Legend

A. **CFC**: "Controlled Foreign Corporation" rules: set of national anti-abuse rules applicable to resident entities and based on which, the foreign subsidiary is disregarded for tax purposes (e.g., income of such subsidiary included in the computation of the resident entity taxable basis. It will usually apply when the subsidiary is located in a "low taxation" jurisdiction or a "tax haven" jurisdiction) and/or generated passive income (dividends, interest, royalties).

B. **CIT**: Corporate income tax. To be understood as a generic word to cover income tax(es) for corporate bodies.

C. **DTT**: Double tax treaty.

D. **EEA**: European Economic Area

E. **Group taxation**: Possibility to establish one global taxable basis for all the entities of a same group and resident in the same country. The taxation will occur at the level of the entity designated as the head of the tax group. Depending on the jurisdiction, minimum holding threshold and holding period must be met (claw-back period = if minimum holding period not met, retroactive effect and taxation on a stand-alone basis of each entity). Such regime allows offsetting the total group income and losses sourced in the same jurisdiction with one another.

F. **Withholding tax (WHT)**: Taxation in the state of source of the income charged to the beneficiary of said income.

G. **Participation exemption regime**: Regime allowing partial or full exemption of dividend income/capital gain derived from shareholdings, subject to specific conditions (e.g., minimum holding threshold, minimum holding period, etc...).

H. **Interest income taxation privilege**: Interest income from related or unrelated parties is for example assessed based on a lower tax basis, a lower tax rate (compared to the full/standard one) or is re-qualified (into dividends under hybrid instruments) or may be exempt based on a non trading branch / company concept.

I. **IP** = Intellectual Property Rights

J. **R&D** = Research & Development

K. **R&D input incentive**: Tax related incentives in order to encourage the innovation / R&D activity in a certain territory. It may take the form of a tax credit, tax deduction, or cash grants/subsidies.

L. **R&D output incentives** Specific favourable tax regime applied to income derived from qualifying IP and/or R&D activities.

M. **Patent Box / IP Box**: Specific tax regime based on which income and expenses derived from eligible IP (as determined by the national law) are treated separately from the rest of the income for the determination of the tax liability.

N. **Embedded royalty**: When a company owning IP (or having its beneficial ownership) is also in charge of the commercial activity related to the use of such IP, part of the price paid by the clients will usually correspond to the royalty that is due for the use of the IP. The royalty payments are therefore embedded in the commercial result and are not subject to a distinctive cash flow. The question arises to whether an embedded royalty may benefit from an IP box regime.

O. **Notional interest deduction (NID)**: Tax deductible (deemed) interest calculated on a company's equity.

P. **Transfer pricing rules (OECD TP rules)**: Rules based on which the intra-group flows (transfer of goods, services, intangible property and financing, etc...) have to comply with the market prices i.e., the prices (cost-plus margin, interest rates, etc...) should be comparable to those applicable between third-parties.

Q. **Tax balance sheet based model**: Although in general, the tax treatment will follow the accounting treatment, it may happen that the tax treatment of a specific asset/liability and therefore a specific income/charge deviates from its accounting one (Examples: Belgian excess profit ruling, Dutch informal capital ruling).

R. **Tax credit (Double taxation)**: Method often used to mitigate the double taxation of certain income. It will consist of an amount equal to a tax already paid/due which will reduce the final tax liability.

S. **Tax credit (Tax incentive)**: Incentive implemented by tax authorities in order to encourage certain investment in certain areas for economic purposes. It will often be a deemed tax charge which will reduce the final tax liability.

T. **Tax deduction/allowance**: Incentive consisting of a certain amount deductible from the taxable basis.

U. **Worldwide tax system**: A country assesses a taxpayer based on its worldwide income. The following exceptions may exist: the country applies under domestic rules a permanent establishment exemption principle (instead of a credit method) or under certain circumstances only remitted income is taxable.

V. **Permanent establishment**: Fixed place of business through which the business of an enterprise is wholly or partly carried on (e.g. place of management, branch, office, factory, workshop...).

W. **Hybrid instrument**: Combination of equity and debt characteristics within a security (e.g. convertible bonds, preferred stocks, equity default swap).

Category	Statutory tax rates					Tax treatment of certain types of income / expense		
Country	**Corporate income tax rate 2012 - CIT (Capital city)** (description as per legend B)	**Enacted or proposed future changes in the corporate income tax rate**	**Does a higher / lower corporate income tax rate [or another tax (dis) advantage] apply in certain regions / to certain legal enterprise forms or industries?**	**Group taxation available** (description as per legend E)	**Withholding tax rate on dividends and liquidation proceeds** (description as per legend F)	**Participation exemption on dividends and capital gains from qualifying investments** (description as per legend G)	**Interest income taxation privilege** (description as per legend H)	**R&D expenses (Input incentive?)** (description as per legend K)
1. Austria	25% (1a)	No	No	Yes, including cross-border (1b) (optional)	25%	Yes, full exemption (1c)	No	Yes (1d)
2. Belgium	33.99% (2a)	No	No	No	Dividend: 25% (2b) Liquidation proceed: 10%	Yes Dividend: 95% exemption (2c) Capital gains: full exemption	No	Yes (2d)
3. Bulgaria	10%	No	Yes, tonnage tax	No	5%	Yes, full exemption for dividends but restricted for capital gains (3a)	No	No
4. Channel Islands	0% (4a)	No	Yes, 10% / 20% (4a)	Guernsey : yes Jersey : no	0%	Full exemption for capital gains (4b)	No	No
5. Croatia	20%	No	Yes (5a)	No	Dividend: 12% Liquidation proceed: 0%	Yes for dividend ONLY, full exemption (5b)	No	Yes (5c)
6. Cyprus	10%	No	No	Yes (optional)	0% unless paid to Cyprus tax resident individuals	Yes Dividend: full exemption under conditions (6a) Capital gains: full exemption	No	No
7. Czech Republic	19%	No	Yes (7a)	No	15% (7b)	Yes, full exemption (7c)	No	Yes (7d)
8. Denmark	25%	No	Yes (8a)	Yes (mandatory); Cross-border optional (8b)	27% (8c)	Yes, full exemption (8d)	No	Yes (8e+g)
9. Estonia	21% (9a) taxation postponed until distribution of profits	20% in 2015 (enacted)	No	No	0%	Yes, for dividend ONLY, full exemption (9b)	No	No
10. Finland	24.5% (10 a)	No	Yes (see 10f)	No (10b)	0% / 18.38% / 24.5% / 30% (10c)	Yes, but for dividend, not always full exemption (10d)	No	Yes (10e)
11. France	36.10% (11a) including social contribution tax and temporary CIT surcharge	Surcharge of 5% (embedded in CIT) maintained until December 31st, 2015 (enacted)	Yes (11b)	Yes (optional)	30% 0% (11c)	Yes, partial exemption (11d)	No	Yes (11e)
12. Germany	– CIT: 15.8% (12a) – Trade tax: 7% - 17.2% (12b)	No	Yes (12b)	Yes (optional)	26.4% (12c)	Yes Dividend: partial exemption (12d) Capital gains: 95% exemption (12e)	Yes (12i)	No (12f)
13. Greece	20%	Yes, enacted (13a)	Yes (13b)	No	25% (13c)	Yes but for dividend ONLY, full exemption (13d)	Yes (13e)	Yes (13f)
14. Hungary	10% for the first HUF 500 million 19% above + max. 2% business tax (different tax basis)	No	Yes (14a)	No	0%	Yes, full exemption (14b)	No	Yes (14c)

Category	Statutory tax rates					Tax treatment of certain types of income / expense		
Country	**Corporate income tax rate 2012 - CIT (Capital city)** (description as per legend B)	**Enacted or proposed future changes in the corporate income tax rate**	**Does a higher / lower corporate income tax rate [or another tax (dis) advantage] apply in certain regions / to certain legal enterprise forms or industries?**	**Group taxation available** (description as per legend E)	**Withholding tax rate on dividends and liquidation proceeds** (description as per legend F)	**Participation exemption on dividends and capital gains from qualifying investments** (description as per legend G)	**Interest income taxation privilege** (description as per legend H)	**R&D expenses (Input incentive?)** (description as per legend K)
15. Iceland	20%	No	36% (15a)	Yes (optional)	18% non-resident (15b)	Yes, full deduction (15c)	No (15d)	Yes (15e)
16. Ireland	– 12.5% for trading income – 25% for non-trading (passive) income (16a) – 33% for capital gains	No	Yes (16h)	No (16b)	0% (16c)	Yes, Dividend: full exemption or reduced tax rate Capital gain: full exemption (16d)	Yes, non trading company/branch	Yes (16e)
17. Isle of Man	– 0% – 10% (17a)	No	Yes (17a)	No (17b)	0%	Yes (17c)	Yes (17d)	No
18. Italy	– 27.5% for corporate income tax (IRES) – 3.9% for regional production tax – in some regions a bit higher (IRAP) – different tax basis	No	Yes (18a)	Yes, including cross-border (optional)	20% (18b)	Yes. IRES: 95% exemption IRAP: full / partial exemption (18c)	No	Yes (18d)
19. Latvia	15%	No	Yes (19d)	No	0% on all dividends paid after January 1, 2013 to non-resident companies	Yes (19a)	No	Yes (19b)
20. Liechtenstein	12.5% (20a)	No	Yes, (20f)	Yes (optional)	0% on distributed reserves created after January 1, 2011 (20b)	Yes, fully exempt (20c)	No	No
21. Lithuania	– 15% – 5% (21a)	No	Yes (21b)	No (21c)	15% (21d)	Yes, fully exempt (21e)	No	Yes (21f)
22. Luxembourg	28.80% (22a)	Yes (enacted) (22b)	Yes (22c)	Yes (optional)	15% (22d) Liquidation proceeds : 0%	Yes, fully exempt (22e)	Yes (22f)	Yes (22g)
23. Madeira (International Business Centre)	– 4% in 2012 – 5% from 2013 to 2020 (23a)	No	See Portugal	No	25% (23b)	See Portugal	No	See Portugal
24. Malta	35% (24a) but credit system	No	Yes (24h)	No (24b)	0%	Yes, full exemption (24c)	No	Yes (24d)
25. Netherlands	– 25% – 20% (25a)	24% proposed but uncertain	Yes (25a)	Yes (optional)	15% 0% if distributed by a Coop	Yes, full exemption (25b)	Yes (25c)	Yes (25d)
26. Norway	28%	No (26a)	Yes (26b)	No (26c)	Dividend: 25% (26d) Liquidation proceeds: 0%	Yes, 97% exemption for dividend and full exemption for capital gain (26e)	No	Yes (26f)
27. Poland	19%	No	No	Yes (optional)	19 %	Yes but ONLY for dividend, full exemption (27a)	Yes (27e)	Yes (27b)
28. Portugal	25% + local and state surtax	Yes (28a)	21.5% (28b) 17.5% (28c)	Yes (optional)	25%	Yes, full exemption (28d)	No	Yes (28e)

Category	Statutory tax rates					Tax treatment of certain types of income / expense		
Country	**Corporate income tax rate 2012 - CIT (Capital city)** (description as per legend B)	**Enacted or proposed future changes in the corporate income tax rate**	**Does a higher / lower corporate income tax rate [or another tax (dis) advantage] apply in certain regions / to certain legal enterprise forms or industries?**	**Group taxation available** (description as per legend E)	**Withholding tax rate on dividends and liquidation proceeds** (description as per legend F)	**Participation exemption on dividends and capital gains from qualifying investments** (description as per legend G)	**Interest income taxation privilege** (description as per legend H)	**R&D expenses (Input incentive?)** (description as per legend K)
29. Romania	– 16% – 3% (29a)	No	No	No	16%	Yes but ONLY for dividend, full exemption (29b)	No	Yes (29c)
30. Slovakia	19% (30a)	Yes, enacted (see 30a)	No	No	0% (30b)	Yes but ONLY for dividend (30c)	No	Yes (30d)
31. Slovenia	18%	Decrease of 1% per year until 2015 : 15%	Yes (31a)	No	15%	Yes, partial exemption (31b)	No	Yes (31c)
32. Spain	30% (32a)	No	Yes (32b)	Yes (optional)	21% 0% if distributed by ETVE	Yes, full exemption (32c)	No	Yes (32d)
33. Sweden	26.3%	Yes, enacted (33a)	No	No (33b)	30%	Yes, full exemption (33c)	No	No
34. Turkey	20%	No	No	No	15%	Yes (34a)	No	Yes (34b)
35. United Kingdom	24% (35a) for tax year ending March 2013	– 23% as of April 2013 – 21% as of April 2014 (not yet enacted)	Yes (35b)	No (35c)	0%	Yes, full exemption (35d)	No (35e)	Yes (35f)
35bis. Gibraltar	10%	No	Yes (35bis a)	No	0%	Yes, full exemption	Yes, not taxable (35bis b)	No
Switzerland	12.66% – 24.18% (lowest to highest combined effective rate)	No	Yes, city and cantonal tax rate autonomy, non commercial entities, Bonny decree /NPR	No	35%	Yes, usually full or 95% exemption	Yes, holding or mixed company regime, finance branch	No

