LOYENS & LOEFF

Taxation of cross-border investments in and from CEE countries 2018

Including comparison with Loyens & Loeff home jurisdictions

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Introduction

Loyens & Loeff

Loyens & Loeff is a leading firm and a natural choice when selecting a legal and tax partner if you are doing business in or from our home markets of the Netherlands, Belgium, Luxembourg and Switzerland. Our expertise includes the tax and legal aspects of mergers and acquisitions, restructurings, IPOs, structured and project financing, real estate investments, leasing transactions, intellectual property rights and much more. With a hundred-year track record of international (corporate) tax advice, today our team consists of high-level specialists including 350 international tax lawyers and 500 corporate/regulatory lawyers working from our offices in all the major global financial centres.

Through this integrated office network, you have access to Loyens & Loeff's full-service legal expertise across multiple time zones, complemented by our many country desks, each of which boasts specialists experienced in structuring investments around the world. And our reach goes further still, leveraging strong, long-standing relationships with other leading independent law firms and tax consultants in Europe, the United States, Russia and beyond.

This makes Loyens & Loeff the logical choice for large and medium-size enterprises, as well as banks and other financial institutions that operate on the international stage. The evidence is clear, with Loyens & Loeff winning the Who's Who Global Corporate Tax Firm 2016 Award and coming out top for tax advice in the 2015 editions of Legal 500, Chambers Global, Chambers Europe and World Tax.

A team for Central and Eastern Europe (CEE)

Since the accession of many new countries to the European Union, there has been an increase in the flow of inbound and outbound investments across these new member states. In order to establish a clearer picture of developments in the CEE region, Loyens & Loeff in 2002 created a dedicated team of expert attorneys and tax advisers, each with extensive experience in advising clients on transactions specifically relating to the CEE market.

The CEE team has since been involved in many investment structures taking place in the newer EU countries, in no small part due to the fact that the Netherlands and Luxembourg often provide an ideal location for (intermediary) holdings or financing companies.

A comparison of CEE countries

The CEE team has developed and maintained this concise and practical publication so tax practitioners can compare the main features of the tax regimes of our home markets and the most recent members of the European Union (listed below). It is intended as a tool for an initial comparison, with specific reference to holding companies that may also engage in financing and/or licensing activities, taking into account the impact of EU GAAR. This document should not be used as a substitute for obtaining local tax advice.

We hope that this publication will find its permanent place on the desks of practitioners involved in international tax planning in relation to these countries, and we gratefully acknowledge the contributions of each firm (listed below) who provided information on the various jurisdictions.

Additional information regarding the regimes in the selected jurisdictions may be obtained by contacting the undersigned or the contributing firms via their websites shown below.

Belgium	Loyens & Loeff	loyensloeff.com
Bulgaria	Djingov, Gouginski, Kyutchukov & Velichkov	dgkv.com
Croatia	LeitnerLeitner	leitnerleitner.hr
Cyprus	Elias Neocleous & Co LLC	neo.law
Czech Republic	White & Case LLP	whitecase.com
Estonia	Sorainen	sorainen.ee
Hungary	Jalsovszky	jalsovszky.com
Latvia	Sorainen	sorainen.lv
Lithuania	Sorainen	sorainen.lt
Luxembourg	Loyens & Loeff	loyensloeff.com
Malta	Francis J. Vassallo & Associates Limited	fjvassallo.com
Poland	MDDP Tax Advisory Company	mddp.pl
Romania	Nestor Nestor Diculescu Kingston Petersen	nndkp.com
Slovakia	PRK Partners s.r.o.	prkpartners.sk
Slovenia	LeitnerLeitner	leitnerleitner.com
Switzerland	Loyens & Loeff	loyensloeff.ch
The Netherlands	Loyens & Loeff	loyensloeff.com

The information contained in this publication is based on the applicable laws in effect as per 1 January 2018.

Yours sincerely,

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LOYENS LOEFF

Part I

Belgium, the Netherlands, Luxembourg, Switzerland

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

Belgium

Capital tax
There is no capital contribution tax in Belgium.

Stamp duty
There is a flat fee of EUR 50.

Real estate transfer tax
The sale of real estate in full ownership (or the sale of residual property rights, such as usufruct or bare ownership) is subject to a 10% (Flemish region) or 12.5% (Brussels Capital and Walloon Regions) transfer tax, unless VAT applies. A contribution of real estate into a company compensated with shares is exempt from transfer tax unless it concerns a private dwelling, subject to conditions. This transfer tax is computed on the acquisition value of the real estate or its fair market value, whichever is higher.

The Netherlands

Capital tax
There is no tax on capital contributions in the Netherlands.

Stamp duty
There is no stamp duty in the Netherlands.

Real estate transfer tax
The transfer of Dutch real estate is subject to real estate transfer tax at the level of the acquirer. The tax rate is 6%. A 2% rate applies for residential units. The transfer of shares in an entity that holds at least 30% Dutch real estate may also be subject to real estate transfer tax.

Real estate tax
Real estate tax is due over the value as assessed by the municipality. The tax rate is a certain percentage of that value (rates may vary).

Luxembourg

Capital tax
There is no ad valorem tax on capital contributions in Luxembourg. The incorporation of a Luxembourg company is subject to a fixed registration duty of EUR 75.

Stamp duty
No ad valorem stamp duty is levied upon the transfer of shares in a Luxembourg company. Transfer of a receivable to a Luxembourg company should be monitored in order to avoid ad valorem registration duty.

Real estate transfer tax
In general, the transfer of ownership in Luxembourg real estate triggers aggregate transfer duty of 10% (for real estate situated in Luxembourg City) and 7% (for real estate located outside of Luxembourg City).
The aforementioned transfer duty will also be applicable upon indirect transfers of real estate via the transfer of interest in a partnership owning real estate. The transfer of real estate to a company in exchange for shares may benefit from reduced transfer duties. Certain exemptions are available regarding transfers occurring in the course of internal group reorganizations.

Switzerland

Capital tax
1% (stamp duty) of the amount contributed (fair market value) with a minimum equal to the nominal value of the shares issued.

Exemptions
Exemptions apply, inter alia, in the following cases:
- share capital up to an amount of CHF 1 million;
- immigration of a company; and
- on the basis of the Merger Act and a Circular issued by the Swiss federal tax authorities concerning the tax consequences of this law, exemptions are available for:
  (i) mergers, divisions transformations;
  (ii) contributions of separate business activity or qualifying participations, and
  (iii) financial restructurings up to an amount of CHF 10 million.

For exemptions based on the Merger Act and the Circular issued in relation thereto, it is highly recommended to obtain an advance tax ruling.

Stamp duty
See Section 2.3, sub-section 'Transfer stamp tax'.

Belgium	The Netherlands	Luxembourg	Switzerland
		Real estate tax Luxembourg municipalities levy a real estate tax on Luxembourg real estate based on the real estate's unit value. The unit value is determined pursuant to specific legislative provisions and is typically much lower than the actual market value (generally 5% to 10% of actual market value). The basic rate of real estate tax varies from 0.7% to 1% (depending on the classification of the property) and is multiplied by municipal coefficients fixed by each municipality which depends on the classification of the real estate (for Luxembourg city from 250% to 750%).	**Real estate transfer tax** No real estate transfer tax is levied at the federal level. Most cantons levy a real estate transfer tax. For the calculations of the tax, real estate is usually valued at its market value or fiscal value. Tax rates depend on the canton / community in which real estate is situated and vary from 0% to 3.5%. In addition to that, land register costs and tax fees on mortgages may apply. Exemptions may apply for mergers, divisions, transformations or other qualifying restructuring.

2. Corporate income tax (CIT)

2.1 CIT and wealth taxes

Belgium

29.58% (29% increased by a crisis surcharge of 2%). Please note that the government is contemplating a gradual general reduction of the CIT rate to 25%. The CIT rate will further decrease to 25% as from 2020. Under certain conditions, SMEs can benefit from a reduced rate of 20.4% on the first tranche of €100,000 taxable income.

Minimum taxable base

30% of the taxable income exceeding a first tranche of €1 million will qualify as a minimum effective taxable basis. The minimum taxable basis will be determined as follows:

1. The taxable basis is determined and (in this order) the following are deducted: exempt dividends, patent income deduction, innovation deduction and investment deduction.
2. If after those deductions, the remaining taxable basis exceeds €1 million, the following deductions can only be applied to 70% of the taxable basis exceeding €1 million, in the following order: the current year notional interest deduction, the carry-forward dividends received deduction, the carry-forward innovation deduction, the carry-forward losses, and finally, the carry-forward notional interest deduction.

The excess deductions are carried forward to the following years. An exception to the minimal taxable basis exists for carry-forward tax losses incurred by start-up companies during the first four taxable periods.

The Netherlands

25%

Reduced rate of 20% for the first EUR 200,000 of taxable profits.

The new Dutch government announced that it intends to reduce the CIT rates to 24% and 19% in 2019, 22.5% and 17.5% in 2020, and to 21% and 16% in 2021.

Wealth tax

There is no wealth tax in the Netherlands.

Luxembourg

Effective combined maximum rate applicable to profits is26.01% in 2018, of national CIT, municipal business tax (Luxembourg City rate) and contribution to the unemployment fund. In addition, companies that have an annual taxable income of maximum EUR 25,000 are subject to CIT at a reduced rate of 15%.

Minimum tax

As from 2016, the previously applied minimum corporate tax was abolished and replaced by a minimum annual net wealth tax.

Net wealth tax

Annual net wealth tax is levied on the net assets of a company as per January 1 of each year. The first EUR 500 million of taxable net wealth is taxed at a rate of 0.5% and a reduced rate of 0.05% applies to any excess.

Participations that qualify for the participation exemption on dividends are exempt from net wealth tax. See Section 2.2 below for the applicable conditions, except for the 12 months holding period requirement which is not applicable for the exemption from net wealth tax.

Switzerland

Taxes are levied at three levels, the federal, cantonal and communal levels.

Taxes are deductible for calculating taxable income. Consequently, effective tax rates are lower than the statutory rates.

Federal

The federal statutory CIT rate is 8.5%. The effective rate of federal CIT is approximately 7.8%.

Cantonal and communal tax

Rates vary per canton and municipality. The combined statutory cantonal and communal tax rates generally vary between 5% and 25%. The communal tax is levied as a percentage of the cantonal tax and follows the same rules.

Total

The total (federal, cantonal and communal) effective CIT rate generally ranges between 12% and 25%.

Capital tax (=net wealth tax)

Annual cantonal and communal capital tax is levied on the net equity of a company. The effective rates generally range between 0.001% and 0.18%.

Belgium	The Netherlands	Luxembourg	Switzerland
Notional interest deduction The notional interest deduction may further reduce the effective tax rate, depending on the company's equity position. The notional interest deduction allows Belgian companies to deduct a notional amount from their taxable income. The notional amount is calculated on the incremental risk capital which equals 1/5 of the positive difference between the net equity at the beginning of the year concerned and the net equity at the beginning of the fifth preceding year. Specific conditions apply. **Fairness tax** A holding company that is not considered a so-called small company according to the Belgian corporate law was subject to 'fairness tax' of 5.15% on its distributed dividends. The Belgian Constitutional Court however has declared the fairness tax unconstitutional. As a result of this decision, the fairness tax is not applicable anymore as of 1 January 2018.		**Minimum net wealth tax** Companies having their statutory seat or place of effective management in Luxembourg (i) whose assets consist for more than 90% of financial fixed assets, transferable securities and cash items ('Financial Assets') and (ii) exceeds EUR 350,000 are subject to an annual minimum net wealth tax of EUR 4.815. In case the two abovementioned thresholds are not met, the amount of minimum net wealth tax due depends on the balance sheet total of the taxpayer at the end of the relevant fiscal year, with a minimum of EUR 535 and a maximum of EUR 32,100.	

Belgium	The Netherlands	Luxembourg	Switzerland
Liquidation reserve A so-called small company according to the Belgian corporate law is, under certain conditions, allowed to include a 'liquidation reserve' in its financial accounts. Such 'liquidation reserve' is constituted of the profit after taxes of a certain financial year which is allocated to an unavailable reserve account. At the time the 'liquidation reserve' is reported in the financial accounts, that profit is taxed at a separate CIT rate of 10%, the so-called 'advanced taxation'. The advanced taxation relates to the financial year in which the 'liquidation reserve' has been reported in the financial accounts. **Minimum Remuneration** Each company that does not pay a minimum annual remuneration of the lower of € 45,000 or the taxable basis to one of its individual managers will have to pay a separate tax equal to 5% on the deficit. This separate tax does not apply to small companies during their first four tax periods and is tax deductible. For affiliated companies of which at least half of the directors are the same people, the total amount of the minimum director fee has to amount to EUR 75,000 and the separate tax would be due by the company with the highest taxable basis.			

Belgium	The Netherlands	Luxembourg	Switzerland
Wealth taxes There is in principle no general wealth tax in Belgium. The Belgian Parliament adopted an act introducing a tax on securities and trading accounts. It concerns an annual tax of 0.15% on certain financial instruments held by Belgian residents and non-residents on Belgian or foreign securities and trading accounts that have a value in excess of € 500,000. The tax would be due for the first time in 2018.			

2.2 Dividend regime (participation exemption)

Belgium	The Netherlands	Luxembourg	Switzerland
Dividends received are fully exempt from CIT if the participation meets the following cumulative conditions: i. minimum participation of at least 10% or with acquisition value of EUR 2.5 million; ii. held (or commitment to hold) in full property for at least 12 months; iii. subject-to-tax requirement: dividends will not be exempt if distributed by: a) a company that is not subject to Belgian CIT or to a similar foreign CIT or that is established in a country, the normal tax regime of which is substantially more advantageous than the normal Belgian tax regime; b) a finance company, a treasury company or an investment company subject to a tax regime that deviates from the normal tax regime; c) a regulated real estate company or a non-resident company (i) the main purpose of which is to acquire or construct real estate property and make it available on the market, or to hold participations in entities that have a similar purpose, (ii) that is required to distribute part of its income to its shareholders, and (iii) that benefits from a regime which deviates from the normal tax regime in its country of residence; d) a company receiving foreign non-dividend income that is subject to a separate tax regime deviating from the normal tax regime in the company's country of residence;	Dividends are fully exempt from CIT under the participation exemption if the following requirements are met: i. the holding company itself or a related party holds a participation of at least 5% of, generally, the nominal paid-up share capital (or, in certain circumstances, 5% of the voting rights) of a company with a capital divided into shares (the 'Minimum Threshold Test'). If a qualifying participation drops below the threshold of 5%, this requirement will be considered to be met for a period of three years, provided that the participation qualified for the participation exemption for an uninterrupted period of at least one year prior thereto; ii. one of the following three tests is met: a) the holding company's objective with respect to its participation is to obtain a return that is higher than a return that may be expected from regular asset management (the 'Motive Test'). The Motive Test is a facts-and-circumstances test that will be met when the holding company aims to obtain a return on its subsidiary that exceeds a portfolio investment return. This is generally considered to be the case, for instance, if the holding company interferes with the manage- ment of the subsidiary or if the holding company (or its parent company) fulfils an essential function for the benefit of the business enterprise of the group.	Dividends (including liquidation distributions) derived from a participation are fully exempt from CIT if the following cumulative conditions are met: – a minimum participation of at least 10% or with an acquisition price of at least EUR 1.2 million is held; – the participation is held in (i) a capital company that is fully subject to Luxembourg CIT or a comparable foreign tax (i.e. a tax rate of at least 9% and a comparable tax base; a 'Comparable Tax') or (ii) an EU entity that qualifies for the benefits of the EU Parent-Subsidiary Directive; and – on the distribution date, the holding company must have held a qualifying participation continuously for at least 12 months (or must commit itself to hold such a participation for at least 12 months). See, however, under Section 5 below regarding the potential application of the GAAR and the anti-hybrid rule to income derived from EU entities that fall within the scope of the EU Parent-Subsidiary Directive.	For dividends, relief from federal, cantonal and communal income tax is granted ('Participation Reduction') in case: – dividends derived from a participation of which at least 10% of the nominal share capital is held; – dividends derived from profit rights to at least 10% of the profits and reserves; or – the shares have a fair market value of at least CHF 1 million. Relief is granted in the form of a reduction of tax for the part that is attributable to the 'net dividends' (and 'net capital gains'; see Section 2.3 below). The 'net dividends' (and 'net capital gains') are calculated as the sum of dividends (and capital gains) derived from qualifying participations less a proportional part of the finance expenses and less related general expenses. Related general expenses are deemed to be 5% of the participation income, unless a lower amount can be demonstrated. On the cantonal and communal level, a holding company can benefit from a special tax regime entailing a full tax exemption on all its income (the 'Holding Status'), provided that: (i) the statutory purpose of the company is the long-term management of participations; (ii) the company has no commercial activities in Switzerland; and (iii) the company's assets consist of at least 2/3 participations or it has at least 2/3 participation income.

Belgium	The Netherlands	Luxembourg	Switzerland
e) a company realising profits through one or more foreign branches subject in global to a tax assessment regime that is substantially more advantageous than the Belgian regime; f) an intermediary company (re)distributing dividend income of which 10% or more is ‘contaminated’ pursuant to the above rules; g) a company, to the extent it has deducted or can deduct such income from its profits; or h) a company, that distributes income that is related to a legal act or a series of legal acts, of which the tax administration has demonstrated, taking into account all relevant facts and circumstances and except proof to the contrary, that the legal act or series of legal acts are not genuine (i.e., that are not put into place for valid commercial reasons which reflect economic reality) and have been put in place with the main goal or one of the main goals to obtain the deduction or one of the benefits of the Parent-Subsidiary Directive in another Member State of the European Union. The Belgian tax authorities have published a list of countries the standard tax regime of which is deemed to be substantially more advantageous than the Belgian regime. Generally, this will be the case if the standard nominal tax rate or the effective tax rate is lower than 15%. However, the tax regimes of EU countries are deemed not to be more advantageous, irrespective of the applicable rates.	If more than 50% of the consolidated assets of the subsidiary consist of shareholdings of less than 5%, or if the subsidiary (together with its subsidiaries) predominantly functions as a group financing, leasing or licencing company, the Motive Test is deemed to be failed; b) the direct and indirect assets of the subsidiary generally consist of less than 50% of ‘low-taxed free passive investments’ (the ‘Asset Test’). An asset is a ‘low-taxed free passive investment’ if (i) it is a passive investment that is not reasonably required within the enterprise carried out by its owner and (ii) the income from such asset is effectively taxed at a rate of less than 10%. Real estate is always considered to be a good asset for purposes of the Asset Test (regardless of its function within the owner’s enterprise and regardless of taxation). For purposes of the 50% threshold of the Asset Test, the fair market value of the assets is decisive. Assets that are used for group financing, leasing or licensing activities are generally deemed to be passive, unless they form part of an active financing or leasing enterprise as described in Dutch law, or are for 90% or more financed with loans from third parties; or	**Impact EU GAAR** Effective 1 January 2016, the general anti- abuse rule (GAAR) and the anti-hybrid rule in the EU Parent-Subsidiary Directive were implemented into Luxembourg domestic law. Pursuant to the GAAR, the participation exemption and the dividend withholding tax exemption in respect of dividends received from / paid to an EU entity that falls within the scope of the EU Parent-Subsidiary Directive is denied in case the main or one of the main purposes of an arrangement is to obtain a tax advantage that would defeat the object or purpose of the EU Parent-Subsidiary Directive and such arrangement lacks economic reality, i.e. is not ‘genuine’ but instead a purely artificial arrangement. Pursuant to the anti-hybrid rule, the participation exemption in respect of dividend income derived from an EU entity that falls within the scope of the EU Parent- Subsidiary Directive does not apply if and to the extent the payment is deductible in the jurisdiction of the EU payer.	It is expected that the Holding Status will be abolished as of 1 January 2020 (expected) during the so-called Swiss Tax proposal 17 (TP 17). Possibility for tax neutral step-up in asset basis (advance tax ruling is recommended to obtain legal certainty). Companies not qualifying for the Holding Status can still benefit from tax relief in the form of the Participation Reduction on the federal, cantonal and communal level under the above-mentioned conditions. The Participation Reduction indirectly leads to a full exemption from CIT on dividends derived from qualifying participations if properly structured. **Impact EU GAAR** The EU GAAR is not applicable for Switzerland as Switzerland is not part of the EU. However, Switzerland has an established practice of the Swiss federal supreme court regarding tax avoidance. A transaction is disregarded for Swiss tax purposes based on this practice if: (i) the legal form chosen by the participants is abnormal, peculiar or artificial, in all cases, completely inappropriate to the economic facts (objective element); (ii) the decision regarding legal form appears to be chosen solely with the intention of receiving a tax benefit, i.e. no other than tax benefit reasons were relevant for such decision (subjective element); and

Belgium	The Netherlands	Luxembourg	Switzerland
Note that under circumstances exceptions to one or some of the subject-to-tax requirements are available for e.g. EU-based finance companies and investment companies that redistribute at least 90% of their net income. Also for certain intermediary companies, exceptions to the exclusion from the participation exemption may apply. The same is true for companies with low taxed foreign branches. **Impact EU GAAR** Directives 2014/86/EU and 2015/121/EU were implemented in Belgium by introducing anti-hybrid and GAAR provisions in both the dividends received deduction (see above) and the provisions regarding the withholding tax exemption on dividends.	c) the subsidiary is subject to an adequate levy according to Dutch tax standards (the ‘Subject-To-Tax Test’) Generally a participation is considered to be subject to an adequate levy if it is subject to a tax on profits levied at a rate of at least 10%. However, certain tax base differences, such as the absence of any limitations on interest deduction, a too broad participation exemption, deferral of taxation until distribution of profits, or deductible dividends, may cause a profit tax to disqualify as an adequate levy, unless the effective tax rate according to Dutch tax standards is at least 10%. If the Minimum Threshold Test, as referred to in 2.2 (i) hereof, is met but the remaining conditions of the participation exemption are not, a credit will be granted for the underlying tax paid by the participation at a maximum rate of 5% (except for qualifying EU participations, for which the actual tax can be credited). Based on case law, the participation exemption also applies to option rights and warrants if, upon exercise, the holder would hold a qualifying participation; and iii. the payment received from the subsidiary is not deductible for CIT purposes in the country of the subsidiary.	Even if the GAAR and/or anti-hybrid rule is applicable, the participation exemption can still apply if the EU subsidiary meets the Comparable Tax test. Note that many tax treaties concluded by Luxembourg grant a participation exemption for dividends under conditions different than those listed above. Once the minimum threshold and holding period are met, newly acquired shares of a qualifying participation will immediately qualify for the participation exemption. Dividends (excluding liquidation distributions) derived from a participation which meets the subject-to- tax requirement, but not (all of) the remaining conditions, are exempt for 50%. Such partial exemption only applies if the participation is held in a company that is resident in a treaty country or is a qualifying entity under the EU Parent-Subsidiary Directive.	(iii) the method chosen by the participants had effectively lead to a substantial tax benefit (factual element). Whether the Swiss tax avoidance practice applies in connection with a transaction, it is subject to a specific analysis of the circumstances in each case.

