax authorities is required; the taxpayer will only be required to declare it in the income tax return. The taxation of "realized" currency exchange losses/ gains are driven by accounting.	The general principle is that currency exchange gains are taxable, and currency exchange losses wholly and exclusively incurred by a company in the production of its taxable income will be allowed as deductible. Taxpayers are required to opt for one of two methods of taxation of currency exchange gains and losses of a revenue nature. The method chosen must then be followed consistently for all future transactions and accounting periods. • Currency exchange results, whether realized or unrealized, are chargeable to tax in case of a profit or deductible in case of a loss; or • Only realized currency exchange results, whether profit or loss, are taken into account in computing taxable income.	Gains and losses realized from currency exchange are not subject to Estonian CIT unless profit is distributed (see above Section 2.1).	Currency exchange differences (both realized and unrealized) usually have taxable or respectively tax deductible consequences.

2.7 Tax rulings

Slovakia	Cyprus	Estonia	Latvia
The Slovak tax authorities will issue a binding advance ruling on transfer pricing method if requested by a taxpayer. The ruling could be issued for at most five tax periods; however, if requested, eventually could be extended by five more tax periods. The taxpayer may also ask for advance ruling on permanent establishment tax base determination method. Such ruling should be effective at least 1 year and cannot be changed during the respective tax period. From 1 September 2014 the taxpayer may ask for tax ruling on the application of Slovak tax legislation. The tax ruling would be effective for one or several particular transaction(s). Such tax rulings (with the exemption of tax ruling regarding the permanent establishment tax base determination method) will be subject to a fee calculated from the value of contemplated transaction and ranging from EUR 4,000 to EUR 30,000.	Although there is no general advance tax ruling system, the tax authorities may issue binding advance clearance at the taxpayer's request.	Estonian Tax and Customs Board must issue a binding preliminary ruling within 60 days (can be extended by 30 days in more complex cases) from a qualifying request. Applicants must pay a state fee of EUR 766.93. The preliminary ruling cannot be appealed.	It is possible to request an advance binding ruling from tax authorities. However, such a request should be based on specific facts and relate to specific transaction. The ruling must be provided free of charge within 30 days, but the deadline can be extended in more complex cases. Taxpayers may apply for an advance pricing agreement (APA) with tax authorities if the amount of the respective related-party transaction or certain type of transactions exceeds EUR 1.43 m per year. The fee for an APA is EUR 7,114.

2.8 Loss carry over rules

Slovakia	Cyprus	Estonia	Latvia
Carry back Loss carry back is not permitted in Slovakia. **Carry forward** From 1 January 2014 the tax loss can be carried forward proportionally within four consecutive taxation periods. New rules on tax loss carry forward will apply also to tax losses suffered in tax periods from 2010 through 2013 and not fully claimed yet. If the company started to deduct the tax losses and is dissolved without being liquidated, its tax losses can be deducted by its legal successor, unless the sole purpose of such dissolution is avoiding taxation.	**Carry back and carry forward** Losses may be transferred between companies under group relief provisions (see below) or carried forward for relief against future profits. The carry-forward period for losses of a revenue nature is limited to five years. Losses cannot be carried forward if there is a change in ownership in the company or a substantial change in the company's activities within three years from the year during which the losses were generated. Unused capital losses may be carried forward to subsequent years for offset against future taxable capital gains.	**Carry back and carry forward** Thanks to the unique Estonian CIT system there is no need for special loss carry forwards for tax purposes. However, the outcome is the same as if losses could be carried forward for an unlimited period of time in a conventional CIT system.	**Carry back** There is no carry back possibility in Latvia. **Carry forward** Taxation losses which arose prior to and including the 2007 tax year can be used for the next consecutive eight years. Tax losses arising in 2008 and later taxation years may be carried forward indefinitely. In case of changes in the control of company, the loss carry forward is non-deductible, unless the company carries on the same type of business as during the last two years prior the changes in control for the next five years.

2.9 Group taxation for CIT purposes

Slovakia	Cyprus	Estonia	Latvia
There is no group taxation regime for CIT purposes.	The current year loss of one company can be set off against profit of another, provided the companies are Cyprus resident companies of a group. For the purpose of group relief two companies are considered to be members of a group if for the whole of the tax year one company is a 75% subsidiary of the other or a third holding company has a 75% holding in each of the two companies. A subsidiary incorporated during a tax year (but not one acquired) and held at the year end is treated as being a member of the group for the whole year. A company is a 75% subsidiary of another if and so long as the holding company holds directly or indirectly at least 75% of the ordinary shares with voting rights and has a right to 75% of: • the profits available for distribution; • any assets of the subsidiary which would be available for distribution in the case of winding up of the subsidiary. The following cannot be taken into consideration in computing the 75% holding for group relief: • any ordinary shares held that have no voting rights; • any share capital held directly or indirectly for trading purposes; and • any share capital held directly or indirectly in a company that is not resident in Cyprus.	There is no group taxation regime.	Latvian tax law does not allow tax loss transfers within a group of companies as from 1 January 2014.

3. Withholding taxes payable by the holding company

3.1 Withholding tax on dividends paid by the holding company

Slovakia	Cyprus	Estonia	Latvia
Dividends paid to both Slovak residents and non- residents by an eligible Slovak entity (e.g. joint stock company, limited liability company, cooperative) or a similar foreign company out of profits generated on or after 1 January 2004 are not subject to taxation in Slovakia. Dividends from profits of an eligible Slovak entity generated before 1 January 2004 and distributed according to a resolution of general meeting of that entity adopted after 31 December 2012 are subject to withholding tax at a rate 15%; notwithstanding they are paid to Slovak residents or non-residents (subject to exemption referred to in section 2.2). **Liquidation/Share repurchase** Distribution of liquidation surplus of an eligible Slovak entity (e.g. joint stock company, limited liability company, cooperative), and also of a similar foreign company is not subject to taxation in Slovakia. However, dividends/liquidation surplus paid out of profits generated after 1 January 2011 by an eligible Slovak entity to an individual insured in Slovak health insurance system are to a certain amount subject to Slovak health insurance (14% rate applies to dividends distributed out of profits generated in the tax period that had started after 1 January 2013).	No withholding tax is levied in Cyprus on overseas distributions to non-residents.	Dividends paid by resident companies to non-resident persons are not (in addition to the CIT payable at Estonian company level) subject to withholding tax. **Liquidation/Share repurchase** Payments (liquidation payments, payments made upon reduction of share capital and payments made upon share repurchase) are subject to income tax at the level of the company making the payments (taxable proceeds), to the extent that they exceed the earlier contributions.	No withholding tax is levied on dividend payments to non-resident companies, save for companies established in black-listed offshore jurisdictions (15% WHT). **Liquidation/Share repurchase** A liquidation quota does not qualify as dividends. During the liquidation procedure a company normally is required to revalue its assets. However, advance rulings indicate that such re-valuation does not trigger CIT on the gains realized. Latvian law does not provide for a specific treatment in cases of the redemption of shares.

3.2 Withholding tax on interest paid by the holding company

Slovakia	Cyprus	Estonia	Latvia
There is a 19% withholding tax on loan interest paid to foreign resident entities, provided they have no permanent establishment deemed to be created in Slovakia to which such interest is attributable. However, as from March 1, 2014 if the loan interest is paid to residents having the registered seat or permanent residency in a country which is not on a “whitelist” maintained and published online by the Slovak Ministry of Finances, a 35% rate will apply. Countries with which the Slovak Republic does not have any tax treaty signed are not on the whitelist. The whitelist should basically contain the countries with which the Slovak has signed the DTT. However, the majority of tax treaties signed by the Slovak Republic decreases or eliminates the withholding tax on interest Based on the provisions implementing the EU Interest and Royalties Directive, the loan interest payments to a related party seated in another EU member state (or other state which implemented measures similar to this directive, e.g. Switzerland) are exempt from withholding tax if the shareholding in the Slovak subsidiary of at least 25% in the share capital is held for a holding period of no shorter than 2 years.	No withholding tax is levied on interest paid by a Cyprus company to a non-resident recipient.	Interest paid to a non-resident company is generally exempt from taxation.	As from 1 January 2014 no withholding tax is levied on any outgoing interest payments with the exception of interest paid to entities established in black-listed offshore jurisdictions.