Category	Tax treatment of certain types of income / expense (continued)		Regimes with impact on the tax basis						
Country	Licence / patent box (R&D output incentive?) and resulting tax rate (description as per legend L)	Possibility to re-qualify commercial income into licence income? (embedded royalty)	Notional interest deduction (description as per legend O)	Domestic legislation provides for OECD based TP rules	Exceptions to TP rules or favourable safe harbour rules exist?	Tax balance sheet based model (description as per legend Q)	Worldwide income tax system not applicable (description as per legend U)	Other national or regional incentives	G20, EU, OECD comments
1. Austria	No	N/A	No	Yes (1e)	No	No (1f)	No	Yes (1g)	
2. Belgium	Yes (2e), max. 6.8%	Yes	Yes (2f)	Yes	No	Yes, excess profit ruling	No	Yes (2g)	
3. Bulgaria	No	N/A	No	Yes	Yes (3b)	No	No	Yes (3c)	
4. Channel Islands	No	N/A	No	No	No	No	No	No	J: Tax regime not harmful G: Under review by Code of Conduct Group
5. Croatia	No	N/A	No	Yes	No	No	No	Yes (5d)	SSCA regime to be abolished on EU accession
6. Cyprus	Yes for qualifying IP, 2%	No	No	Yes	Yes (6b)	No	Yes, PE exemption	No	
7. Czech Republic	No	N/A	No	Yes	No (7e)	No	No	Yes (7f)	
8. Denmark	No	N/A	No	Yes	No	No	Yes (8f)	Yes (8g)	
9. Estonia	No	N/A	No	Yes	No	No	Yes, PE exemption	No but see (9a)	
10. Finland	No	N/A	No	Yes	No	No	No	Yes (10f)	
11. France	Yes (11f), 15%	No	No	Yes (11g)	No	No	No	Yes (11b+h)	
12. Germany	No	N/A	No	Yes	No	No	No (12g)	Yes (12h)	
13. Greece	No	N/A	No	Yes	Yes (13g)	No	No	Yes (13h)	
14. Hungary	Yes (14d)	No	No	Yes (14e)	No	No	No	Yes (14f)	
15. Iceland	No	N/A	No	No (15f)	No	No	No	Yes (15g)	
16. Ireland	Yes (16f), minimum effective tax rate of 2.5%	Yes	No	Yes	Yes (16g)	No	No	Yes (16h)	
17. Isle of Man	No	N/A	No	No	No	No	No	No	
18. Italy	No	N/A	Yes (18e)	Yes	No	No	No	Yes (18f)	
19. Latvia	No	N/A	Yes (19c)	Yes	No	No	No	Yes (19d)	
20. Liechtenstein	Yes (20d), 2.5%	Yes	Yes (20e)	No	No	No	Yes, PE exemption	Yes (20f)	R&D output incentive and PVS (SPV) approved by EFTA

Category	Tax treatment of certain types of income / expense (continued)		Regimes with impact on the tax basis						
Country	Licence / patent box (R&D output incentive?) and resulting tax rate (description as per legend L)	Possibility to re-qualify commercial income into licence income? (embedded royalty)	Notional interest deduction (description as per legend O)	Domestic legislation provides for OECD based TP rules	Exceptions to TP rules or favourable safe harbour rules exist?	Tax balance sheet based model (description as per legend Q)	Worldwide income tax system not applicable (description as per legend U)	Other national or regional incentives	G20, EU, OECD comments
21. Lithuania	No	N/A	No	Yes	No	No	No	Yes (20g)	
22. Luxembourg	Yes (22h), 5.76%	No	No	Yes	Yes (22i)	Yes (22j)	No	Yes(22k)	
23. Madeira (IBC)	No	N/A	No	Yes	Yes (23c)	No	No	See Portugal	
24. Malta	Yes (24e), zero	N/A	No	No	No	Yes, step-up in the cost basis	Yes (24g)	Yes (24h)	
25. Netherlands	Yes (25e), 5%	Yes	No	Yes	Yes (25f)	Yes, informal capital contribution regime	Yes, PE exemption	Yes (25g)	
26. Norway	No	N/A	No	Yes	Yes (26g)	No	No (26h)	Yes (26i)	
27. Poland	No	N/A	No	Yes	Yes (27c)	No	No	Yes (27d)	
28. Portugal	No	N/A	No	Yes	Yes (28f)	No	No	Yes (28g)	10% CIT rate under discussion with EU
29. Romania	No	N/A	No	Yes	No (29d)	No	No	Yes (29e)	
30. Slovakia	No	N/A	No	Yes (30e)	No	No	No	Yes (30f)	
31. Slovenia	No	N/A	No	Yes	Yes (31d)	No	No	Yes (31e)	
32. Spain	Yes (32e), 15%	No	No	Yes	No	No	Yes, PE exemption	Yes (32b+f)	
33. Sweden	No	N/A	No	Yes	No	No	No	No	
34. Turkey	No	N/A	No	Yes	No	No	No	Yes (34c)	
35. United Kingdom	Yes (35g), 10% as of April 2017	Yes (35g)	No	Yes	No	No, with exceptions (35h)	Yes, PE exemption (35i)	Yes (35h+j)	
35bis. Gibraltar	Yes (35bis c), 0%	N/A	No	No	Yes (35bis e)	No	Yes (35bis g)	Yes (35bis d)	35bis f
Switzerland	Yes, 1 canton	No	No	No	Yes, interest rates and spread	No	Yes, PE exemption	Yes, art. 23,3 and 28 harmonisation law	Dispute

General remark

Below comments focus on an analysis from a cross border perspective and do not cover strictly domestic situations.

Country notes

1. **Austria**
    a. Minimum tax charge if loss position
    b. Possible to include foreign tax losses of direct subsidiaries but claw back mechanism i.e., if said subsidiary realizes a profit and uses such losses, retroactive effect at the level of the Austrian tax group (correction of previous tax base by cancelling the deduction of foreign losses)
    c. Dividend:
        i. Minimum stake: 10%
        ii. Minimum holding period: 12 months
        iii. Subsidiary: EU and must meet one of the two tests:
            1. Active-trade-or-business test: passive income from royalties, interest, etc... represents max. 50% of the subsidiary's income
            2. Effective minimum CIT rate: 15%

    If presumption of tax abuse: both tests must be met and no longer exemption but tax credit

    Capital gains/losses from foreign subsidiaries: tax neutral i.e., no Austrian tax consequences at the level of the Austrian parent
    d. R&D costs are fully tax deductible at the time they accrue and the company may benefit from a tax refund ("R&D premium") equal to 10% * R&D costs resulting from R&D performed in Austria (capped at EUR 1mio/year)
    e. No specific legislation but guidelines published in an ordinance referring to OECD TP guidelines
    f. For example possibility to benefit from accelerated tax depreciation
    g. Employment incentives: tax bonus payment (6%) or allowance (20%) for expenditures in connection with training of employees

    Investment incentives (not tax related): no determined amount or rate. It will depend on the region, governmental grants/subsidies to be negotiated individually. 2 main institutions: Austrian Research Promotion Agency (FFG), Austrian Business Service (AWS)

2. **Belgium**
    a. Reduced rate applicable for small/mid-sized companies (taxable income < €322'500): between 24.98% and 35.54%
    b. Before January 1st, 2013, 21% WHT if distribution resulting from public offering, redemption of own shares or listed companies
    c. Dividend:

    95% of the qualifying dividend will be tax exempt:
        i. Minimum stake: 10% or acquisition value of at least € 2.5mio
        ii. "Subject to tax": dividend received must have been subject to tax at the level of distributing company and its subsidiaries if dividend sourced down the chain

        "Subject to tax" test based on five exclusion rules:
        - Tax haven companies: not subject to Belgian CIT or comparable CIT (i.e., if below 15% CIT) – EU resident companies are deemed to fall out of this qualification in all cases.
        - Finance/Treasury/Investment companies benefitting from taxation system differing from the ordinary one
        - Offshore companies receiving income (other than dividend) sourced in another country in which these are subject to a specific tax regime differing from the ordinary one
        - Companies having branches benefitting globally form a taxation system more advantageous than the Belgian non-resident corporate tax system - EU resident companies with EU branches are deemed to fall out of this qualification in all cases
        - Intermediary holding companies (i.e., companies re-distributing dividend-received income) which would not benefit from the Belgian participation exemption regime on at least 90% of said income in case it would have had a direct holding in the original distributing company

    Capital gain: full exemption provided minimum holding uninterrupted period of one year met. As from January 1st, 2014, 0.412% tax for large companies which may not be offset by carry-forward tax losses
    d. There are different types of input R&D incentives:
        i. *R&D investment deductions*: one-time deduction (15.5% based on acquisition value) or spread deduction (22.5% based on annual depreciation). Alternatively, they may be claimed under the form of tax credits as well and unused tax credits may be transformed into cash payment

ii. *Employment related*:

1. Partial payroll withholding tax relief for researchers (75% of payroll WHT due by Belgian employer on salaries may not be remitted). It would be potentially increased up to 80% in 2013 (not yet enacted)
2. Special expat tax regime for foreign researchers (taxation limited to Belgian sourced income + expat & travel allowances are tax free)

e. Patent income deduction: 80% of gross patent income are tax deductible

f. NID: notional interest rate based in principle on the 10-year government bond interest rate of year N-2, but capped at 3% for 2013. As from January 1st, 2014, rate would be lowered down to 2.702% (not yet enacted)

g. Subsidies/grants : Regional R&D grants tax exempt. Provided on a case-by-case basis (no specific rule/figures)

3. Bulgaria

a. Dividend: full exemption only for local and EU/EEA participations

Capital gains:

i. If realised on shares in companies which are traded on a regulated market in Bulgaria and/or on EU/EEA, are tax exempt (regardless of the target company's residence)

ii. Capital gains are fully taxable at normal CIT rate (10%)

b. For small companies. Also simplified documentation for small-value transactions

c. Partial grant of the CIT if agricultural activities. Full grant of CIT related to investment in regions with high unemployment ratio and additional tax deduction for hiring certain categories of individuals

4. Channel Islands

a. Jersey:

Standard rate: 0%

Rate applicable to financial services companies: 10%

Rate applicable to Jersey-based utility companies or companies in receipt of income from the importation and supply of hydrocarbon oil: 20%. Also a 20% rate applies to income from land and property located in Jersey and/or Jersey property development profits and/or quarrying or similar activity in Jersey

Guernsey:

- Standard rate: 0%
- Intermediate rate: 10%. Applies to income derived from banking activities and, with effect from 1 January 2013, also applies to licensed fiduciaries (in respect of regulated activities), licensed insurers (in respect of domestic business), licensed insurance intermediaries and licensed insurance managers; exploitation of property and utility companies are taxed at 20%.

b. Additionally, there is no capital gain tax

5. Croatia

a. Tax rates differing from the general one may apply for tax payers who are performing business in the areas of a special state care (divided in 3 sub-zones) or free zones, or in accordance with the Act on Investment Promotion and Enhancement of the Investment Environment. Tax payer must fulfil certain conditions (employment, investments, etc.) in order to utilize the lower tax rate. The said lower CIT applicable in special state care areas (SSCA) will depend on zone of the SSCA (1, 2 or 3) and can be set at 0%, 5%, 15% or 17%, or could be prescribed at the increasing rates (for example 5% in 2011-2013, 15% in 2014-2016 and regular CIT rate of 20% from 2017)

b. According to the CIT Law, dividends and shares in profit are not taxable, regardless of the participation or any other condition

c. Limited to registered scientific organizations, centres of scientific excellence, individual scientists and group of scientists

The input R&D incentives may take the form of state subsidies and a decrease of the profit tax basis. Both will depend on the type of research and size of entrepreneur

State subsidies (cash): to cover a percentage of the costs (between 25% and 100%)