Belgium	The Netherlands	Luxembourg	Switzerland
	Impact EU GAAR The Netherlands did not implement the EU GAAR into the participation exemption regime for inbound dividends. In addition, the Dutch government takes the position that bilateral tax treaties concluded by the Netherlands are in principle not affected by the implementation of the EU GAAR. However, the anti-hybrid rule in the EU Parent-Subsidiary Directive was implemented into the Dutch participation exemption regime and applies as from 1 January 2016. As a result, the participation exemption does not apply to remunerations of or payments by a body in which the participation is held insofar this remuneration or payment can by law or in fact be deducted directly or indirectly from the base of the profit tax levied.		

2.3 Gains on shares (participation exemption)

Belgium	The Netherlands	Luxembourg	Switzerland
Gains realised by the holding company on the alienation of shares are fully exempt from Belgian CIT, to the extent that potential income derived from those shares would be exempt under the dividend participation exemption (see 2.2 above) and provided that the shares have been held in full property for at least 12 months. Only the net gain realised will be exempt, i.e. after the deduction of the alienation costs (e.g. notary fees, bank fees, commissions, publicity costs, consultancy costs, etc.). A specific anti-abuse provision applies to capital gains on shares following a temporarily tax-exempt exchange of shares at the occasion of which the subject-to-tax requirement was not fulfilled. The minimum participation requirement does not apply to insurance and reinsurance companies that hold participations to hedge their liabilities. Any holding company that meets the minimum participation and the 'subject- to-tax' requirement but that does not meet the requirement to hold the shares in full property for at least 12 months, is subject to tax at a rate of 25.75% (25% increased by a crisis surcharge of 3%) tax on gains realised on the alienation of those shares.	Gains realised on the alienation of a participation (including foreign exchange results) are fully exempt from CIT under the same conditions as described under Section 2.2 above for dividends. Gains realised on option rights and warrants are exempt pursuant to the participation exemption if, upon exercise, the holder would hold a qualifying participation.	Gains (including currency exchange gains) realised on the alienation of a participation are exempt from CIT under the following conditions: – a minimum participation of 10% or with an acquisition price of at least EUR 6 million is held; – the participation is held in (i) a capital company that is fully subject to Luxembourg CIT or a comparable foreign tax (i.e. a tax rate of at least 9% and a comparable tax base) or (ii) an EU entity qualifying under the EU Parent- Subsidiary Directive; and – on the date on which the capital gain is realised, the holding company has held a qualifying participation continuously for at least 12 months (or must commit itself to hold such a participation for at least 12 months). Once the minimum threshold and holding period are met, newly acquired shares of a qualifying participation will immediately qualify for the participation exemption. The capital gains exemption described in this paragraph does not apply to the extent of previously deducted expenses and write-offs relating to the respective participation (recapture). Such a recapture can in principle be offset against any carry forward losses (e.g. resulting from previously deducted expenses and write-offs).	For capital gains, relief from federal, cantonal and communal income tax is granted in the form of the Participation Reduction (see Section 2.2 above) under the following conditions: – the shares disposed of represent at least 10% of the participation's nominal share capital or the capital gain derives from profit rights to at least 10% of the profits and reserves; and – the shares or profit rights disposed of must have been held for at least 12 months. If, after the sale of at least 10% of a qualifying participation, the remaining participation falls below the 10% threshold, relief from federal tax will still apply if the fair market value of the remaining participation is at least CHF 1 million. On the cantonal and communal level, a holding company can qualify for the Holding Status, entailing a full tax exemption on all its income. See Section 2.2 above for the conditions and contemplated changes in the future. Companies not qualifying for the Holding Status can still benefit from tax relief in the form of the Participation Reduction on the federal, cantonal and communal level if the conditions mentioned above are met. The Participation Reduction indirectly leads to a full exemption from CIT on capital gains derived from qualifying participations if properly structured.

Belgium	The Netherlands	Luxembourg	Switzerland
Unrealised gains Unrealised gains are exempt from CIT (i) to the extent that they are booked in an unavailable reserve account and (ii) to the extent that – should the gains not be booked – they do not correspond to previously deducted losses. If shares are later disposed of, the reserve account can be released without triggering any CIT, provided the gain relates to a participation that meets the 'subject-to-tax' requirement described above.		The anti-hybrid rule and the GAAR do not apply to the capital gains exemption described above.	**Transfer stamp tax** The transfer of ownership of taxable securities can be subject to transfer stamp tax at a rate of up to 0.15% on securities issued by a Swiss issuer and up to 0.3% on securities issued by a non-Swiss issuer, calculated on the fair market value of the securities transferred if a Swiss securities dealer for transfer stamp tax purposes is a party or an intermediary to the transaction. Shares, bonds, notes, participation certificates and profit sharing certificates in Swiss or in foreign corporations, as well as participations in limited liability companies or cooperatives and collective investment schemes are considered taxable securities. Swiss companies owning taxable securities with a book value in excess of CHF 10 million qualify as securities dealers for transfer stamp tax purposes. A number of exemptions are available to facilitate intra-group reorganisations.

2.4 Losses on shares

Belgium	The Netherlands	Luxembourg	Switzerland
Losses incurred on a participation, both realised and unrealised, cannot be deducted, except for (realised) losses incurred upon liquidation of the subsidiary up to the amount of the paid-up share capital of that subsidiary.	Losses on shares qualifying for the participation exemption are not deductible, except in the event of a liquidation of the participation (subject to stringent conditions). Losses incurred on option rights and warrants are not deductible in case the participation exemption applies in respect of such option rights and warrants. See Section 2.3 above.	Losses on the disposal of shares qualifying for the participation exemption are tax deductible. Write-offs on a participation (including currency exchange losses) are deductible in a year, to the extent the write-offs exceed the tax exempt income realised from said participation in the same year. Tax deductible write-offs may be recaptured in a future year if a capital gain is realized on the alienation of the respective participation. See Section 2.3 above. Note that impairments on receivables granted to a participation are assimilated to a write-off of the participation and subject to the same rule of recapture.	Losses are deductible, unless anti-abuse rules apply. Losses can be carried forward for seven years. Loss carry back is not possible. Upon realisation of a capital gain, any earlier depreciation needs to be recovered before applying the participation reduction. Write-downs of qualifying participations can be scrutinised by the tax authorities and added back to taxable profit in case they are no longer justified.

2.5 Costs relating to the participation

Belgium	The Netherlands	Luxembourg	Switzerland
Costs relating to the acquisition and/or the management of the participation are deductible under the normal conditions. Such costs generally include interest expenses related to acquisition debt. However, a debt-to-equity ratio of 5:1 should be observed for loans granted by, e.g., related companies. Certain exceptions exist.	Costs relating to the acquisition or the sale of a participation are not deductible. Other costs relating to the participation, such as interest expenses on acquisition debt, are in principle tax deductible. However, the deduction of expenses on acquisition debt may be restricted pursuant to one of the following rules: – the acquisition debt rules, which restrict, under certain circumstances, the deduction of expenses on debt incurred in connection with the acquisition, or increase, of an interest in a Dutch target company, where the target company (i) is included in a CIT consolidation with the acquirer; or (ii) enters into a legal (de)merger with the acquirer as a result of which the acquisition debt and the assets of the target company are, for CIT purposes, held by the same entity; – the excessive participation interest rules, which restrict the deduction of excessive financing costs with respect to participations qualifying for the participation exemption. As a general rule, excessive participation interest exists if the aggregate historic cost price of the participations exceeds the fiscal equity of the taxpayer. The excessive participation interest is non-deductible if and to the extent it exceeds EUR 750,000 per year;	Costs relating to a qualifying participation are generally deductible. However, the deduction of such costs is permitted only to the extent that they exceed the exempt income derived from the respective participation in that year. Note that the deducted costs may be recaptured if a capital gain is realised on the alienation of the respective participation. See Section 2.3 above.	All expenses are in principle deductible. However, due to the method used for calculating the Participation Reduction (see Section 2.2 above), expenses that are allocable to dividends and capital gains derived from qualifying participations are effectively not deductible. Certain debt-to-equity ratios and safe harbour interest rules may apply.

Belgium	The Netherlands	Luxembourg	Switzerland
	– the anti-base erosion rules which restrict, under certain circumstances, the deduction of expenses on related party debt incurred in connection with certain tainted transactions, including the distribution of a dividend to a related party, or the acquisition of shares in a company which is a related party following the acquisition; or – the hybrid debt criteria, as developed under case law. Subject to advance confirmation from the Dutch tax authorities, the participation exemption will apply upon request to gains and losses on financial instruments entered into by the Dutch holding company to hedge its currency risk with respect to its participations or acquisition debt.		

2.6 Currency exchange results

Belgium	The Netherlands	Luxembourg	Switzerland
Currency exchange gains and losses realised on cash and receivables are taxable / deductible in accordance with the ordinary CIT provisions. Currency exchange results realised in relation to other assets are taxed in accordance with the tax provisions applicable to such assets. For example, currency exchange gains / losses realised in relation to capital gains / losses realised on shares are exempt / non-deductible.	Currency exchange gains and losses are in principle taxable / deductible. Certain exceptions apply, e.g. if the currency exchange result relates to a subsidiary that qualifies for the participation exemption.	In general, currency exchange results are recognised for tax purposes as either taxable income or tax deductible expenses. Exchange gains realised in respect of qualifying participations are tax exempt whereas previously deducted exchange losses in respect of a qualifying participation are tax deductible to the extent such exchange loss exceeds tax exempt income from the relevant participation in the same year but subject to the recapture rule. See Section 2.3 above.	Swiss resident companies can use a different currency than Swiss Francs (CHF) as functional currency. Translation differences that arise from the translation of financial statements kept in another functional currency (e.g. USD or EUR) into Swiss Francs presentation currency are, in principle, tax neutral for corporate income tax purposes. Such translation differences should be recognised in the company's equity. Currency exchange results that arise from transactions (transaction in another currency than functional currency) have an influence on the company's net income.

2.7 Tax rulings

Belgium	The Netherlands	Luxembourg	Switzerland
The application of the participation exemption regime does not require obtaining a ruling, although in principle this would be possible. As from 1 January 2017, Belgium (and all other EU Member States) is required to automatically exchange certain information on cross-border tax rulings and advanced pricing agreements (APAs) issued on or after 1 January 2017. In addition, certain tax rulings and APAs issued, amended or renewed after 1 January 2012 that were still valid on or after 1 January 2014 are also subject to exchange. Belgium is technically not yet required to automatically exchange tax rulings and APAs since it did not implement this requirement into domestic tax law as per today. However, the Minister of Finance has announced that the Belgian tax authorities will automatically exchange cross-border rulings and APAs issued as from 1 January 2015. Belgium has also committed itself to exchange cross-border rulings and APAs issued as from 1 January 2010 if still valid on or after 1 January 2014. This commitment was made in the OECD framework regarding the mandatory exchange information on tax rulings. The categories of tax rulings on which information must be exchanged are identified in the OECD BEPS Action 5 Final Report.	The application of the participation exemption regime does not require obtaining an advance tax ruling (ATR), although this is possible. ATRs are regularly granted in relation to the participation exemption, non-resident taxation and the dividend withholding taxation rules (see Sections 3.1 and 4 below). As from 1 January 2017, the Netherlands is required to automatically exchange certain information on tax rulings and advanced pricing agreements (APAs) issued on or after 1 January 2017. In addition, the Netherlands did also exchange certain tax rulings and APAs issued, amended or renewed after 1 January 2012.	Luxembourg law provides for the possibility to request confirmation from the tax authorities in relation to the application of Luxembourg tax law to an anticipated transaction. Such request may relate to, among others, the application of the participation exemption (e.g. the comparable tax test), transfer pricing matters and any other tax matters that may be relevant for a holding company (e.g. financing). A request for confirmation is subject to payment of a fee to the authorities ranging from EUR 3,000 to EUR 10,000 (depending on the complexity of the request). Any confirmation obtained is binding on the tax authorities and is valid for a period of maximum five fiscal years (subject to accuracy of the facts presented, subsequent changes to the facts and changes in national, EU or international law). In respect of debt-funded intragroup finance activities, certain conditions must be met in order to obtain advance confirmation. Luxembourg is required to automatically exchange certain information on tax rulings and advanced pricing agreements within the EU.	The application of the Participation Reduction has to be claimed in the tax return and does not require a tax ruling. Similarly, the cantonal / communal Holding Status (see Sections 2.2 and 2.3 above) has to be claimed in the tax return and does not require a tax ruling. However, in practice, it is advisable to request a tax ruling for application of the Holding Status in advance. Switzerland started spontaneously exchanging information on advance tax rulings as of 1 January 2018 for tax years 2018 onwards. Not only new rulings but also existing rulings applicable as from 1 January 2010 that are still applicable on 1 January 2018 are subject to the spontaneous exchange. The spontaneous exchange of information on advance tax rulings by Switzerland is based on the OECD Convention on Mutual Administrative Assistance in Tax Matters (MAC) and exchange may take place to the countries where the MAC has entered into force. The MAC as well as the required Swiss domestic legislation (the Swiss Tax Administrative Assistance Ordinance) for the spontaneous exchange of information on advance tax rulings entered into force in Switzerland on 1 January 2017.

Belgium	The Netherlands	Luxembourg	Switzerland
			Rulings which will be subject to the spontaneous exchange of information include, inter alia, rulings that carry a significant risk of base erosion and profit shifting such as, inter alia, ruling confirming the application of Swiss tax regimes (holding, domiciliary, mixed, principal company tax status, Swiss finance branch regime), unilateral transfer pricing rulings or rulings regarding the attribution of income to a permanent establishment.

2.8 Loss carry over rules

Belgium	The Netherlands	Luxembourg	Switzerland
Carry back Loss carry back is not permitted in Belgium. **Carry forward** The ordinary losses may be carried forward indefinitely. In case of mergers / demergers the carry forward losses are reduced in accordance with the fiscal net value of the newly formed / surviving company. In case of acquisition or change of control of a company, the losses carried forward are not deductible from the profits made during that taxable period, nor from profits made during subsequent taxable periods, unless it is proven that the change of control is justified by legitimate financial or economic needs of the company. The concept of 'legitimate needs' is not defined in the Belgian Income Tax Code. A circular from the Belgian tax authorities clarifies that 'legitimate needs' are deemed to be fulfilled when, in case of change of control of a company in financial or economic distress, there is conservation of the employment and the activities exercised by the enterprise before the change of control.	Tax losses can generally be carried back one year, and carried forward nine years. Certain restrictions apply, for example with respect to holding company losses. A company generally qualifies as holding company if it is (almost) entirely engaged in holding participations and/or in (directly or indirectly) financing related entities during (almost) the entire relevant year. A holding company loss can generally only be offset against profits that qualify also as holding company profit, whereas the balance of intercompany receivables minus intragroup debts may not be increased (unless motivated by business reasons). Furthermore, restrictions apply if the ultimate interest in the taxpayer changed substantially (i.e. 30% or more) compared to the start of the oldest loss year. After such change, the losses will in principle be forfeited, unless certain conditions are met (amongst others, the total size of the taxpayer's activities should not be reduced to less than 30% and there is no intention to decrease the activities to less than 30%, compared to the activities at the beginning of the oldest loss financial year).	Loss carry back is not permitted in Luxembourg. Loss carry forward is limited in time to 17 years. Losses incurred prior to 2017 can be carried forward indefinitely.	Losses for tax purposes can be carried forward for a period of up to seven business years. No offset of losses carried forward in case of tax avoidance.

2.9 Group taxation for CIT purposes

Belgium	The Netherlands	Luxembourg	Switzerland
There is currently no group taxation regime for CIT purposes. Please note that a CIT consolidation regime is introduced as of 2019 which allows the deduction by a Belgian taxpayer of a tax loss incurred in Belgium by another qualifying taxpayer via a group contribution agreement.	The Netherlands has a group taxation regime for CIT purposes; the fiscal unity regime. A fiscal unity can be formed if (amongst other criteria) the Dutch parent entity holds at least 95% of the legal and economic ownership of each of the subsidiaries to be included. A fiscal unity can also be formed between two Dutch sister entities with an EU parent entity and between a Dutch parent entity and its indirect Dutch subsidiary, which is held through an EU entity. Under the fiscal unity regime, CIT is levied from the parent entity, as if the fiscal unity entities are one entity. This means that losses of one entity can, within the fiscal unity, be offset against profits of another entity within the fiscal unity. Intragroup transactions are in principle disregarded within the fiscal unity. Several anti-abuse rules apply, for example regarding offsetting (pre-)fiscal unity losses and shifting assets with hidden reserves within the fiscal unity. On 22 February 2018, the Court of Justice of the European Union delivered its verdict in two Dutch cases about the consequences of an earlier CJEU judgment for the Dutch fiscal unity regime (C-398/16 and C-399/16). The State Secretary for Finance has announced that certain benefits of the fiscal unity regime will be removed so that there is no difference between Dutch companies in the fiscal unity and non-resident companies. These rules will enter into force retroactively as from 25 October 2017.	Fiscal unity (on a 'vertical' or 'horizontal' basis) is possible for corporate income tax and municipal business tax but not for net wealth tax purposes. A fiscal unity must be requested for a period of at least five years. **Vertical fiscal unity** Taxable Luxembourg companies or Luxembourg permanent establishments of foreign companies (subject to a tax corresponding to Luxembourg corporate income tax)('Qualifying PE'), the shares of which are owned (directly or indirectly) for at least 95% by another taxable Luxembourg company or Qualifying PE, may form a vertical fiscal unity with the parent company. **Horizontal fiscal unity** Taxable Luxembourg resident sister companies or Qualifying PEs, the common parent (directly or indirectly) of which is neither a Luxembourg resident nor has a Luxembourg permanent establishment, may form a horizontal fiscal unity without their parent company. The aforementioned parent company (or its permanent establishment) must however be tax resident in the European Economic Area and be subject to a tax corresponding to Luxembourg CIT.	There is no group taxation system in Switzerland for corporate income tax purposes.

3. Withholding taxes payable by the holding company

3.1 Withholding tax on dividends paid by the holding company

Belgium

The domestic withholding tax rate on dividends and liquidation distributions is generally 30%, which may be reduced by virtue of tax treaties. Note that, under certain circumstances, a 'fairness tax' will be levied from the Belgian holding company upon distribution of dividends (see Section 2.1 above for details). The 'fairness tax' does not apply to liquidation distributions.

An exemption from withholding tax applies if the (liquidation) distribution is made to a parent company established in the EU or a tax treaty country, or to a Belgian permanent establishment of such a company, provided that the tax treaty (or another agreement) contains an exchange of information clause and provided that the EU/tax treaty company:

- holds (or commits to hold) a participation of at least 10% of the share capital of the distributing company for a period of at least one year;
- is tax resident in an EU country / tax treaty country under that country's domestic tax law and under the tax treaties concluded by that country with third countries;
- is incorporated in a legal form listed in the annex to the EU Parent-Subsidiary Directive or a similar legal form (for a tax treaty country); and
- is, in its country of tax residence, subject to CIT or a similar tax without benefiting from a regime that deviates from the normal tax regime.

The Netherlands

15%, which may be reduced by virtue of tax treaties to 0-10%.

As of 2018, the Netherlands has made substantial changes to its dividend withholding tax regime concerning (i) the treatment of Dutch cooperatives, and (ii) the introduction of a new broad exemption for distributions to substantial shareholders.

Profit distributions by a Dutch cooperative are not subject to Dutch dividend withholding tax, unless it concerns profit distributions by a so-called holding cooperative. A cooperative qualifies as a holding cooperative if its actual activities usually consist for 70% or more of holding participations or of group financing activities. This is determined based on balance sheet totals, but also taking into account types of assets and liabilities, turnover, profit generating activities and time spent by employees.

No Dutch dividend withholding tax is due on distributions to members of the cooperative that have an entitlement of less than 5% of the annual profits or the liquidation proceeds of the cooperative, alone or together with related persons or in a collaborating group.

Under the domestic rules, a 0% rate applies if a distribution is made by a Dutch company or cooperative to a substantial shareholder established in:

Luxembourg

The domestic dividend withholding tax rate is generally 15%, which may be reduced by virtue of tax treaties to, generally, 5%. A domestic exemption applies if:

(a) the dividend distribution is made to (i) a fully taxable Luxembourg resident company, (ii) an EU entity qualifying under the EU Parent-Subsidiary Directive, (iii) a permanent establishment of one of the above qualifying entities, (iv) a Swiss resident company subject to Swiss CIT without being exempt, (v) a company which is resident in an EEA country or a country with which Luxembourg has concluded a tax treaty and which is subject to a tax comparable to the Luxembourg corporate tax (i.e. a tax rate of 9.5% and a comparable tax base); (vi) a permanent establishment of a corporation or of a co-operative company resident in an EEA Member State other than an EU Member State; and

(b) the recipient of the dividend has held or commits itself to continue to hold a direct participation in the Luxembourg company of at least 10% or with an acquisition price of at least EUR 1.2 million for an uninterrupted period of at least 12 months (or must commit itself to hold such a participation for at least 12 months).

See Section 5 below regarding the potential application of the GAAR to dividend distributions to EU corporate shareholders.

Switzerland

35%, which may be (partially or fully) refunded by virtue of tax treaties or the Agreement between Switzerland and the EU on the automatic exchange of financial account information (CH/EU Agreement). For qualifying parent companies a reduction or exemption at source is possible under certain conditions.

If a distribution is made to a Swiss resident company, a full refund can be obtained or, in case a participation of at least 20% is held and a notification procedure is followed, an exemption at source can be obtained.

Furthermore, under the tax treaties with various countries, an exemption at source is available for qualifying parent companies. Certain strict requirements have to be met (beneficial ownership test).

In addition, in respect of each dividend distribution, a notification procedure applies which is subject to very strict deadlines for submitting the required forms.

For an exemption at source pursuant to a tax treaty or the CH/EU Agreement, approval must be requested in advance which is valid for three years.

Belgium

Dividends will not be exempt from withholding tax if the dividends are related to a legal act or a series of legal acts, of which the tax administration has demonstrated, taking into account all relevant facts and circumstances and except proof to the contrary, that the legal act or series of legal acts are not genuine (i.e., that are not put into place for valid commercial reasons which reflect economic reality) and have been put in place with the main goal or one of the main goals to obtain the exemption or one of the benefits of the Parent-Subsidiary Directive in another member state of the European Union.

A separate exemption from withholding tax applies to dividends distributed by a resident company to resident and non-resident companies located in the EEA or a tax treaty country providing for exchange of information that hold a participation in the distributing company's capital of less than 10% and with an acquisition value of at least € 2.5 million for an uninterrupted period of at least 12 months (or commitment to hold), to the extent that the receiving entity cannot credit Belgian withholding tax and that it meets subject-to-tax requirements. The receiving entity must certify the fulfilment of the conditions.

Reduced withholding tax rates are available for distributions by so-called small companies according to Belgian corporate law, particularly:

The Netherlands

(i) the Netherlands, provided the shareholder can apply the participation exemption with regard to the dividend distribution or is included in a CIT consolidation with the distributing company;
(ii) either the EU/EEA or a country with which the Netherlands has concluded a tax treaty that includes a dividend article; provided the shareholder could have applied the participation exemption had it been a tax resident in the Netherlands.

However, the exemption does not apply if (i) the interest in the Dutch entity is held with the main purpose or one of the main purposes to avoid Dutch dividend withholding tax and (ii) there is an artificial arrangement in place. An arrangement is considered artificial if it is not put in place for valid business reasons that reflect economic reality. Additional conditions apply, dependent on the specific facts and circumstances.

Liquidation distributions and payments upon repurchase of shares are treated as ordinary dividends to the extent they exceed the average recognised capital contributed on the shares of the Dutch company. An exemption may apply for the repurchase of listed shares.