3.3 Withholding tax on royalties paid by the holding company

Slovakia	Cyprus	Estonia	Latvia
There is a 19% withholding tax on payments for intellectual property rights (industrial rights, software, copyrights) to non-residents unless the respective tax treaty stipulates otherwise. As from March 1, 2014 with respect to residents of countries which are not on the whitelist a 35% rate will apply. See for further details section 3.2 above. Based on the provisions implementing the EU Interest and Royalties Directive, the royalty payments to a related party seated in another EU Member State (or other state which implemented measures similar to this directive, e.g. Switzerland) are exempt from withholding tax if the shareholding in the Slovak subsidiary of at least 25% in the share capital is held for a holding period of no shorter than 2 years.	No withholding tax is levied on royalties paid by the Cyprus company unless the rights are used in Cyprus by a non-Cyprus tax resident, in which case there is a 10% withholding tax (5% on film royalties).	Royalties paid to non- resident companies are subject to a withholding tax of 10% unless paid to EU or Swiss resident legal persons provided that: • the recipient (or payer) has held at least 25% of the shares in the payer (or recipient) during at least a 2 year period; or • at least 25% of the shares in the recipient and the payer have been held during at least a 2 year period by the same EU or Swiss resident legal person. The tax exemption is not applied to the part of royalties which exceeds the value of similar transactions conducted between non-associated persons. The EU Interest and Royalties Directive is implemented in Estonia. With regard to the implementation of the Directive, reference is made to section 3.2.	As from 1 January 2014 no withholding tax is imposed on any outgoing royalty payments except for royalties paid to entities established in black- listed offshore jurisdictions.

4. Non-resident capital gains taxation - domestic legislation and tax treaties

Slovakia	Cyprus	Estonia	Latvia
The following is treated as Slovak sourced income of a foreign entity: (i) For non-EU legal entities, capital gains realized on a participation in a domestic company; (ii) for EU legal entities, capital gains realized on a participation in a domestic company, which was sold to a Slovak tax resident or Slovak permanent establishment of a foreign entity; (iii) for all foreign legal entities, capital gains realized on a participation in a domestic company holding real estate situated in the Slovak Republic, the value of which exceeds 50% of equity of such company; and (iv) for all foreign legal entities, capital gains realized from the difference between (a) the amount accounted for a non-monetary contribution into the registered capital of a domestic company or cooperative and (b) the value of the asset subject to such non-monetary contribution In the abovementioned cases, such capital gain should be taxed at the standard tax rate and the Slovak resident payer of the income would be obliged to withhold securing tax of 19% from the payment for the shares (for the taxable events mentioned under (i), (ii) and (iii) above) to the non-EEA resident sellers unless a relevant tax treaty provides otherwise. As from 1 March 2014 35% will apply on payments to residents of non-treaty countries (see for further details section 3.2 above). Under the majority of tax treaties, such capital gain would be taxed only in the country where the foreign entity is residing.	In general, capital gains realized on the transfer of shares by non-residents are fully exempt from taxation in Cyprus. Capital gains tax will be payable on the transfer of the shares only if and to the extent that the gain derives from immovable property situated in Cyprus,. Most of Cyprus's double tax agreements provide that the country in which the seller is resident has taxing rights over gains on disposal of shares. Some, but by no means all, of the agreements, provide that for disposals of shares in "property-rich" companies, the country in which the property is situated has taxing rights.	Non-residents are subject to tax only on their Estonian- source income. Permanent establishments, on the other hand, are generally treated similarly to resident legal persons, whereby they pay tax on the profit distributed by them. Income tax is charged only on gains derived by a non-resident from a sale of shares in a real estate company if non-resident's holding in that real estate company exceeds 10% and more than 50% of the latter's property is directly or indirectly made up of real estate located in Estonia in any preceding two years. There is no income tax charged on a share deal if tax treaty allows taxation of capital gains in seller's country only.	Capital gains derived by corporate non-residents are not taxable except for capital gains which are derived from the alienation of real estate or the shares in a qualifying real estate company. If real estate or shares in a real estate company are sold by a non-resident to a Latvian resident, a 2% withholding tax applies to the full transaction value. The vendor – EU/EEA resident company – is allowed to recalculate the tax payable as 15% from profit realised from the sale of real estate or shares in a real estate company and request a refund if the tax withheld exceeds the calculated 15% from profit. However, if both the vendor and purchaser of shares in a Latvian real estate company are non-residents, the mentioned 2% withholding tax does not apply. Gains from alienation of shares derived by non-resident individuals are not subject to Latvian taxation if these are financial instruments governed by the Latvian Financial instrument Market Law. A non-resident individual selling Latvian real estate or shares in a qualifying real estate company will be subject to 2% withholding tax. Alternatively, the non- resident may file an annual declaration where the 2% applied to the total sale price exceeds the 15% capital gains tax that would be applied to the actual taxable capital gain. A sale to a non-resident will require the resident seller to file an annual tax return declaring the actual capital gain and pay the 15% tax on capital gains unless a tax treaty provides otherwise.

5. Anti-abuse provisions / CFC rules

Slovakia

General
According to general anti-abuse provision, the actions or other circumstances that are without economic substance and their aim is to avoid tax obligations or to gain unjust tax advantage are taken into consideration by the tax authorities.

CFC rules
There is no specific CFC legislation.

Thin capitalization rules
The thin capitalization rules were abolished as of 1 January 2004.

Transfer pricing rules
Transfer pricing rules solely apply to cross-border transactions. In practice the tax authorities also challenge the transfer prices based on other general provisions of the tax law (abuse of law, substance over form).

The principles of Slovak transfer pricing rules comply with OECD rules.

Cyprus

CFC rules
There are no CFC rules and in principle all dividends derived from a foreign participation are fully exempt from tax, with no minimum holding period requirement, unless the “passive dividend” provisions are triggered, namely if more than 50% of the paying company’s activities result directly or indirectly in investment income and the foreign tax is significantly lower than the tax rate payable in Cyprus. Both of the above conditions must apply for the provisions to be triggered; otherwise the exemption is available.

The 50% test requires a quantitative assessment of the foreign subsidiary’s activities:

- The 50% test is applied on a company to company level with reference to direct and indirect activities.
- Where no tax is payable by the foreign subsidiary because of a local tax exemption, the tax burden of the foreign subsidiary for the purposes of the tax burden aspect of the test is zero.
- SDC tax is payable on the full dividend if the provisions are triggered.

The Assessment and Collection of Taxes Law contains general anti- avoidance provisions including the disregarding of artificial or fictitious transactions.

Estonia

General
There is a general anti- avoidance rule enacting the principle of economic substance. Specific measures to combat the erosion of the taxable base through payments to low- tax countries include the following:

- Fees paid to companies resident in low-tax territories for services rendered to Estonian residents are subject to a 21% (20% as of 2015) withholding tax irrespective of where the services were provided or used; and
- Various payments made, or benefits provided, to recipients resident in low-tax territories are regarded as non-business expenses for CIT purposes.

CIT liability incurs for the payer, acquiring securities of shares of or claims against or issuing loans to a company in a low-tax country.

CFC rules
CFC legislation does not apply to Estonian corporate taxpayers.

Thin capitalization rules
There are no traditional thin capitalization rules.

Latvia

General
The general anti-avoidance rule has been introduced as from 1 January 2013, specifying that economic substance of transaction should be considered, not only its legal form.