Decrease of the profit tax base by up to 150% of the amount of costs covered by the state subsidy which may result in a decrease of the profit tax liability up the amount of the percentage of the costs covered by said state subsidy. For example, if those costs are for example HRK 100 and a state subsidy covered HRK 50, tax base can be decreased for 150% of those cost, i.e. HRK 75

d. Investment incentives depend on the value of investment, number of employees and area where the incentive is made. The minimum value of the investment eligible for the incentive is EUR 150 thousand and the investment threshold for maximum prescribed incentive is EUR 3 million. Depending on the number of newly employed and the size of the investment, tax rate decreases for 50% to 100%, for period of 10 years. Additional incentives:

i. Investors who create new jobs will be granted non-refundable financial assistance for eligible costs regarding training and re-training of employees. The range of non-returnable funds is from EUR 3,000 in areas with unemployment rate of 10%, up to EUR 9,000 in areas with an unemployment rate of over 20%, for the newly open job kept for at least 5 years. Companies are also entitled incentives for training required by new jobs depending on the size of entrepreneurs: general training 60% to 80% of non-refundable subsidy, special training 25% to 45%)

ii. Incentives for investments into capital intensive and work intensive projects: Investors with the project of the minimum amount of the investments (EUR 5 million, 50 new jobs created) can benefit from additional non-refundable subsidies between 10% and 20% of recognised costs of new plants, objects equipment and other capital costs, depending on the unemployment rate of the county where located. Work intensive projects are those with at least 100 new jobs created within a 3-year period from the start of the investments project. Previously mentioned incentives can be increased by an additional 25% for 100 new jobs, and up to 100% for 500 new jobs

iii. Customs exemption is available for importation of equipment and machinery which are part of justified costs of investment project, for goods listed in the Customs tariff chapters *84-90.*

6. Cyprus

a. Dividends are fully tax exempt unless both of the following conditions are met:
   i. The foreign company paying the dividend engages more than 50% in activities leading to investment income, and
   ii. The foreign tax burden on the income of that company is substantially lower than Cyprus tax.
b. Fixed minimum spreads for back-to-back financing activities under conditions

7. Czech Republic

a. Investment Funds and Mutual Funds subject to a 5% CIT, and as from 2015 0% CIT
b. Participation exemption regime (WHT exemption) applicable if:
   i. Minimum stake : 10%
   ii. Minimum holding period : at least 12 consecutive months
   iii. Parent / beneficial owner : CZ/EU/CH/N/IS company

   In case there is no DTT and no exchange of information agreement with the country of residence of the subsidiary, as of January 1st, 2013, subject to 35% WHT
c. Participation exemption regime:
   i. Beneficial owner: CZ company subject to CIT at nominal rate of at least 12% during year where dividend received
   ii. Subsidiary: CZ/EU and if other, must be domiciled in a DTT country and subject to at least 12% CIT and in legal form of a corporation
   iii. Minimum stake: 10%
   iv. Minimum holding period: 12 consecutive months

   For dividends: If participation exemption regime not applicable, taxed at a reduced flat rate of 15%.
d. Special tax allowances: possibility to deduct twice from the taxable basis, the eligible R&D costs (up to 100% of specific R&D expenses). The unused part of the allowance may be carry forward for the 3 following years.

   Possibility to apply for a ruling with the tax authorities to confirm eligible R&D expenses.
e. Possibility to request Advance Pricing Agreement from the tax authorities.
f. Investment incentives for Manufacturing industry and Technology centres/Strategic Services centres:
   i. Corporate tax reliefs:
      1. Full tax relief for a 10 year period for newly established companies
      2. Partial tax relief for a 10 year period for expanding companies

      For Technology centres / Strategic services centres: maximum relief is calculated based on investment incurred or labour costs incurred within a 24 months period.
   ii. Job-creation grants: CZK 50’000/employee in region affected by structural downturn or high unemployment
   iii. Training and re-training grants: amount equal to 25% of costs in aforementioned regions
   iv. Site support: Preferential transfer of land or land with infrastructure owned by the State or municipalities
   v. Cash Grant on capital expenditure for Technological centers only: equal to up to 5% of eligible costs (subject to Government approval. Investment must exceed CZK 200mio and job created exceeds 120 employees)
   vi. Decrease of obligatory minimum investment to be qualified for incentives for manufacturing industry: CZK 100mio before, decreased down to CZK 50mio in certain regions

   The total amount of incentives (excluding training and re-training) must not exceed 40% of the eligible investment costs / 50% or 60% for mid-sized and small enterprises.

8. Denmark

a. Tonnage tax regime, Hydrocarbon CIT

b. Possible to opt for “cross-border tax consolidation” provided ALL foreign affiliated/branch are included + binding for 10 years.

c. Depending on residence of the recipient liquidation proceeds paid out in the year of final dissolution may be treated as a capital gain and not subject to withholding tax

d. 4 types of shares:

   i. Subsidiary shares: corporate shareholder with a minimum stake of 10%

   ii. “Group shares”: shares in a company member of the “tax group”

   iii. Portfolio shares (all other cases) which as of 1 January 2013 are divided into two types:

      1. Tax exempt portfolio shares: shareholdings less than 10% in unlisted companies

      2. Taxable portfolio shares

   Capital gains

   i. Tax exempt on subsidiary shares, group shares and tax exempt portfolio shares.

   ii. Gains on taxable portfolio shares are fully taxable at the normal CIT rate (25%) regardless of holding period whereas losses on the sale of portfolio shares are generally tax-deductible.

   Dividends

   i. If received from Subsidiary shares or Group shares, fully tax exempt except if the foreign subsidiary can deduct the dividend payment (except if EU Parent Subsidiary Directive applies). Additionally, anti-abuse rule may apply in case the direct subsidiary is an intermediary for an income sourced from an indirect subsidiary i.e., such entity may not be a “flow-through”, its existence must have an economic ground other than just securing the exemption of the profit repatriated in Denmark.

   ii. If received on portfolio shares (both tax exempt and taxable cf. above) are fully included in taxable income.

e. Capital expenditures incentives are available in the form of deductions for capital expenditures in relation to R&D. If the company is in loss making situation preventing the benefit of such incentive, it may apply for a payment equal to the tax value (25%) of the negative taxable income related to R&D.

f. According to Danish tax law, a territoriality principle prevails. Hence, a Danish company is not taxed on its worldwide income. Income from a permanent establishment (PE) outside Denmark or from real estate located abroad is excluded from taxable income.

g. Costs related to purchase of patents and know-how (including rights/licences to utilise patents or know-how) may either be fully expensed in the year of acquisition or amortised over a seven-year period on a straight-line basis.

   New machinery and equipment acquired between 30 May 2012 and 31 December 2013 can be included in the base for tax depreciations with a supplement of 15%. Hence, 115% of costs of new fixed assets is added to the base and depreciated at up to 25% per year.

9. Estonia

a. Tax payment deferral i.e., only distributed corporate profits are taxable. In other words, the income tax is computed on the amount of dividend distributed.

b. Participation exemption for dividend distributions if they are paid out of:

   i. Dividend income received from ES/EU/EAA/CH tax resident (except those benefitting from a special tax status or tax holiday i.e., “tax haven” companies) in which holds a stake of minimum 10%; or

   ii. Profits attributable to EU/EAA/CH permanent establishment; or

   iii. Dividend income received from foreign company resident in any other country (except “tax haven” companies) in which holds a stake of at least 10% and provided the underlying profits were subject to foreign tax or the dividend distribution was subject to foreign WHT; or

   iv. Profits attributable to a foreign permanent establishment in all other countries and were subject to tax in said foreign jurisdiction.

   Tax haven company = company not on the “white list” (all DTT countries are on it) + subject to CIT equal to at least 1/3 of Estonian CIT (i.e., currently 7%) and / or having an active business

10. Finland

a. Companies and other legal entities are subject to three types of income tax at the same rate:

   i. Income from business activities (derived from business/professional activities)

   ii. Agricultural income

   iii. Personal source income (e.g., passive income derived, for example, from investment. In case of passive holding companies, it applies to dividend received from shares in quoted companies)

This is a regime with "baskets" i.e., charges from one basket may only offset income from the same basket.

b. According to the practice, losses and profits could be offset, same result as group taxation.

c. 30% WHT rate applies if no information at the time of the distribution on the recipient (i.e., no info as to whether it is an individual or a company)

24.5% WHT rate applies if the beneficiary is a corporate body not falling in the scope of the 18.38% WHT domestic rate nor the WHT exemption regime scope

18.38% WHT rate applies if:

i. Recipient is financial, insurance, or pension institution resident in EU/EEA (excluding Liechtenstein), or

ii. Shares in distributing company belong to recipients investment assets, or

iii. Recipient is non-listed company or private company resident in EU/EEA (excluding Liechtenstein) receiving dividends from a resident listed company in which it holds less than 10% shareholding

0% WHT rate applies if:

i. Recipient is a EU company listed in the EU Parent-Subsidiary Directive which directly holds at least 10% stake in the distributing company, or

ii. Recipient is a EEA corporate entity similar to Finnish corporate entity (including Liechtenstein since 2011), and (1) the dividend would be exempt from tax in Finland if received by a Finnish corporate entity and (2) the recipient/beneficiary does not receive a full credit for the Finnish tax in its residence country.

d. Dividend:

- In principle, full exemption if between non-quoted companies
- Partial exemption (75%) if: (i) the stake is less than 10% and the subsidiary is an EU listed in the Parent Subsidiary Directive which belongs to the "investment assets" category under Finnish law (i.e., receiving company must be a financial, pension, or insurance institution), (ii) the distributing company is neither Finnish nor EU, or (iii) the distributing company is quoted and the receiving company has a stake below 10%.
- Fully taxable to the normal rate if the distributing company may not invoke any DTT.

Capital gains are fully tax exempt if (cumulative conditions):

i. The seller is not involved in private equity activities

ii. Minimum holding period: 12 consecutive months

iii. Minimum stake: 10%

iv. Shares in the target company are recorded as fixed assets in the seller's accounts and are part of the seller's business income source (*ratio legis*: limit the benefit to holding companies held by private individuals)

v. The subsidiary does not carry out any real estate related activities, and is Finnish / EU listed in Parent Subsidiary Directive / DTT country which it may benefit from.

e. R&D costs may be deducted from the tax base the year they are incurred (in principle, should be capitalized), but only if these costs are also deducted in the accounts.

Additional tax deduction on salary expenses of personnel involved in R&D in tax years 2013 to 2015, equal to 100% (i.e., deduction of 200% of eligible expenses) with a minimum of € 15'000 and maximum € 400'000

f. Shipping industry: Tonnage tax regime applies i.e., subject to tax on the total net tonnage of the company's ships equal to € 0.2 to 0.9 per day /100 tons (possibility to achieve a considerably lower effective tax rate compared to CIT)

Accelerated depreciation for certain investment made by small and medium-sized companies in the development area

Double tax depreciation on industrial investments in tax years 2013-2015:

i. Only for new investment made after January 1st, 2013 for machinery and equipment, as well as building used for factory or workshop

ii. Maximum depreciation of 50% for machinery and equipment, and 14% for building used for factory and workshop (if building only partially used for factory/workshop, apportionment to determine the eligible part of acquisition costs)

iii. Applicable the year the machinery/equipment/building starts to be used and during the one consecutive year i.e., applicable for max. 2 years

11. France

a. 33.33% basic tax rate + social contribution of 3.3% (as from a tax base of € 760'000) + surcharge of 5% (as from turnover > € 250mio) for FYs closing from December 2011 until December 31, 2013.

b. Start-up doing business in innovation/high tech and companies set-up in geographical zone economically deprived: full exemption from CIT and local taxes.

c. Withholding tax on dividend: full exemption under the following cumulative conditions

i. Parent company : EU resident and listed in EU Parent-Subsidiary Directive + subject to CIT

ii. Minimum stake : 5%,

iii. Minimum holding period : 2 consecutive years

3% dividend tax: a new tax of 3% on dividends (or sums treated as such for tax purposes) is to be levied on French and foreign companies subject to French corporate income tax . Dividends paid within a French tax consolidated group are exempt from the 3% tax.

d. Dividend

Partial exemption (95%) if:

i. Minimum stake: 5%

ii. Minimum holding period: 2 consecutive years (although possibility to benefit from the said participation exemption regime as from the date of acquisition)

iii. Subsidiary: “subject to tax” (CFC rule will apply)

Capital gains

Partial exemption (for closing up to December 31st, 2011: 90%, as from closing ending on December 31st, 2012: 88%) under the same conditions as for dividend (see above).

e. As from January 1st, 2013: tax credit equal to 30% of R&D of investment amounts up to EUR 100mio, and above such amount, 5% (it may take the form of a cash payment). The unused tax credit may be carried forward for 3 years and is refundable at the end of such period if not used (before January 1st, 2013, first year 40% and second year 35%). Moreover, 100% of the R&D investments are tax deductible for the computation of the company's taxable basis. Scope extended to certain innovation expenditures incurred by SMEs.

For mid-sized companies (turnover < € 50’000): additional tax credit for innovation equal to 20% of the costs, capped at € 400’000/year.

f. Patent box: reduced tax rate of 15% applicable on qualifying net royalty income and long-term capital gains derived from patents/patentable technologies.