Under Dutch tax treaties liquidation distributions and payments upon a repurchase of shares are sometimes classified as a capital gain and not as a dividend.

Luxembourg

The full or partial liquidation of a Luxembourg company is treated as a capital gain transaction and is, therefore, not subject to dividend withholding tax.

A repurchase and cancellation by a Luxembourg company of part of its own shares is not subject to dividend withholding tax if it qualifies as a 'partial liquidation'. The repurchase and immediate cancellation of all shares held by one of the shareholders, who thereby ceases to be a shareholder of the Luxembourg company, constitutes a partial liquidation. Under current practice, the repurchase and cancellation of an entire class of shares constitutes, under certain circumstances, a partial liquidation as well.

The liquidation of a Luxembourg company or a repurchase of shares may, however, trigger non-resident capital gains tax. See Section 4 below.

Impact EU GAAR

Please note that anti-abuse regulations implementing EU GAAR also apply on exemption from withholding tax on outbound dividends. See comments in Section 2.2.

Switzerland

Switzerland will continue to apply its strict anti-abuse provisions (beneficial owner test) also under the CH/EU Agreement.

Contributed capital and share premium can be repaid free of dividend withholding tax, provided that certain strict formalities are complied with (inter alia, booked in a separate account in the books of the company, periodically reported to the Federal Tax Administration).

Impact EU GAAR

See Section 2.2, Sub-section 'Impact EU GAAR'.

Impact ATAD – GAAR

The EU ATAD is not applicable for Switzerland as Switzerland is not part of the EU.

Belgium

- a 15% rate applies if the dividend relates to shares issued after 1 July 2013, the capital increase by which the shares were issued was done in cash and specific additional conditions are met;
- dividends distributed out of a small company's 'liquidation reserve' (see Section 2.1 above for details) are subject to withholding at a rate of (i) 20% in case the distribution occurs within the first five years after the 'liquidation reserve' was reported in the financial accounts; and (ii) 5% in case the distribution occurs after the 'liquidation reserve' has been reported in the financial accounts for at least five years;
- liquidation distributions paid out of a small company's 'liquidation reserve' (already taxed at 10%) are exempt from withholding tax if certain conditions are fulfilled.

The reimbursement of paid-up capital is in principle exempt from withholding tax. For dividend withholding tax purposes, paid-up capital reimbursements are deemed to derive proportionally from paid-up capital and from taxed reserves (incorporated and non-incorporated into capital) and exempt reserves incorporated into the capital.

The Netherlands

As a result, if such treaty is applicable, the Netherlands may not be allowed to levy any tax on the proceeds upon liquidation or repurchase of shares.

Impact EU GAAR

The EU GAAR is not implemented in the dividend withholding tax act.

As per 1 January 2016, the Netherlands implemented the EU GAAR for outbound dividends via the existing non-resident CIT rules. The Dutch non-resident CIT rules are reworded to bring them in line with the EU GAAR by providing that there should not be an artificial arrangement. The existing principal purpose(s) test in the Dutch non-resident CIT rules remains. An artificial arrangement is considered not to be present if there are business reasons reflecting economic reality.

In order to avoid application of the adjusted Dutch non-resident CIT rules, it is recommendable that:

- sound commercial reasons for the transactions undertaken are present;
- legal form corresponds to the economic substance of the structure.

Regarding intermediate holding companies with a linking function, it is recommended to verify whether the company needs to satisfy the Dutch minimum substance requirements.

Luxembourg

Impact ATAD – GAAR

The bill of law to implement the provisions of the EU Directive 2016/1164 on anti-tax avoidance (ATAD I) in Luxembourg law was made available on 20 June 2018. Subject to parliamentary approval, Luxembourg will introduce controlled foreign corporation (CFC), interest deduction limitation and anti-hybrid rules.

It will also modify its existing general anti-abuse rule and, exit tax provisions (see section 5). The wording of the existing domestic GAAR provision is brought in line with the ATAD's wording, introducing the concept of non-genuine arrangement. It will suffice for a tax advantage to be one of the main purposes of the arrangement to be caught under the GAAR. The revised GAAR applies to all direct taxes, for corporate as well as individual taxpayers.

It will require case law to further refine its interpretation.

Switzerland

Belgium	The Netherlands	Luxembourg	Switzerland
The reduction of capital is only allocated to paid-up capital in the proportion of the paid-up capital in the total capital increased by certain reserves. The portion allocated to the reserves is deemed to be a dividend and subject to withholding tax (if applicable). **Impact EU GAAR** See Section 2.2. **Impact ATAD – principal purpose test** The impact of the ATAD principal purpose test should in principle be limited as the current Belgian GAAR already provides for a principal purpose test.	**Impact ATAD – GAAR** The Netherlands indicated that it will not implement the general (ATAD) principal purpose test separately, based on the view that the abuse of law-doctrine as developed in Dutch case law achieves the same goal as set by ATAD.		

3.2 Withholding tax on interest paid by the holding company

Belgium	The Netherlands	Luxembourg	Switzerland
The domestic interest withholding tax rate is generally 30%, which may be reduced to 0-10% by virtue of tax treaties and domestic exemptions (e.g. registered bonds and interest payments to banks). 0% withholding tax on interest payments to a qualifying EU company ('Beneficiary'), provided that: (i) the Beneficiary holds or commits to hold directly or indirectly at least 25% of the share capital of the debtor (or vice versa) for a period of at least one year; or (ii) a third EU company holds or commits to hold directly or indirectly at least 25% of respectively the share capital of the Belgian debtor and that of the Beneficiary for a period of at least one year. Interest payments to a non-EU branch of an EU company do not qualify for the 0% rate. **Impact ATAD – GAAR** See Section 3.1.	The Netherlands does not levy withholding tax on interest payments, unless interest is paid on a debt instrument that is treated as equity for Dutch tax purposes. In that case, dividend withholding tax is due at a rate of 15% (subject to reduction under tax treaties). An exemption is available under the same conditions as mentioned under 3.1 above for regular dividend distributions. Under certain circumstances, a non-resident recipient of Dutch source interest income may be subject to non-resident CIT in the Netherlands; see under 4 below. The Netherlands has announced that it intends to introduce a withholding tax on interest as of 2020 in the case of interest payments to "low tax jurisdictions" and in the case of "abuse". **Impact ATAD – GAAR** See Section 3.1.	Non-existent for payments to non-residents, except for profit-sharing interest which, under certain circumstances, is subject to 15% withholding tax (subject to reduction under tax treaties). Interest payments made by a Luxembourg paying agent to Luxembourg resident individuals are subject to a 20% final Luxembourg withholding tax. **Impact ATAD – GAAR** See Section 3.1.	Withholding tax at a rate of 35% is levied on interest payments by for instance banks and similar financial institutions, or interest paid on bonds, notes and similar securities. If properly structured and documented interest paid by an ordinary holding company on an intercompany loan is not subject to withholding tax, unless the loan is profit sharing or qualified as hidden equity. Certain safe harbor interest rules may apply on intercompany loans. The withholding tax rate can be reduced by virtue of a tax treaty. **Impact ATAD – GAAR** The EU ATAD is not applicable for Switzerland as Switzerland is not part of the EU.

3.3 Withholding tax on royalties paid by the holding company

Belgium	The Netherlands	Luxembourg	Switzerland
30%, which may be reduced by virtue of tax treaties. 0% withholding tax to qualifying EU companies under similar conditions as set forth in Section 3.2 above. **Impact ATAD – GAAR** See Section 3.1.	None. The Netherlands has announced that it intends to introduce a withholding tax on interest as of 2020 in the case of interest payments to “low tax jurisdictions” and in the case of “abuse”. **Impact ATAD – GAAR** See Section 3.1.	None. Note that income paid to a non-resident that is derived from an independent artistic or literary activity that is or has been conducted or put to use in Luxembourg is subject to 10% withholding tax. **Impact ATAD – GAAR** See Section 3.1.	None. **Impact ATAD – GAAR** The EU ATAD is not applicable for Switzerland as Switzerland is not part of the EU.

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

Belgium	The Netherlands	Luxembourg	Switzerland
Gains realised by non-resident entities in respect of shares in a Belgian company are not taxable. Gains realised by non-resident individuals in respect of shares in a Belgian company are taxable under certain circumstances (if there is no adequate treaty protection).	Capital gains realised by non-residents on the alienation of shares in a Dutch company are subject to Dutch taxation if the following conditions are cumulatively met: – the non-resident holds at the time of the alienation directly or indirectly an interest of 5% or more in the Dutch company (a 'substantial interest'); – the substantial interest is held with (one of) the main purpose(s) to avoid Dutch – personal income tax and/or Dutch dividend withholding tax; and – there is an artificial arrangement in place. An arrangement is considered as artificial if it does not reflect economic reality. Capital gains realized by non-resident individuals on the alienation of shares in a Dutch company are subject to Dutch taxation if that individual – together with his or her partner – directly or indirectly holds an equity interest in the Dutch company of 5% or more, unless that equity interest is attributable to a business enterprise of the individual. If the above-mentioned conditions are met, the non-resident taxation also applies to distributions made by the Dutch company, as well as income derived from loans granted by the non-resident to the Dutch company.	Gains realised by non-residents on the alienation of a substantial interest in a Luxembourg company (more than 10%), including distributions received upon liquidation and proceeds from a redemption of shares, are taxable if the gain is realised within a period of six months following the acquisition of the shares. Other rules apply in case the non-resident transferor was resident in Luxembourg for at least 15 years in the past. In general, where a tax treaty is applicable, taxation Luxembourg will in principle be attributed restricted from levying its non-resident capital gains tax.	Gains realised by non-resident individuals or companies on the disposal of shares in a Swiss company are normally not subject to Swiss taxation.

Belgium	The Netherlands	Luxembourg	Switzerland
	If the non-resident taxation applies to a non-resident individual, 25% personal income tax is levied on all income derived from the substantial interest (including capital gains and dividends) on a net basis. If the non-resident taxation applies to a non-resident entity which holds the substantial interest to avoid Dutch personal income tax, CIT is levied at 25% on all income (i.e. dividends, capital gains and interest income) from the substantial interest (on a net basis). If the non-resident taxation applies to a non- resident entity which holds the substantial interest to avoid Dutch personal income tax, CIT is levied at 25% on all income from the substantial interest (on a net basis).		

5. Anti-abuse provisions / CFC rules

Belgium

See under 2.2 above for the subject-to-tax rules under the participation exemption, which, read together, have the same effect as anti-abuse provisions and contain an actual anti-abuse provision.

Belgian tax law is familiar with the sham doctrine and it also contains a general anti- abuse provision which is aimed at combating purely tax driven structures.

Impact ATAD – CFC legislation
ATAD I and ATAD II are transposed into Belgian tax law by implementing measures relating to CFC rules based on Model B (entry into force in 2019), which aim to tax certain type of non-distributed profits realized by the CFC in the hands of the Belgian parent company (subject to conditions).

Impact ATAD – thin capitalisation rules / EBITDA
ATAD I and ATAD II are transposed into Belgian tax law by implementing measures relating to interest deduction limitation (entry into force in 2020). This interest deduction limitation rule foresees that exceeding borrowing costs will be deductible only up to the higher of 30% of the taxpayer's EBITDA or the threshold amount of € 3 million.

Impact ATAD – hybrid mismatch rules
ATAD I and ATAD II are transposed into Belgian tax law by implementing measures relating to neutralizing hybrid mismatches (entry into force in 2019 or 2022 for reverse hybrids).

The Netherlands

An annual mark-to-market revaluation applies to a substantial (25% or more) investment in a low-taxed subsidiary of which the assets consist, directly or indirectly, for 90% or more of 'low-taxed free passive investments'.

Anti-abuse rules with respect to the deductibility of interest apply (see Section 2.5 above) and the participation exemption in relation to hybrid instruments (see Section 2.2 iii above).

An exemption or reduction of Dutch dividend withholding tax may be denied based on the so called 'anti-dividend-stripping' rules in the Dividend Tax Act.

The rules described in Section 3.1 above, which subject certain distributions by a Dutch cooperative to Dutch dividend withholding tax, effectively constitute an anti-abuse measure. The same applies to the non- resident capital gains taxation rules described under Section 4 above.

A general concept of abuse of law (fraus legis) applies based on case law.

Impact ATAD – CFC legislation
The Netherlands has indicated it will most likely choose Model A with respect to the CFC-rule that has to be implemented pursuant to the ATAD I. Legislative proposals on ATAD I implementation are expected during the course of 2018.

Luxembourg

Luxembourg law provides for a GAAR that allows the Luxembourg Tax Authorities to re-characterize transactions as tax avoidance schemes.

Since 2016, the participation exemption from the EU Parent-Subsidiary Directive can be denied where the structure does not exist for bona fide commercial reasons and forms part of an arrangement or scheme, the main purpose of which is to obtain a tax benefit.

However, the domestic exemptions from dividend withholding tax have no such anti-abuse provisions.

Impact ATAD – CFC legislation
To the extent that a Luxembourg company can establish that it does not perform significant functions related to the CFC's activities, there should not be an adverse tax impact in Luxembourg. In all cases, adequate documentation of activities and/or functions is recommended.

Impact ATAD
Interest Deduction Limitation: The rule should not impact the deductibility of interest in relation to back-to-back financing activities on a standalone basis. All companies that have other activities should assess the impact of this rule, and where necessary adapt. This rule does not affect the generally applicable absence of withholding tax on interest, nor the debt qualification for net wealth tax purposes.

Switzerland

The 1962 Anti-Abuse Decree and certain Circulars stipulate unilateral anti-abuse measures. They contain specific anti-abuse rules for foreign controlled Swiss companies that claim the benefits of Swiss tax treaties for income which they receive from abroad. The 1962 Anti-Abuse Decree was recently partially abolished. Under new rules Switzerland will no longer verify whether specific requirements to treaty entitlement are met (e.g. beneficial ownership) for inbound transactions as such verification will solely be handled by the source state. The 1962 Anti-Abuse Decree still applies, however, to abusive transactions.

Also under certain tax treaties, anti-abuse rules apply.

Switzerland has no CFC rules in place and does not plan to introduce such regulations.

Impact ATAD – CFC legislation
The EU ATAD is not applicable for Switzerland as Switzerland is not part of the EU.

Impact ATAD – thin capitalisation rules / EBITDA
The EU ATAD is not applicable for Switzerland as Switzerland is not part of the EU.

Impact ATAD – hybrid mismatch rules
The EU ATAD is not applicable for Switzerland as Switzerland is not part of the EU.

Belgium	The Netherlands	Luxembourg	Switzerland
	Impact ATAD – thin capitalisation rules / EBITDA The new Dutch government announced that the rules prescribed by ATAD with respect to the earnings stripping interest deduction limitation will be implemented without a group escape and without grandfathering. The deduction of net borrowing costs is limited to the highest of (i) 30% of the earnings before interest, taxes, depreciation and amortisation (EBITDA) and (ii) an amount of EUR 1 million. It will be possible to carry forward non-deductible interest. **Impact ATAD – hybrid mismatch rules** The Netherlands indicated that they will address the hybrid mismatch rules in a separate law proposal which will be published later (and will enter into force as from 1 January 2020).	**Impact ATAD** Anti-Hybrid rules: Intra-EU hybrid mismatches were already targeted by the denial of the Luxembourg participation exemption if the payment was deductible at payer level. Under the new rules, Luxembourg payer companies may be confronted with the non-deductibility of interest. This rule does not affect the generally applicable absence of withholding tax on interest, nor the debt versus equity qualification of financial instruments for Luxembourg net wealth tax purposes. **Impact ATAD** Exit Tax rules (as from 2020): The 5 year limit on the payment deferral may adversely impact migrations and transfer of activities to another EU/EEA member state. Conversely, the explicit entitlement to a step-up equal to the arm’s length exit value in the Member State of exit may provide welcome certainty for such transactions. **Additional measures**: In addition to the implementation of the ATAD, the bill of law includes: – an amendment to the domestic interpretation of the permanent establishment concept, in order to mitigate the possibility of double non-taxation with tax treaty jurisdictions, and – the abolishment of the domestic roll-over relief for a lender that converts loans into shares issued by its debtor.	

6. Tax and investment incentives

Belgium

Tax shelter for audio-visual productions

The already existing tax shelter for audio-visual productions has been reformed. The new regime applies to agreements concluded between investors and producers of audio- visual works as from 1 January 2015. In such an agreement the investor commits to (partly) fund the production and in return the producer commits to deliver a tax shelter certificate after finalising the production.

However, the investor is able to preliminarily exempt from tax an amount equal to 310% of the amounts he has agreed to provide during the tax year in which the agreement was entered into.

Start-ups

In addition, there are certain tax incentives for investments in start-ups (e.g. a personal income tax reduction with respect to investments in start-ups and a reduced interest withholding tax rate for start-up related loans).

Innovation income deduction

Under the innovation income deduction regime, companies that invest in their own R&D, benefit from a tax deduction of up to 85% of the net innovation income resulting from their R&D activities.

The Netherlands

There are several tax and investment incentives in the Netherlands.

For example, the Dutch tax regime includes the so-called fiscal investment institution (FBI), which should serve as a tax neutral vehicle through which individual investors can pool their portfolio investments.

Another example is the ‘innovation box’, which ensures that a company’s income resulting from innovation is taxed at a reduced corporate tax rate of 7% (instead of 25%).

There are also several other tax incentives for specific types of investments (e.g. a deduction for energy-related investments and accelerated depreciation).

In addition, the Netherlands has an extensive double tax treaty network and bilateral investment treaty network.

Luxembourg

For taxpayers involved in commercial, industrial, mining or artisanal activities, Luxembourg provides for various tax incentives in areas including R&D (e.g. promotion of research, development and innovation: the new IP regime entered into force on 1 January 2018, shipping and clean technologies. It also provides for an incentive tax regime in relation to employment of skilled workers so-called expatriate regime, professional training and recruitment of unemployed persons.

The most commonly used incentives are tax credits (e.g. investment tax credit, regime in relation to workers) or exemption (e.g. patent box) whereas cash grants and interest subsidies are favoured to support R&D activities and are not subject to onerous formal application requirements.

Switzerland

Several tax and investment incentives are available, for example full or partial tax holidays on federal and cantonal / communal level in certain areas if certain conditions are fulfilled.

7. MLI and income tax treaties

Belgium	The Netherlands	Luxembourg	Switzerland
The Belgian Minister of Finance signed the MLI on 7 June 2017 on behalf of the federal government and the governments of the regions and communities. Belgium submitted a list of 98 of its tax treaties that it designated as 'Covered Tax Agreements'. The tax treaties concluded with Germany, Japan, Norway and the Netherlands were not notified. Currently, Belgium has mainly taken the position to only implement the BEPS minimum standards through the MLI. The MLI has to be ratified via legislation to be adopted in the federal parliament and the parliaments of the regions and communities. As of 1 April 2018, Belgium has not published any (draft) proposal for the ratification of the MLI.	The Netherlands signed the MLI on 7 June 2017. The Netherlands has largely accepted all provisions in the MLI, with limited reservations. With regard to article 5 (Application of Methods for Elimination of Double Taxation), the Netherlands has chosen option A (disallow the exemption method for income that is exempt or subject to a reduced treaty rate in the other jurisdiction). With regard to article 7 (Prevention of Treaty Abuse), the Netherlands has chosen the 'principal purpose test' without 'limitation on benefits'. The Netherlands will not apply article 11 (savings clause). The Netherlands published a legislative proposal for the ratification of the MLI on 20 December 2017. Ratification is expected in the course of 2018.	Since the beginning of 2018, the MLI has been signed by 76 signatories covering 78 jurisdictions. On 3 July 2018 the Luxembourg government submitted the bill for ratification of the MLI to parliament. The positions taken on the MLI do not deviate from the provisional list of choices and reservations notified by Luxembourg to the OECD in June 2017. Luxembourg chose to apply the principal purpose test which denies the benefits that would otherwise be provided under tax treaties when the principal purposes of transaction was to obtain such benefits. Regarding withholding tax on dividends, the Luxembourg indicated that it will not apply the article 8 of the MLI related to dividend transfers transactions to its double tax treaties.	Switzerland signed the MLI on 7 June 2017. The Federal Council submitted the Convention for public consultation in December 2017, which will end on 9 April 2018. Entry into force is not anticipated prior to 2019 (thus becoming effective for tax periods beginning on or after 1 January 2020). Switzerland expressed reservations on the majority of the articles of the MLI, i.e. committed to the application of only the minimum standards. Note that Switzerland made a general reservation that it might choose to implement the BEPS minimum standards by way of bilateral negotiations of its tax treaties instead of the mechanisms introduced by the MLI. Switzerland notified to apply the switch-over clause, i.e. option A, in relation to article 5. With regard to article 7, Switzerland will apply the Principal Purpose Test (PPT) as the minimum standard.

LOYENS & LOEFF

Part II

Bulgaria, Czech Republic, Hungary, Poland, Romania

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

Bulgaria

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 a newly incorporated company, announcement of corporate documents (by-laws, annual financial statements, etc.) and any subsequent corporate changes, including (i) a new shareholder in a limited liability company, or (ii) the increase of the capital of any commercial company. Transfer of shares in a limited liability company requires notarisation of the content and signatures on the transfer agreement which triggers payment of notary fees. Notary fees also apply for in-kind capital contributions.

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.

Czech Republic

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%. As of 1 November 2016, the tax is generally payable by the transferee (previously, it was generally payable by the transferor). Transfers of shares in a real estate company are not taxable.

Hungary

Capital tax
There is no capital (contribution) tax in Hungary.

Stamp duty
Stamp duty is levied on the registration of any changes made to the data of the Company Register, including transformations (incorporation of companies is not subject to stamp duty).

Stamp duty is, for instance, levied on an amount of:
- HUF 100,000 (approx. EUR 325) in the case of the registration of a private stock company;
- HUF 600,000 in the case of registration of a European company;
- HUF 500,000 stamp duty applies for the transformation of a private stock company into public stock company;
- HUF 50,000 in the case of the registration of a branch office;
- 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.

Poland

Capital tax
In general, a capital contribution to a Polish company is subject to 0.5% capital tax. 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 organised part of enterprise 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 in some cases be subject to tax.

Romania

Capital tax
There is no capital contribution tax in Romania.

Stamp duty
As of 1 February 2017 companies are no longer required to pay registration fees or other fees regarding the registration of new elements during the existence of a company.

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

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.

Real estate tax

The real estate tax for non-residential real estate assets owned by legal entities is calculated on the higher value between their book value and their tax evaluation and the real estate tax for residential real estate assets owned by legal entities is calculated on 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, owned by the State or a municipality, is the person that manages the real estate.

Pursuant to a new rule effective as of 1 January 2017, the concessionaire shall be the tax obligor if a concession has been awarded.

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 the location. The tax rate is, generally, defined as a fixed amount per square metre.

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

CZK 1 = € 0.03922 (2 January 2018)

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

Hungary

If the registered capital of the company is changed, the stamp duty is levied at 40% of the incorporation fees applicable for the given company type (see above).

Real estate transfer tax

The transfer of property 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 (approx. EUR 3,200,000), while the rate on the excess is only 2%. These are altogether capped at HUF 200 million (approx. EUR 733,000) 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 four years.