CFC rules
There are no CFC rules for corporate taxpayers. However, in order to avoid the erosion of the taxable base any payments to companies or other persons established in black-listed offshore jurisdictions are subject to 15% CIT or 24% personal income tax, respectively. Limited exceptions apply to payments for goods and payments for acquisition of EU/EEA publicly traded shares made to offshore jurisdictions if the price is arm’s length.

Thin capitalization rules
Two thin capitalization tests apply. Firstly, allowable interest is calculated on a maximum debt/ equity ratio of 4:1. Secondly, allowable interest is calculated by multiplying coefficient 1.57 with the average annual interest rate on loans granted to non-financial institutions published by the Latvian Bank.

The higher amount of the excess interest calculated under either method is not deductible for CIT purposes.

Financial and Insurance institutions are not subject to the thin capitalization rules.

6. Tax and investment incentives

Slovakia	Cyprus	Estonia	Latvia
The new tax relief rules apply to the Government / EU Commission decisions on regional investment aid taken from January 1, 2008. Tax relief may be obtained for a period of 10 years if certain conditions are satisfied according to the new Investment Aid Act and EU State Aid regulation, subject to the approval of the Slovak Government and European Commission. Only proportional tax relief may be claimed. The maximum limit represents the tax corresponding to the part of the tax base calculated as a ratio of the eligible costs (up to the already incurred costs) and the sum of own equity at the time of the application for state aid and those eligible costs. Specific rules effective as of 2010 apply to the calculation of proportional tax credit granted for research and development.	The following categories of income are tax exempt: • profit from the sale of securities; • dividends; • income of any company formed exclusively for the purpose of promoting art, science or sport, and of certain educational and charitable companies; • profits earned or dividends paid by a Cyprus shipping company which owns ships under the Cyprus flag and operates in international waters; • income of any approved pension or provident fund; • profits from a permanent establishment situated entirely outside Cyprus, unless the permanent establishment directly or indirectly engages more than 50% in activities which lead to investment income and the foreign tax burden is substantially lower than the tax burden in Cyprus. In 2012 Cyprus introduced an “intellectual property box” regime which provides an effective tax rate of less than 2.5% on income from intellectual property assets. Gains on disposal are effectively tax-exempt. The Merchant Shipping (Fees and Taxing Provisions) Law of 2010, generally referred to as “the Tonnage Tax Law”, extends the benefits of the favorable tonnage tax regime and exemptions from income tax previously enjoyed by owners, operators and managers of Cyprus-flag ships to owners and charterers of non-Cyprus flag vessels.	The undistributed profits are not subject to CIT. Debt financing does not trigger limitations on the deductibility of interest.	Gains derived from sale of fixed assets are deductible if the asset is replaced by a new functionally comparable asset. There are free ports and special economic zones in Latvia established to promote export and providing tax reliefs up to 100% for real estate tax, 80% for CIT, as well as extended loss carry forward period and 0% VAT. A specific tonnage tax applies for vessels registered in Latvia, and PIT reliefs to sailors’ salaries apply. An increased depreciation coefficient applies for investments into new production technology equipment. Under the Large Project Investments Incentive, investments in specified industries amounting for between EUR 10 million and EUR 50 million receive a 25% CIT rebate calculated from the amount of investment. Qualifying investments over EUR 50 million receive a 15% CIT rebate from the amount invested. The incentive must be approved by 31 December 2020, and the investment must be made within 5 years after the approval of the project and tax relief must be claimed within a 16 year period. As from 1 January 2014 a new tax allowance to facilitate research and development (R&D) is introduced. Under the new provision, taxable income can be reduced by expenses directly attributable to personnel and costs of research services purchased from specialised scientific institutions, multiplied by 3. The result of the R&D process may not be disposed of for the following three years.

Slovakia	Cyprus	Estonia	Latvia
	It widens the range of exempt gains to include profits on the disposal of vessels, interest earned on funds and dividends paid directly or indirectly from shipping-related profits, in addition to profits from shipping operations.		

Holding Regimes New EU Countries

Part III

Lithuania, Malta, Slovenia, Croatia

1. Capital tax / stamp duty / real estate transfer tax / real estate tax

Lithuania

Capital tax
There is no capital contribution tax in Lithuania.

Stamp duty
Stamp duty in case of registration of the company or changes in the share capital is not substantial (up to LTL 200).

Noteworthy that registration of the company or changes in the share capital is subject to notarization requirement. Currently, notaries' fees may amount to LTL 1,000.

Real estate transfer tax There is no real estate transfer tax in Lithuania. However, one should take into account stamp duty related to the registration of the ownership to the real estate and costs of the notarization of the real estate transfer.

The state duties for the registration of title to real estate are calculated separately for each real estate object and vary depending on the market value of the property and the acquirer (whether the owner is a natural or a legal person).

Registration duties for legal persons are capped by LTL 5,000 per object and for natural persons LTL 1,000 per object.

The notary fee for certification of real estate transfer amounts to 0.45% of the value of the transaction, however not more than LTL 20,000 for transactions that involve one real estate object and not more than LTL 50,000 for transactions involving two or more real estate objects.

Malta

Capital tax
There is no capital contribution tax in Malta.

There is, however, a company registration fee of € 245 – € 2,250, depending on the amount of the authorized share capital.

Stamp duty
No stamp duty is chargeable upon the incorporation of a company or a change of share capital.

Real estate transfer tax
Stamp duty is payable by the buyer of immovable property situated in Malta, generally at the rate of 5% of the higher between the consideration and the market value, subject to exemptions and reductions as may be applicable.

A transfer tax is payable by the seller of immovable property situated in Malta at the flat rate of 12% on the higher of the market value of the property and the consideration paid for the transfer (net of brokerage fees). Certain exemptions are applicable say in the case of sale of one's ordinary residence. The transfer tax is a final tax.

In certain prescribed circumstances, the seller is entitled to opt out of the transfer tax system and is entitled to opt to be charged to tax on the capital gains made on the sale. In such case, the capital gain derived from the transfer is computed by deducting allowable expenses from consideration received and is charged to tax at the rate of tax applicable to the seller.

Slovenia

Capital tax
There is no capital tax or stamp duty in Slovenia.

Real estate transfer tax
There is a real estate transfer tax of 2% of the market value (if the VAT has been paid, no real estate transfer tax is imposed).

Tax on profit from land use change
It is levied on the profit from the sale of land whose use, since the time of the acquisition, has been altered into building use.

The person liable for the tax is the person (individual or company) selling the land. The taxable amount is the difference between the value of the land at the disposal and the value of the land at the acquisition (taking into account certain expenses incurred upon acquisition/ disposal). If the land was acquired before June 1st 2012, the acquisition value will be determined as of June 1st 2012 based on the mass valuation of real estate data. Tax rates depend on duration from change of use until sale:
- 25% - less than 1 year
- 15% - from 1 to less than 3 years
- 5% - from 3 to incl. 10 years
- 0% - more than 10 years.

Taxable persons are obliged to submit a tax return to the tax authorities within 15 days after concluding the sales contract.

Croatia

Capital tax
There is no capital tax or stamp duty in Croatia.

Real estate transfer tax
Subject to Real Estate Transfer Tax (RETT) are real estate transactions. The Croatian legislation defines a real estate transaction as every acquisition of ownership of property.

Under the Croatian legislation real estate is defined as:

- Land – whether used for business purposes or used for agricultural purposes;
- Buildings – whether residential buildings, business buildings or other buildings.

The tax base is defined as the market value of the property at the moment of acquisition, or the market value that could be obtained at the moment of acquisition (e.g. if the property is transferred without consideration). The market value of the property is obtained from the acquisition certificate (e.g. Purchase Agreement, Condemnation, etc.). Furthermore, if the market value stated in the contract is questioned by the tax authorities, they are authorized to determine the market value by assessment. In this case the taxpayer is obliged to cooperate fully with the tax authorities.