Capital gain upon disposal between related parties (amongst group entities) will be fully taxable.

g. OECD principles apply but possible to ask for an Advance Price Ruling to confirm Transfer pricing policy applied is acceptable for the tax authorities.

h. Tax credit for competitiveness and employment as from January 1st, 2013: computed on the salaries paid to employees of an amount < 2.5 times the minimum revenue guaranteed for unemployed (“SMIC”). In 2013, 4% and as from 2014, 6%. If unused, cash payment after 3 years.

See also b.

12. Germany

a. Solidarity surcharge of 5.5% is applied on CIT payable resulting in an effective tax rate of 15.8%.

b. Trade tax varies depending on the location but in most cities, it ranges between 14% and 16%.

c. Solidarity surcharge of 5.5% is applied on WHT payable resulting in an effective WHT rate of 26.4%.

d. Dividends: partial exemption (95%); however portfolio dividends (stake below 15%) are not exempt for trade tax purposes. The legislator currently considers introducing a full taxation of portfolio dividends (stake below 10%) for CIT purposes.

e. Capital gains: partial exemption (95%) from both CIT and trade taxes. The legislator currently considers introducing a full taxation of capital gains derived from portfolio shareholdings (stake below 10%) for CIT purposes.

f. A variety of cash grants are granted by the Federal Government or State Governments (*Länder*). However, no tax specific incentives are available.

g. Resident tax companies are taxed on a world-wide basis for CIT purposes. However, trade taxes are levied on domestic business income, which in principle means that foreign PE income is exempt.

h. Investment grants of 5% or 10%: available on capital investment in new manufacturing facilities/hotels in eastern part of Germany (investment grant are public subsidies, which are not taxable in the hand of the beneficiary and cannot be offset with acquisition costs or alike)

Local authorities may offer facilities on favourable terms (e.g., provision of cheap land on industrial estates) or grant subsidies (however, no specific tax benefits are available).

i. Hybrid instruments – to be abolished under the 2013 draft bill.

13. Greece

a. As from 2013, CIT rate is 26%. Additionally, interest income are in general subject to a 20% CIT as from January 1st, 2013.

b. Shipping tonnage tax regime (questioned by the EU Commission):

The tonnage tax is computed based on both the tonnage and the size of the vessel. The applicable rate will result from a complex computation using coefficient published in a circular on a yearly basis by the Ministry of Finance.

Exemption from CIT available for ship owners to the extent the tonnage tax has been paid:

Prior to January 1st, 2013 only applicable to Greek flag’s vessels (foreign flag’s vessel only under certain conditions) and

As from January 1st, 2013, applicable to both Greek flag’s vessels and foreign flag’s vessels managed by Greek or foreign ship management companies established in Greece.

“Eligible ship owners” are (subject to certain conditions)**:**

i. Individual and corporate ship owners: exempt from income tax on profits derived from operating Greek registered vessels.

ii. Shareholders of Greek or foreign ship owning companies: exempt from Greek tax on dividend/profits derived from such participations

iii. Shareholders/partners of a holding company exclusively holding shares in companies owning vessels with Greek flag (or foreign flag if registered)

Annual contribution tax is due by foreign ship management companies as from January 1st, 2013, provided they have not been subject to Tonnage tax.

i. Scope: companies engaged in exploitation, chartering, insurance, average (damage) settlements, purchase, chartering or shipbuilding brokerage, or chartering of insurance of ships under Greek or foreign flag of total tonnage of over 500shipping tons (i.e., falling out of the scope of the tonnage tax)

ii. Exemption: for certain companies (Greek and foreign) engaged in management and exploitation of vessels under Greek or foreign flags meeting certain conditions set up in the law and for passenger coastal ships or merchants vessels performing internal routes.

iii. Tax rate: first USD 200'000 taxed at 10% rate, second USD 200'000 taxed at 8% rate and all excess amount taxed at 6% rate

c. Decreased down to 10% for distribution approved as from January 1st, 2014. For liquidation proceeds, WHT is only due on the part exceeding the value of the capital contribution.

d. Participation exemption for dividend:

i. Beneficiary/receiving company: Greek corporate body

ii. Distributing company: EU

iii. Minimum stake: 10%

iv. Minimum holding period: 2 consecutive years

Specific tax treatment of capital gains:

Before January 1st, 2013:

i. Capital gains on unlisted shares were only subject to a 5% transfer tax (based on a minimum value determined according to the tax law)

ii. Capital gain on listed shares were only subject 0.2% transaction duty

As from January 1st, 2013:

i. Capital gain on unlisted shares subject to capital gain tax of 20% (no more 5% transfer tax)

ii. Capital gain on listed shares subject to capital gain tax of 20% and 0.2% transaction duty.

iii. All other capital gains on securities are subject to the 20% capital gain tax.

e. Interest income on corporate bonds/cash deposit/Greek state bonds/Treasury bills are subject to a 15% rate.

f. R&D incentives are available under numerous conditions and will take the form of an increased tax deduction (determined based on a complex calculation using certain coefficients)

g. The definition of "affiliated party" is broadened as well as the number of cases in which obligation to provide TP documentation, further to amendments implemented as from January 1st, 2013, possibility to seek Advance Pricing Agreement with a validity of 2 years but renewable.

h. These incentives may take various forms: such as tax deferral, tax credit for investment/employment, tax free measures.

Tax credit: In this respect, specific investment incentives laws (e.g. incentives for the maintenance of workplaces, General Entrepreneurship, Technological Development and Regional Sustainability) apply, which include a very detailed and case-specific set of rules generally varying depending on the region and amount of investment.

Tax free measure: freelancers and sole proprietorships registered from (1.1. 2013) onwards and for the first 3 years of their business activities are taxed on a progressive income tax scale:

i. Taxable at a tax rate of 13% for income up to € 10'000

ii. 26% € 10'001 - € 50'000

iii. 33% above 50'001.

Tax deferral: in most cases indefinite. It will result from the set-up of a tax free reserve. Taxation will only occur upon distribution of said reserve of liquidation of the company.

14. Hungary

a. Austerity tax has been abolished as of 1 January 2013, and other taxes have been introduced instead which are indirect taxes rather than income taxes:

i. Limited deduction of cost of goods sold and cost of mediated services from the local business tax base

ii. Telecommunication tax of HUF 2 per minute or sms up to a cap, introduced as of 1 July 2012, and has increased cap as of 1 January 2013

iii. Tax on public utility companies assessed on public utility conduit length

iv. Increased rate of "Robin-hood" tax: income tax of 31% on the adjusted accounting pre-tax profit of energy suppliers and public utility companies (as of 2013)

b. Dividend: fully tax exempt if received from a non-CFC company

Capital gain: fully tax exempt if

i. Minimum stake: 30%
ii. Minimum holding period: one year
iii. Participation which was registered within the 60 days following its acquisition (participation in a CFC cannot be registered)

c. Specific tax : Innovation contribution:

i. Tax base = Local Business tax base
ii. Rate: 0.3%
iii. Direct R&D costs are deductible from the tax base

Tax base allowance for R&D:

i. Qualifying R&D: basic research, applied research or experimental research activities for its own purposes
ii. Tax base allowance: If above research conducted jointly with higher education institution, the Hungarian Academy of Sciences, or a related research institute, 300% of direct costs are deductible from the corporate income tax base (maximum of HUF 50 mio, approx. EUR 175 thousand), decrease of the taxable basis of the corporate income tax, local business tax and innovation contribution

d. IP reserve:

i. Capital gains derived from the sale of IP generating royalty income are deemed non-taxable as long as kept in the books of the company under an unavailable reserve.
ii. Must be used within the 3 years the said reserve was constituted to by an IP generating royalty income. If not, CIT and late penalties will be due on the amount.

Registered IP: capital gain derived from the sale of IP generating royalty income, registered at the Tax authority within 60 days after its acquisition or production, and kept at for least one year in the books is exempt from CIT.

Decreased taxation of royalty income: 50% of the qualifying royalty income (net sales revenue) may be deducted from the CIT base

e. Exceptions to TP documentation requirements:

i. transactions concluded between foreign branches of the Hungarian-resident taxpayers and the foreign related companies thereof, if according to the relevant DTT the income of the foreign branches taxable abroad is exempted from tax in Hungary
ii. transactions concluded between related parties for which the state Tax Authority established the arm’s-length price by way of resolution, for the validity period of the resolution
iii. purchases of third-party goods and services that are not related to the company’s principal business activity, provided that the costs are recharged to a related company without a mark-up
iv. transactions with a value of less than HUF 50 mio, if their arm’s-length price does not exceed HUF 50 mio in the period from the date of the agreement until the last day of the tax year

f. Development tax incentives:

i. If eligible costs are above EUR 100mio, the approval of the Hungarian Government (after the EU Commission’s approval) is required (otherwise, notification to the Ministry for National Economy is enough)
ii. Equal up to 80% of the tax liability and in the limit of the applicable State aid intensity ceiling
iii. Tax incentive can be utilised in 10 years.
iv. 5-year long operational and monitoring period applies (operation, headcount, etc.)
v. The eligible project must create a new facility, expand an existing one or result in significant improvement in the product that is manufactured, or in the production technology itself.

15. Iceland

a. In 2012 the tax rate for limited liability companies and limited partnerships was 20%. The tax rate for other corporations (e.g. partnerships) is 36%.

b. Corporations domiciled in countries within the European Economic Area are entitled to certain tax-free allowances against received dividends and capital gains. Non-resident corporations wishing to take advantage of tax-free allowances must file a tax return in the same way as Icelandic corporations and file received dividends and capital gains deductions against equivalent income. Prepaid withholding tax will thus be refunded after the final tax assessment in November the following year.

c. There are no direct participation exemption rules in Icelandic tax law. However we have a rule of full tax deduction of received dividends and capital gains.

Public limited companies and private limited companies can deduct from their taxable income received dividends from limited liability companies and limited partnership companies, under certain conditions. The same applies to dividends received from abroad if the company’s profits that are being distributed have undergone similar tax treatment as they would have if distributed in Iceland. The tax percentage on the non-resident company’s profits cannot be lower than the general tax percentage in any member state of the OECD or the EEA. Partnerships cannot deduct received dividends and a 20% tax is applied on dividend income (instead of 36%).

d. Interest income derived from monetary assets (banks deposits, mutual and investment funds, bonds, any kind of exchange rate profit, etc...) subject to tax rate of 20%.

e. Special deduction from CIT equal to 20% of CIT computed on R&D expenses, under certain conditions. An innovative company, which owns research or development projects and has obtained the confirmation by the Iceland Centre for Research, is entitled to a special deduction from income tax amounting to 20% of expenses incurred on the projects provided the expenses fall under deductible operating expenses. The maximum amount on which the deduction is calculated within each company shall not be higher than ISK 100,000,000 for each operating year. In the case of purchased research or development services, maximum expenses shall not be

higher than ISK 150,000,000. In the case of joint projects the same amount applies to the project as a whole but the deduction is divided proportionally between the companies participating in the joint project. Expenses incurred on each research and development project must be kept separate from other expenses incurred by innovative companies and supporting documents must be accessible to the tax authorities upon request. Limit: max. amount of R&D expenses capped at ISK 100 mio / ISK 150 mio if purchase of R&D services

f. There is a general anti-avoidance rule stating that business transactions between all parties should be based on the arm's length principle. There are no collective statutory rules in Iceland which are specifically aimed at transfer pricing. The statutory authority for addressing transfer pricing issues is found in the application of general legal concepts, such as the anti-avoidance rule.

g. On account of Act no. 43/1999 on Temporary Reimbursement in Respect to Filmmaking in Iceland, it is possible to have 20% of production expenses incurred in the production of films or television material in Iceland reimbursed. When more than 80% of the total production cost of a motion picture or television programme is incurred in Iceland, the reimbursement shall be calculated from the total production cost incurred within the European Economic Area. Production costs refer to all costs incurred in Iceland deductible from the revenues of enterprises pursuant to the provisions of the Act on Income Tax. Payments pertaining to employees and contractors are only to be included in production costs if they are verifiably taxable in Iceland.