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

Poland

Stamp duty

The sale of shares and partnership interests in Polish entities is subject to 1% tax, which is payable by the buyer. 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 recognised as financial services exempt from VAT; and
- 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 taxable value (which could be the book value or the value determined based on an appraisal report), at rates varying between 0.08% and 0.2% for residential buildings, between 0.2% and 1.3% in the case of non-residential buildings and at 0.4% in the case of buildings used for the purpose of agricultural activities. If the building has not been appraised during the past three years, the rate is of 5%.

The annual tax is determined based on the building's taxable value as of 31 December of the previous year, being valid throughout the following year.

A local tax on land is payable by the owners of land. The maximum rate is RON 2.0706 per m2 for land located in urban areas, while for land located outside urban areas, the rate per m2 is up to RON 0.01456.
RON 1 = € 0.2146 (1 January 2018)

Bulgaria	Czech Republic	Hungary	Poland	Romania
Where a concession for extraction has been awarded, the tax obligor shall be the owner, except for the cases where the concessionaire has been granted with the right of use of the real estate. 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)		– the shares obtained (either by the acquirer alone or altogether with close relatives or its related companies, as the case may be) reach 75% of all the shares. A real estate company is a business association that: – owns real estate located in Hungary for more than 75% of the overall assets (liquid assets, financial receivables, loans, deferred income and accrued expenses 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 share 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 shares being acquired. On certain conditions, the transfer of real estate or shares in real estate companies between related parties may be exempt from transfer tax.	**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 2017: – on land used for business activities – PLN 0.91 per m2 (i.e. PLN 9,100 per ha); – on buildings or parts thereof used for business activities – PLN 23,10 per m2 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 = € 0.2404 (19 April 2018).	

Bulgaria	Czech Republic	Hungary	Poland	Romania
		Building tax It may be imposed by local municipalities. It is an annual levy on the owners of buildings and advertising spaces, registered as such as of 1 January of the given tax year. The legislation fixes the upper limit of the rate at HUF 1,100 (approx. EUR 3.5) / m2 or at 3.6% of the adjusted market value (= 50% of the market value) of the building and at HUF 12,000 (approx. EUR 3.5) / m2 of the advertising space **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 (approx. EUR 0.6) /m2 or at 3% of the adjusted market value (= 50% of the market value) of the land. HUF 1 = € 0.0032 (✧ 2017)		

2. Corporate income tax (CIT)

2.1 CIT and wealth taxes

Bulgaria

The general CIT rate in 2018 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 that 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. The taxed expense, when properly documented, and the tax are deductible for profit tax purposes.

Out-of-pocket expenses related to business activity, social expenses, rendered in-kind expenses (including expenses for contributions for voluntary health and social security, 'Life' insurance and certain expenses for food vouchers) and expenses rendered in-kind related to company assets used for private purposes by company employees, are subject to the 10% alternative final corporate tax.

Wealth taxes

There is no wealth tax in Bulgaria.

Czech Republic

The general CIT rate is 19% for tax periods from 2010 onwards.

A special rate of 5% applies to taxable profits of certain investment funds (generally retail funds or funds investing in certain securities). Also a special rate of 0% applies to taxable profits of 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.

Hungary

The general CIT rate is flat 9%.

Licensing incentive

50% of the profit from royalty revenues may be deducted from the CIT base. The amount of the reduction may not exceed 50% of the pre-tax profits of the given tax year.

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 and 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.

Poland

The general CIT rate is 19%. A company is regarded a Polish tax resident if it has either its registered office or place of management in Poland. A Polish resident company is subject to CIT on its worldwide income.

A lowered 15% CIT rate applies to so-called 'small taxpayers' (i.e. entities whose sales revenue, including output VAT, for the previous year didn't exceed the equivalent in PLN of EUR 1.2 million and for taxpayers starting business activity, in their first tax year. There are some restrictions to benefit from 15% CIT rate for taxpayers who were subject to restructuring.

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 Poland (the CIT exemption is not applicable in case of some funds owning commercial buildings).

Romania

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
		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. *Local business tax* Hungarian companies are subject to local business tax, at a maximum rate of 2%. The tax base is fundamentally the turnover, less costs of goods sold and cost of mediated services (which are subject to certain limitations) and costs of materials, subcontractor fees and direct R&D costs. Interest and royalty income are not subject to local business tax. **Wealth taxes** There is no wealth tax in Hungary.	Starting from 2018, CIT taxpayers have to calculate income from capital gains separately from other income (e.g. operational income). Therefore, if the taxpayer earns income from only one of these sources, and in the second source incurs a tax loss - income from one source is taxed without deducting the loss incurred on the second source of revenue. *Minimum CIT on commercial properties (Minimum Tax)* Starting from 2018, Minimum Tax on commercial real estate properties (office buildings, shopping malls, department stores, markets, boutiques and other buildings) which initial value exceeds PLN 10 million was introduced. The tax is paid on a monthly basis. The monthly rate is 0.035% and tax base is determined as initial value of building for tax purpose decreased by PLN 10 million. Minimum Tax may be deducted from advance payments on CIT and annual CIT liability in a year for which Minimum Tax was due.	

Bulgaria	Czech Republic	Hungary	Poland	Romania
			It is planned to extend in 2019 Minimum Tax to all of the buildings leased to third-parties. Moreover, tax base will be calculated as cumulative value of buildings owned by the taxpayer decreased by PLN 10 million. **Wealth taxes** There is no wealth tax in Poland.	

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 that are tax residents of an EU-member state, or a country, which is a party to the Agreement for the European Economic Area, are exempt from CIT except for cases qualifying as hidden distribution of profit and except for dividends from distribution of profits by EU or EEA based subsidiaries as far as such distributed amounts are expenses deductible for tax purposes at the level of the distributing subsidiary and/or lead to decrease of its taxable financial result regardless of how these amounts have been booked accounting-wise at the level of the distributing company.	*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 must have one of the forms listed in the Parent- Subsidiary Directive or be a cooperative (družstvo), the parent company may also be Czech trust fund, municipality, association of municipalities or a family foundation. *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).	*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) based on Hungarian domestic law. *CFC rules* See Section 5 for the definition of CFC. *CFCs undistributed profits* In certain cases, the undistributed profit of a CFC from certain income types (e.g. interest, capital payments, related party transactions) calculated under Hungarian rules (as if the CFC was a Hungarian tax resident) are considered as corporate tax base increasing items for the Hungarian CFC shareholder companies. Income from dividends received from a CFC is taxable in Hungary.	*National and international* Dividends received by a resident company from: (i) 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; (ii) 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 two-year holding period does not have to be met upfront); the above exemption does not apply if dividend is received as a result of liquidation of the legal entity making the payments; or	*National* Dividend payments between resident companies are subject to a 5% final withholding tax. This rate is cut down to 0% in case of a shareholding of minimum 10% maintained for at least one uninterrupted year. Dividends are tax exempt in the hands of the recipient. *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, foreign-source dividends paid by a subsidiary from another EU Member State or a non-EU country with which Romania has concluded a double tax treaty, 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 distributing company's shares; – the holding has existed for an uninterrupted period of one year prior to the distribution date.

Bulgaria	Czech Republic	Hungary	Poland	Romania
With regard to withholding tax on inbound dividends, local entities are entitled to a tax credit for any tax on dividends levied abroad, even if no treaty exists. The tax credit is limited up to the amount of the respective Bulgarian tax on dividends and is separately determined for each country. **Impact EU GAAR** Because of the existing tax evasion rules in force having broader scope the EU GAAR was considered covered in the Bulgarian tax law with no need for amendments in that respect. Thus, no specific impact of the EU GAAR is expected.	Both companies must have a specified legal form, be EU residents and be subject to tax higher than 0%. Dividends received by a Czech resident company from its subsidiary resident in Norway, Iceland or Lichtenstein are tax exempt under 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, that: – 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; and of which – 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).	**Impact EU GAAR** Hungary's withholding tax regime is not based on the Parent-Subsidiary Directive (PSD). According to domestic regulations Hungary does not levy withholding tax on dividends (and interest or royalties) paid to foreign entities irrespective of the location of the recipient or the degree of ownership. Similarly, the participation exemption for dividends received by Hungarian entities is not based on the PSD either, as Hungary exempts all dividends received except for dividends from CFCs. Hungary so far did not specifically implement the PSD GAAR. However, Hungarian domestic legislation already contained GAARs and a PSD SAAR in the form of the CITA's 'dividend' definition which provides that the received dividend shall not be considered as dividend in case the contributing party deducts the respective amount from CIT as expenditure.	- 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; (iii) 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 two years and there is	Until the one-year period is met, dividends are subject to tax (at 16%). In the case of dividends received from other EU Member States, such tax can be claimed back later from the state. **Impact EU GAAR** The Romanian Fiscal Code enforced on 1 January 2016, contains provisions which implemented the Parent-Subsidiary Directive GAAR word by word. The tax authorities' focus on scrutinising the applicability of tax exemptions under Parent-Subsidiary Directive could increase.

Bulgaria	Czech Republic	Hungary	Poland	Romania
	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 choose to be tax exempt or receive similar tax advantage. As of 1 July 2017, the participation exemption also does not apply to received dividends in case these were tax deductible at the level of the subsidiary. The rule should apply to dividends received as of 1 January 2017. **Impact EU GAAR** The Czech Tax Law was not amended as to explicitly include the EU GAAR. Czech tax law is generally considered to already include sufficient GAAR (see below). In the Czech Tax Law the following general concepts of combating abuse of tax rules apply: (i) substance over form principle; and (ii) abuse of law concept. The substance over form principle was included in the tax law from 1992, i.e. for its entire modern existence. Pursuant to this rule, the Tax Authorities are entitled to assess tax based on factual merits of an operation (actual intentions of the		a tax treaty in place. In any case, the foreign tax credit cannot exceed the Polish CIT amount on the foreign dividends. **Impact EU GAAR** Poland has introduced regulations implementing PSD GAAR. Under the anti-abuse rule, the tax exemption for inbound dividends and the exemption from withholding tax on outbound dividends would not apply if dividends were connected with an agreement, a transaction, or a legal action or series of related legal actions, where the main or one of the main purposes was benefiting from these tax exemptions and such transactions or legal actions do not reflect the economic reality and are used with the sole intention of obtaining a tax benefit detrimental to the substance and main purpose of the PSD. For the purpose of the above rule, it is considered that a transaction or a legal action does not reflect the economic reality if it is not performed for justified economic reasons. In particular, this concerns transferring the ownership of shares of a dividend-paying entity or in earning revenue by that entity which is then paid as a dividend.	

Bulgaria	Czech Republic	Hungary	Poland	Romania
	parties) regardless of how the operation is organised from a formal legal perspective. The case law gradually limited the actual usage of this principle in favour of the abuse of law concept. The abuse of law concept generally originates from Czech constitutional law and started to be adopted to the tax cases by the Czech Supreme Administrative Court from approx. 2004. The concept is applied on a strictly case-by-case basis and in general to operations without sound non-tax business motivations that are predominantly designed to derive tax benefits (including, as the case may be, reduction of WHT rate under DTT or tax exemption under the EU Parent-Subsidiary Directive). The application of the abuse of law concept is generally in line with the case law on abuse of law applied by the Court of Justice of the European Union. There is a legislative proposal which should explicitly include GAAR into the Czech Tax Procedural Code as of 2019. However, it is expected that there would be no material change to the current practice described above.		The introduction of PSD GAAR may significantly increase the interest of the Polish tax authorities in the examination of applicability of the PSD tax exemption to outbound dividends. Given the vague wording of the Polish provisions implementing PSD GAAR, it is expected that they may raise controversies and the specific prerequisites of applying the PSD GAAR will be shaped mainly by jurisprudence of Polish administrative courts.	

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, except for capital gains from transfer of certain financial instruments (including of shares in collective investment schemes and national investment funds, and of shares, rights and government securities, performed on a regulated market within the meaning of the Law on Financial Instruments Market), which decrease the financial result.	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 realised 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 must have one of the forms listed in the Parent-Subsidiary Directive or be a cooperative (družstvo), the parent company may also be a Czech trust fund, a municipality, an association of municipalities or a family foundation. In respect of the sale of an EU subsidiary, both companies must have a specified legal form, be EU residents and be subject to tax.	Gains realised on a shareholding in another (Hungarian or foreign) company are in principle subject to CIT (9%). However, capital gains on the sale and the retirement as in- kind contribution of the so called 'reported' participations are exempt from CIT, unless held in a CFC. (Note: capital losses on the reported participations will not be recognisable for tax purposes.) To qualify as reported participation, the participation should reach the following requirements: – the participation 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 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.	Capital gains from the disposal of shares are subject to 19%/15% (for "small-taxpayers" and taxpayers in a first tax year) CIT. Starting from 2018, capital gains from the disposal of shares cannot be aggregated with other income (e.g. income from operating activity) and should be calculated separately within capital gains source.	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 one year as of the date of share transfer. Otherwise, capital gains are treated as ordinary business income and taxed accordingly. **Liquidation** 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's share capital for an uninterrupted period of one year. Otherwise, such income is subject to the general 16% CIT.

<table>
<tr><th>Bulgaria</th><th>Czech Republic</th><th>Hungary</th><th>Poland</th><th>Romania</th></tr>
<tr><td></td><td>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;
– the subsidiary 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 choose to be tax exempt or receive similar tax advantage, or if they are subject to CIT at the rate of 0%.</td><td>Other than the above, there is a general CIT exemption for gains on shares realised due to a
– reduction of capital, or
– a termination without legal succession, excluding all CFC subsidiaries irrespective whether the acquisition of the participation was reported or not.

This exemption is also available for reported 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 Directive.

Tax incentives via preferential transformations are applicable provided that the transactions had actual economic purposes.</td><td></td><td></td></tr>
</table>

2.4 Losses on shares

Bulgaria	Czech Republic	Hungary	Poland	Romania
Capital losses are deductible for tax purposes except for losses from transfer of certain financial instruments (including shares in collective investment schemes and national investment funds, shares, rights and government securities, performed on a regulated market within the meaning of the Law on Financial Instruments Market), for which the effect from the loss is neutralised through adjustment of the financial result.	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 realised on participations in a CFC or on reported participations (see Section 2.3 above) are not deductible for CIT purposes.	Tax loss on disposal of shares within capital gains source cannot be offset with income from other source (e.g. income from operating activity). Tax loss from each source can be carried forward for five following tax years and settled against profit from the same source of revenue (up to 50% of tax loss from given year in one tax year).	Capital losses on shares as result of their sale or evaluation according to accounting regulations are deductible for CIT purposes, if the taxpayer has not held at least 10% of the relevant entity's share capital for a minimum uninterrupted period of one year. Otherwise, capital losses may not be deducted.

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. Interest expenses would be regulated by the thin capitalisation rule (see Section 5).	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 six 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 actual received dividends; unless it is proved that the actual 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, Norway and Lichtenstein 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. (see Section 2.2).	Generally all costs and expenses related to the business operations are tax deductible. Costs relating to the participation are generally deductible, but thin capitalisation rules apply to interest expenses (see Section 5). Cost relating to the purchase of participations however may become non-deductible if the acquisition is followed by the merger with the target (debt push-down) based on the general anti-avoidance rules (see Section 5). Deductibility of cost following a debt-push down should always be secured by a binding advance tax ruling.	Polish tax law does not provide for rules pertaining to costs relating to the participation. Thus, deductibility of such costs should be analysed on a case-by-case basis. Expenses incurred on the disposal of a capital asset are deductible for the seller. Starting from 2018 interest on loans taken to acquire shares in the Target cannot be tax deductible after the merger of the acquiring company and the Target (and in case of some other forms of restructuring). Thus, as tax deductible costs cannot be regarded interest resulting from the debt push down transactions, which were applied during acquisition of the companies. Starting from 2018, interest on profit participating loans is not tax deductible. See Section 5 for the thin-capitalisation 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 realised and unrealised currency exchange results are generally accounted for in the profit- loss account and are taxable or tax deductible.	Generally currency exchange losses/ gains are recognised for CIT purposes. In addition, unrealised exchange fluctuation is also subject to taxation. It is possible, however, to defer the CIT effects of unrealised currency exchange results of fixed financial assets and long-term liabilities until the currency exchange result is actually realised, provided that the transactions are not hedged. The deferral of the tax effects is the taxpayer's choice. Currency exchange losses realised on participations 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. The net foreign exchange losses are part of the exceeding borrowing costs which are subject to limited deductibility (see 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 utilise 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 organisations. 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 filing of a request. None of those are frequently used because of practical problems.	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 for National Economy must generally issue a ruling within 90 days, which can be extended with 60 days. If the taxpayer requests for an accelerated procedure, the ruling is issued within 60 days, which may be extended with 30 days. The fee for the ruling is HUF 5 million (approx. EUR 16,200) in an ordinary procedure, and HUF 8 million in an accelerated procedure. The ruling issued is effective for the five following tax years, or until the legislation relevant for the transaction changes. The taxpayer may request the extension of the ruling for a further two tax years. 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 current or future taxpayer. The request sets out the facts, the question and the taxpayer's opinion on the case. There are two types of tax rulings: general tax rulings, issued by the Minister of Finance, which are aimed to unify the interpretation of tax law application and individual tax rulings, issued on individual request in a particular case. A positive individual tax ruling issued by the Head of the National Treasury Information (HNTI) contains confirmation of the taxpayer's position via either the HNTI'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 HNTI within three months of filing the application. In more complicated cases, the HNTI is entitled to extend the deadline. However, the three-month deadline is generally kept by the tax authorities. results from the fact that acting in line with the tax ruling cannot be held against the applicant.	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 three months and are subject to a fee of EUR 5,000 for large taxpayers and EUR 3,000 for other categories of taxpayers. 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 EUR 20,000. In practice, the above-mentioned terms are usually prolonged. Although possible under the law, tax rulings have thus far seldom been obtained in practice as they are time consuming and administratively taxing.

Bulgaria	Czech Republic	Hungary	Poland	Romania
	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.	The 'long-term' ruling would remain in force for three financial years (including the year of request) and cannot be extended, 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. The taxpayer and the foreign entity may request – the ascertainment that an already existing binding ruling is still applicable despite due legislative or factual changes if these changes have no substantial effect on the conclusion of the ruling; – to extend the scope of the already existing binding ruling with an additional two years (excluding long-term binding rulings); – simultaneously the ascertainment of the applicability of the binding ruling and the extension of the scope thereof. Related parties may request the National Tax Authority to issue an advance ruling (APA) on the transfer pricing aspects of a future transaction.	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; – 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. Similar protection applies in case of general tax rulings, however it is not possible to challenge them to the tax court. The protection resulting from the tax ruling does not apply inter alia in case the facts or the future event described in the tax ruling is a part of activities being subject to decision issued under the GAAR regulations.	

Bulgaria	Czech Republic	Hungary	Poland	Romania
		The National Tax Authority must issue a ruling within 120 days. This period may 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 three to five years. Upon request, this period can be extended once for a further three years.	Moreover, tax authority shall refuse to issue the tax ruling if there is a justified suspicion that facts or the future event described in the tax ruling may be subject to decision issued under the GAAR regulations or there is an general tax ruling issued by Ministry of Finance in the same legal regime. There is also an advance ruling system applicable to transfer pricing arrangements (APA). Additionally, in order to secure the tax payer's position against application of the general anti-abuse clause (GAAR) the taxpayer may apply to the Head of National Treasury Administration for the so- called protective opinion disallowing application of the GAAR. Proceedings aimed to issue an opinion of this kind are conducted under special rules, and the applicant has to pay a fee of PLN 20,000 (approx. EUR 5,000). An opinion should be issued within six months of the application filing date. A refusal to issue an opinion is appealable to the competent administrative courts.	

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 five succeeding calendar years. In case of mergers / demergers the newly formed / surviving company is not allowed to carry forward losses formed by a merging company.	**Carry back** Loss carry back is not permitted in the Czech Republic. **Carry forward** Losses may be carried forward for five 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. From 2015, the time limit to use tax losses has been reduced to five tax years. Tax losses from the tax years before 2015 may be carried forward and utilised according to the rules in force on 31 December 2014, but are only available until 2025. When accrued losses are deducted, losses carried forward from earlier years must be written off first.	**Carry back** Loss carry back is not permitted in Poland. **Carry forward** Losses may be carried forward for a maximum of five subsequent years, but not more than 50% of each year's loss may be utilised in a single subsequent tax year. However, tax loss from one source of revenue cannot be offset with income from other source of revenue.	**Carry back** Loss carry back is not permitted in Romania. **Carry forward** Losses may be carried forward for seven years.

Bulgaria	Czech Republic	Hungary	Poland	Romania
		Carried forward losses are deductible up to 50% of the relevant year's CIT base (as calculated without the losses carried forward) per year. In the case of corporate restructurings and acquisitions, losses can be carried forward by the successor company only if certain conditions are fulfilled with respect to carrying on and generating income from the business activity of the acquired or successor company.		

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 500,000. – The holding company should hold at least 75% 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 tax years by means of a notarial deed. The tax 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 2%. – 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 benefit i.e.the losses of some of the members of the tax capital group can be set off against the taxable income of its other members. Tax capital group can lose the status of taxpayer retroactively (from the date of registration as a tax group) in case of breach of certain conditions. In such a case, companies forming tax capital group are obliged to reconcile CIT as independent taxpayers retroactively for past years. Tax capital group members will be obliged to set intra-group transaction terms at arm's length.	

3. Withholding taxes payable by the holding company

3.1 Withholding tax on dividends paid by the holding company

Bulgaria

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 (save for cases of hidden distribution of profit) is provided for dividends distributed to companies that are tax residents of an EU Member tax residents in an EU Member State, or a country which is a party to the Agreement for the European Economic Area.

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 company tax residents of an EU Member State, or a country which is a party to the Agreement for the European Economic Area.

Czech Republic

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 must have one of the forms listed in the Parent-Subsidiary Directive or be a cooperative (družstvo), the parent company may also be a Czech trust fund, a municipality, an association of municipalities or a family foundation.

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.

Hungary

Hungary does not impose withholding taxes on dividend distributions (even to tax haven countries) unless the recipient is a private individual.

Dividend distributions to individuals are subject to 15% dividend withholding tax, unless limited by a tax treaty to a lower rate, and health fund contribution obligations capped at HUF 450,000 (approx. EUR 1,400) / year may apply.

Impact EU GAAR

See our comments in Section 2.2 above.

Impact ATAD – GAAR

See our comments in Section 2.2 above.

Poland

Dividends paid by a resident company to:

(i) 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;

(ii) non-resident ‘unprivileged’ parent company is 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 must 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.

Romania

Outbound dividends paid by Romanian companies are subject to withholding of 5% unless the EU Parent-Subsidiary Directive (see below) or a different treaty rate applies.

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 one continuous year (the EU Parent-Subsidiary Directive). Until the one-year period is met, dividends are subject to tax (at 5%) which can later be claimed back from the state.

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, however the provisions of the tax treaties would prevail.

Redemption of shares is not taxable as dividend.