RETT is paid at a rate of 5% and the taxpayer is the person who acquired the property (e.g. buyer or successor).

Lithuania	Malta	Slovenia	Croatia
Real estate tax Annual real estate tax (applicable on the real estate other than land) rate varies from 0.3% to 3% of taxable value of the real estate, depending on the decision of the particular municipality which has to determine the exact rate(s) of the tax within its territory. Taxable value of the real estate is determined based on the market value. Individuals owning residential real estate, value of which in total exceeds LTL 1,000,000, are taxed with 1% real estate tax on the exceeding value. Annual land tax rate varies from 0.01% to 4% of taxable value of the land, depending on the decision of the particular municipality which has to determine the exact rate(s) of the tax within its territory. Taxable value of the land is determined based on the market value. LTL is tightly pledged against the euro at a rate of LTL 3,4528 to EUR 1.	**Real estate tax** Malta does not levy real estate tax.	**Real estate tax** There is no general real estate tax. The Government enacted in 2013 the new real estate tax replacing all current taxes and duties related to real estate ownership however the Constitutional Court declared it as unconstitutional. Accordingly the current taxes and duties related to real estate ownership will apply also in the future. A land and building compensation duty is imposed on owners or users (renters, etc.) of plots of land and buildings. The obligations as such and tax rates are set up by the municipalities. For individuals, the duty is deductible if the property is used as business property. In addition, a property tax is levied on individuals who own premises (including plots of land and buildings that are also subject to the above duty). The tax base for premises is the value determined by law. In general, the first 160 m2 of an apartment is exempt from property tax if the owner or his family members live in the apartment. The tax rates are progressive and depend on the type of the premise and on its value. In general, the rates range from 0.1% to 1.5% of the value.	The taxpayer is obliged to report real estate transactions to the relevant tax office, according to the location of the real estate, within 30 days of the transaction. The tax has to be paid within 15 days of delivery of the decision on RETT. In case of the acquisition of the new building, RETT is only paid on the market value of the land, and the market value of the building (if erected after 1 January 1998) is subject to VAT, if the seller is registered for VAT purposes. If the seller of the real estate is not registered for VAT purposes, RETT is paid on the market value of the real estate and land. RETT is a final tax and cannot be reclaimed.

2. CIT

2.1 CIT and wealth taxes

Lithuania	Malta	Slovenia	Croatia
The general CIT rate is 15%. Resident companies are taxed on their worldwide income (income generated through a foreign permanent establishment and taxed in the foreign jurisdiction is exempt from CIT in Lithuania). The CIT Act stipulates that gross revenue (total of sales and non- operating revenue) is the basis for computing the amount of taxable profit. The tax is applicable on an annual basis. A reduced rate of 5% applies to smaller taxable units with maximum 10 employees and a maximum income during the taxable year of LTL 1,000,000. **Wealth taxes** There are no wealth taxes in Lithuania.	The general CIT rate is 35%, but the combined overall effective rate may be reduced to between 0% and 10% by application of Malta's full imputation system and refund mechanism. Malta operates a full imputation system such that dividends distributed carry a credit in favor of a recipient shareholder (resident or non-resident) equivalent to the amount of underlying CIT paid by the distributing company on the profits out of which the dividend was distributed. Additionally, part of that underlying CIT paid may be refunded to the recipient shareholder (resident or non-resident), depending on the nature and source of the profits out of which the dividend was distributed. **Foreign tax credit** Foreign tax actually paid or deemed to have been paid may be credited against Malta tax due on the foreign income. The tax credit cannot be higher than the Malta tax on that income. The claim of relief for foreign tax paid/ deemed to be paid, affects the level of refund that may be claimed by the shareholder upon a distribution of profits. Income from permanent establishments Any income or gains derived by a Malta company which are attributable to a permanent establishment (including a branch) situated outside Malta or to the transfer of such permanent establishment is exempt from tax in Malta. **Wealth taxes** There are no wealth taxes in Malta.	The general CIT rate is 17%. Slovenian resident companies (corporations and partnerships) are subject to tax on their worldwide income. In general, tax follows accounting books with adjustment for tax purposes, e.g. generous depreciation periods, non-deductible costs. **Foreign tax credit** Unilateral relief in the form of ordinary tax credit for foreign- sourced income is available. The excess tax credit may not be carried forward. **Wealth taxes** There are no wealth taxes in place at the moment.	Any profit derived by a corporation or – under certain conditions – individual entrepreneurs is subject to CIT at a flat rate of 20% regardless of whether the profit is distributed to shareholders or retained (other than that portion that is transferred to the share capital). Taxable income is computed on the basis of the accounting regulations (the Croatian Financial Reporting Standards (CFRS)), which are applicable for small and medium-sized companies and the International Financial Reporting Standards (IFRS), which are applicable for large companies as the difference between revenues and expenditures before CIT, which is increased or decreased under the provisions of the CIT Law. As a result of the adjustment, the taxable income of a company differs from its accounting profits. The tax base also includes a profit derived from the liquidation, sale, change in the legal form and division of a taxpayer and is determined at the market value of assets unless the CIT Law. provides otherwise. Taxable income is computed on an accrual basis.

2.2 Dividend regime (participation exemption)

Lithuania	Malta	Slovenia	Croatia
Dividends received by the resident company from Lithuanian companies and from non-resident companies are taxed in Lithuania with 15% CIT. However, dividends will not be taxed in Lithuania, if the recipient company or permanent establishment has held at least 10% of the voting shares in the distributing company continuously for at least 12 months. Commentaries prepared by the Lithuanian tax authorities interpret this 12 months rule broadly and also applies it in case where the shares are held for the period shorter than 12 months but the recipient company plans to hold shares for such or longer period. This participation exemption satisfies the requirements of the EU Parent-Subsidiary Directive. The exemption also applies to dividends paid by non-EU foreign companies, except those registered or organized in a listed tax haven.	In general all dividends received are subject to 35% CIT. However, in case of a company receiving dividends from a “participating holding” in companies resident outside Malta, (provided certain anti-abuse provisions are also satisfied: see below) there are two options: • benefiting from the participation exemption, in which case no tax is paid on such dividends; or • paying tax at the rate of 35%,in which case, upon a distribution of dividends by the Malta company from the dividends derived from a ‘participating holding’, the shareholder can claim a 100% refund of the tax paid by the company on such dividends. Therefore, Malta tax on dividends received from a “participating holding” is, in both scenarios, effectively nil. Dividends that are not derived from a ‘participating holding’ are taxed at the rate of 35% and upon a distribution of dividend by the Malta company, the shareholder may claim a 6/7 or 2/3 refund of the Malta tax paid (as applicable). A ‘participating holding’ is held if the equity shareholding in the company satisfies any one of six conditions, the most commonly used being:	Domestic exemption: Under the domestic participation exemption regime, dividends and income similar to dividends derived by a resident corporation from participation in another Slovenian corporation (except hidden reserves) are exempt from CIT, regardless of the capital ownership percentage and the holding period. International exemption: When calculating the tax base, the taxpayer may exempt received dividends and other similar income, except hidden reserves, if the dividend payer is: • a resident of an EU Member State for tax purposes under the law of that Member State and is not deemed to be a resident outside the EU due to a tax treaty with a non-Member State; and shall be subject to one of the taxes to which the common system of taxation, applicable in the case of parent companies and subsidiaries of different Members States applies, without the possibility of an option or of being exempt; or • a resident of non-EU Member State liable to pay tax comparable to the Slovenian CIT and not resident in a country or in the case of a business unit not situated in a country in which the general, average nominal corporate tax rate is less than 12.5% and if the state is mentioned on a list published by the Slovenian Ministry of Finance.	Dividends payable to Croatian resident companies are not treated as taxable income for Croatian tax purposes. The above is true regardless of the capital ownership percentage and the holding period. **Foreign tax credit** Unilateral relief in the form of ordinary tax credit for foreign- sourced income is available. The excess tax credit may not be carried forward. **Wealth taxes** There are no wealth taxes in place at the moment.