16. Ireland

a. Non-trading income = passive income = dividend from foreign subsidiaries (except if sourced from a "trading income" at the level of the distributing company), interests, rents, and royalties.

b. While group filing is not permitted, companies can surrender/receive excess losses/charges to/from group members.

c. Full relief is available in certain instances as a result of a wide range of domestic exemptions. If not applicable, 20% WHT rate will apply but in principle, only true for a remote number of situations.

d. Dividend – (and otherwise would be included as trading receipts).

   i. Full exemption if received from portfolio investments:

      1. Maximum stake in dividend paying company: 5%

      2. Qualifies as trading income

   ii. Reduced tax rate in respect of dividends received (12.5%) if:

      1. Paid out of trading income

      2. Distributing company: EU/DTT country/listed company-group/Convention of Mutual Assistance in Tax Matters country

   Capital gains:

   i. Minimum stake: 5%

   ii. Minimum holding period: 12 consecutive months with the sale that occurs with a 2-year period following time where holding requirements (min. stake + holding period) were met.

   iii. Target: EU/DTT at the time of disposal

   iv. Trading condition: The company's business must be wholly or mainly (greater than 50%) trading. This means that the company's business must not be represented by 50% or more passive investment activity OR the business of the Irish seller company and all its direct/indirect subsidiaries (at least 5% stake) consist wholly or mainly at least 50% trading business. For the purposes of the wholly or mainly test, you should accumulate all trading activities of the company as one activity.

e. R&D credits:

   i. Tax credit for R&D costs equal to 25% of such R&D expenditures.

   ii. 25% tax credit for additional capital expenditures on a yearly basis (over a base-year of 2003), used for buildings utilized at least at 35% for the qualifying R&D activities (the "use of the building" condition must be met for a minimum period of 10 years otherwise, tax credit will be denied with a retroactive effect). A limited volume-based approach will apply such that a company engaging in qualifying R&D in guaranteed a credit of € 25'000 with respect to its first € 100'000 qualifying R&D expenditures (i.e. regardless the 2003 base year spend).

   These R&D credits, if unused (partly or all), may be carried forward indefinitely or carried back against prior years' profit. They can also be paid in cash upon request within the 3 years after generated.

   Employment incentive: possibility to use the aforementioned R&D credits to decrease the tax charge on employees'salary for those involved in R&D activity.

   Cash grants: Research, Development and Innovation Support Programme: for R&D carried out in Ireland (up to a maximum of €650,000 in respect of R&D grants)

f. Companies are entitled to claim a deduction for the capital costs of acquiring specified intangible assets. The tax deduction is available for offset against income generated from exploiting IP assets or as a result of the sale of goods or services that derived the greater part of their value from the IP. The maximum deduction available in a given year is restricted to 80% of the relevant profits of the company (i.e. income excluding the IP deduction and deduction for interest).

g. Transfer pricing rules only apply to trading transactions between associated companies entered into after July 1st, 2010. Additionally, companies having a turnover < € 50mio and having less than 250 employees are not subject to this regulation.

h. Tax credit / Deduction for WHT paid on royalties in a non-treaty country if royalties income = taxable trading income in Ireland.

   Exemption for new start-up companies (linked to the employment generated by the company):

   i. 3 year corporation tax holiday where total amount of corporation tax payable is not higher than EUR 40'000/year

   ii. Marginal relief (determined by the relevant formula) if corporation tax payable between EUR 40'000 and 60'000 / year.

Section 110 company: Irish resident special purpose company that holds/manages "qualifying assets" which provides for an onshore investment platform (access to Irish DTT) in the framework of the "onshoring" process going on. It allows to effectively benefit from a "corporation tax neutral treatment" under certain conditions.

"Qualifying assets" are financial investments, investments in commodities / plant / machinery and greenhouse gas emission allowance.

This regime is commonly used by international banks, asset managers and investment funds. It is also interesting for aircraft financing and leasing activities.

Cash grants: available for capital expenditures on (1) machinery, equipment and industrial premises, (2) training of employee, (3) creation of employment, (5) R&D, (6) manufacturing and exporting products, (7) providing services to overseas customers etc.. The level of the cash grant will depend on the number of factors and is specific to each project. The level will also depend on the location of the new industry.

17. Isle of Man

a. 10% applies solely to income derived from banking business, land and property in the Isle of Man
b. Trading losses and excess capital allowances may be surrendered.
c. 0% rate applies to dividend and capital gains are not taxable.
d. 0% rate applies if not derived from banking business, land and property

18. Italy

a. IRAP rate depends on the type of business/industry
   i. 4.2% : entities with a determined governmental exclusive right to provide services,
   ii. 4.65% : bank and financial entities,
   iii. 5.9% : insurance corporations.

   IRES surtax for the oil, gaz and electrical energy industries, Tonnage tax
b. 1.375% WHT for distributions to an EU or EEA (with effective exchange of information with Italy) resident company and 11% WHT for distributions to an EU or EEA (with effective exchange of information with Italy) resident pension funds
c. IRAP participation exemption:
   i. Commercial / industrial business: full exemption
   ii. Bank / insurance business: 50% exemption

   IRES participation exemption – 95% exempt
   i. Dividend: distributing company is not resident in a tax haven jurisdiction
   ii. Capital gains:
      1. Minimum holding period: 12 consecutive months preceding the sale
      2. Minimum stake: none
      3. Target:
         - commercial activity (at the time of sale + 3 preceding years)
         - in seller's financial statements: "fixed financial assets" for the entire first uninterrupted 12 months of ownership
         - not resident in a tax haven (at the time of the sale + 3 preceding years)
d. Tax credits to promote employment and R&D; may be paid in cash but depends on financial resources of the State; equal to 35% of all necessary costs spent by the company to hire high-skilled employees for R&D (certain conditions to be met)
e. Allowance for Corporate Equity (ACE): deduction equal to 3% of equity increases (after 2010) to reduce the taxable basis for IRES.
f. A case-by-case analysis is necessary. For example, the region Campania, on August 24th, 2012 adopted a tax incentive whereby enterprises which hire disadvantage workers (certain conditions to be met) between May 2011 and May 2013 could benefit from a tax credit equal to the 50% of the salary costs spent for these workers during the 24 months after the hiring.

19. Latvia

a. Regime applicable as from January 1st, 2013

   Capital gain: fully exempt provided target company is not located in a low tax jurisdiction listed by the Latvian government.

   Dividend: fully exempt provided the subsidiary is located in a country other than "Blacklisted tax havens" (established by Cabinet of Ministry)

b. R&D tax deduction: A coefficient of 1.5 is applied on expenses associated with the creation, registration, and acquisition of trademarks and patents, resulting in a reduction of the taxable income.

c. Implemented in order to encourage shareholders in reinvesting the profits in the business rather than distributing it as dividends. The notional interest is computed on the amount of undistributed profits from the year before and the rate applicable is equal to the average rate applied by Latvian banks on loans issued to non-financial Latvian business since December 31st, 2008. The rate for financial year 2012 is equal to 3.93%. The rate applicable for 2013 will be known / published in January 2014.

d. Large investment relief: CIT relief of 25% up to LVL 35 millions, and 15% above

Conditions:

i. investment in qualifying industries to acquire new/unused fixed assets (industrial buildings/plant and technological equipment) which can be used for business purposes

ii. Investment project to be completed within a 5 year period

iii. Said investment must enable the company to launch a new line of business or modernize its existing production.

Free ports and special economic zones (SEZs): CIT and real estate tax reliefs available.

Areas concerned include the free ports of Ventspils and Riga and the SEZs of Rezekne and Liepaja

CIT relief of 80%: as from 2012, effective tax rate down to 3%. Additionally, possible to also benefit from a 80% WHT relief for dividends, management services and payments for IP made to non-resident companies.

Real estate full tax relief: 80% relief at federal level and under certain conditions, the municipality will waive the remaining 20% real estate tax.

The total amount of CIT and real estate tax reliefs a company may claim will depend on the qualifying amount of investment made in the areas, and may apply on between50% to 70% of the amount of investment made.

Micro Business Tax: 9% global tax charge on the micro-business turnover (covers payroll taxes, business risk duties, and CIT).

Criteria to be able to apply and register as a micro-business (available for existing and newly incorporated companies):

i. Shareholders are individuals also members of the board

ii. Turnover below LVL 70'000 / calendar year. Exceeding amount of turnover for a given calendar year will be subject to 20%.

iii. Maximum 5 employees at any time (absent/suspended employees are not taken into account). If staff count exceeds 5 in a quarter, the global tax charge will be increased by 2% for each extra employee.

20. Liechtenstein

a. Minimum tax of CHF 1'200

b. Coupon tax (WHT) 4% abolished in 2010. Distributed reserves existing before December 31, 2010 still subject.

c. No condition to be met.

d. "Tax deduction of the taxable basis equal to 80% of the net income derived from eligible IP.

e. Equity interest deduction": standardized deemed interest deduction equal to 4% of the amount equity financing certain assets (not included: own shares, participation, non-operating assets and assets belonging to a foreign permanent establishment). Subject to enactment, as from January 1st, 2013, the losses due to the notional interest deduction will no longer be allowed to be carried-forward.

f. Private vehicle solution:

i. Purpose: no economic activity. Stricly meant to acquire, hold, administrate, and sell financial instruments according to asset management law as well as cash and bank accounts. It may hold participation but there must be proof that the shareholders/beneficiaries have no influence on the management of the subsidiary.

ii. Investors: individuals who administrate their own assets or structures acting in the interest of individuals

iii. CIT: only subject to the minimum tax of CHF 1'200/year.

21. Lithuania

a. Agricultural companies under certain conditions, or small companies.

b. Free economic zones: Partial or complete exemption from CIT (depending on the investment amount) provided certain criteria are met. Only applicable for a limited period of time.

c. Possibility to offset losses and profits of companies which are affiliated and meet certain conditions but each company remains a tax payer and has to file a tax return.

d. 0% WHT if:

i. Subsidiary: EU/EEA/DTT country ; if blacklisted, excluded (list published by the authorities) + dividend distributed out of taxable profits

ii. Minimum stake: 10%

iii. Minimum holding period: 12 consecutive months

e. Dividend:

i. Subsidiary: EU/EEA/DTT country ; if blacklisted, excluded (list published by the authorities)
ii. Minimum stake: 10%
iii. Minimum holding period: 12 consecutive months

Capital gain:

i. Target: (1) EU/EEA or (2) DTT country where similarly taxed
ii. Minimum stake: more than 25%
iii. Minimum holding: (1) 2 consecutive years or (2) 3 consecutive years if in framework of certain reorganisations.

f. Tax relief for R&D expenses: decrease of the taxable basis by an amount equal to up to 300% of R&D expenses incurred in respective year, provided related to ordinary business activities.
g. Investment project incentive: decrease of the taxable basis via the deduction of 50% of the acquisition costs of qualifying long-term assets incurred between 2009 and 2013. Costs above the 50% limit may be carry forward for 4 years.

22. Luxembourg

a. Global income tax rate (Corporate income tax "CIT" + Solidarity surtax + Municipal Business tax "MBT"): as from January 2013 in Luxembourg City, 29.22%.

Minimum corporate income tax applicable for companies having more than 90% of their balance sheet being financial assets (e.g., shareholding, loans, ...) (€ 1'565 in 2012, and for 2013, € 3'210)

Companies subject to a 0.5% net wealth tax ("NWT") computed on the unitary value as at January 1st.

b. Increase of solidarity surtax in 2013 (see new CIT rate in a)

Minimum corporation income tax previously only applicable to holdings (90% balance sheet = financial assets; in 2013, € 3'210) extended to operational companies (amount depending on value of gross assets varying between € 535 and € 21'400)

c. Investment funds: generally exempt from CIT, MBT and WHT on dividend distributions. Instead, they are subject to subscription tax varying between 0.01% and 0.05%.

Private wealth management company (SPF): corporate object strictly limited to acquisition, holding, management and disposal of financial assets with exclusion of commercial activities and direct real estate holding. Yearly subscription tax of 0.25% capped at EUR 125'000. Exempt from income tax and net wealth tax. No WHT on dividend distribution.

Securitization companies: subject to regular CIT but the commitment to remunerate the security holders (both capital and debt) qualifies as interest on debt even if paid as return on equity. Not subject to net wealth tax.

Venture capital vehicle (SICAR): Not subject to net wealth tax. Subject to income tax BUT exemption of all income and gains derived from transferable securities qualifying as risk capital as well as from investment in liquid assets pending their investment in risk capital within a 12month period. Access to DTT and EU Directives if incorporated as a corporation (v. partnership). It is reserved for qualified/informed investors.

Financial services companies: specific regime may apply depending on the industry, resulting in a reduced tax.

Shipping companies: Luxembourg resident ones are exempt from MBT and may benefit from investment tax credit and accelerated depreciation (even on used assets).

d. 0% WHT rate applicable provided the following conditions are met:

i. Subsidiary/Target: (1) EU/EEA, (2) resident company fully taxable, or (3) CH/DTT country company fully taxable i.e., subject to a CIT of at least 10.5% on a taxable basis similar to the Luxembourg one
ii. Minimum stake: (1) 10% or (2) acquisition value of at least EUR 1.2mio
iii. Minimum holding period: 12 consecutive months

e. Participation exemption regime (CIT+MBT):

i. Subsidiary/Target: (1) EU/EEA or (2) any resident/foreign company fully taxable i.e., subject to a CIT of at least 10.5% on a taxable basis similar to the Luxembourg one
ii. Minimum stake: (1) 10% or (2) acquisition value of at least EUR 1.2mio for dividend/ EUR 6mio for capital gain
iii. Minimum holding period: 12 consecutive months.