Bulgaria	Czech Republic	Hungary	Poland	Romania
Income from liquidation quotas obtained by a 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. **Impact EU GAAR** Because of the existing tax evasion rules in force having broader scope the EU GAAR was considered covered in the Bulgarian tax law with no need for amendments in that respect. Thus, no specific impact of the EU GAAR is expected.	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)), or in cases that the tax residency is not ascertained, are subject to a withholding tax of 35%. Dividends paid to other non-resident companies are subject to a withholding tax of 15%, which may be reduced by virtue of tax treaties or Parent-Subsidiary exemptions (under same conditions as mentioned above). The exemptions also do not apply, should either the holding company or the subsidiary (regardless of tax residency) be tax exempt from CIT or similar tax, if they choose to be tax exempt or receive 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) are subject to a withholding tax of 15%. This rate can be reduced by virtue of most tax treaties. Redemption / repurchase of shares is generally not considered a partial liquidation.		**Liquidation / Share repurchase** Starting from 2018, participation exemption regime does not apply to income earned on redemption of shares or liquidation proceeds Although incomes from redemption of shares and liquidation proceeds are no longer exempt based on the CIT Act, they still may be withholding tax exempt in Poland based on the double tax treaty concluded by Poland or may be subject to withholding tax at lower rate determined in the given tax treaty. The income of a Polish tax resident company from disposal of shares for the purpose of redemption (voluntary redemption) is subject to 19%/15% (for "small taxpayers or taxpayers in a first tax year) CIT within capital gains sources and cannot be aggregated with other income (e.g. income from operating activity).	**Impact EU GAAR** The Romanian Fiscal Code enforced on 1 January 2016, contains provisions which implemented the Parent-Subsidiary Directive GAAR word by word. The tax authorities' focus on scrutinising the applicability of tax exemptions under Parent-Subsidiary Directive could increase. **Impact ATAD – principal purpose test** Certain ATAD provisions have been transposed into the Romanian tax law as of January 2018, including the general anti-abuse rule applicable to an arrangement or a series of arrangements which, with regard to all relevant facts and circumstances, are not genuine, having been undertaken for the main purpose of, or having as one of the main purposes, obtaining a tax advantage that defeats the object or purpose of the applicable tax law.

Bulgaria	Czech Republic	Hungary	Poland	Romania
Impact ATAD – principal purpose test No information was found in the public domain on developments relevant to ATAD as at 21 June 2018 and in particular on any proposals for amendments of the tax legislation or announcement by the government in that respect. It should be noted that the provision of Article 6, paragraph 1 from ATAD containing the ATAD principal purpose test has similar wording as the EU GAAR under Council Directive (EU) 2015/121, which was considered covered in the Bulgarian tax law with no need for amendments in that respect because of the existing tax evasion rules in force having broader scope. However, based on the official position of Bulgaria on the Multilateral Convention (MLI), it should be mentioned that Bulgaria has chosen to adopt the “principal purpose test plus simplified limitation of benefits” option. Such choice could be considered as indicator that some changes in the local legislation in view of the principal purpose test under ATAD could be expected.	**Impact EU GAAR** See Section 2.2. **Impact ATAD – GAAR** Same as EU GAAR, see Section 2.2		**Impact EU GAAR** Beneficial ownership clause is included in many tax treaties concluded by Poland (for example in tax treaty with the Netherlands, with Sweden). Therefore, in order to apply withholding tax rate/exemption arising from DTT, recipient should be beneficial owner or received dividends. Provisions implementing the ATAD Directive were introduced to Polish tax law as of 2018.	Specifically, the above-mentioned arrangements are to be disregarded when calculating the tax liabilities attributed to a taxpayer.

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. A foreign tax resident of an EU country or a country that is a party to the Agreement for the European Economic Area and is liable for payment of Bulgarian withholding tax on interest, royalties, capital gains, etc. has the option to recalculate the tax due. The tax that would be due after the recalculation is equal to the tax that 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 an annual declaration form. The above option is not available 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.	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)), or in cases that the tax residency is not ascertained, 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 virtue of most tax treaties. The EU Interest and Royalties Directive is implemented in the Czech law. The interest payments to (i) EU, Swiss, Norwegian or Icelandic (effective from 1 May 2004) and (ii)Lichtenstein (effective from 1 January 2016) recipients are exempt from withholding tax if the Interest and Royalties Directive criteria are met.	Based on domestic tax law (which is applicable irrespective of tax treaties or the EU Interest and Royalties Directive) there is no withholding tax on interest paid to a corporate entity. **Impact ATAD – GAAR** The ATAD GAAR should not have an impact as no withholding tax is levied 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, assuming that the receiving company is beneficial owner of the interest. 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 paid to non-residents is 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 obtained from Romania by companies resident in EU is exempt from withholding tax provided that the beneficial owner of interest has held at least 25% in the share capital of the payer for at least two continuous years ending as of the date of interest payment. **Impact ATAD** Certain ATAD provisions have been transposed into the Romanian tax law as of January 2018, including the general anti-abuse rule applicable to an arrangement or a series of arrangements which, with regard to all relevant facts and circumstances, are not genuine, having been undertaken for the main purpose of, or having as one of the main purposes, obtaining a tax advantage that defeats the object or purpose of the applicable tax law.

Bulgaria	Czech Republic	Hungary	Poland	Romania
Following expiry of the agreed transitional period for Bulgaria, interest and royalty income payable by a Bulgarian tax resident entity to an associated company from another Member State shall enjoy full exemption from Bulgarian withholding tax from 2015 onwards in compliance with the Interest and Royalty Directive (Directive 2003/49/EC). For purposes of application of the exemption, the law provides that one entity is considered associated with another entity should one of the following conditions be fulfilled as of accrual of the income for a preceding uninterrupted period of at least two 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). Interest and royalty income might be exempt from withholding tax prior to the expiration of the minimum two-year term in case ownership over the required minimum of share capital is not interrupted as of the moment of accrual of the income.	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 permanent establishment located (i) in the Czech Republic or (ii) in a country other than EU country, EEA country or Switzerland. Prior decision of the tax authorities is necessary to apply the exemption. **Impact ATAD – GAAR** Same as EU GAAR, see Section 2.2.		**Impact ATAD – GAAR** In order to benefit from withholding tax exemption, recipient of interest shall be beneficial owner of received interest. Beneficial ownership clause is also included in many tax treaties concluded by Poland (for example in tax treaty with the Netherlands, with Sweden). Provisions implementing the ATAD Directive were introduced to Polish tax law.	Specifically, the above-mentioned arrangements are to be disregarded when calculating the tax liabilities attributed to a taxpayer.

Bulgaria	Czech Republic	Hungary	Poland	Romania
However, if the possession of the required minimum capital is interrupted prior to the expiration of the minimum two-year term, the general rate of 10% shall apply to the interest income and royalties. 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 exemption, but nevertheless have their interest and royalty income levied at 10%, could request and get a refund of overpaid tax not later than one 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 exemption shall be applied in case – such permanent establishment is established in another EU Member State and is a permanent establishment of foreign entity from a Member State; and				

Bulgaria	Czech Republic	Hungary	Poland	Romania
– the local payer of the income is associated with the foreign entity to whose permanent establishment the income is paid. In addition full tax exemption is available also for (i) interest income of foreign corporate lenders under a loan extended to the State or the municipalities, on which no bonds will be issued, as well as for (ii) interest income of foreign corporate investors from bonds or other debt securities, issued by the State or the municipalities or local entities and traded on a regulated market in Bulgaria or in other Member State of the EU or in a state party to the EEA Agreement and (iii) interest income of foreign lender issuer of bonds or other debt securities when he is an EU/EEA tax resident who has issued the bonds / debt securities with the aim to lend the proceeds to local entity and the bonds / debt securities are admitted for trade on a regulated market in Bulgaria or in other Member State of the EU or in a state party to the EEA Agreement.				

Bulgaria	Czech Republic	Hungary	Poland	Romania
Impact ATAD – principal purpose test No information was found in the public domain on developments relevant to ATAD as at 21 June 2018 and in particular on any proposals for amendments of the tax legislation or announcement by the government in that respect. It should be noted that the provision of Article 6, paragraph 1 from ATAD containing the ATAD principal purpose test has similar wording as the EU GAAR under Council Directive (EU) 2015/121, which was considered covered in the Bulgarian tax law with no need for amendments in that respect because of the existing tax evasion rules in force having broader scope. However, based on the official position of Bulgaria on the MLI, it should be mentioned that Bulgaria has chosen to adopt the “principal purpose test plus simplified limitation of benefits” option. Such choice could be considered as indicator that some changes in the local legislation in view of the principal purpose test under ATAD could be expected.				

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 following a tax clearance procedure. A foreign tax resident of an EU-country or a country that is a party to the Agreement for the European Economic Area, liable for payment of Bulgarian withholding tax on interest, royalties, capital gains, etc. has the option to recalculate the tax due. The tax that would be due after the recalculation is equal to the tax that 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 an annual declaration form. The above option is not available 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 country with whom the Czech Republic does not have a tax treaty in place (DTT or TIEA (bilateral or multilateral)), or in cases that the tax residency is not ascertained, 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 in the Czech law: The royalty payments to EU, Swiss, Norwegian or Icelandic (effective from 1 January 2011) and (ii) Lichtenstein (effective from 1 January 2016) recipients are exempt from withholding tax if the EU Interest and Royalties Directive criteria are met.	Based on domestic tax law (which is applicable irrespective of tax treaties or the EU Interest and Royalties Directive) there is no withholding tax on royalties paid to a corporate entity. **Impact ATAD – GAAR** The ATAD GAAR should not have an impact as no withholding tax is levied on royalties paid to a corporate entity.	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 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 and 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. **Impact ATAD – GAAR** Certain ATAD provisions have been transposed into the Romanian tax law as of January 2018, including the general anti-abuse rule applicable to an arrangement or a series of arrangements which, with regard to all relevant facts and circumstances, are not genuine, having been undertaken for the main purpose of, or having as one of the main purposes, obtaining a tax advantage that defeats the object or purpose of the applicable tax law. Specifically, the above-mentioned arrangements are to be disregarded when calculating the tax liabilities attributed to a taxpayer.

Bulgaria	Czech Republic	Hungary	Poland	Romania
With reference to the implementation of the EU Interest and Royalties Directive, as of 1 January 2015 royalties are exempt from withholding tax, if the respective qualifying requirements have been met. The qualifying requirements as to associated parties, minimum holding period and equity participation are the same as outlined for interest payments in Section 3.2 above. In addition to the exceptions provided for in Article 4 of the Directive, Bulgarian law sets forth three additional exceptions to the application of the exemption from withholding tax on interest and royalties and the entitlement to tax refund in case of withheld tax subject to exemption, namely when the income: – represents expenses of a permanent establishment in Bulgaria not deductible 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;	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 24 months (can be fulfilled subsequently) and only if the royalty payment (income) is not attributable to a permanent establishment located (i) in the Czech Republic or (ii) in a country other than EU country, EEA country or Switzerland. Prior decision of the tax authorities is necessary to apply the exemption. **Impact ATAD – GAAR** Same as EU GAAR, see Section 2.2.		**Impact ATAD – GAAR** In order to benefit from withholding tax exemption, recipient of royalties shall be beneficial owner of received interest. Beneficial ownership clause is also included in many tax treaties concluded by Poland (for example in tax treaty with the Netherlands, with Germany). Provisions implementing the ATAD Directive were introduced to Polish tax law.	

Bulgaria	Czech Republic	Hungary	Poland	Romania
– is from transactions where the main motive or one of the main motives for execution of the transaction is deviation from or evasion of taxation. **Impact ATAD – principal purpose test** See our comment re ATAD PPT under 3.1 and 3.2 above.				

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 resident company's ordinary tax base (except for gains from sales of financial instruments such as shares in collective investment schemes and national investment funds, shares, rights and government securities, performed on a regulated market within the meaning of the Law on Financial Instruments Market 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 realised 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 realised by non-residents on the transfer of shares (or business quota) in a Hungarian resident company are, in principle, not taxable in Hungary. However, if the company is a real estate company, the capital gains realised at the alienation of its shares by a non-resident could be taxable in Hungary at 9%. Alienation for the purposes of this rule includes: sale, in-kind contribution, transfer without consideration or the withdrawal of shares through a capital decrease. A company 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 either individually or 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 a 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%/15% (applies to "small-taxpayers" and taxpayers in their first tax year) CIT in Poland if the assets of resident company consist wholly or principally of immovable property situated in Poland (so-called "real estate clause"). In general, where a tax treaty is applicable, taxation will in principle be attributed to the country where the non-resident seller (shareholder) is resident by virtue of the applicable tax treaty. Therefore, CIT taxation of capital gains arising from disposal of shares in Polish resident company and realized by seller being non-Polish tax resident shall be taxed in Poland: – if real estate clause is applicable (under relevant tax treaty or under Polish CIT Act if no tax treaty is concluded between Poland and country of tax residence of the seller).	Capital gains derived by a non-resident company without a Romanian permanent establishment from the sale of immovable property located in Romania are taxable at the general CIT rate. See Section 2.3 for the taxation of capital gains derived by a non-resident company from the sale of shares in a Romanian entity. 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 for at least one day in 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 recognised stock exchange.	– in case of sale of shares in listed companies if the seller is tax resident in the non-treaty country Many tax treaties provides real estate clause like tax treaty concluded between Poland and Luxembourg or tax treaty concluded between Poland and Germany. On the other hand, there are several tax treaties without above clause as tax treaty concluded between Poland and Netherlands or tax treaty concluded between Poland and Cyprus.	Under the ATAD rules, implemented in the domestic law on 1 January 2018, in the context of a transfer of assets, tax residency and/or economic activity carried out through a permanent establishment for which Romania loses the right to tax, if the market value of the assets transferred is higher than their tax value, the difference represents a profit subject to 16% CIT.

5. Anti-abuse provisions / CFC rules

Bulgaria

CFC rules

There is no CFC legislation.

Thin capitalisation 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 the equity of the company at 3 to 1 debt-to-equity ratio. Interest on bank loans and interest paid under financial lease agreements is only subject to thin capitalisation 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 capitalisation 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 capitalisation rules as related party loans subject to a 4:1 or 6:1 debt to equity ratio.

Hungary

CFC rules

New Hungarian CFC rules introduced as of 2017 are the (partial) implementation of the CFC rules as set forth in the Council Directive (EU) 2016/1164 (ATAD).

A foreign company will constitute a CFC if:

- the Hungarian tax resident company holds (directly or indirectly) more than 50% of its shares or holds the majority of its voting rights or is entitled to more than 50% of its profits ('economic influence test'); and
- the effective tax rate on the foreign company's profits is less than 50% of the hypothetical tax that it would have paid, had it been a Hungarian taxpayer in a similar situation ('effective tax rate'); unless
- the foreign company carries out actual business activities in its country of residence ('actual economic activity test'). 'Actual economic activity' shall mean that at least 50% of the combined revenue of the foreign company's related parties resident in the same country derives from manufacturing, processing, agricultural activities, commercial services, investment activities, or commercial activities performed with own assets and employees.

Poland

CFC rules

The Polish residents (both individuals and legal persons) are obliged to report income derived from Controlled Foreign Corporations (CFCs) in a separate tax return and tax that income at the rate of 19%.

A CFC must meet the following criteria cumulatively:

(1) a Polish resident solely or together with related entities holds, directly or indirectly, for an uninterrupted period of not less than 30 days, specific interest in that company – more than 50% share in (i) equity, (ii) voting rights in the management or constituting bodies or (iii) profits,
(2) at least 33% of the revenues earned by the foreign company are passive,
(3) actually paid CIT by foreign company is lower than difference between Polish CIT, which would have been due if such foreign company had been Polish taxpayer, and CIT actually paid in its country of incorporation or management.

A CFC entails:

(1) each company having its registered office or management in the country included in the list of countries and territories applying harmful venue tax competition,

Romania

CFC rules

On 1 January 2018, new rules have been introduced regarding the taxation of controlled foreign companies, whereby a taxpayer should include in its taxable base, in proportion with its holding in the controlled foreign company, the latter's non-distributed income derived from the following categories:

(i) Interest or any other income generated by financial assets;
(ii) Royalties or any other income generated from intellectual property;
(iii) Dividends and income from the disposal of shares;
(iv) Income from financial leasing;
(v) Income from insurance, banking and other financial activities;
(vi) Income from invoicing companies that earn sales and services income from goods and services purchased from and sold to associated enterprises, and add no or little economic value.

A company is considered a controlled foreign company under the conditions provided in ATAD.

Bulgaria

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 whom the local person has executed a deal, when:

Czech Republic

The non-deductible interest under thin capitalisation rules received by a Czech tax non-resident may be reclassified and treated as a dividend for withholding tax purposes (the reclassification must also be 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, EEA or Swiss 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. See Section 2.7 for tax ruling policy on transfer pricing issues.

Hungary

As an exception, a foreign company meeting the above conditions will not constitute a CFC if 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 recognised stock exchange for at least five years on the first day of the tax year.

It is the Hungarian taxpayer who is liable to prove appropriately that the foreign company does not qualify as a CFC.

Also, the Hungarian taxpayer is 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.) and the terms and conditions of the agreement (scope, starting date, etc.). The lack of documentation would incur penalty payment obligations.

Poland

as published by the Minister of Finance in the relevant regulation (i.e. regardless of the type of revenue earned by the company, of the share of a Polish resident in such a company or of the fact that the company carries on genuine business activity), and

(2) each company having its registered office or management in a country other than that indicated in the list referred to above, with which neither Poland nor the EU concluded an international agreement providing legal basis for exchange of tax information.

Revenues of a passive nature shall include dividend and other revenues on participation in the profits of legal persons, revenues on the transfer of shares, receivables, interest and benefits on any type of loans, sureties and guarantees, as well as revenues on copyrights and industrial property rights – including those on the transfer of the said rights, and revenues on the transfer and realisation of rights under financial instruments. The catalogue of the passive revenues in 2018 was extended to i.a. related-party transactions, where foreign company does not generate economic added value or this value is negligible;

Romania

Thin capitalisation rules

Under the ATAD provisions implemented in the Romanian law on 1 January 2018, the exceeding borrowing costs (as defined in ATAD) above the deductible EUR 200,000 threshold, are deductible within the limit of 10% of EBITDA. If this calculation basis is negative or equal to zero, the said costs are non-deductible and are reported to further periods for an unlimited time frame under the same deduction conditions.

Standalone entities (as defined in ATAD) have the right to fully deduct the exceeding borrowing costs in the fiscal period in which they are incurred.

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
- parties in which a third person (an individual or a legal entity) holds directly or indirectly

Bulgaria

(a) the foreign person is registered in a non EU member state in which the corporate (or similar) tax on the income already realised or to be realised by the foreign person as a result of the deal is more than 60% lower than the CIT in Bulgaria (unless the local person proves that the foreign person is not subject to preferential tax treatment or that the foreign person has realised 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, who is controlled by a person covered by the conditions under (a) and (b), is considered a foreign person.

Czech Republic

Impact ATAD – CFC legislation Expected as of 2019

Under the CFC rules, corporate taxpayers would be subject to tax on income of foreign subsidiaries, subject to the following conditions:

- The controlled entity does not conduct any substantive economic activity;
- The tax burden of the controlled entity is lower than 50% of the tax burden which would have been under the Czech tax laws; and
- The parent (controlling entity) holds, directly or indirectly, at least 50% of the capital, voting rights or the right to profit in the foreign subsidiary (controlled entity); a permanent establishment of the controlling entity in a state with income exempt under a double taxation treaty may also be considered as a controlled entity.

The CFC rules should in principle only apply to (i) passive income such as dividends, interest, licence fees, finance lease, banking, insurance or financial activities, or to (ii) intragroup transactions with low or zero added value.

Hungary

Thin capitalisation rules

Thin capitalisation rules apply to both related and third party debt (excluding debts to financial institutions). Interest paid or deemed interest deductions are non- deductible to the extent that a debt- to-equity ratio of 3:1 (both calculated on a daily basis) is exceeded.

Special rules determine the items which qualify as debt and equity for the purposes of these rules. For example: while back-to-back debt would be disregarded, interest-free related party loans would need to be taken into account. Debt to financial institutions is excluded for the purpose of this calculation.

General anti-abuse rule (GAAR)

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').

Poland

income derived from insurance and banking activity. The said provisions do not apply to taxpayers controlling companies located in an EU Member State or a state that belongs to the EEA, provided that the foreign company carries on 'important genuine economic activity' there. This terms has been defined in the provisions of the CIT Act.

Thin capitalisation rules

There are substantial changes to the thin capitalization regime from 1st January 2018. Costs of debt financing (both resulting from intra-group and external financing) is excluded from tax-deductible costs in part in which the surplus of costs of debt financing over interest-type revenues [the Surplus] exceeds 30% of tax EBITDA. This limitation should not apply to part of Surplus not exceeding PLN 3 million. Therefore, thin capitalization should not apply to the Surplus not exceeding sum of: PLN 3 million and 30% tax EBITDA. It may not be excluded however, that tax authorities would claim that the limit should be determined at higher of the two values: either PLN 3 million or 30% tax EBITDA (not a sum of them). Costs of debt financing are all kind of costs related to obtaining and using funds from other entities (also from unrelated parties, including banks).

Romania

(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. Taxpayers are obliged to prepare a transfer pricing file either annually or upon the tax authorities' request, depending on their category (large or medium / small taxpayer) and the amount of related-party transactions.

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.

Bulgaria	Czech Republic	Hungary	Poland	Romania
Accordingly, for the purposes of application of this hypothesis of relatedness, foreign entities operating in Bulgaria through a PE / fixed base, or foreign individuals realising 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. **Impact ATAD – CFC legislation** Implementing of ATAD in Bulgaria would introduce CFC rules in the local legislation (as there is no CFC legislation in Bulgaria currently). No information was found in the public domain on developments relevant to ATAD as at 21 March 2018 and in particular on any proposals for amendments of the tax legislation or announcement by the government on any opt-outs in respect to the ATAD CFC rules.		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 mainly to achieve tax advantages.	All interest which is not deducted in a given year due to thin capitalization limitations may be fully deducted in five subsequent tax years – within limits binding in these years . Some exceptions apply, including lack of possibility to carry forward interest in the case of merger, demerger or transformation. Under transitional provisions, previous thin capitalization rules will still apply in 2018 to loans/credits actually transferred before January 1st, 2018. Starting from January 1st, 2019 all interest, regardless on which loan it is accrued, will be subject to actual thin capitalization rules. Financial entities (banks, credit institutions, insurance companies) are not subject to new thin capitalization limitations.	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 double tax treaties (DTTs) are not applicable. **Impact ATAD – CFC legislation / thin capitalisation rules / EBITDA / hybrid mismatch rules** The new rules concerning CFCs and thin capitalization need to be taken into account in structures involving foreign subsidiaries of Romanian companies and when implementing financing transactions. The hybrid mismatch rules have not been transposed into the Romanian law yet.