Lithuania	Malta	Slovenia	Croatia
	• a direct holding of at least 10% of the equity shares or capital which confers an entitlement of at least 10% of any two of: - right to vote; - profits available for distribution; and - assets available for distribution on a winding up; • the company is an equity shareholder which holds an investment representing at least EUR 1,164,000 and is held for an uninterrupted period of at least 183 days. In all the above cases, an 'equity shareholding' is a participation in the share capital of a company (other than a property company) which entitles the holder to at least two of: • right to vote; • right to profits available for distribution; and • right to assets available for distribution on a winding up. Other considerations: • The income of the company in which the "participating holding" is held does not need to be subject to tax in any foreign jurisdiction (subject to the anti-abuse provisions mentioned hereunder). • There is no minimum holding period (with the exception of a "participating holding" which qualifies as such on the basis of the minimum investment of €1,164,000). • The Malta company is not required to become involved in the management of the company.	The above provisions also apply to a non-resident recipient if the recipient's participation in the equity capital or management of the person distributing profits is connected with business activities performed by the non-resident in or through a permanent establishment in Slovenia. **Anti-abuse rules** The anti-abuse rule provides that under certain conditions dividends received or other shares in profit are not excluded from the tax base of the recipient. The anti-abuse rule applies in case the dividend payer is resident or the permanent establishment is located in a state where the general or average nominal corporate tax rate is lower than 12.5% and if the state is mentioned on a list published by the Slovenian Ministry of Finance. Not applicable to an EU member.	

Lithuania	Malta	Slovenia	Croatia
	The participating holding may also be in a partnership en commandite (limited partnership), the capital of which is not divided into shares constituted under Malta law and not being a property partnership as defined if this holding satisfies any one of the six conditions mentioned above. The participation exemption and the full refund are applicable if certain anti- abuse provisions are satisfied namely the company in which the participation is held must satisfy any one of the following conditions: • the company is resident or incorporated in country or territory that forms part of the EU; or • the company is subject to tax at a rate of at least 15%; or • the company does not derive more than 50% of its income from passive interest or royalties. Alternatively, if none of the above three conditions are met, two other conditions must be met cumulatively. Dividends from a participating holding that does not satisfy the anti- abuse provisions are not entitled to benefit from the participation exemption or the full refund and are taxed at the rate of 35%. Upon the distribution of dividend by the Malta company, the shareholder may claim a 5/7 or a 2/3 refund of the Malta tax paid (as applicable).		

2.3 Gains on shares (participation exemption)

Lithuania	Malta	Slovenia	Croatia
As a general rule gains on shares are included in the taxable base and taxed as ordinary income. Capital gains from alienation of securities in entities registered or otherwise organized in EEA states or other states with which a tax treaty is concluded and which is a payer of the corporate profit or similar tax, in which transferring party has more than 25% of shares for more than 2 years before the sale are exempt from CIT.	The same rules apply to capital gains as to dividends, except that the anti-abuse provisions referred to under Section 2.2 above do not apply in the context of capital gains. The latter would also apply to capital gains derived by a Malta resident company from a participating holding in another Malta resident company other than a ‘property company’ as defined by law.	Generally capital gains on shares are included in the taxable basis as ordinary income. There is no exemption for capital gains realized on participations either in domestic or foreign companies. The CIT Act provides for an exemption based on which 50% of realized capital gains may be exempt from taxation if the recipient company or permanent establishment has held more than 8% of the shares or voting rights in a company continuously for at least 6 months and at least one person was employed at this company for full-time. In case the capital gains were realized from a company resident in a low tax jurisdiction (see criteria above) this exemption is not granted. In the case of liquidation or dissolution of a taxpayer or non-resident’s business unit in Slovenia within a period of 10 years of establishment, at the time of dissolution the tax base shall be increased by the exempt share of profit for the period of the five previous tax periods. Legislation also provides for an exemption in the case, where the company realizes capital gains with the exchange of shares of a bank in Slovenia for shares in another Slovenian company (taxable is only the part received in cash).	Generally capital gains on shares are included in the taxable basis as ordinary income (based on the accounting regulations). There is no exemption for capital gains realized on participations either in domestic or foreign companies. On the other hand if the holder of the shares of a company is not a Croatian tax resident, any capital gains may be exempt from taxation in Croatia as Croatia does not tax gains of non-residents that are not subject to CIT in Croatia.

Lithuania	Malta	Slovenia	Croatia
		There is also an exemption on taxation of capital gains realized with the disposal of shares, acquired on the basis of venture capital investments in a venture capital company, established by law which regulates venture capital companies. Such a profit is exempt from the tax base of the taxable person, if this company had the status of a venture capital company throughout the whole tax period and if this company held the status of venture capital company over the whole period of holding such a share of the taxpayer. The loss from the disposal of equity from this paragraph is not recognised.	

2.4 Losses on shares

Lithuania	Malta	Slovenia	Croatia
Capital losses occurred as the result of transfer of securities may be carried forward only for 5 consecutive years. Those losses are accounted separately and may be covered only from profits gained from transfer of securities. Capital losses occurred as the result of transfer of securities in entities registered or otherwise organized in EEA state or other state with which a tax treaty is concluded and which is a payer of the corporate profit or similar tax, in which transferring party has more than 25% of shares for more than 2 years (or more than 25% of shares for more than 3 years in case of reorganization and transfer of the companies) may be accounted against profits gained from transfer of securities during that tax period and not covered losses cannot be carried forward to the next tax year. (please also see Section 2.8)	Deductible capital losses may only be offset against chargeable capital gains realized in the current and following years.	Capital losses on the sale or transfer of shares are deductible. Please note that as in case of capital gains in certain cases (see criteria above) only 50% of tax losses is recognized as tax deductible cost. Tax losses may be carried forward for unlimited number of years (subject to certain conditions).	Realized capital losses are tax deductible. Non-realized capital losses that are generated by the impairment of shares are not tax deductible expense.

2.5 Costs relating to the participation

Lithuania	Malta	Slovenia	Croatia
The legislation does not provide for a specific regulation. Please see Section 5 with respect to the thin capitalization rules.	The general rule is that an expense is deductible if it is wholly and exclusively incurred in the production of the company's income and it is not on a list of expenses that are specifically disallowed in terms of Malta law. Interest expenses are generally deductible if the Revenue Authorities are satisfied that the interest was payable on capital employed in acquiring the income. If in any year, the interest expense exceeds the income derived from the investment, the excess interest expense may not be carried forward to subsequent years to deduct income generated in subsequent years. Please see Section 5 with respect to the thin capitalization rules.	Expenses in relation to the tax exempt dividend or capital gains income are not deductible in an amount equalling 5% of the amount of dividends and profits which are exempt from the tax base of a taxpayer . Please see Section 5 with respect to the thin capitalization rules.	The legislation does not provide for a specific regulation. The general rule is that an expense is generally deductible if it is wholly and exclusively incurred for the business activities of the company and in order to make profit (the law does not provide a distinction between taxable and non-taxable profit). Please see Section 5 with respect to the thin capitalization restrictions. **Excessive interest** In accordance with the CIT Law, interest that is paid by a CIT taxpayer to a non-resident related party is considered to be at arm's length (i.e. deductible for profit tax purposes) up to the rate prescribed by the Minister of Finance. The default rate for the related party interest rate is currently set at the discount rate published by the Croatian National Bank, which currently amounts to 7% per year. Following from the above, any interest charged to a corporate profit taxpayer by a non-resident related party which is in excess of the current 7% rate would not be deductible for Croatian CIT purposes.

2.6 Currency exchange results

Lithuania	Malta	Slovenia	Croatia
Currency exchange results are included into the taxable income (or may be deducted).	Currency exchange differences are included in the computation of chargeable income (as taxable profits or deductible expenses), provided that such differences are realized and are ancillary to chargeable income or gains.	Currency exchange results are fully included in taxable income.	Currency exchange results are included in taxable income. The tax treatment of the realized / non realized FX differences basically follows the accounting treatment.