For dividend: if minimum stake and/or minimum holding period not met, possible to benefit from a tax exemption on 50% of the dividend income.

For capital gains: foreign shareholder subject to global CIT on capital gain derived from a participation of at least 10% disposed of within a 6 month period following its acquisition.

For NWT purposes, if minimum stake condition (ii) and subsidiary condition (i) met, shareholding in such subsidiary will be exempt from NWT.

f. Lux finance branch, hybrid instruments
g. Subsidies between 15% and 75% (percentage of costs eligible for the incentive), depending on the status of R&D and the type of R&D.
h. IP regime.

i. Principle: Royalties and capital gain: 80% tax exempt if derived from eligible IP. For self-developed patents: 80% of deemed income (i.e., income earned if acquired from a third party) tax exempt.
ii. Anti-abuse restriction: IP cannot be acquired from a 10% related party i.e., parent/sister/subsidiary with a 10% ownership link.

For 2013, resulting rate equal to 5.84% (5.76% in 2012)

i. Domestic TP rules only for intra-group financing activities, Advance pricing agreement practice.
j. Informal capital contribution regime, notional IP/goodwill step-up model.
k. Inbound and capital investment incentives:
    i. Business areas: risk-capital, audiovisual activities, environmental protection, R&D, professional training, recruitment of unemployed people
    ii. Two types of tax credit:
        (i) For increase in investment in tangible depreciable assets made during the year: 13% of the value of said increase
        (ii) For qualifying new investment: 7% on first EUR 150'000 and 3% on the exceeding amount (increased to respectively 8% and 4% if investment eligible for special depreciation (eco-friendly investments + employment of disabled persons)
        (iii) Qualifying investments: excludes investments in real estate property, intangible assets, and vehicles. Additionally, the investment must be physically operated in Luxembourg/EU/EEA (unless shipping vessels operating in international waters), made within a Luxembourg business establishment and intended to be used permanently in Luxembourg/EU/EEA.

23. Madeira

a. Madeira International Business Center (MIBC): only applicable for companies licensed until December 31st, 2013. The regime will be applicable until 2020.
b. As from 1st January 2012, 25% WHT (30% WHT if shareholder is in a blacklisted jurisdiction); no WHT under Parent/Subsidiary Directive/EEA/Switzerland; limitation of WHT under applicable tax treaty.
c. Advance pricing Agreement practice.

24. Malta

a. Imputation credit system: possibility for the shareholder to benefit from a refund of part of the CIT paid by the Maltese company under certain conditions:
    i. Level of refund: 6/7 or 5/7 (if passive income qualification) of the CIT paid
    ii. Scope: available only for income from certain tax accounts i.e., trading income and foreign income
    iii. Only available upon distribution of dividend to the shareholder
b. Possible to offset the losses and profits under certain conditions (similar to the UK tax group relief system).
c. Conditions to be met for both dividend and capital gain:
    i. Subsidiary: "Participating holding" (cannot hold directly or indirectly immovable properties located in Malta) i.e., (1) must be equity shares AND (2) at least one of 6 other criteria (not necessarily minimum stake + minimum holding period)
    ii. If EU Subsidiary: always exempt
    iii. If non-EU Subsidiary: (1) less than 50% of subsidiary's income sourced from specific interest/royalties OR (2) subject to CIT of at least 15% OR (3) no portfolio investment activity and subject to CIT of at least 5%
d. In case of scientific research: 150% of the value of investment/funding may be tax deductible.
e. Under certain conditions (complex and stated in the law related to attribution of income rules), royalties income derived from patents and copyright (artistic royalties) will be fully tax exempt. Initiative to extend it to trademark but not yet enacted. If applied, no benefit from input incentive (see d)
f. But not sophisticated at all at the moment.
g. Domiciled-resident: taxed on worldwide income

   Non-domiciled – resident: taxed only on Malta-sourced income (trading income "deemed" Malta-sourced) and on foreign income remitted to Malta.
h. Incentives for foreign companies carrying out certain activities in Malta (mainly manufacturing): focus on high value-added activities, for some project must be approved by authorities
    i. Tax credit up to 30% (50% for small companies and 40% for mid-sized companies) on eligible expenditures
    ii. Tax exemption for part or all the income derived in specified circumstances
    iii. Distribution of profit previously taxed at a reduced rate are not taxed anymore
    iv. 15.75% CIT applies to profits reinvested in enterprise for approved projects

   Capital investment:
    i. Investment allowance of 50% on plant and machinery investments
    ii. Investment allowance of 20% on industrial buildings and structures

Tonnage tax regime

25. Netherlands

a. 20% for the first EUR 200'000 of profit, Investment fund regime (full exemption), Tonnage tax regime.

b. Conditions:

   i. Minimum stake: 5%

   ii. Subsidiary: one of the two tests must be met

      1. Sufficient tax test: subject to real profit tax of at least 10%

      2. Asset test: no more than 50% of portfolio's investments

c. Interest Box: The law was adopted, with a 5% tax rate applying on net interest income from intra-group activities but **never implemented**. However, the use of certain hybrid financial instruments is common (interest deductible in other country while qualified as dividend in the Netherlands and therefore tax exempt)

d. R&D input incentives: 3 types and may be cumulated

   i. *R&D deduction:* a percentage of the eligible R&D costs (resulting from investments in R&D) is used to reduce the taxable basis of the fully taxable income i.e., not in IP Box (1st year 40%, 2nd year 35%, going forward 30% up to investment amount of € 100mio and 5% for amount above)

   ii. *R&D wage tax credit* (reduction of wage tax charge of 42% for first € 110'000 eligible wage costs and 14% beyond – max. reduction amount: € 14mio)

   iii. *Cash grants* up to 50% of the costs – depending on the industry/sector

e. Innovation Box: partial exemption (80% of net revenue from eligible IP) i.e., 5% effective tax rate; determination of eligible income is agreed upfront with the Dutch tax authorities based on a review of the company's balance sheet and P&L.

f. TP provisions for interest and royalty conduits. Advance pricing agreement practice well-established with the Dutch tax authorities.

g. Small investments: "small scale investment deduction". Investment of more than EUR 450 each are totalled to determine the percentage of said deduction :

- Below EUR 2'301: 0%
- Between EUR 2'301 and 55'248: 28%
- Between EUR 55'249 and 102,311: EUR 15'470
- Between EUR 102'312 and 306'931: EUR 15'470 minus (7.56%* the amount exceeding EUR 102'312)
- Above: none

Investment in energy-efficient assets: deduction from corporate income tax of 41.5% of the total annual amount of investment exceeding EUR 2'300 up to and including EUR 118mio.

Investment in environmental assets: for total annual amount of investment exceeding EUR 2'300 up to EUR 25mio, deduction of 36%, 27% or 13.5% depending on the ministerial classification of the assets. As of 2014, percentages will be respectively 40%, 30% or 15%.

26. Norway

a. The government announced the launch of an initiative to review CIT rate in other countries to possibly review Norwegian one and reduce it.

b. Shipping industry: subject to tonnage tax regime. In practice, full exemption of the related income

   Oil industry:

   i. Surtax of 50% computed on the profits ("cash tax") i.e., global CIT rate of 78%.

   ii. Specific depreciation rules: over 6 years on a linear basis + depreciation starts at the date the costs start to be incurred

   iii. Specific capital allowance: 7.5% of the amount invested over 4 years

   Overall, with ii and iii cumulated, global depreciation of 93%.

   Hydro-power plant: 30% surtax computed on the profits i.e., global CIT rate of 58%.

c. Group contribution system: possibility for a company to deduct contribution made to 90% affiliated company in a loss position. The contributing company must have distributable reserves i.e., legally be able to distribute a dividend for the contributed amount.

d. Could be reduced under tax-exemption rules (see e). No WHT on liquidation proceeds as treated as capital gain.

e. Dividend:

   97% exemption under the following conditions:

i. Subsidiary is EEA: no condition

ii. Subsidiary is not EEA:

1. Minimum stake: 10%
2. Minimum holding period: 2 consecutive years

Exceptions:

i. New group taxation privilege: full exemption on dividend income if between companies part of the same group (based on "group" definition under Norwegian Companies Act)

ii. No exemption if CFC apply i.e., effective taxation equal to at least 2/3 of Norwegian taxation

Capital gain:

Full exemption provided the same conditions as those applicable for the dividend partial exemption are met (see above)

f. For small companies: tax credit between 18% and 20% on eligible project costs, capped at NOK 5.5mio/company.

g. Oil industry: specific regulation applicable and under supervision of the Petroleum Price Board.

h. Exception for the Oil Industry: petroleum exploitation carried out outside of the Norwegian territory is fully exempt from Norwegian CIT.

i. Geographical incentives: tax credit if set-up business in certain regions

Petroleum industry: for exploration activities, possibility to benefit from a refund of the tax value of the costs related to these exploration activities (i.e., refund equal to the 78% of the eligible costs)

Social security exemption: available in various situations

27. Poland

a. Only available for subsidiaries in EU/EEA and Switzerland.

i. EU/EEA based entity taxable there on its worldwide income:

1. Minimum stake: 10%
2. Minimum holding period: 2 consecutive years
3. Shares mentioned in point one should be held on the basis of ownership title.

ii. Switzerland based company taxable there on its worldwide income:

1. Minimum stake: 25%
2. Minimum holding period: 2 consecutive years
3. Shares mentioned in point one should be held on the basis of ownership title.

b. Expenses incurred due to purchase of intangibles related to new technologies (ex. R&D leading to creation of new products or services or improving existing ones which was not used in the World for more than 5 years) may be deducted from tax basis. This deduction does not apply if in the given year, or previous year the taxpayer performed his activities within special economic zone and was exempt from taxation on that basis.

c. Advance Price Agreement practice – an agreement concluded by a taxpayer with the Minister of Finance under which the pricing method applied by the taxpayer under certain conditions is regarded by tax authorities as being arm`s length. Additionally in case of loans the remuneration (interest) is deemed to be arm`s length if it is equal to the lowest of interests applicable on the market comparable to the examined transaction.

d. Special economic zone: subject to permit delivered by the Minister of Economy.

Tax credits varying between 30% and 50% i.e., no CIT due on a certain percentage computed on the eligible expenditures and state aid intensity. If amount of tax credits exceeds the annual tax due generated for a given year, such excess may be carry forward to following years (deadline: end of 2020). For small-size enterprise, tax credit may be increased by 20%, 10% for middle sized enterprise.

e. Hybrid instruments – to be abolished as of 1.1.2014 (not yet enacted).

28. Portugal

a. A 10% CIT rate is under discussion with the European Commission (not yet enacted; no details of scope are yet known).

b. For entities with registered head office or place of management in Portugal which main activity does not consist of commercial, industrial or agricultural activity

c. Tax resident in the Autonomous Region of Azores

d. Capital gains: for holding companies (*Sociedade Gestora de Participaçoes Sociais*) and venture capital companies provided:

i. Principle: minimum holding period of one year

ii. Exception: if target acquired from related party, offshore companies, or Portuguese resident subject to special tax regime, minimum holding period of 3 years.

Dividend:

i. Subsidiary: EU/EEA, Portuguese African speaking countries and East Timor, and Switzerland:
ii. If EU/EEA, the following conditions must be met:
    1. Subsidiary must have been subject to "effective taxation" on the distributed profits i.e., subject to CIT comparable to Portuguese CIT (not exempt), distributed income taxed at the level of direct subsidiary or lower tier
    2. Minimum stake: 10%
    3. Minimum holding period: one year (to be met before or after distribution)
iii. If Portuguese African speaking countries and East Timor, following conditions must be met:
    1. Beneficiary/Parent: subject to CIT and not exempt
    2. Subsidiary: subject to CIT and not exempt. The dividend distributed must have been taxed at a rate of at least 10% and not qualify as a "passive income" under Portuguese law (i.e., royalties, capital gains, securities income, etc...).
    3. Minimum stake: direct holding of at least 25%
    4. Minimum holding period requirement: two years
iv. If Switzerland, the following conditions must be met (under Protocol of Portugal/Switzerland tax treaty, not yet enacted):
    1. Beneficiary/Parent and subsidiary: subject to CIT and not exempt, incorporated as limited companies, not considered a resident of a third state under a tax treaty;
    2. Minimum stake: direct holding of at least 25%;
    3. Minimum holding period requirement: two years.

e. For companies carrying out commercial, industrial, or agricultural activities, possibility to deduct from the CIT taxable basis a percentage of eligible R&D expenses:
    i. Base rate: 32.5% of R&D expenses incurred
    ii. Incremental rate (if completed 2 years of activity): 50% of the difference between R&D expenses of year N and the average of R&D expenses incurred from year N-1 to N-2 (capped at EUR 1.5mio)
    iii. Increase up to 70% (capped at 1.8mio) for R&D expenses related to employment of people holding a doctorate degree.
    iv. Submission of application must be done by end of July of the year following the year of the investment (for investment made after 1st January 2012)
    v. Unused deductible amount may be carry forward the 6 following years.
    vi. Other specific limitation to the percentage deductible may apply.
f. Advance pricing Agreement practice (favourable safe harbour rules)
g. Contractual tax incentives: for investment projects up to 2020 which qualify for strategic economic interest and promote the creation of jobs. Granted on a case-by-case basis under government contracts for period of max. 10 years. It consists in:
    i. Tax credits equal to 10 to 20% of the investment
    ii. Exemption or reduction from property transfer tax, property tax or stamp duty.