Bulgaria	Czech Republic	Hungary	Poland	Romania
Impact ATAD – thin capitalisation rules / EBITDA As noted above, under the Bulgarian thin cap rule 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, i.e. 75% of its EBITDA. In view of the interest limitation rule (Article 4 ATAD) amongst others, limiting the exceeding borrowing costs to 30% from EBITDA amendments in the Bulgarian thin cap rule could be expected. No information was found in the public domain on developments relevant to ATAD as at 21 March 2018 and in particular on any proposals for amendments of the local legislation in respect to the Bulgarian thin cap rule.	Under the CFC regime, the foreign tax should be set-off against domestic tax in and the subsequent distribution of profits by the controlled company to the controlling company should not be subject to Czech taxation anymore. **Impact ATAD – thin capitalisation rules / EBITDA** (Expected as of 2019) Under the new rules, interest costs should only be deductible up to the higher of the following amounts: 30% of EBITDA and CZK 80 million per annum (the de minimis rule). It should be possible to carry forward non-deductible interest cost (without any time limitation) and to deduct it up to the limit above in later years. The interest deductibility limitation should not apply to financial undertakings or standalone entities. The existing thin capitalisation rules limiting the tax deductibility of interest on related-party financing should apply in parallel as well (see above).	The '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 and in line with the constitutional obligation of contributing to public spending. 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 that 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. In addition, related party status also applies where a controlling influence on business and financial policy exists between two entities based on their identical management. **Impact ATAD – CFC-legislation / thin capitalisation rules / EBITDA / hybrid mismatch rules** See comments above.	Beside thin capitalization rules presented above, a new limitation for recognition of costs of debt financing was introduced from 2018. Based on it, if the costs of debt financing exceeds market creditworthiness of the taxpayer (value of the financing, which could be granted by unrelated parties), tax authorities may determine the taxpayer's income/loss under transfer pricing regulations. Collaterals obtained from related parties and relationships with related parties should not be taken into account when determining market creditworthiness of the taxpayer. **Transfer pricing rules** The Polish CIT Law contains transfer pricing regulations. Such regulations authorise the tax authorities to assess the income on the transaction between related parties if the authorities consider it as being not at arm's length. 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.	

Bulgaria	Czech Republic	Hungary	Poland	Romania
Impact ATAD – hybrid mismatch rules In respect to hybrid mismatch rules it should be mentioned that the rule under Council Directive 2014/86/ EU of 8 July 2014 amending PSD outlined under 2.2 above was implemented in Bulgaria and in force as of 1 January 2016 i.e. dividends distributed by foreign EU / EEA tax resident entities are exempt from CIT, except where such distributed amounts are deductible for tax purposes at the level of the distributing subsidiary. Bulgaria also has special rules regulating recognition for tax purposes of accounting revenues and expenses and transfer of assets resulting from transfers between Bulgarian PE and other parts of the foreign company. However, since there are no fully developed hybrid mismatch rules in Bulgaria it could be expected that the Bulgarian legislation may be adapted to reflect the ATAD hybrid mismatch rules. However, no information was found in the public domain on developments relevant to ATAD as at 21 June 2018 and in particular on any proposals for amendments of the tax legislation or announcement by the government in respect to the ATAD hybrid mismatch rules.	**Impact ATAD – hybrid mismatch rules** (Expected as of 2020) There is a legislative proposal which is expected to come into force as of 2020. Under this proposal, the tax advantageous effects of qualifying hybrid mismatches should be eliminated by corresponding increase in the Czech income tax base. **Impact ATAD – GAAR** Czech tax law is generally considered to already include sufficient GAAR (See Section 2.2). There is a legislative proposal which should explicitly include GAAR into the Czech Tax Procedural Code as of 2019. However, it is expected that there would be no material change to the current practice described in Section 2.2.		Also, taxpayer is obliged to declare in annual CIT return about obligation to prepare transfer pricing documentation and submit written statement that required transfer-pricing documentation was prepared for a given tax year. If a taxpayer fails to submit the statutory transfer pricing documentation within seven 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. **Impact ATAD – CFC-legislation / thin capitalisation rules / EBITDA / hybrid mismatch rules** Provisions implementing the ATAD Directive were introduced to Polish tax law; however, in case of hybrid mismatches, only interest on profit participation loans is not tax deductible.	

Bulgaria	Czech Republic	Hungary	Poland	Romania
In respect to ATAD 2 regulating hybrid mismatches involving third countries it should be noted that pursuant to bulletin of the Ministry of Finance from December 2016 Bulgaria upheld the common approach in respect to ATAD 2 with the understanding that a compromise suggestion would cover most of the possible ways for using the inconsistencies between legislations of the states, not only on EU territory but also globally. Based on the Bulgarian position on the MLI, it should be mentioned that Bulgaria has chosen not to apply the hybrid mismatch rules under Article 3-5 thereunder.				

6. Tax and investment incentives

Bulgaria

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 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 authorised by law one-time deduction from the financial result of the company refers to the amounts paid for labour 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.

Czech Republic

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 centres and strategic services.

Hungary

A large number of incentives are available e.g. relating to material investments, investments in intangible assets (e.g. IP rights), investment in certain under- developed regions, environmental investments, employment enhancing investments, etc.

Some of these incentives take the form of a tax credit applicable for a given percentage of the qualifying investment (e.g. development incentives); while others trigger a special allowance which is deductible from the taxable base in addition to the investment costs which have already been recognised in the company's accounting profits (e.g. R&D incentives).

Poland

There are very attractive CIT incentives for investors in special economic zones (SEZ) in Poland. A SEZ is a demarcated, greenfield / brownfield 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% (60% or 70% for SMEs) (although in the most popular SEZ areas the intensities would typically be much lower, ranging between 20% (15 or, as from 2018, 10 percent in Warsaw) and 35% of the eligible costs) of the higher amount of:

- the eligible investment cost; or
- the two-year labour 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.

Romania

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:

- The profit reinvested in technological equipment produced and/or purchased after 1 July 2014 is exempt from CIT, under certain conditions.
- 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.
- Taxpayers have the possibility to reschedule the payment of tax liabilities for a maximum period of five years, under certain conditions.
- Taxpayers performing exclusively innovation, research and development activities are exempt from corporate tax in the first 10 years of activity.

Bulgaria	Czech Republic	Hungary	Poland	Romania
Investors may enjoy tax incentives 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 include: – the investor should perform manufacturing activity only in municipalities having unemployment rate for the previous year exceeding with 25% or more the average rate in the country for the previous year (for minimal aid), respectively for the year preceding the year of filing of the standard form aid application (for state aid for regional development); 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 therefore.		One of the incentives to note is the incentive available for IP investment. Similar to the participation exemption rules on the taxation of capital gains from the alienation of 'reported shares', capital gains derived by a Hungarian company on the disposal of certain qualifying valuable rights (e.g. IP rights) could be exempt from CIT, under the following conditions: – the rights are owned for at least one year; and – the acquisition of the rights has been duly reported to the Hungarian Tax Authority within 60 days from the acquisition / transfer of the place of effective management to Hungary. This incentive allows a tax free step-up in asset value. With the above incentive, together with the incentives on royalty income (see Section 2.1) and the lack of domestic WHT on royalty payments, Hungary offers an attractive IP regime.	An investor may benefit from the CIT exemption by obtaining a permit for business activities within a SEZ. Several types of activity do not qualify for a permit, e.g. manufacturing explosives or tobacco. 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. In addition, the work on the project must not start before the application for the SEZ permit is filed. The SEZ tax exemption is treated as compatible 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. It is planned to amend above regulations during 2018. The main aim of the changes is to grant state aid in a form of CIT exemption to entrepreneurs, which plan to introduce "new investments".	

Bulgaria	Czech Republic	Hungary	Poland	Romania
			Basis of granting the CIT exemption shall be individual decision issued by Minister of Economy to entrepreneur. Decision will grant CIT exemption for period no shorter than 10 years and no longer than 15 years. In order to obtain CIT exemption, planned investment should meet qualitative and quantitative evaluation criteria which will be stipulated in separated law. **Research and development incentive** It is possible to deduct from the taxable base certain qualified expenditures incurred for R&D activities (notwithstanding their prior deduction as an ordinary cost under the general rules), if the taxpayer earned income other than income classified to capital gains source. The provisions contain a closed list of such expenditures, which should also qualify as tax-deductible costs under the general tax rules. The provisions are very complex, however in total the deductions may be made up to: – 150 percent for categories of eligible costs for taxpayers having the status of a research and development center (R&D Center) or in case of micro/small/medium entrepreneurs;	

Bulgaria	Czech Republic	Hungary	Poland	Romania
			– 100 percent for all categories of eligible costs for others enterprises. Qualified expenditures ought to be deducted in the year in which they were incurred, and if the taxpayer does not generate sufficient income or incurs a loss in this particular year, in the period of six consecutive fiscal years directly following the aforesaid year. There are several conditions requested for an application of R&D tax relief.	

7. MLI and income tax treaties

Bulgaria	Czech Republic	Hungary	Poland	Romania
Bulgaria has chosen 66 of its double tax treaties to be covered by the MLI (Netherlands, Malta and Finland are missing from the list) i.e. to be Covered Tax Agreements (CTAs). Pursuant to the official position provided at the time of signature of MLI, Bulgaria reserved the right for the entirety of Art. 8 Dividend Transfer Transactions provision from MLI not to apply to its CTAs. Hence, MLI would not impact distribution of dividends by requiring a minimum holding period of 365 days. Further, Bulgaria adopted the “principal purpose test plus simplified limitation of benefits” option. Supplementing the principal purpose test with a simplified LOB would make obtaining of treaty reliefs under the CTAs difficult and provide the tax authorities with more options to deny treaty reliefs on dividends. It should also be noted that the Simplified Limitation on Benefits Provision will apply only to those CTAs where all Contracting Jurisdictions have chosen to apply it. The Simplified Limitation on Benefits Provision however, was chosen not to apply to the Covered Tax Agreement with USA because this agreement contains such provision.	The Czech Republic acceded to the MLI and the Czech position is to implement the minimum standard prescribed by the MLI. Under the Czech position, the MLI should apply to all Czech double taxation treaties with exception of the treaty with South Korea.	Hungary signed the MLI on 7 June 2017. However since the Convention was not ratified, it did not enter into force yet.	On 23rd January 2018, Poland became the fourth country to deposit its instrument of ratification for MLI. As of July 1st, 2018 MLI will entry into force in Poland. Poland accepted the application of Article 7(1) of MLI (i.e. “principal purpose test”) as an interim measure, and intends where possible to adopt a limitation on benefits provision, in addition to or in replacement of Article 7(1) of MLI (through bilateral negotiation). In respect of dividends, Poland reserved the right for the Article 8 of MLI (Dividend Transactions) not to apply to its Covered Tax Agreements to the extent that the provisions described in Article 8(1) of MLI already include a minimum holding period.	As signatory of the MLI, Romania opted to implement the provisions regarding Prevention of Treaty Abuse, whereby a benefit under a double tax treaty shall not be granted if obtaining it was one of the principal purposes of the arrangement/ transaction that resulted directly in that benefit. Hence, it could be reasonably expected that the tax authorities’ scrutiny on the transactions’ economic substance will become more frequent and thorough. With respect to dividends, Romania has opted to implement the MLI provisions concerning Dividend Transfer Transactions. Hence, where Romania’s double tax treaties provide for a minimum shareholding quota in order to apply the treaty rate/exemption, a minimum 365-day shareholding period shall be considered for this purpose. The applicability of MLI provisions at the level of treaties signed by Romania shall be assessed on a case-by-case basis, depending on whether and on how the other contracting state implemented the relevant MLI provisions in its treaties.

Bulgaria	Czech Republic	Hungary	Poland	Romania
Bulgaria has notified for 12 CTAs containing principal purpose clauses. To the extent that the other Contracting Jurisdiction have made such a notification with respect to the respective provision of a Covered Tax Agreement the provisions containing principal purpose clauses of the respective CTAs will be replaced by the principal purpose test under Art. 7 (1) from MLI. So far we have identified that the principal purpose part of the Dividends provisions of 4 Covered Tax Agreements (Norway, Romania, South Africa, UK) from those 12 will be replaced by the principal purpose test under Art. 7 (1) from MLI. It should be noted that the Simplified Limitation on Benefits Provision will apply only to those CTAs where all Contracting Jurisdictions have chosen to apply it. The Simplified Limitation on Benefits Provision however, was chosen not to apply to the Covered Tax Agreement with USA because this agreement contains such provision. Bulgaria has reserved the right for the entirety of MLI's Art. 10 Anti-abuse Rule for Permanent Establishments Situated in Third Jurisdictions not to apply to its Covered Tax Agreements.			Anti-abuse rules regarding permanent establishment have not been chosen. In respect of dual resident entities (Article 4) Poland has notified some of the Covered Tax Agreements as to not to apply to its Covered Tax Agreements that already address cases where a person other than an individual is a resident of more than one Contracting Jurisdiction by requiring the competent authorities of the Contracting Jurisdictions to endeavour to reach mutual agreement on a single Contracting Jurisdiction of residence.	

LOYENS & LOEFF

Part III

Slovakia, Cyprus, Estonia, Latvia

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

Slovakia

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 (EUR 750 for a joint stock company and EUR 300 for any other form) and a duty payable upon the registration of the change in the registered capital of a company (EUR 66) (the fee is reduced by 50% if the respective petition if filed electronically).

Non-monetary contribution to the registered capital of a company must 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 immediately following the 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.

Cyprus

Capital tax
Registration of a limited company is subject to a registration fee of EUR 105 plus capital duty of 0.6% of the authorised capital. Capital duty is payable at 0.6% on any subsequent increases in authorised capital.

Exemptions
All contributions with regard to a merger or reorganisation are exempt. This also applies where non-EU member states are involved.

Notional interest deduction
For 2015 and subsequent tax years a notional interest deduction (NID) is available for corporate income tax purposes on new equity capital introduced into companies and permanent establishments of foreign companies. The NID is limited to 80% of the taxable profit before deducting the NID and no NID will be allowed in the event of losses. Unutilised NID cannot be carried forward to be offset against future years' profits.

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 EUR 5,000 no stamp duty is payable;
- For transactions with a consideration in excess of EUR 5,000 but not exceeding EUR 170,000, stamp duty of EUR 1.50 for every EUR 1,000 or part thereof is payable;

Estonia

Capital tax
There is no capital contribution tax in Estonia.

Stamp duty
The incorporation of a new company or changes in the share capital is subject to a stamp duty. Stamp duty for the incorporation is EUR 145 (or EUR 190 for a speed-up procedure). Changes in share capital are subject to stamp duty of EUR 18.

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 a land tax which varies from 0.1% to 2.5% of the cadastral value of land excluding buildings. Rate is set by local municipalities by 31 January each year.

Latvia

Capital tax
There is no capital contribution tax in Latvia.

Stamp duty
Stamp duty for registration of a company is from EUR 180 to EUR 480. Changes in the share capital is from EUR 40 to EUR 120.

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 price of the transaction. 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.
- EUR 7 minimum is payable.

Slovakia	Cyprus	Estonia	Latvia
The real estate tax base is calculated according to the area in square metres 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 EUR 0,033 for each square metre of building and/or apartment). However, the rates can be changed by the respective municipality.	– For transactions with a consideration in excess of EUR 170,000 stamp duty of EUR 2.00 for every EUR 1,000 or part thereof is payable. – The maximum stamp duty payable on a contract is capped at EUR 20,000. – Where no amount of consideration is specified in the contract the stamp duty is EUR 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 EUR 2. Certain documents are exempt from stamp duty, including documents relating to corporate reorganisations (which are exempt from all forms of taxation) and ship mortgage deeds or other security documents. **Real estate transfer tax** – Fees are payable to the Department of Lands and Surveys for registration of transfers of real estate, based on the purchase price or the current market value of the property as assessed by the Department of Lands and Surveys ('the consideration') as follows: For the part of the consideration up to EUR 85,000 the transfer fees are 1.5% of the consideration. – For the part of the consideration between EUR 85,000 and EUR 170,000 the transfer fees are 2.5% of the consideration. – For the part of the consideration exceeding EUR 170,000 the transfer fees are 4% of the consideration.		Municipalities are entitled to impose a different real estate tax rate ranging from 0.2 to 3.0% 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.

2. Corporate income tax (CIT)

2.1 CIT and wealth taxes

Slovakia

As from 1 January 2017, the general CIT rate is 21%. Legal entities seated in Slovakia are taxed on their worldwide income.

Wealth taxes
There is no wealth tax in Slovakia.

Cyprus

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

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 20%. A reduced rate of 14% applies to regular dividend payments and other profit distributions as of 2019. As for permanent establishments of foreign companies, the CIT is imposed on profit attributed to the permanent establishment that has been taken out of the permanent establishment during a period of taxation in monetary or non-monetary form.

Due to such CIT system there is no need for depreciation / amortisation rules for tax purposes. In fact, 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.

Latvia

Starting from 1 January 2018 Latvia has introduced new CIT system under which CIT is payable at the moment of profit distribution only. CIT applies to dividend distributions, deemed dividends (share capital increase followed by its decrease) and expenses considered deemed profit distribution (e.g. non-business expenses, transfer pricing adjustments, certain bad debts, certain loans, etc.). Profit distribution from Latvian company (as well as from PE's) is subject to 20% gross CIT rate. For calculation of CIT, the taxable base should be divided by a coefficient of 0.8.

The taxable period is the calendar month.

Wealth taxes
There are no wealth taxes in Latvia.

2.2 Dividend regime (participation exemption)

Slovakia	Cyprus	Estonia	Latvia
National and international There is no full participation exemption in Slovakia. As from 1 January 2017, dividends paid out of profits generated in accounting period that started after 1 January 2017 to individuals are subject to Slovak income tax of 7% or 35% withholding tax depending on the residency of beneficiary. For further details see Section 3.1 below. Dividends paid to legal entities are not subject to income tax in Slovak Republic save for dividends distributed to the legal entities not having their registered seat in a country that is on the 'white list' (see below), which are subject to 35% withholding tax. **Impact EU GAAR** No changes are (currently) expected in Slovakian law as a result of the introduction of the EU GAAR, as there are already anti-abuse measures. (Inbound) dividends received by a Slovak taxpayer are not exempt from CIT if they are a result of one or several measures that may not be considered as based on economic reality and their main (or significant) aim is to gain unjust advantage.	In principle all dividends derived from a foreign participation are fully exempt from tax, with no minimum holding period requirement, unless the 'dividend anti-tax avoidance' 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** 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 fulfils the conditions set out above are exempt from SDC tax. **Impact EU GAAR** The Income Tax Law has been amended to incorporate the latest changes to the PSD by providing that after 31 December 2015 the current exemption from Cyprus income tax on dividends received by Cyprus-resident companies will not be available in cases where the arrangement under which they are paid is not based on valid commercial reasons that reflect economic reality.	CIT is not levied on the redistribution of dividends if the underlying dividends are received from a subsidiary that is tax resident in an EEA member state or Switzerland and the Estonian parent holds at least 10% of the shares or votes in that subsidiary. The participation exemption also applies to the dividends from other jurisdictions if the Estonian company holds at least 10% of the shares or votes and income tax has been paid from the underlying share of profit or income tax on the dividends has been withheld in foreign jurisdictions. Participation exemption also applies to permanent establishments and certain capital repayments. **Impact EU GAAR** Estonia has implemented the rules for EU PSD GAAR. CIT exemption would not apply to a transaction or chain of transactions, where the main purpose or one of the main purposes is to obtain a tax advantage. The tax exemption is applicable to the extent that the transaction or chain of transactions is made for business purposes, reflecting appropriate and necessary economic substance of business activity. Holding companies are not automatically qualified as companies with no economic substance, but they must have a function and a structure appropriated for a holding company. The law does not specify the criteria further.	Dividends received by a resident company from any non-resident company are exempt from CIT (if CIT is paid in the country of origin). The exemption, however, is not applicable to dividends received from black-listed offshore jurisdictions. **Impact EU GAAR** As of 1 January 2018, a new CIT law has entered into force, in which Latvia has implemented the EU PSD GAAR rules. The respective anti-avoidance provision states that the exemption from CIT for incoming dividends may be denied if the main goal of incorporation, existence of a company or a respective transaction is the use of the exemption. Thus, the dividend participation exemption shall not be granted if any of the involved parties is considered artificial. Additionally as of 1 January 2013, Latvia has introduced local GAAR under which the tax administration should analyse the taxpayer's transactions not only based on their legal form, but also economic substance.

Slovakia	Cyprus	Estonia	Latvia
	Moreover, sums received by a Cyprus- resident company which are documented as dividends but which are nevertheless treated and accounted for as expenses in the accounts of the entity making the distribution will not be exempt from Cyprus tax following the introduction of anti-avoidance provisions (on hybrid arrangements) into the Income Tax Laws.		

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 (21%). As from 1 January 2018, a participation exemption has been introduced, under which capital gains of a Slovak legal entity or of a foreign legal entity having a permanent establishment in Slovakia from the disposal of shares are exempt from CIT (the exemption is not available to individuals) if i. The capital gains were generated after 24 months from acquisition of at least 10% direct share in the company in which the shares are being transferred (in any case starting from 1 January 2018); and ii. The taxpayer is performing in the Slovak territory material functions, manages and bears risks connected with ownership of the shares, while at the same time it has the necessary personnel and material equipment and calculates tax base from profits recorded in line with Slovak GAAP or IFRS (as adjusted for Slovak income tax purposes).	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. As a general rule, gains from the sale of shares of unlisted companies owning immovable property in Cyprus (or companies owning such companies) are subject to capital gains tax at 20% to the extent that the gains are derived from such property. However, gains deriving from immovable property acquired between 16 July 2015 and 31 December 2016 (both dates inclusive) on an arm's length basis and not under the foreclosure provisions of the Transfer and Mortgage of Immovable Properties Law are exempt from capital gains tax, regardless of the date of disposal.	Capital gains from the disposal of shares are subject to CIT at the gross rate of 20% if the profit is distributed (see above Section 2.1). There is no participation exemption for capital gains.	Capital gains from the alienation of shares are exempt from CIT if such profit is distributed if the holding period of shares is at least 36 months at the time of alienation (the exemption does not apply to capital gains 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.	Since there is no annual CIT, deductibility of capital losses incurred on the sale of shares is not relevant.	Since there is no annual CIT, deductibility of capital losses incurred on the sale of shares is not relevant.

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 realise 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. See Section 5 for thin capitalisation rules.	Costs related to acquisition of a participation are taxed with 20% CIT at gross basis if such acquisition: – does not relate to a business of the tax payer; or – relates to the acquisition of securities issued by a low-tax territory company.	Latvian legislation does not provide for any specific regulation with respect to costs relating participation. See Section 5 for thin capitalisation rules.

2.6 Currency exchange results

Slovakia	Cyprus	Estonia	Latvia
The taxpayers may decide that 'unrealised' 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 'realised' currency exchange losses / gains are driven by accounting.	With effect from 1 January 2015 accounting profits and losses arising from currency exchange rate fluctuations are disregarded for tax purposes. Only gains or losses arising from actual trading in foreign currencies or foreign currency derivatives will be taken into account. Businesses carrying out such activities may irrevocably elect to be taxed on the basis of only realised profits or losses.	Gains from currency exchange are subject to Estonian CIT at a gross rate of 20% upon distributing the profits (see Section 2.1 above). Losses are deductible.	Gains from currency exchange are subject to CIT only with distribution of the profit. Losses do not influence the CIT position.

2.7 Tax rulings

Slovakia

The Slovak tax authorities are entitled to issue a binding ruling on several tax related topics if requested by a taxpayer.

The scope of topics is, at the moment, rather limited. Taxpayers may apply for a binding tax ruling in relation to the following:

Income tax:
(i) The source of income of non-Slovak tax residents;
(ii) the sale and purchase of an enterprise or its part;
(iii) adjustment of tax base by sum of unpaid receivable or its part after maturity date;
(iv) tax deductibility of expenses;
(v) deduction of tax loss;
(vi) withholding taxation;
(vii) transfer pricing method (the ruling could be issued for at most five tax periods and, if requested, may be extended by five more tax periods); and
(viii) permanent establishment tax base determination method (the method should be applied at least one year and cannot be changed during the respective tax period).