2.7 Tax rulings

Lithuania	Malta	Slovenia	Croatia
Binding rulings and advance pricing agreements are available in Lithuania. The taxpayers have to provide details of the future transaction as well as description of Lithuanian legislation provisions or transfer pricing principles applicable to the future transaction, which, if approved by the tax authorities, is binding for the tax authorities for up to 5 calendar years after the year in which the ruling is issued. Binding rulings and advance pricing agreements are free of charge.	It is possible to seek an advance revenue ruling from the Revenue Authorities on, inter alia, the following issues: • confirmation that certain domestic general anti- avoidance provisions do not apply to a given transaction; • confirmation that an equity shareholding qualifies as a participating holding on the basis that it is or will be held for the furtherance of the business of the Malta company; • the tax treatment of a transaction concerning a particular financial instrument or other security; • the tax treatment of any transaction which involves international business. These rulings guarantee the tax position for a period of five years and may be renewed for a further five- year period. They will also survive any changes of legislation for a period of two years after the entry into force of a new law. Additionally, an informal ruling procedure has been developed in practice whereunder a taxpayer may obtain written guidance from the local tax authorities in respect of one or more specific transactions. Any such guidance obtained, would, in practice, be considered binding by the local tax authorities but would not survive a change of laws.	Opinions issued by the Ministry of Finance or tax authorities - signed by the minister or director of the tax authorities - are binding for the tax authorities. Binding information issued by the tax authorities may be requested in a concrete and identified transaction (in advance) and are payable by the tax payer. Not possible to obtain a binding information regarding transfer pricing.	Opinions issued by the Ministry of Finance or tax authorities are binding for the tax authorities. Binding information issued by the tax authorities may be requested in a concrete and identified transaction and is generally applicable only to such a transaction.

2.8 Loss carry over rules

Lithuania	Malta	Slovenia	Croatia
Carry back There is no carry back possibility in Lithuania. **Carry forward** Losses may be carried forward for an unlimited period of time. Losses sustained from the transfer of securities and the derivative financial instruments may be carried forward only for 5 consecutive tax years (please also see Section 2.4). The amount of losses carried forward cannot exceed 70% of entity's profits received during a fiscal year. This restriction is not applicable to entities that are entitled to apply reduced CIT rate of 5%.	**Carry back** There is no carry back possibility in Malta. **Carry forward** All trading losses incurred by companies wholly and exclusively in the production of the income may be carried forward indefinitely and offset against future income. Capital losses may be carried forward and offset against future capital gains. Excess interest expenses cannot be carried forward.	**Carry back** There is no carry back possibility in Slovenia. **Carry forward** Losses may be carried forward for an unlimited period. Since 1st January 2013 a reduction of the tax base with tax losses from previous tax periods is allowed to the maximum amount of 50% of the tax base for the current tax period. Moreover, losses from the current and previous years cannot be carried forward if a direct or indirect ownership of capital or voting power of the taxpayer changes for at least 50% during the tax period and taxable person entitled to loss carry forward: • does not carry on a business for at least two years before the change of ownership; or • substantially changes it business two years before or after change of ownership.	**Carry back** There is no carry back possibility in Croatia. **Carry forward** Losses may be carried forward for a maximum period of five years, unless otherwise provided for in the CIT law. If the right to offset losses incurred in the process of mergers, acquisitions or divisions is transferred to legal successors during a tax period, the right to carry forward the loss begins after the expiry of the period in which the legal successor acquired the right to carry forward the loss. In the case of statutory changes (acquisitions, mergers, de-mergers, etc.) the legal successor is not entitled to utilize the tax losses carried forward of the legal predecessor if: • the legal predecessor did not perform any business activity for two tax periods before the statutory change; or • the business activity of the legal predecessor substantially changes in the course of two tax periods following the statutory change. The above rule also applies where there is a change of more than 50% in a company's ownership structure.

2.9 Group taxation for CIT purposes

Lithuania	Malta	Slovenia	Croatia
There is also an opportunity to transfer losses between several entities of the same group. The intra-group transfer of losses is available subject to the following requirements: • the parent company of the group has to hold directly or indirectly at least 2/3 of the shares in both entities participating in the loss transfer (or loss may be transferred to the parent company); and • both entities participating in the loss transfer are required to comply with this requirement for at least two years. Alternatively, entities participating in a loss transfer transaction need to be within the group from its' formation and have to remain in the group for at least two years in order to be eligible for intra-group loss transfer.	Malta does not operate a group taxation system. However, a Malta company may surrender its tax losses to a group company where both companies are members of the same group throughout the year preceding the year of assessment in which relief is claimed. Two companies are deemed to form part of the same group where they are both resident in Malta and not resident for tax purposes in any other country and one is at last the fifty-one per cent subsidiary of the other or both are at last fifty-one per cent subsidiary of a third company resident in Malta. Losses of the surrendering company may be set off against the total income of the claimant company for the corresponding year of assessment and for subsequent periods, where applicable, provided in the year in which surrendering company has incurred losses both companies have accounting periods which begin and end on the same date. There are exceptions in respect of new companies and companies which are being wound up. Companies may only surrender losses incurred in the year preceding a year of assessment to other group companies – losses brought forward cannot be used either within a newly formed tax group or within an already existing tax group.	There is no group taxation regime for CIT purposes.	There is no group taxation regime for CIT purposes in Croatia.

Lithuania	Malta	Slovenia	Croatia
	By virtue of an anti- abuse provision, if a company is a member of a group of companies, and arrangements are in existence the sole or main purpose of which is to reduce any company's tax liability, and were it not for the said arrangements that company would not qualify to be a member of that group of companies, then that company shall be treated as not being a member of that group for any year preceding a year of assessment in which the said arrangements are in existence.		

3. Withholding taxes payable by the holding company

3.1 Withholding tax on dividends paid by the holding company

Lithuania	Malta	Slovenia	Croatia
Dividends paid by resident companies to residents and non-residents are subject to withholding tax at a rate of 15%. An exemption of dividend withholding tax applies if the shareholder holds at least 10% of the voting shares in the distributing company for an uninterrupted period of 12 months, unless the shareholder is registered in territory included in the Black List (tax haven). The Black List includes most of the typical offshore jurisdictions (approx. 60 jurisdictions are listed). According to the official commentaries prepared by the Lithuanian tax authorities, the dividends may enjoy the above “participation exemption” even if the shares are held for the period shorter than 12 months, but the shareholder intends to hold them for such or longer period. This participation exemption satisfies the requirements of the EU Parent-Subsidiary Directive. The above rules apply irrespective of whether the dividends are distributed from the profits accumulated in periods prior to accession to the EU. **Liquidation/Share repurchase** Liquidation proceeds exceeding the amount of contribution to the share capital of the entity is regarded as dividends and are taxable accordingly.	No withholding tax is levied in Malta on dividend distributions to a non-residents shareholder, provided that such shareholder is not directly or indirectly owned and controlled by, and does not act on behalf of, an individual who is ordinarily resident and domiciled in Malta.	Paid to tax residents or to permanent establishments: dividends paid to domestic recipients (resident or permanent establishment of a non-resident company) are subject to a 15% withholding tax, but may be exempt from withholding tax if the recipient provides his tax number. Paid abroad: dividends paid to foreign recipients are subject to a 15% withholding tax. Under the EU Parent- Subsidiary Directive, dividends will be exempt from the withholding tax if the participation/share of a parent company in a subsidiary accounts for at least 10% for an uninterrupted period of 24 months. If dividends are paid before the expiration of the 24 months term, the exemption is granted if a bank guarantee for the withholding tax is provided. The EU Parent-Subsidiary Directive is applicable also to limited partnerships (k.d.), since they are treated as corporations for tax purposes. The exemption also applies to profit reserves that stem from the period before accession to the EU.	In accordance with the CIT Law, a withholding tax of 12% is generally required to be deducted in respect to the dividend payments effected to non-residents. However, a valid DTT may reduce or eliminate any withholding tax liability if the foreign entity is seated in a jurisdiction with which Croatia has a DTT in effect. In addition please note that under the EU Parent-Subsidiary Directive, dividends will be exempt from the withholding tax if the participation/share of a parent company in a subsidiary accounts for at least 10% for an uninterrupted period of 24 months.