Net young employment creation: possibility to deduct up to 150% of costs related to young employment investment from the taxable basis. Applicable for a 5 year period per employee.

Specific incentives for the fund industry (varying depending on the sector) as well as specific incentives in relation to real estate investment (urban rehabilitation, building in Areas of Business Location) which will often take the form of an exemption from certain taxes.

29. Romania

a. For micro companies, computed on the gross revenue (v. on taxable profit for general 16% CIT). Before, condition to qualify as micro company was to have an annual turnover below € 100'000. As from February 1st, 2013, annual turnover below €65'000.
b. Conditions:
    i. Subsidiary: legal person from EEA
    ii. Minimum stake: 10%
    iii. Minimum holding period: 2 consecutive years at the time of the distribution.
c. Additional deduction of 20% from the eligible expenses related to R&D and/or accelerated depreciation of some assets used for the R&D. As from February 1st, 2013, increased to 50%.
d. Advance pricing agreement practice
e. Dividend tax exemption for reinvestment:

i. Reinvestment in the capital of a resident company

ii. Reinvestment to preserve the number of employees and boost existing line of business

Local tax exemptions for business in industrial parks, and scientific and technologies parks

Employment incentives for certain categories of employees (depending on the level of employees education, term of the employment contract, disabled graduates) to encourage recruitment and training, taking the form of cash grants, exemption from certain social security contributions or for training, refund of a percentage of expenses. For example, companies employing people involved in software development do not pay income tax on the remuneration paid to those employees (although they will pay the social contribution).

30. Slovakia

a. For 2013 onwards: 23%

b. 0% WHT applies only to distributions made out of profits generated after January 1st, 2004. If generated prior to this date, and distribution occurs in 2013, a 15% WHT rate will apply, and if distribution occurs in 2014, most likely 19% WHT would apply.

c. No specific condition but for the fact that must be derived from profit generated on or after 1st January 2004.

d. Types of R&D incentives (subject to approval of Slovak authorities):

   i. State subsidies: Usually provided in form of cash grants (from EU funds). The cash grants are usually provided in the amount of 25% to 75% of eligible costs.

   ii. Income tax relief in relation to eligible R&D expenses incurred. Income tax relief or tax credit is available but not often provided for R&D projects.

   Types of projects eligible: fundamental research, experimental development, applied research, feasibility studies, protection of intellectual and industrial property, staffing of R&D functions

e. No TP rules applicable if transaction between Slovak related parties.

f. Investment incentives: tax credits or cash grants, subject to approval of the Slovak authorities and available in the following areas: Industry, Technology centres, Shared services centres, and Tourism. The initial project (investment) for which the incentive was provided, has to be maintained for at least 5-year period following the year the investment was made. The incentive is usually provided in the amount of up to 50% of eligible costs

31. Slovenia

a. Regulated Investment funds: 0% CIT provided at least 90% of operating profits generated in year N-1 are distributed before November 30th of year N

   Regulated Pension funds / Insurance undertaking authorized to implement pension schemes: 0% CIT for income derived from activities related to pension scheme provided a separate tax return is filed for each separate pension scheme

   Regulated Venture capital company: 0% CIT for income derived from authorized investments provided a separate tax return is filed for that part of the activity only

   Tonnage tax regime.

b. Capital gain: exemption of 47.5%

   i. Subsidiary/Target: EU, subject to CIT of at least 12.5% and not listed on the list published by the Ministry of Finance

   ii. Minimum stake: 8%

   iii. Minimum holding period: 6 months

   iv. Seller: must have employed at least one person during the 6 month holding period.

   Dividend: exemption of 95% as long as the subsidiary is subject to CIT comparable to Slovenian CIT

   Exception (no exemption): if dividends are distributed (i) out of untaxed reserves or (ii) by a subsidiary which is not EU, or subject to CIT of at least 12.5% and is listed on the list published by the Ministry of Finance

c. Allowance of 100% of the value of the R&D expenses for a given tax year (i.e., tax deduction equal to 200% of eligible R&D costs). Eligible R&D expenses are those related to internal R&D activities of the company and the purchase of R&D equipment from related/unrelated parties or from a private research institution.

d. Administratively set recognised interest rate:

   i. In establishing revenue, interest charged on loans issued by associated enterprises shall not be lower than the level of the most recently published, known or recognised interest rate at the time of approving the loan (unless the taxpayer proves that in equal or comparable circumstances a loan would also be issued to a loan recipient which is a non-associated enterprise at an interest rate which is lower than the recognised interest rate).

   ii. In establishing expenses, interest charged on loans received from associated enterprises shall not exceed the level of the most recently published, known or recognised interest rate at the time of approving the loan (unless the taxpayer proves that in equal or comparable circumstances he would also receive a loan at an interest rate above the recognised interest rate from a lender who is a non-associated enterprise).

e. Allowances for employing certain disabled employees and/or for employment of hard-to-place workers: between 20% and 70% (i.e., possibility to deduct from the tax base between 120% and 170% of eligible costs)

   Tax relief for investment in Pomurje region: from 2010 to 2015, entities located in that region are entitled to additional employment incentives and additional tax reliefs on investments equal to up to 70% of related expenditures.

   Tax relief for investments: Tax relief for investments in equipment and intangible assets is allowed for 40% of the invested amount.

Tax relief for employment: The relief for employment is allowed in 45% of the amount of the employee's salary under certain conditions: the employee has to be newly employed, must be a person under the age of 26 or a person above the age of 55, who has been, prior to the employment, at least six months registered as unemployed and has not been employed with this taxpayer or his/her associated enterprise for the last 24 months.

Tax relief for carrying out practical training within professional training: A taxpayer, who accepts an apprentice, or secondary-school or university student under a contract for carrying out practical training within the educational process, may claim a reduction of the tax base in the amount of payments to these persons but not more than 20% of the average monthly wage in the Republic of Slovenia.

32. Spain *(Please note that for the Basque country comments, the comments only apply to Biscay (the most important region of the Basque country), and not to Guipuzcoa or Alava, or Navarra.)*

a. Business and professional activities tax: local direct tax levied annually on the performance in Spain of business, professional or artistic activities. Its amount will depend notably on the type of activity and the size of the premises used. It is a tax completely separate from the CIT which is levied on a local basis in all Spain (including Basque Country). There is no pre-established table setting up the rates and the level of said tax will vary from one region to the other.

b. Small companies: turnover year N-1 below EUR 10mio, 25% CIT rate applicable to the first EUR 300'000 and regular CIT (30%) applies to the exceeding portion. If part of a group, the aggregate amount of the group companies' turnover is to be considered.

Micro companies: lower tax rates to help companies maintain or increase their staff levels for tax years from 2009 to 2012 (extended to 2013) i.e., taxable income taxed at 20% CIT up to EUR 300'000 and 25% above. The benefit of these lower tax rates is conditioned by specific turnover (below EUR 5M) and number of employees' (average below 25) requirements

Venture capital companies ("entidades de capital riesgo") and funds: under certain conditions, they may benefit from tax advantages such as 100% tax credit to avoid double taxation, exemption of 99% of capital gain on shares on certain venture capital companies (holding period requirement between 2 and 15 years)

Collective investment institutions ("instituciones de inversion colectiva"): subject to a reduced CIT rate of 1%. Not entitled to tax credit or exemption benefits.

Spanish holding companies of foreign companies (*Entidad de Tenecia de Valores Extranjeros* "ETVE"): full exemption for dividend income and capital gains, exemption from WHT on profit distribution and non-subjection of capital gains obtained by the ETVE's shareholders. Conditions are, among others:

i. Company's purpose: holding and management of foreign companies' shares
ii. Minimum stake: 5% or acquisition value of EUR 6mio
iii. Must be notified to the tax authorities (directly held) but no approval is required.

Companies located in Canary Islands: specific economic and tax measures apply:

i. Up to 90% of undistributed accounting profits CIT exempt provided allocated to a special investment reserve (RIC – Reserva para Inversiones en Canarias) and reinvested within a 3 year period in qualifying investments
ii. Most Spanish reliefs increased by 80%
iii. 50% tax credit on income derived from the sale of tangible goods produced in the Canary Islands in the framework of agricultural, farming, industrial and fishing activities.
iv. 90% tax credit on income derived from the exploitation of Canary Islands' registered ships by shipping companies ("Registro Especial de Buques y Empresas Navieras de Canarias).

Canary Islands Special Zone tax regime ("Zona Especial Canarias") (approved by EU): regime applicable upon approval by the tax authorities and under the following conditions:

i. New companies registered up to 31 December 2013 (it could be extended but it is unknown yet)
ii. Undertakes to make investment in fixed assets of certain amount (EUR 50'000 or 100'000, depending on the Island) within first 2 years of business
iii. Undertakes to create jobs (between 3 and 5, depending on the island) within the six months since the approval, and maintain such average during the years while registered in the ZEC regime
iv. Provide business plan (description of the business, prove of solvency, ...)
v. Registered office and place of effective management in the Special Area
vi. At least one director resident in the Canary Islands
vii. Carry out at least one of the qualifying business activities

The tax benefits are the followings:

i. CIT rate: 4%, as from fiscal year 2007 and onwards, for the taxable base correspondent to transactions executed material and effectively in the ZEC zone
ii. Possibility to avail large exemption from other taxes
iii. Benefits under EU Parent-Subsidiary directive extended to non-EU shareholders (except of in tax havens)

Special tax regime applicable in the Basque Country: based on "economic agreement" concluded with the Spanish government, the 3 region of the Basque Country have the right to their own tax regimes.

i. General tax rate: 28%
ii. Special tax regimes:
   - Reduced tax rate of 24% for small companies:
     1. economic business activity

2. turnover or assets below EUR 10mio
3. less than 50 employees (average)
4. Shareholder holding directly or indirectly stake of 25% or more meets the above requirement

- Reduced tax rate for real estate companies: 1% provided that certain requirements are met
- Reduced tax rate for companies floated on Bilbao Stock Exchange and on brokerages/cooperatives: 21%

c. Also applicable in the Basque Country

Dividend:

i. Minimum stake: 5%
ii. Minimum holding period: one year
iii. Subsidiary: subject to a tax similar to Spanish CIT and not resident in tax haven (certain exceptions for EU tax havens). If resident of a jurisdiction with a DTT with "exchange of information" provision and entitled to such treaty benefits, this condition is deemed to be fulfilled.
iv. Income out of which dividend distributed is derived from a qualifying business, i.e., active income., at least of 85% (not passive income that falls in the Spanish CFC provisions)

Capital gain: same conditions as for dividend BUT provided all the above requirement are met during the whole holding period. If requirements iii and iv above are met only in certain years of tenancy, a pro-rata rule could apply for the participation exemption.

d. In Spain (exclusion of Basque Country)

Base rate for R&D: tax credit amounting to 25% of the R&D expenses. If the amount of R&D expenses of the year exceeds the average amount of R&D expenses from the prior 2 years, an additional 42% tax credit computed on the excess amount may apply.

Additional tax credit for new investment: tax credit of 8% computed on the value of new investment in tangible fixed assets (excl. buildings) and in intangible assets, exclusively assigned to the R&D activity. Tax credit for technological innovation: tax credit amounting to 12% of expenses related to the technological innovation activities.

Employment incentive: 17% tax credit available, computed on the staff expenses for staff qualified and exclusively involved in the R&D activities.

Unused credit of the fiscal year may be carry forward for 18 years.