Cyprus

The Tax Rulings Division of the Cyprus Tax Department will issue advance tax rulings regarding actual transactions (or series of transactions) relating to tax years for which the due date for filing a tax return has not yet passed, and transactions proposed to be undertaken by new or existing companies. Requests for tax rulings must be in writing and must include the following information:
- the name and tax identification code of the parties involved in the relevant transaction and the name of any group of companies of which any parties are members;
- confirmation that all the parties have filed all the tax returns due;
- a description of the circumstances, giving a sufficient explanation of the tax issue under consideration;
- detailed factual analysis of the transaction or transactions relating to the request; and
- the question or questions on which a ruling is required: references to the relevant tax legislation, tax circulars or practices of the tax department and to any relevant case-law, and the applicant's opinion regarding the appropriate tax treatment.

A fee of EUR 1,000 is payable for the issuance of tax rulings. The ruling can be issued on a priority basis for an additional EUR 1,000.

Estonia

Estonian Tax and Customs Board must issue a binding ruling within 60 days (can be extended by 30 days in more complex cases) from a submission of the qualifying request. Applicants must pay a stamp duty (state fee) of EUR 1,180 for legal entities and EUR 300 for natural persons. The binding ruling cannot be appealed.

It is not possible to obtain advance pricing agreement (APA) for transfer pricing purposes.

The tax authority has the right to refuse to make a preliminary decision if:
- application of legal provisions regulating the taxation of the act is explicit under objective circumstances;
- the act is hypothetical; or
- the act is aimed at tax evasion.

A preliminary decision is binding for the tax authority if:
- the act was performed during the term specified in the preliminary decision;
- the performed act conforms to the description provided in the preliminary decision in all circumstances significant in terms of taxation; or
- the legal provisions relevant for taxation purposes have not been substantially amended before performance of the act.

Latvia

It is possible to request a binding ruling from tax authorities. However, such a request should be based on specific facts and relate to a 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 million per year. The fee for an APA is EUR 7,114.

Slovakia	Cyprus	Estonia	Latvia
VAT: (i) The existence of obligation to pay VAT; (ii) VAT rates for goods; (iii) which person is liable to pay VAT: and (iv) fulfilment of conditions for existence of permanent establishment under Slovak Act on VAT. The tax ruling would be effective for one or several particular transaction(s). The 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.			

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. Only 20% of any loss resulting from intellectual property activities can be offset against income from other sources or carried forward to be offset against income of subsequent tax years, reflecting the fact that Cyprus's IP box regime takes account of only 20% of any profits generated by the use or disposal of IP rights.	**Carry back** There is no loss carry back in Estonia. **Loss carry forward** There is an unlimited loss carry forward.	**Carry back** There is no carry back possibility in Latvia. **Carry forward** 15% of tax losses accumulated as on 31.12.2017 can be carried forward up to five years, starting from 2018. These losses can be used to decrease the CIT payable for dividends, but not more than 50% of CIT payable on dividends.

2.9 Group taxation for CIT purposes

Slovakia	Cyprus	Estonia	Latvia
There is no group taxation regime for CIT purposes.	A company that is tax resident in Cyprus or another EU member state can surrender its taxable losses to another group member that is tax resident in Cyprus, provided the surrendering company has exhausted all means of surrendering or carrying forward the losses in its member state of residence or to any intermediate holding company. The amount of taxable losses that may be surrendered is calculated on the basis of the Cyprus tax laws. 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; and – any assets of the subsidiary which would be available for distribution in the case of winding up of the subsidiary.	There is no group taxation regime for CIT purposes.	Latvian tax law does not allow tax loss transfers within a group of companies.

<table>
<tr><th>Slovakia</th><th>Cyprus</th><th>Estonia</th><th>Latvia</th></tr>
<tr><td></td><td>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 an EU member state, in a state with which Cyprus has concluded a double tax treaty or in a state that has signed the OECD multilateral convention for exchange of information (Convention on Mutual Administrative Assistance in Tax Matters).</td><td></td><td></td></tr>
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3. Withholding taxes payable by the holding company

3.1 Withholding tax on dividends paid by the holding company

Slovakia

Profits generated in an accounting period that started after 1 January 2017 are subject to:

- 7% withholding tax, if the dividends are distributed by a Slovak company to a Slovak or foreign resident individual (unless a double-tax treaty stipulates otherwise), or
- 35% withholding tax, if the dividends are distributed to individuals or legal entities not having permanent residence or registered seat in 'white-list' jurisdiction, i.e. countries with which the Slovak Republic does not have any tax treaty.

Save for dividends paid out to legal entities from 'non-white-list' jurisdictions referred to above, dividends paid to legal entities are not subject to income tax in the Slovak Republic.

Impact EU GAAR
Currently no EU GAAR for CIT purposes with respect to outbound dividends is proposed.

Impact ATAD – GAAR
No specific principal purpose test under ATAD has been implemented yet. However, as from 1 January 2018 a new wording of GAAR applies (see further section 5 below).

Cyprus

No withholding tax is levied in Cyprus on distributions to non-residents.

Impact ATAD – GAAR
The Tax Department has recently published proposed legislation to implement ATAD for consultation. It includes the addition of a new Article 33(6) to the Income Tax Law which reproduces the provisions of Article 6 of ATAD, allowing the Tax Department to disregard artificial arrangements (i.e., arrangements not put into place for valid commercial reasons which reflect economic reality) whose main purposes include obtaining a tax advantage that defeats the object or purpose of the tax laws. The proposed effective date is January 1, 2019, in line with the directives.

Cyprus has notified the contents of the preamble in all 61 of its covered tax treaties. Assuming that the other contracting state is also a signatory to the MLI and has not made a reservation, the preamble will automatically be amended to expressly state that the purpose of the covered tax agreement in question is to eliminate double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance, including through treaty-shopping arrangements.

Article 7 sets out a general anti-abuse rule based on the principal purpose of transactions or arrangements. Cyprus has chosen to apply Article 7(4) of the MLI, which provides for a principal purpose test ("PPT").

Estonia

Dividends paid by resident companies to non-resident persons are not (besides the 20% gross rate CIT payable at Estonian company level upon distributing the profit) subject to withholding tax.

The regular dividends taxed under 14% CIT are subject to withholding tax at the rate of 7% (may be reduced under respective double tax treaty) if such regular dividends are distributed to natural person shareholders.

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 such payments (taxable proceeds), to the extent that they exceed the capital contributions paid in.

Impact EU GAAR
Estonia has implemented the rules of EU PSD GAAR. The CIT exemption for dividends is not applicable if the taxpayer cannot prove that there is actual economic reason for the use of a specific chain of transactions.

Impact ATAD – GAAR
Estonia has not implemented the ATAD yet as the target date is 31 December 2018. However, Estonian government has introduced a draft bill of law on ATAD changes, including a proposal to implement specific rules on taxation of exceeding borrowing costs, exit tax, GAAR and controlled foreign company rule. The draft law is currently discussed and not implemented yet.

Latvia

No withholding tax is levied on dividend payments to non-resident companies, except for companies established in black-listed offshore jurisdictions (20% WHT).

Impact EU GAAR
As of 1 January 2018, a new CIT law has entered into force, in which Latvia has implemented the EU PSD GAAR rules.
The respective anti-avoidance provision states that the exemption from CIT for incoming dividends may be denied if the main goal of incorporation, existence of a company or a respective transaction is the use of the exemption. Thus, the dividend participation exemption shall not be granted if any of the involved parties is considered artificial.

Impact ATAD – GAAR
Latvia has implemented ATAD GAAR by the previously mentioned provision of denying CIT exemption to incoming dividends if any of the involved parties is considered artificial.

Since the ATAD implementation date is 31 December 2018, additional tax law amendments may be introduced.

As of 1 January 2013, Latvia introduced local GAAR which stipulates that the tax administration should analyze the taxpayer's transactions not only based on their legal form, but also economic substance. Such provision can be considered as being in line with the ATAD GAAR provisions.

Slovakia	Cyprus	Estonia	Latvia
	Tax benefits will be denied if one of the principal purposes of a transaction or an arrangement is to directly or indirectly obtain a tax benefit, unless the granting of that benefit in the circumstances would be in accordance with the object and purpose of the relevant treaty provisions. Signatories to the MLI may opt to supplement the PPT with a simplified limitation-on-benefits (“LOB”) provision. Alternatively, countries can negotiate bilateral detailed LOB provisions. Cyprus has not made any notification to adopt a LOB provision.		We do not have information about planned amendments in national legal acts with which EU ATAD will be implemented.

3.2 Withholding tax on interest paid by the holding company

Slovakia

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. As from 1 March 2014, if the loan interest is paid to residents having the registered seat or permanent residency in a country that is not on the White List maintained and published online by the Slovak Ministry of Finances, a 35% rate applies. Countries with which the Slovak Republic does not have any tax treaty signed are not on the White List. The White List should basically contain the countries with which the Slovak Republic 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 two years.

Impact ATAD – GAAR

See section 5 below.

Cyprus

No withholding tax is levied on interest paid by a Cyprus company to a non-resident recipient.

Impact ATAD – GAAR

The Tax Department has recently published proposed legislation to implement ATAD for consultation. As detailed in 3.1 above it includes the addition of a new article to the Income Tax Law which allows the Tax Department to disregard artificial arrangements. The proposed effective date is 1 January 2019, in line with the directives.

Estonia

Interest paid to a non-resident company is generally exempt from income tax.

In case of transaction between the related parties, transfer pricing rules apply.

Impact ATAD – GAAR

Estonia has not implemented the ATAD yet as the target date is 31 December 2018. However, Estonian government has introduced a draft bill of law on ATAD changes, including a proposal to implement specific rules on taxation of exceeding borrowing costs, exit tax, GAAR and controlled foreign company rule. The draft law is currently discussed and not implemented yet.

Latvia

No withholding tax is levied on any outgoing interest payments with the exception of interest paid to entities established in blacklisted offshore jurisdictions.

Impact ATAD – GAAR

Latvia has introduced the ATAD limitations on interest deductibility. Namely, if interest expenses exceed EUR 3 million, the excess over the 30% from company’s net profit before tax is included into taxable base.

With respect to hybrid mismatches, Latvia has introduced specific provisions in the new taxCIT law as of 1 January 2018.

Since the ATAD implementation date is 31 December 2018, additional tax law amendments may be introduced.

As of 1 January 2013, Latvia introduced local GAAR which stipulates that the tax administration should analyze the taxpayer’s transactions not only based on their legal form, but also economic substance. Such provision can be considered as being in line with the ATAD GAAR provisions.

3.3 Withholding tax on royalties paid by the holding company

Slovakia	Cyprus	Estonia	Latvia
here 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 from1 March 2014, a 35% rate has applied to residents of countries that are not on the White List. For further details see 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 two years. **Impact ATAD – GAAR** See section 5 below.	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). **Impact ATAD – GAAR** See 3.1 above.	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 two-year period; or – at least 25% of the shares in the recipient and the payer have been held during at least a two-year period by the same EU or Swiss resident legal person. When applying double-tax treaties, the most favoured nation clause applies to many treaties with regard to excluding the withholding tax from royalty payments and changing the definition of royalties. The tax exemption is not applied to the part of royalties which exceeds the value of similar transactions conducted between non-associated persons. **Impact ATAD – GAAR** Estonia has not implemented the ATAD yet as the target date is 31 December 2018. However, Estonian government has introduced a draft bill of law on ATAD changes, including a proposal to implement specific rules on taxation of exceeding borrowing costs, exit tax, GAAR and controlled foreign company rule. The draft law is currently discussed and not implemented yet.	No withholding tax is imposed on any outgoing royalty payments except for royalties paid to entities established in black-listed offshore jurisdictions (20% WHT). **Impact ATAD – GAAR** Since the ATAD implementation date is 31 December 2018, additional tax law amendments may be introduced. As of 1 January 2013, Latvia introduced local GAAR which stipulates that the tax administration should analyze the taxpayer's transactions not only based on their legal form, but also economic substance. Such provision can be considered as being in line with the ATAD GAAR provisions. **Impact MLI** Latvia has signed MLI agreement but it is not yet ratified. The MLI will cover 47 double tax treaties.

Slovakia	Cyprus	Estonia	Latvia
		However, under section 84 of the Estonia Taxation Act, if it is evident from the content of a transaction or act that the transaction or act is performed for the purpose of tax evasion, conditions that correspond to the actual economic content of the transaction or act apply upon taxation. This is a general GAAR provision which is applicable to withholding taxes on interest payable by the holding company. **Impact MLI** Estonia signed the MLI on 29 June 2018 but it is not ratified yet.	

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

Slovakia

The following is treated as Slovak-sourced income of a foreign entity (as from 1 January 2018):

(i) for all foreign legal entities, capital gains realised on a participation in a domestic company;

(ii) for all foreign legal entities, capital gains realised on a participation in a company holding real estate situated in the Slovak Republic, the value of which exceeds 50% of equity of such company; and

(iii) for all foreign legal entities, capital gains realised 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% applied on payments to residents of non-treaty countries. For further details see 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.

Cyprus

In general, capital gains realised 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 directly or indirectly from immovable property situated in Cyprus (catching so-called double-tiered structures). Gains deriving from immovable property acquired between 16 July 2015 and 31 December 2016 (both dates inclusive) at arm's length and not under the foreclosure provisions of the Transfer and Mortgage of Immovable Properties Law, are exempt from capital gains tax, regardless of the date of disposal.

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.

Estonia

Non-residents are subject to tax only on their Estonian-source income taxable under the Estonian law.

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 levied on gains derived by a non-resident from a transfer of property or shares in a company, contractual investment fund or other pool of assets which, at the time of the transfer or during a period within two years prior to the transfer, consisted of more than 50% directly or indirectly immovable property located in Estonia and in which the non-resident had a holding of at least 10% at the time of conclusion of the specified transaction. There is no income tax charged on a share deal if tax treaty allows taxation of capital gains in seller's country only.

Latvia

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 Latvian resident or permanent establishment of a non-resident to a non-resident, a 3% withholding tax applies to the gross consideration. The vendor – resident company of EU/EEA Member State or a tax treaty partner country – is allowed to recalculate the tax payable as 20% 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 20% from profit.

However, if both the vendor and purchaser of shares in a Latvian real estate company are non-residents and the sale is not effected through the vendor's permanent establishment in Latvia, the mentioned 3% 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.

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 one of their aim is to avoid tax obligations or to gain unjust tax advantage are not taken into consideration by the tax authorities.

CFC rules

There is no specific CFC legislation effective yet.

Thin capitalisation rules

As from 1 January 2015, thin capitalisation rules were re-introduced.

The interest and expenses related to loans and credits between related parties are considered to be a tax deductible expense only up to 25% of the sum of the financial results before tax, depreciation and interest from received loans and credits.

Thin capitalisation rules do not apply to financial institutions, collective investment undertakings and leasing companies.

Cyprus

CFC rules

There are currently no CFC rules in place in Cyprus. The only anti-avoidance measures are provisions in the Income Tax Law and the Assessment and Collection of Taxes Law allowing the tax authorities to adjust transactions to an arm's length basis or disregard artificial or fictitious transactions.

Impact ATAD – CFC legislation / thin capitalisation rules / EBITDA / hybrid mismatch rules

The proposed implementing legislation published for consultation in 2017 defines a CFC in the same way as ATAD, namely as an overseas permanent establishment or company directly or indirectly controlled by a Cyprus tax resident company, the corporate profit tax burden of which is less than half of what it would be under the Cyprus tax system.

It adopts the approach set out in Article 7.2(a) of ATAD under which specified categories of income including interest, royalties and dividends receivable by the CFC are to be included as current income in the tax base of the Cyprus parent and taxed in accordance with Cyprus rules, unless the CFC is resident in an EU or EEA country and engages in substantive economic activities.

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 20% 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.

Latvia

General

The general anti-avoidance rule has been introduced as from 1 January 2013, specifying that economic substance of a 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 20% CIT or 23% 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.

Slovakia

Transfer pricing rules
Since 1 January 2015, transfer pricing rules apply to both cross-border and intra-national transactions (before this date they applied only 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.

Impact ATAD – CFC-legislation
As from 1 January 2019, CFC rules based on the transactional approach in ATAD will apply to legal entities.

Impact ATAD – thin capitalisation rules / EBITDA
No changes to the existing thin capitalisation rules pursuant to ATAD have been implemented, neither proposed yet. Slovak Republic has claimed derogation under Article 11(6) of the ATAD Directive.

Impact ATAD – hybrid mismatch rules
The hybrid mismatch rules were implemented through expanding the expenses conforming to the respective ATAD definition (double deduction; deduction without taxation) as non-taxable expenses.

Cyprus

The proposed legislation also includes a limit on deductible exceeding borrowing costs, defined in the same way as in ATAD, of 30 per cent of taxable EBITDA or EUR3 million, whichever is higher. This rule will be applied at the company level unless the company is a member of a group as defined for Cyprus tax purposes (see 2.9 above for qualifying criteria), in which event the rule will be applied at the Cyprus group level. The interest limitation rule will not apply to wholly independent companies (those which, on a worldwide basis, are not part of a group, and have no associates and no permanent establishments) or to financial institutions.

The proposed effective date for both these measures is 1 January 2019, in line with the directives.

The proposed implementing legislation addresses hybrid mismatches by providing that to the extent that a hybrid mismatch results in a double deduction, any Cyprus-resident recipient will be denied the deduction and any Cyprus-resident payer will be denied the deduction, if a deduction is given to an overseas-resident recipient.

To the extent that a hybrid mismatch results in a deduction without inclusion, if the Cyprus-resident party is the payer, the deduction will be denied; and if the Cyprus-resident party is the recipient and a deduction is given to the overseas-resident payer, the receipt will be included in the Cyprus-resident party's taxable income.

Estonia

Thin capitalisation rules
There are no traditional thin capitalisation rules.

Impact ATAD – CFC legislation, thin capitalisation rules / EBIDTA / hybrid mismatch rules
Estonia has not implemented the ATAD yet as the target date is 31 December 2018. However, Estonian government has introduced a draft bill of law on ATAD changes, including a proposal to implement specific rules on taxation of exceeding borrowing costs, exit tax, GAAR and controlled foreign company rule. The draft law is currently discussed and not implemented yet.

Latvia

Thin capitalisation rules
Two thin capitalisation tests apply.
Firstly, allowable interest is calculated on a maximum debt / equity ratio of 4:1. Secondly, if borrowing costs exceed EUR 3 million, the excess over the 30% from company's net profit before tax is included into taxable base.

The higher amount of the excess interest calculated under either method is subject to CIT.

Financial and insurance institutions are not subject to the thin capitalisation rules.

Impact ATAD – CFC legislation / thin capitalisation rules / EBITDA / hybrid mismatch rules
Starting from 1 January 2018 Latvia in CIT law has introduced EU ATAD interest limitation rule – taxpayers are allowed to deduct exceeding borrowing costs up to EUR 3 million. If this limitation is reached, the taxpayer must include in the tax base interest amount exceeding 30% of the taxpayer's earnings before CIT tax, interest and depreciation.

Slovakia	Cyprus	Estonia	Latvia
	The proposed provisions supplement similar provisions introduced in 2015 to apply the amended EU Parent/Subsidiary Directive. The effective dates for the hybrid mismatch rules are identical to those set out in the directives, with the provisions regarding mismatches of hybrid instruments and tax residence due to take effect from 1 January 2020, and those relating to reverse hybrid mismatches becoming effective on 1 January 2022. **Transfer pricing rules** Significant changes to the taxation of back-to-back financing arrangements between related companies took effect on 1 July 2017. The previous minimum margin scheme, which provided for a deemed interest rate to be imputed for tax purposes, was abolished and replaced with detailed transfer pricing legislation based on the OECD transfer pricing guidelines. Under the new rules, intragroup financing transactions will be evaluated to ensure that the agreed remuneration complies with the arm's length principle. There is a simplified regime for a limited range of transactions. Outside this limited range, a full transfer pricing analysis must be performed in order to determine arm's length remuneration. The arm's length principle is already incorporated in Article 33 of the Income Tax Law, which allows the tax authorities to adjust reported taxable profits if transfer prices agreed between related parties differ from the prices that would have been agreed between independent entities.		

6. Tax and investment incentives

Slovakia

The new tax relief rules apply to the Government / EU Commission decisions on regional investment aid taken from 1 January 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.

As from 1 January 2015, a new type of tax relief (so-called 'super deduction') was introduced. The super deduction is available to taxpayers conducting research and development, and consists of 'additional' deduction of expenses (costs) for research and development from the tax base.

Cyprus

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; and
- 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. The regime was amended with effect from 30 June 2016 to comply with the 'modified nexus' approach, with grandfathering provisions for assets already in the scheme.

Gains on disposal are effectively tax-exempt.

Estonia

Due to the nature of the Estonia CIT system, there are no special tax incentives but the system itself can be seen as an incentive that enables indefinite deferral for taxing corporate profits.

Debt financing does not trigger limitations on the deductibility of interest.

Merger, division and reorganisation are generally tax neutral. Transfer of a business belonging to the permanent establishment to another company is not taxed with CIT and not treated as distribution of profits, provided the business is transferred in the form of non-monetary contribution, or in the course of merger, division or transformation if economic activities are continued in Estonia through such enterprise.

No thin capitalisation or CFC rules have been introduced for corporate tax payers.

Latvia

There are free ports and special economic zones in Latvia established to promote export and providing tax relief 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.

The Latvian tax system with no CIT on reinvested profits can be seen as an incentive that enables deferral for taxing corporate profits.

As from 1 January 2014, a new tax allowance to facilitate research and development (R&D) was 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 three. The result of the R&D process may not be disposed of for the following three years.

Slovakia	Cyprus	Estonia	Latvia
As from 1 January 2018 the available relief is up to the sum of (i) 100% of expenses (costs) stipulated by law and incurred in the respective tax period; and (ii) 100% of the (positive) difference between averages of R&D expenses incurred in (a) the current (Y) and immediately preceding tax period (Y-1) and (b) the immediately preceding tax period (Y-1) and the tax period preceding it (Y-2). As from 1 January 2018 a new 'patent box' regime has been introduced under which 50% of royalty income related to results of research and development of a taxpayer in Slovakia and being a (i) patent, design, or protected technical solution; or (ii) software is exempt from tax. Further, under the same regime, also 50 % of income generated by sale of products where the above IP rights were used in the production process is exempt as well.	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. 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. In 2015 the Income Tax Law was amended to introduce a notional interest deduction (NID) for tax purposes on new equity capital (paid-up share capital and share premium) injected into companies and permanent establishments of foreign companies on or after 1 January 2015 to finance business assets. The NID is calculated by applying a reference rate to the new equity. The reference rate is the higher of the ten-year government bond yield of Cyprus or the country in which the assets funded by the new equity are utilized, in each case plus three percentage points. The bond yield rates to be used are as at December 31 of the year preceding the year of assessment.		

7. MLI and income tax treaties

Slovakia	Cyprus	Estonia	Latvia
Slovakia has opted to apply MLI to 64 (practically all) of its existing DTTs but actual application of, e.g. principal purpose test will depend on the position of partner states. The MLI has already been ratified but the ratification documents have not yet been deposited by Slovakia.	Cyprus was one of the first 68 countries which formally signed the MLI in June 2017. The main impact on Cyprus-resident companies will result from the application of Articles 6 and 7 of the MLI, relating to treaty abuse. Article 6 provides for the amendment of the preamble of tax treaties to include the purpose of a covered tax agreement.	Estonia signed a letter expressing their intent to sign the MLI in the future.	Latvia has signed MLI agreement but it is not yet ratified. The MLI will cover 47 double tax treaties.