Lithuania	Malta	Slovenia	Croatia
Non-monetary distribution upon liquidation for the company under liquidation is treated as a sale and capital gains received from such transfer will increase the taxable base of the company under liquidation.		In Slovenia the CIT law has changed in the summer of 2008, allowing the Slovenian companies to pay out dividends to a company resident in other EU countries without charging withholding tax on dividends even if the criteria defined in the EU Parent-Subsidiary Directive (in Slovenia – at least 10%, at least 24 months) are not met, if the dividends received by the foreign company are subject to exemption from taxation in the country of residence. The criteria that should be met in such a case by the Slovenian company paying the dividends are that it receives a statement by the recipient company that it may exempt the dividends paid from Slovenia from its taxable basis (e.g. it will not be able to deduct the withholding tax paid in Slovenia from the tax liability in the resident country) and that the certificate of the recipient tax residency in another EU member state is attached. Treaty rates may be used if the payer of dividends receives a decision of tax office that the recipient is entitled to treaty benefits before the payment is made. Otherwise the refund must be requested by the recipient of the dividends. **Liquidation/Share repurchase** Liquidation proceeds may be treated as dividend and are subject to dividend withholding tax upon distribution.	

3.2 Withholding tax on interest paid by the holding company

Lithuania	Malta	Slovenia	Croatia
Interest paid to companies resident in an EU or EEA Member State or in a country, with which Lithuania has an effective tax treaty, is not subject to withholding tax. In other cases, withholding tax at the rate of 10% applies. No other requirements have to be fulfilled.	No withholding tax is levied on interest payments by a Malta company to a non-resident unless: • the said non-resident is engaged in trade or business in Malta through a permanent establishment situated in Malta and the interest is effectively connected therewith; or • the said non-resident is owned and controlled by, directly or indirectly, or acts on behalf of an individual or individuals who are ordinarily resident and domiciled in Malta.	Interest paid to non-residents is subject to a withholding tax of 15%. Under the EU Interest and Royalties Directive the interest payments may be exempt from withholding tax provided that at least 25% participation is held for a period of at least 24-months. Treaty rates may be used if the payer of interest receives a decision of tax office that the recipient is entitled to treaty benefits before the payment is made. Otherwise the refund must be requested by the recipient of the interests.	In accordance with the CIT Law, a withholding tax of 15% is generally required to be deducted in respect to the payments made for interest on borrowings (excluding borrowings from financial institutions) to non-residents. However, a valid DTT may reduce or eliminate any withholding tax liability if the foreign entity is seated in a jurisdiction with which Croatia has a DTT in effect. In addition please note that under the EU Interest and Royalties Directive the interest payments may be exempt from withholding tax provided that at least 25% participation is held for a period of at least 24 months.

3.3 Withholding tax on royalties paid by the holding company

Lithuania	Malta	Slovenia	Croatia
Royalties are subject to a withholding tax of 10%. Royalties paid to the associated enterprises covered by the Interest and Royalties Directive (EU companies) are exempt from withholding tax as of 1 July 2011 provided that the recipient of the interest payment is an associated company of the paying company and is resident in another EU Member State. Two companies are “associated companies” if (a) one of them holds directly at least 25% of the capital of the other or (b) a third EU company holds directly at least 25% of the capital of the two companies. A minimum holding period of 2 years is required.	No withholding tax is levied on royalty payments by a Malta company to a non-resident unless: • the said non-resident is engaged in trade or business in Malta through a permanent establishment situated in Malta and the royalties are effectively connected therewith; or • the said non-resident is owned and controlled by, directly or indirectly, or acts on behalf of an individual or individuals who are ordinarily resident and domiciled in Malta.	Royalties paid to non-residents are subject to 15% withholding tax, unless reduced by virtue of tax treaties. Under the EU Interest and Royalties Directive the royalty payments may be exempt from withholding tax provided that a 25% participation is held for a period of at least 24-months. Treaty rates may be used if the payer of royalties receives a decision of tax office that the recipient is entitled to treaty benefits before the payment is made. Otherwise the refund must be requested by the recipient of the royalties.	In accordance with the CIT Law, a withholding tax of 15% is generally required to be deducted in respect to the payments made for royalties and other intellectual property rights to non-residents. However, a valid DTT may reduce or eliminate any withholding tax liability if the foreign entity is seated in a jurisdiction with which Croatia has a DTT in effect. In addition please note that under the EU Interest and Royalties Directive the interest payments may be exempt from withholding tax provided that at least 25% participation is held for a period of at least 24 months.

4. Non-resident capital gains taxation - domestic legislation and tax treaties

Lithuania	Malta	Slovenia	Croatia
The business profits of foreign entities will be taxable only in their home countries, unless foreign entities carry on business in Lithuania through a permanent establishment situated in Lithuania (in which case the taxation rules are similar to the ones attributable to resident entities), or receives income via means of cross- border transfers that is subject to withholding taxes (including income received from lease or transfer of real estate, interest, dividends, royalties or annual bonuses for members of a supervisory board). Therefore, a non-resident company is subject to income tax in respect of income and capital gains that are attributable to a permanent establishment. Capital gains on the sale of securities in a resident company are not taxable for non-residents. Under the general rule, capital gains of non-resident company should be taxable only in its home country, except transfer of real estate and transfer of the assets attributable to permanent establishment in Lithuania.	Capital gains realized by a non-resident on the transfer of chargeable shares or securities in a Malta company would be exempt from Malta income tax on capital gains unless: • it is a ‘property company’ as defined by law; or • the said non-resident is owned and controlled by, directly or indirectly, or acts on behalf of an individual or individuals who are ordinarily resident and domiciled in Malta. In general (with the exception of real estate companies), taxation will be attributed to the country where the non-resident shareholder is tax resident by virtue of the applicable tax treaty.	Non-resident companies are subject to income tax in respect of Slovenian sourced income. Permanent establishments of foreign corporations are taxed on their income having source in Slovenia (costs attributable to the permanent establishment are also recognized). Capital gains from the sale of a participation in a company resident in Slovenia are considered as Slovenian sourced income. However, to the extent the capital gains are not attributable to a permanent establishment, the capital gain is effectively not taxed, since there are no procedural rules on how the tax should be levied. Under most tax treaties concluded by Slovenia the right to tax the capital gains from the alienation of the shares is allocated to the resident state.	Capital gains of a non-resident corporation (or individual) resulting from the alienation of a participation in a Croatian corporation are not taxable in Croatia.

5. Anti-abuse provisions / CFC rules

Lithuania

CFC rules
The CFC regulations apply to the Lithuanian companies that directly or indirectly hold more than 50% of shares in the foreign company, provided that a foreign subsidiary is registered in:

- an offshore territory or zone, i.e. included into the Black List;
- a territory included in the White List, but enjoying special privileged income tax regime in its home country; or
- in its home country is taxed at an income tax rate constituting less than 3/4 of the Lithuanian CIT, i.e. less than 11,25%.

Lithuanian CFC rules are applicable both to active income and income gained from financial activity (loan interest, financial lease, copyright remuneration etc.). However, active income of a foreign subsidiary is not attributed to income of the Lithuanian parent company provided that it satisfies the established requirements.

Thin capitalization rules
Interest and currency exchange losses on the debt in excess of the debt/ equity ratio of 4:1 are non-deductible for CIT purposes. This is applicable in respect of the debt capital provided by a creditor, who:

- directly or indirectly holds more than 50% of shares or rights (options) to dividends; or
- together with related parties, holds more than 50% of shares or rights (options) to dividends, and the holding of that creditor is not less than 10%.

Malta

CFC rules
In general, there are no CFC rules or thin capitalization rules.

Anti-abuse provisions
However, the Malta Income Tax Act provides for a number of anti-avoidance measures (such as in articles 51, 42 and 46). Probably the most encompassing is article 51, which is of general application and states that artificial or fictitious schemes can be disregarded. It is possible, however, to obtain advance certainty on whether article 51 will be invoked by the Revenue. Article 42 contains an "abuse of law" concept in the limited context of domestic investment income provisions. Article 46 provides, inter alia, for the re-characterization into dividends of amounts advanced by a company to shareholders or paid by the company in settlement of amounts due by shareholders to third parties.

Anti-abuse provisions as set out under 2.2. above apply for the purpose of determining the eligibility for participation exemption or full refund of tax.

Slovenia

CFC rules
There are no specific CFC rules.

Anti-abuse rule
General anti-abuse rule is prescribed in the Tax procedure Act. Subjects of taxation, the circumstances and facts that are essential for taxation shall be evaluated according to their economic substance. Legal form of the transaction might be ignored where the main purpose of establishing such a legal form is reducing tax liability. Thus, artificial or fictitious structures shall be disregarded for tax purposes.

Transfer pricing rules
Transactions between associated entities must be arm's length. The transfer pricing rules basically follow the OECD Transfer Pricing Guidelines. Nevertheless, the Tax administration followed the OECD Transfer Pricing Guidelines also before the new rules were adopted.

Thin capitalization rules
Thin capitalization rule is applicable. The debt-equity ratio is 4:1. Interest exceeding the ratio is not deductible for CIT purposes. The thin capitalization rule is applicable for associated enterprises who directly or indirectly hold at least 25 % of business share or voting rights in a taxpayer. From January 1st 2014 on the thin capitalization rule applies also for sister companies.

The thin capitalization rule applies also in cases where associated enterprise gives a guarantee for loans received by a Bank or third party.

Croatia

CFC rules
There are no specific CFC rules.

Transfer pricing rules
The Croatian CIT Law prescribes that all business transactions between related parties, one of which is a resident while the other is a non-resident, must be effected at arm's length, that is, at "fair market value". Following from this principle, should a company through a transfer pricing transaction pay more for a service to a non-resident related party than what would be considered a "fair market value" in accordance with the Croatian CIT law, then the excess amount of the transaction would not be a deductible expense for the resident company for CIT purposes.

Please note that the Croatian taxation legislation contains a very broad definition of "related party", as it defines "related parties" as parties whereby one of the parties directly, or indirectly, participates in the management, supervision or capital of the other (and on that basis may control and/or influence the prices to be agreed in a certain transaction); or, where the same persons (one of which is a Croatian resident company and the other one is a non-resident company) participate in the management, supervision or capital of another company.

Lithuania	Malta	Slovenia	Croatia
This rule is not applicable if a taxpayer proves that the same loan could exist between unrelated parties under the same conditions. Financial institutions providing financial leasing services are not affected by this rule. Notably, thin capitalization also applies to interest variable depending on the profits or turnover of the company and costs of currency exchange results. Furthermore, it should be noted that under Lithuanian company law, the interest rate on shareholders' loans may not exceed the average bank interest rate valid in the location of the lender's business. Transfer pricing rules Transactions between associated entities must be at arm's length. The regulations have been prepared following the OECD Transfer Pricing Guidelines.		The thin capitalization rule is not applicable if a taxpayer is able to prove that may get the loan also from a non-associated enterprise under comparable conditions.	The transfer pricing rules basically follow the OECD Transfer Pricing Guidelines. Please note, that TP rules also apply to transactions effected between domestic related parties if one of the parties: • is in a tax loss position; or • has a preferential tax rate. **Thin capitalization rules** The Croatian CIT Law provides that interest on loans provided by shareholders with a 25% or more holding in a Croatian company is not deductible for CIT purposes if the amount of the loan exceeds four times the amount of the equity holding for that shareholder (i.e. a 4:1 safe harbor). The Croatian CIT regulations clarify that the non-deductibility treatment is applicable to interest that corresponds to the amount of a shareholder's loan in excess of the safe harbor. The thin capitalization provisions also apply to loans granted from third parties that are guaranteed by a direct shareholder. The above-mentioned thin capitalization rules do not apply to shareholders that are financial institutions (as defined by the Croatian legislation). Please note that as of 2014 thin capitalization provisions apply to financing provided by all related parties (and not only to direct shareholders).

6. Tax and investment incentives

Lithuania	Malta	Slovenia	Croatia
Exemption from CIT for first 6 years and reduction of CIT by 50% for the next 10 years may be enjoyed by companies established and operating in Lithuanian free economic zones. The taxable profit of legal entities running investment projects, i.e. investing in the fixed assets intended for the production of new, additional products or the provision of new, additional services or for the increase of production (or service provision) capacities, or for the introduction of a new production (or service provision) process, or for the substantial change of an existing process (or its part), as well as for the introduction of technologies protected by international invention patents, may be reduced by up to 50%. As of 1 January 2014, Lithuanian entities and permanent establishments situated in Lithuania donating to film industry may deduct up to 75% of donation from its taxable income provided that the following conditions are met: (i) at least 80% of the expenses of the film or its' part are incurred in Lithuania; and (ii) all expenses incurred in Lithuania are not less than LTL 150,000; and (iii) no more than 20 % of the expenses of the film are financed from donations. Moreover the taxable profit may be reduced by the donated amount but no more than 75%.	A number of investment incentives are available to enterprises carrying on certain prescribed qualifying business activities such as the manufacturing or processing of goods in Malta or the production of feature or television films, advertising programs, commercials, and/or documentaries. Malta Enterprise Corporation also offers the following incentives: • an incentive for foreign investors already operating in Malta to increase the scope of their existing operations to such areas as legal, financial, back office, logistical, research and development, marketing and sales and prototyping services; • an incentive to attract new foreign companies to set up shared services centres in areas such as call centres, software development, digital gaming, human resources, accounts and finance management, market research and internet publication; • There is also an exemption in the case of royalty or similar income derived from patents in respect of inventions, copyright or trademarks. There are also tax incentives aimed at particular sectors such as the shipping and aviation sectors. In the case of the shipping industry, Malta operates the tonnage tax regime by virtue of which income derived from shipping activities is exempt from tax. In the case of the aviation sector, specific legislation caters for allowances, exemptions and investment tax credits that are specific to the aviation industry.	Investment incentive of 40% for the investments in certain equipment or intangible assets (CIT act amended in April 2012). 100% investments or costs in R&D are recognized as incentive and lower the taxable base. For the unused part of the incentives in the tax period concerned, the taxpayer may reduce the tax base in the subsequent five tax periods.	The Croatian parliament on 21 September 2012 enacted the new IP Law to stimulate economic growth in Croatia and to promote economic development, as well as to increase competitiveness within the Croatian business community by granting certain tax, customs and monetary incentives, an overview of which we will provide in the next section. The law is harmonized with the EU Guidelines on National Regional Aid (OJ C 1998, OJ C 2006) and the European Commission's Multi-sectorial Framework on Regional Aid for Large Investment Projects (OJ C 2002). Investment incentives will apply to the investments and improvements in the following activities: • Production and processing activities; • Development and innovation activities; • Business support activities; and • High added value activities. The IP Law provides for preferential CIT rates, depending on the value of the investment and the number of newly employed personnel. In addition the law also amongst others provides for: • Customs incentives; • Employment incentives; • Incentives for the development and innovation activities, business support activities and high-added value activities; and • Incentives for capital expenses of investment project.

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