LOYENS LOEFF

Part IV

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 EUR 60).

Noteworthy that registration of the company or changes in the share capital is subject to notarisation requirement. Currently, notary fees may vary from EUR 72 to EUR 290.

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 notarisation 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 at EUR 1,450 per object and for natural persons EUR 290 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 EUR 5,800 for transactions that involve one real estate object and not more than EUR 14,490 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 EUR 245 to EUR 2,250, depending on the amount of the authorised share capital.

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

Generally, any transfer of shares / marketable securities or issue and allotment of shares / marketable securities is subject to duty of two Euro for every Euro 100 or part thereof (i.e. 2%) of the amount or value of the consideration or the real value, whichever is the higher, of the marketable security.

However, certain exemptions may apply should certain requirements be met.

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.

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 of which the 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 1 June 2012, the acquisition value will be determined as of 1 June 2012 based on the fair market value.
Tax rates depend on duration from change of use until sale:
- 25% for less than 1 year
- 15% from 1 to less than 3 years
- 5% from 3 to including 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
Real estate transactions are subject to Real Estate Transfer Tax (RETT). 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 building 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 authorised 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 4% and the taxpayer is the person who acquired the property (e.g. buyer or successor).

Lithuania

Real estate tax

Annual real estate tax rate (applicable on the real estate other than land) 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 EUR 220,000, are taxed with 0.5 % 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.

Malta

A transfer tax is payable by the seller of immovable property situated in Malta at the flat rate of 8% 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.

Real estate tax

Malta does not levy real estate tax.

Slovenia

The statutory provisions on tax assessment of tax on profit from land use change will expire on 1 August 2019.

Real estate tax

There is no general real estate tax. In 2013, the Government enacted the new real estate tax replacing all current taxes and duties related to real estate ownership, but the Constitutional Court declared it 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 rates are progressive and depend on the type of premise and its value.

Croatia

Public notaries, courts and other public entities are obliged to report transactions to the relevant tax office, according to the location of the real estate. The tax must be paid within 15 days of delivery of the decision on RETT. The taxpayers are obliged to report real estate transactions in case none of the above mentioned entities are able to report it.

If real estate transactions (building and building land) are subject to VAT in accordance with the provisions of VAT Law, no RETT will be levied. In accordance with the VAT Law, buildings that are subject to VAT include those that have not been inhabited or those where two years have passed since the date of first occupation or use. Similarly, building land that is subject to VAT is land for which a building permit or similar building document has been issued. In the case of VAT exempt supplies, there is a possibility to opt for VAT, presuming that the recipient of the supply is a taxable person with the full right to input VAT deduction. The right to opt must be exercised at the time of supply.

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. Corporate income tax (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 organised in EEA states or other states with which a tax treaty is concluded 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 maximum income during the taxable year of EUR 300,000. Such micro-companies that are newly established enjoy 0% CIT during the first tax period, provided that shareholders of the micro-company are natural persons and in the three tax periods (including the first one) the operations of the micro-company are not stopped, the micro-company is not liquidated or reorganized, and the shares of the micro-company are not transferred to new shareholders. In case the micro-company does not fulfil the established conditions for the 0% tax rate, the reduced 5% tax rate applies. **Wealth taxes** There are no wealth taxes in Lithuania.	The general CIT rate is 35%, but the combined overall effective rate may be reduced 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 favour 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 from a permanent establishment (including a branch) situated outside Malta or to the transfer of such permanent establishment may be exempt from tax in Malta at the company`s choice. **Wealth taxes** There are no wealth taxes in Malta.	From 1 January 2017 the general CIT rate is 19%. 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 and 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 present.	Any profit derived by a corporation or – under certain conditions – individual entrepreneurs is subject to CIT at a flat rate of 12% (in the event of revenue amounting to HRK 3 million in a tax period) or 18% otherwise, regardless of whether the profit is distributed to shareholders or retained. 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. **Foreign tax credit** Foreign tax actually paid abroad may be credited against the tax liability on the foreign income. The tax credit cannot be higher than the domestic tax on such an income. **Wealth taxes** There are no wealth taxes in place at the moment.

2.2 Dividend regime (participation exemption)

Lithuania

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-month rule broadly and also apply it in cases 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 organised in a listed tax haven. Dividends paid by EEA foreign companies are exempt from CIT in Lithuania irrespective of the holding period or number of shares.

Where dividends paid between two Lithuanian companies do not enjoy participation exemption and are taxed with 15% CIT, the recipient company is entitled to settle the CIT withheld from dividends with CIT payable on other profit. Where CIT paid on dividends exceeds CIT to be paid on other profit of the recipient company, the latter is entitled to a refund of CIT from the revenue authorities. Therefore, dividends paid between Lithuanian companies are effectively exempt from CIT.

Malta

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 share- holder 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:

– a direct holding of at least 5% of the equity shares or capital which confers an entitlement of at least 5% of any two of:
  - right to vote;
  - profits available for distribution; and

Slovenia

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 that have not been taxed at the payer) 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 that have not been taxed at the payer) , 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 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.

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

Croatia

Participation exemption: Dividends payable to Croatian resident companies are not treated as taxable income for Croatian tax purposes. The above stated is applicable regardless of the capital ownership percentage and the holding period. Please note that the Croatian CIT Law provides a list of documents that need to be submitted if respective exemption is going to be utilised (the purpose of the documents is to prove the nature of the receipt).

Impact EU GAAR

Croatian CIT Law implemented Council Directive 2014/86/EU of 8 July 2014 which amended the Council Directive 2011/96/ EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States by prescribing that the CIT base can be reduced for income from dividends and shares in profit which were not treated as tax deductible expenses by their payer.

Furthermore, CIT Law also specifically defines the tax and legal status of the dividends and shares in profit.

Lithuania	Malta	Slovenia	Croatia
Impact EU GAAR The Law on Corporate Income Tax was amended at the end of March 2016 (and came into effect 26 March 2016), stating that provisions establishing exemptions for inbound and outbound cross-boarded dividends "*shall not apply when the sole or one of the main objectives is obtaining tax benefit*". This new provision "*shall apply to the extent the situation relates to seeking of tax benefit without having reasonable commercial reasons representing the economic reality*". Lithuanian tax authority provides an official commentary on how this provision should be interpreted and applied in practice, and lists exemplary criteria and circumstances which are taken into account when assessing whether the arrangement is artificial. Furthermore, the provision allowing non taxation of inbound dividends from foreign companies was amended, including a condition that such dividends were not tax deductible for the paying entity (hybrid mismatched elimination).	- 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 EUR 1,164,000). – The Malta company is not required to become involved in the management of the company. The participating holding may also be in a partnership en commandite (limited partnership), the capital of which is not divided into shares if this holding satisfies any one of the six conditions mentioned above.	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 participations on 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. In addition to the abovementioned SAAR, domestic general anti-abuse rules (see Section 5) exist. **Impact EU GAAR** EU GAAR was implemented as per 1 January 2016. Dividend exemption shall not be granted, if: – dividend income is considered as deductible expense at the level of the payer or reduces his tax base, or – circumstances pursuant to domestic general anti-abuse rule (see Section 5) exist, or – in the case of an arrangement or series of arrangements, having been put into place for the main or one of the main purposes of obtaining a tax advantage, whereby non-recognition of benefits may affect only one step or part of the arrangement.	

Lithuania	Malta	Slovenia	Croatia
	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 dividends by the Malta company, the shareholder may claim a 5/7 or a 2/3 refund of the Malta tax paid (as applicable). No immovable property situated in Malta or real rights thereon should be in/directly held within the structure.		

Lithuania	Malta	Slovenia	Croatia
	Impact EU GAAR An additional anti-abuse provision applies as from 1 January 2016. Pursuant thereto, the participation exemption does not apply with respect to a profit distribution received from a participating holding in a company resident in the EU by a Malta resident parent company or by the Malta permanent establishment of an EU resident parent company, in case (i) such distribution is exempt from withholding tax pursuant to the EU Parent-Subsidiary Directive and (ii) such distribution is deductible by the EU participating holding company in that other EU member state.		

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 organised 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 10% of voting shares for at least two years continuously before the sale (three years in case the shares were acquired by way of (de)merger or reorganisation), 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 (with the exception relating to immovable property situated in Malta) 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 realised on participations either in domestic or foreign companies. The CIT Act provides for an exemption based on which 50% of realised 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 six months and at least one person was employed at this company full-time. In case the capital gains were realised from a company resident in a low tax jurisdiction (see criteria from participation exemption 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 realises capital gains with the exchange of shares of a bank in Slovenia for shares in another Slovenian company (only the part received in cash is taxable).	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 realised 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-resident legal entities that are not subject to CIT in Croatia.

Lithuania	Malta	Slovenia	Croatia
		There is also an exemption on taxation of capital gains realised 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 incurred as a result of a transfer of securities may be carried forward only for five consecutive years. Those losses are accounted separately and may be offset only against profits gained from transfer of securities. No carry forward of the capital losses is available, if they result from alienation of securities in an entity registered or otherwise organised 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, if the seller has held more than 10% of voting shares of such entity for at least two years continuously before the sale.	Deductible capital losses may only be offset against chargeable capital gains realised in the current and following years. Capital losses incurred by a company may not be used to offset capital losses incurred by another company that belongs to the same group of companies.	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 recognised as tax deductible cost. Tax losses may be carried forward for an unlimited number of years (subject to certain conditions).	Realised capital losses are tax deductible. Non-realised 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
Expenses in relation to the tax exempt income (e.g. capital gains on shares transfer) are not deductible. See Section 5 for the thin capitalisation 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. See Section 5 with respect to the thin capitalisation rules.	Expenses in relation to the tax exempt dividend or capital gains income are not deductible in an amount equaling 5% of the amount of dividends and profits which are exempt from the tax base of a taxpayer. See Section 5 for the thin capitalisation 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). See Section 5 with respect to the thin capitalisation 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. For FY 2018, the Minister of Finance prescribed arm's length interest rate for related party financing of 4.55%, p.a. The respective interest rate applies to existing loans as well. 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 4.55% rate would not be deductible for Croatian CIT purposes. Additionally, the taxpayer can prove the arm's length character of interest charges (different from the published interest rates) in accordance with general transfer pricing rules.

2.6 Currency exchange results

Lithuania	Malta	Slovenia	Croatia
Currency exchange results are included in 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 realised 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 realised / non-realised 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 five 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 guidance 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.	General opinions issued by the General Financial Office are considered to be an interpretation of tax legislation by the Financial Administration. In practice, financial offices follow general opinions. Binding tax rulings issued by the financial authorities may be requested in a concrete and identified transaction (in advance) and are payable by the tax payer. It is 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

Carry back
There is no carry back possibility in Lithuania.

Carry forward
Losses may be carried forward for an unlimited period of time provided that the activity from which the losses resulted is not terminated.

Losses sustained from the transfer of securities and the derivative financial instruments may be carried forward only for five consecutive tax years (see also Section 2.4). The number 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%.

Malta

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.

Slovenia

Carry back
There is no carry back possibility in Slovenia.

Carry forward
Losses may be carried forward for an unlimited period. The reduction of the tax base due to tax losses from previous tax periods is allowed to the maximum amount of 50% of the tax base of the current tax period.

However, 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 its business two years before or after change of the ownership (unless the change of business is done in course of restructuring necessary to save employment relationships or business as such).

Croatia

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, demergers, etc.) the legal successor is not entitled to utilise 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 no group taxation regime for CIT purposes in Lithuania. There is an opportunity to transfer losses between several entities of the same group. Intra-group transfer of losses are subject to the following requirements: – the parent company of the group must 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: or – 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. Cross-border transfer of losses between EU entities is also available, but due to strict requirements is hardly applicable in practice.	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 least the 51% subsidiary of the other or both are at least 51% 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

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

In case of liquidation of the company and/or share repurchase the shareholder is treated as selling the shares to the issuer and the resulting capital gain is subject to taxation as ordinary income. Participation exemption is not applicable in this case.

Malta

No withholding tax is levied in Malta on dividend distributions to a non-resident 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.

Impact EU GAAR

A GAAR is already included in Malta income tax legislation. In those cases where a scheme is artificial or fictitious the commissioner of inland revenue has the power to disregard such artificial or fictitious scheme and assess the person accordingly.

As mentioned above, Malta does not levy dividend withholding tax and therefore no changes are expected to Malta legislation to implement specific EU (PSD) GAAR.

Impact ATAD – GAAR

A GAAR is already included in Malta as set out above. Legislative changes on this point are expected in the future.

Slovenia

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-month 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.

Slovenian companies may 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.

Croatia

In accordance with the CIT Law, a withholding tax of 12% is generally required to be deducted in respect of dividend payments to non- residents. This rule applies to all dividends except dividends and shares in profit realised before 31 December 2000 and in the period from 1 January 2005 to 29 February 2012, regardless of when the payment is actually made.
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.

Impact EU GAAR

As regards the taxation on distribution of dividends and shares of profit between parent companies and subsidiaries of different Member States, a withholding tax shall not be due if dividends and shares of profit are distributed to a company having one of the forms subject to the common taxation system provided that the recipient is holding a minimum of 10% in the capital of a company distributing the dividend or shares of profit, and this percentage is held for an uninterrupted period of 24 months.

Lithuania	Malta	Slovenia	Croatia
Non-monetary distribution upon liquidation of 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. **Impact EU GAAR** See Section 2.2. **Impact ATAD – GAAR** EU GAAR aimed at denying withholding tax exemption for dividends that are paid to artificial arrangement having been put into place for the main purpose (or one of the main purpose) to gain tax benefit, is already implemented (see Section 2.2). Also, the special anti-avoidance rule called ‘substance over the form’ has for a long time been incorporated in Lithuanian legislation. Under this rule for the purpose of tax calculation tax authorities may disregard formal expression of the taxpayer’s activity, if after recreating the distorted or hidden circumstances, the tax administrator identifies that the transaction, economic operation or any combination thereof was concluded to gain the tax benefits (e.g. defer the tax payment deadline, reduce or fully avoid the amount of tax payable, increase the tax overpayment, etc.).		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. **Impact EU GAAR** EU GAAR was implemented as per 1 January 2016. No dividend withholding tax exemption will be granted, if: – circumstances pursuant to domestic general anti-abuse rule (see Section 5) exist; or – in the case of an arrangement or series of arrangements, having been put into place for the main or one of the main purposes of obtaining a tax advantage, whereby non-recognition of benefits may affect only one step or part of the arrangement.	These provisions shall not apply when it is obvious that tax fraud or tax evasion is the main purpose or one of the main purposes of the distribution of dividends or shares in profit. **Impact ATAD – GAAR** Croatian CIT Regulations provide general provision pursuant to which rights provided by the CIT legislation will not be applicable to non-authentic arrangements (arrangements set up to avoid payment of taxes and not for valid commercial reasons).

Lithuania	Malta	Slovenia	Croatia
Moreover, Lithuania will join the Multilateral Convention to Implement the Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting and will implement the principal purpose test in its treaty network. Under the principal purpose test the tax treaty benefits will not be granted to income or capital if obtaining a tax benefit was the principal purpose of an arrangement or transaction.		**Impact ATAD – GAAR** A GAAR is already included in legislation as set out above. No official proposals regarding amendments of existing rules have been published.	

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 need to be fulfilled. **Impact ATAD – GAAR** See Section 3.1 for an explanation of the 'substance over form' principle set forth in Lithuanian legislation and the principal purpose test to be implemented into the Lithuanian treaty network.	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. **Impact ATAD – GAAR** Refer to above.	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 financial 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. **Impact ATAD – GAAR** No official proposals regarding amendments of existing rules have been published.	In accordance with the CIT Law, a with-holding tax of 15% is generally required to be deducted in respect of 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. **Impact ATAD – GAAR** Croatian CIT Regulations provide general provision pursuant to which rights provided by the CIT legislation will not be applicable to non-authentic arrangements (arrangements set up to avoid payment of taxes and not for valid commercial reasons).

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 provided that the recipient of the interest payment is an associated company of the paying company, is resident in another EU Member State and is compliant with the criteria set forth in the Directive regarding business form, being a tax payer and a beneficial owner of the royalties. 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 two years is required. **Impact ATAD – GAAR** See Section 3.1 for an explanation of the 'substance over form' principle set forth in Lithuanian legislation and the principal purpose test to be implemented into the Lithuanian treaty network.	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. **Impact ATAD – GAAR** Refer to above.	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 financial 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. **Impact ATAD – GAAR** No official proposals regarding amendments of existing rules have been published.	In accordance with the CIT Law, a with- holding 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. **Impact ATAD – GAAR** Croatian CIT Regulations provide general provision pursuant to which rights provided by the CIT legislation will not be applicable to non-authentic arrangements (arrangements set up to avoid payment of taxes and not for valid commercial reasons).

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 those attributable to resident entities), or receive income via cross-border transfers that are 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 a non-resident company should be taxable only in its home country, except transfer of real estate and transfer of the assets attributable to the permanent establishment in Lithuania.	Capital gains realised 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 recognised). 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 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 Lithuanian companies that: (i) directly or indirectly hold more than 50% of shares in the foreign company, or (ii) together with related parties, hold more than 50% of the shares or rights (options) in respect of dividends and the controlling company's holding is not less than 10%, provided that a foreign subsidiary is registered in:

- an offshore territory or zone, i.e. included in 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.

Malta

CFC rules

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

Anti-abuse provisions

However, the Malta Income Tax Act and subsidiary legislation provides for a number of anti-avoidance measures (such as in Articles 12(1)(u)(2) provisio 1, 19, 42, 43, 46, 51 and 95).

Probably the most encompassing provision 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. Within this context, should the Malta tax authorities consider that a series of transactions are made with the sole or main purpose of reducing the amount of tax payable, the said person would be assessed as though the investment income provisions (which provide for a flat rate of taxation) are not applicable.

Article 46 provides, inter alia, for the re-characterisation into dividends of amounts advanced by a company to shareholders, any distribution of assets made to the shareholders or any amounts repaid by the company in settlement of amounts due by shareholders.

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 at arm's length. The transfer pricing rules basically follow the OECD Transfer Pricing Guidelines.

Thin capitalisation rules

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

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 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 upon 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.

The transfer pricing rules basically follow the OECD Transfer Pricing Guidelines.

Lithuania

Thin capitalisation 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;
- 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%; or
- belongs to the same group of entities as a borrower.

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 capitalisation 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.

Malta

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

The anti-abuse provisions in article 51 extend also to the benefits of EU Council Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (as amended) and the said benefits shall not be granted to any arrangement or a series of arrangements which, having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of the said EU Council Directive 2011/96/EU, are not genuine having regard to all relevant facts and circumstances.

Impact ATAD – CFC legislation / thin capitalisation rules / EBITDA / hybrid mismatch rules

Legislative changes are expected on these matters in the future.

Slovenia

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

The thin capitalisation rule is not applicable if a taxpayer is able to prove that he may get the loan from a non-associated enterprise under comparable conditions.

Impact ATAD – CFC legislation

Slovenian law currently does not stipulate a CFC rule. No official proposals have been published.

Impact ATAD – thin capitalisation rules / EBITDA

Slovenian law stipulates a thin capitalisation rule.

According to Article 11 para 6 EU ATAD, Member States stipulating national rules to prevent BEPS which are equally effective in this regard are granted a transitional period until 1 January 2024. Slovenia might invoke the transitional period. No official proposals have been published.

Impact ATAD – hybrid mismatch rules

Slovenia already stipulates a provision to counter special forms of hybrid mismatch arrangements as laid down in Parent-Subsidiary Directive. It is unclear whether Slovenia will implement additional rules in this respect.

Croatia

Please note, 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.

As of 2017, there is a possibility of concluding APAs in Croatia.

Thin capitalisation 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 harbour). 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 harbour.

The thin capitalisation provisions also apply to loans granted from third parties that are guaranteed by a direct shareholder.

The above-mentioned thin capitalisation rules do not apply to shareholders that are financial institutions (as defined by Croatian legislation).

Please note that as of 2014, thin capitalisation provisions apply to financing provided by all related parties (and not only to direct shareholders).

Lithuania	Malta	Slovenia	Croatia
Impact ATAD – CFC legislation No official proposals have been published. **Impact ATAD – thin capitalisation rules / EBITDA** No official proposals have been published, but the tax authorities are of the opinion that Lithuania has effective thin capitalisation rules, therefore plan to apply them until 2024 as it is allowed under Article 11 (6) of ATAD. **Impact ATAD – hybrid mismatch rules** For hybrid mismatches related to dividends, see Section 2.2. No other official proposals have been published.			**Impact ATAD – CFC legislation / thin capitalisation rules / EBITDA / hybrid mismatch rules** No impact yet

6. Tax and investment incentives

Lithuania

Exemption from CIT for the first ten years and reduction of CIT by 50% for the next 6 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 100%. The balance of unused relief may be carried forward to the subsequent four years. Taxable profits may be reduced by the expenses incurred during 2009-2023 tax periods.

Expenses, except for depreciation or amortisation costs of fixed assets, incurred in terms of research and development may be deducted from taxable income in triple amount in the corresponding tax year, provided that the R&D activities are in accordance with the usual activities or intended activities of the entity from which income or other economic benefit is or will be derived. Fixed assets that are used for R&D may be depreciated (amortised) under accelerated depreciation (amortisation) rates.

Malta

A number of investment incentives are available to enterprises conducting certain prescribed qualifying business activities such as the manufacturing or processing of goods in Malta or the production of feature or television films, advertising programmes, commercials, and/or documentaries.

Malta Enterprise 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.

Tax incentives aimed at particular sectors such as the aviation sector provide specific legislation catering for allowances, exemptions and investment tax credits that are specific to the industry.

Slovenia

Investment incentive of 40% for the investments in certain equipment or intangible assets.

100% investments or costs in R&D are recognised 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.

Croatia

The investment incentives are prescribed by the Investment Promotion Law (IP Law). The goal of the IP Law is 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 as listed below.

The law is harmonised with the EU Guidelines on National Regional Aid (OJ C 1998, OJ C 2000, OJ C 2006) and the European Commission's Multi-sectorial Framework on Regional Aid for Large Investment Projects (OJ C 2002, OJ C 2003).

Investment incentives apply to investments and improvements in the following sectors:

- 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. The law also provides for the following incentives, amongst others:

- 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 projects.

Lithuania	Malta	Slovenia	Croatia
Moreover, the portion of taxable profit from the use or sale of assets created by the company itself in terms of research and development activities (including royalties and compensations for infringing intellectual property rights), after allowable deductions, is taxable at a rate of 5%. Lithuanian entities and permanent establishments situated in Lithuania and donating to the 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 EUR 43,000; 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%.			

7. MLI and income tax treaties

Lithuania	Malta	Slovenia	Croatia
Lithuania signed the MLI on 7 June 2017 and submitted a preliminary positions which may be subject to changes. The definitive MLI positions for Lithuania will be provided upon the ratification of the MLI. The Lithuanian Parliament is already considering a draft bill for the ratification of the MLI. All 54 Lithuania's double-tax agreements will be covered by the MLI.	Malta is currently in the process leading to the ratification of MLI.	There have been no public announcements with respect to implementation of MLI in national legislation yet. The principle purpose test has been implemented in almost all double tax treaties.	No impact yet

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