In Basque Country

Base rate for R&D: tax credit amounting to 30% of the R&D expenses. If the amount of R&D expenses of the year exceeds the average amount of R&D expenses from the prior 2 years, an additional 50% tax credit computed on the excess amount may apply. Additional tax credit for new investment:

- Tax credit of 10% computed on the value of new investment in tangible fixed assets (excl. buildings) and in intangible assets, exclusively assigned to the R&D activity.
- Tax credit of 20% on expenses incurred for projects contracted from certain universities and public organizations.

Tax credit for technological innovation: tax credit amounting to 15% to 20% of expenses related to the technological innovation activities. Employment incentive: 20% tax credit available, computed on the staff expenses for staff qualified and exclusively involved in the R&D activities.

Unused credit of the fiscal year may be carry forward for future fiscal years.

e. IP regime (not applicable for the Basque Country):

i. Exemption of 50% of the gross royalty income derived from the transfer of the right to use qualifying self-developed IP (capped at 6 times the costs incurred to develop the IP). Excludes capital gain income upon sale of the IP. Effective tax rate of 15% (50% *30%)
ii. The company acquiring the right to use the IP must use the IP in a business activity, not generating a tax deductible expense for the transferor (if related party). The company acquiring the right to use cannot be a tax haven company. Additional requirements must be met for the exemption.

IP regime applicable in the Basque Country: income derived from the transfer of the right to use qualified IP or industrial property may be exempted from the taxable income under certain conditions, in the following percentage:

i. 30% (effective tax rate = 28% * 70% = 19.6%)
ii. 60% if self-developed (effective tax rate = 28% * 40% = 11.2%)

f. In Spain (Basque Country excluded)

Tax credit for environmental investment: 8%

Reinvestment of extraordinary income: 12% tax credit if positive income from sale of assets used for business reinvested within a 4-year period (the year before the sale or the 3 years after) in similar assets. If sale of shares, available provided minimum stake of 5% and minimum one-year holding period prior to the sale. The assets in which reinvested must be kept for at least 5 years (3 for movable assets).

Other CIT relief (tax credits): available for investment in heritage assets and book publishing (between 1% and 2% but stopped as from 1st January 2014), in hiring disabled workers (EUR 6'000/worker)

Limits to the total amount of tax credits a company may apply for are set in the law, depending on the taxable income and the type of tax credits applied for. Unused credit of the fiscal year may be carry forward for 15 fiscal years.

In the Basque Country

Tax credit for environmental investment: 15% or 30%, depending on the type of investment

Reinvestment of extraordinary income: 100% of income resulting from the sale of tangible fixed assets and intangible assets may be tax deductible provided that: sale proceeds are reinvested within a 4-year period (starting one year prior to the year of the sale) in similar assets. The assets in which reinvested must be kept for at least 5 years (3 for movable assets). If sale of shares, available provided minimum stake of 5% and minimum one-year holding period prior to the sale and only 60% of the sale proceeds will be tax deductible.

Other CIT relief (tax credits): available for investment in new tangible fixed assets (10% tax credit), for special reserve for investment in production (10% tax credit), in staff education programs (10% or 15%), in hiring workers (from EUR 4'900 to 9'200 if workers with special circumstances), contribution to pension schemes (10% tax credit)

Limits to the total amount of tax credits a company may apply for are set in the law, depending on the taxable income and the type of tax credits applied for. Unused credit of the fiscal year may be carry forward for future fiscal years.

33. Sweden

a. 22 % for FYs starting after 2012

b. Group contribution system: Profit transfers by way of payments possible if conditions are met, allowing offsetting such profits against losses of a group resident company. Additionally, based on the Marks & Spencer 's ECJ case, when in last resort, possibility to use foreign losses to offset against resident profit.

c. Condition: subsidiary/target must be held for business reason

    i. If subsidiary not-listed/not quoted: always exempt

    ii. If subsidiary listed/quoted, exemption only if:

        1. Minimum stake: 10%

        2. Minimum holding period: one year

Capital gain specificities: in principle, no exemption if subsidiary qualify as a "shell company" i.e., company or partnership in which value of [cash+shares+other marketable instruments] exceeds 50% of the price paid for the shares

34. Turkey

a. Dividend:

    i. Subsidiary/distributing company: limited liability or joint stock company and subject to at least a 15% CIT

    ii. Minimum stake: 10%

    iii. Minimum holding period: 12 consecutive months (prior)

    iv. Dividend effectively distributed before the deadline for Turkish parent to file CIT return for the year during which the income distributed was generated.

Capital gains:

    i. Partial exemption of 75%

        1. Minimum holding period: 2 years

        2. 75% of the sale's profits allocated to a special reserve in the Turkish parent's accounts for a 5-year period following the disposal

        3. Sale amount collected by the end of the 2nd calendar year following the year of the sale

    ii. Full exemption:

        1. Seller/International holding company: Turkish joint stock company having, for at least 12 consecutive months, a minimum of 75% total assets (excluding cash and cash equivalent assets) being shares in foreign subsidiaries

        2. Subsidiary/Target: joint stock company

        3. Minimum stake: 10%

        4. Minimum holding period: 2 years.

b. R&D Law No. 5746, was enacted to broaden incentives for R&D activities. The law enables non-resident companies with a subsidiary or branch in Turkey to benefit from R&D tax incentives. Main incentives introduced by the new R&D law are:

    i. R&D Deduction:

All eligible innovation and R&D expenditures made in technology centres, R&D centres (which must employ at least 50 full-time equivalent R&D personnel), R&D and innovation projects supported by governmental institutions, foundations established by law or international funds can be deducted from the corporate income tax base at a rate of 100%. The same expenditures can also be capitalized and expensed through amortization over five years in the case of successful projects whereas failed projects' R&D expenditures can be expensed immediately.

Companies with separate R&D centres employing more than 500 R&D personnel can –in addition to the above deduction– deduct half of any increase in R&D expenditures over R&D expenditures in the previous period.

ii. Income Tax Exemption:

80% of the salary income of eligible R&D and support personnel (max. %10 of number of full time R&D personnel) is exempt from income tax. However, this rate is increased to 90% for personnel with a PhD.

iii. Social Security Premium Support:

Half the employer portion of social security premiums for R&D and support personnel (max. %10 of number of full time R&D personnel) will be funded by the Ministry of Finance for five years.

iv. Stamp Tax Exemption

The documents prepared for the R&D activities are exempt from stamp duty.

c. Construction industry: earnings derived from the construction, repair and assembly works as well as the technical services performed abroad, and which are then transferred to the final general accounts in Turkey are fully exempt from corporate tax

To eliminate inter-regional economic imbalance and generally stimulate investment, tax incentives such as benefit of reduced CIT rate, exemption from social security premium (employer's portion), cash subsidies, allocation of land for investment are available.

In order to qualify for the above incentives, it is necessary to obtain an Investment Incentive Certificate (IIC) from the Ministry of Economy before the investment is initiated.

i. Regional specific investment: depending on region, minimum investment amount required for tax incentives will vary between TRL 500'000 and TRL 4 mio.

ii. Big project investment: minimum investment amount between TRL 50 mio and TRL 1 billion depending on the industry.

iii. Strategic investment (mostly imported products): minimum investment amount TRL 50 mio, tax reduction (90%) / contribution to investment (50%), exemption on social security premium applicable for 7 years or 10 years, interest support maximum 5% and up to 50 mio investment.

Overseas services: 50% of earnings derived from certain services rendered to parties located outside Turkey can be deducted from the CIT base.

35. United Kingdom

a. Small profit rate of 20% applicable for resident companies having an tax-adjusted profit below GBP 300'000

b. Specific rate apply for the Oil and Gas industry

i. CIT: 30%

ii. Small profit rate: 19%

iii. Petroleum revenue tax (surtax): 50% levied on income derived from oil and gas extracting in the UK, and in the UK territorial sea and continental shelf except if benefits from a consent prior to 16 March 1993.

c. Whilst there is no group taxation, loss making companies can make a claim to surrender their current year losses to profitable companies in the same 75% group as 'group relief', provided certain conditions are met. 'Consortium relief' may also be available to surrender losses between a joint venture and its members, provided certain conditions are met.

d. Capital gains:

i. Subsidiary/Target: trading company or member of a trading group (activities of all the group members are looked as one business) for the 12 month period prior to disposal ending immediately after the time of the disposal.

Trading company/group = at least 80% of the activities are trading. The UK tax authorities (HMRC) may look at a number of criteria in assessing the 80% test including turnover/assets/directors time. An activity is considered to be trading using the principles derived from case law ('the badges of trade')

ii. Seller: trading company or holding company of a trading group for the 12 month period prior to disposal ending immediately after the time of the disposal. The seller is not required to meet this condition immediately after the disposal if it is subsequently liquidated.

iii. Minimum stake: 10% of ordinary share capital (ie. excluding fixed rate preference shares)

iv. Holding period: continuous12 month period in the 2 years prior to disposal. The holding period may be shorter for hive downs.

Dividend:

i. At the level of subsidiary/distributing company: no tax deduction is allowed for the payment of the dividend in the territory the payer is resident;

ii. The dividends are not paid in respect of 'non-commercial' or 'special' securities.

iii. The dividend falls into 1 of 5 broad exempt classes (dividends from controlled companies, dividends from non-redeemable ordinary shares, dividends from companies where less then10% of the shares are held by the recipient – "portfolio shares", dividends from shares which are accounted for as liabilities, dividends out of profits which did not arise from transactions with a UK tax motivated purpose).

e. Based on new CFC rules (introduced for 2013 onwards), UK tax exemption (of up to 100%) for profits made by CFCs on qualifying loans provided certain conditions are met (for example, such conditions may be about the ultimate debtor). In most cases, it will be a 75% exemption as the conditions for the full exemption are a lot stricter.

   There is no interest income privilege for UK resident companies.

f. Deduction of a certain percentage computed based on the amount of qualifying R&D expenditure (as follows):

   i. Small companies: 225%

   ii. Large companies: 130%

   It has been announced that for accounting periods beginning on or after 1 April 2016, a company must claim a cash tax credit of 9.1% of the amount of qualifying R&D expenditure. This tax credit is subject to UK corporation tax and capped at the company's payroll tax deductions for R&D staff. A company can elect to receive a tax credit, rather than a super-deduction from 1 April 2013. The cash tax credit legislation is not yet enacted.

g. Patent box tax regime for royalties/turnover/sales proceeds derived from products or processes which use patented innovations, subject to certain conditions. A 10% tax applies to patent box profits, which are calculated after a deduction for expenses, a 10% 'routine profit' on the expenses and a deemed marketing royalty. The regime is to be phased in from 1 April 2013, the 10% tax will apply from 1 April 2017.

   As the patent box regime applies to income derived from patents rather than just royalties, it is not necessary to reclassify commercial income as royalty income. If income is not directly derived from a patented process, an arm's length royalty should be used instead when calculating the patent box profit.

h. Exceptions are, for example, the following:

   i. Possible to claim a flat 4% tax deduction for IP amortization instead of the accounts amortization

   ii. IP created/acquired before 1 April 2002 is treated as a capital asset and no tax deduction is available for accounts amortization.

   iii. Capital allowances: there are specified rates of annual tax deductions in respect of certain tangible assets (currently 18% or 8%), deductible from income in place of accounts depreciation.

i. A company is subject to tax on its worldwide income and, in certain cases profits apportioned to it from its CFCs, subject to the following:

   i. The UK's CFC regime is a territorial regime which is intended to only apply to those profits which are artificially diverted from the UK. In addition certain exemptions may be available to exempt all of a CFC's profits from a CFC charge. These exemptions include the tax exemption (if the overseas tax is more than 75% of the comparable UK tax), the excluded territories exemption (for CFCs resident in certain territories provided certain conditions are met) and the low profits exemption (for CFCs with profits less than £500,000 and finance profits less than £50,000).

   ii. A company can make a 'branch exemption' claim to exempt profits derived from overseas permanent establishments from UK tax, subject to certain conditions similar to the UK's CFC rules.

j. Enhanced capital allowances: 100% deductions in respect of certain classes of assets (eg certain energy efficient technology, assets used in qualifying R&D or assets used in 'Enterprise Zones'), deductible from the trading taxable income for traders and for non-traders. A claim can be made for a 100% deductions on £250k of plant and machinery, this is a single allowance for a group of companies (applies from 1 January 2013 and is not enacted).

   Special tax reliefs for UK based film production and announcements to introduce a similar regime for high-end television and video game productions.

35bis. Gibraltar

a. 20% CIT rate applies to utility and energy service providers, as well as to companies abusing a dominant position i.e., companies having a position of economic strength which enables it to prevent effective competition being maintained on the relevant market by affording it the power to behave to an appreciable extent independently of its competitors, customers and ultimately of its consumers.

b. If company with a banking/money lending license, interest taxable unless strictly limited to intra-group lending activities.

c. Royalty income is not taxable.

d. All tax incentives are oriented to promote real estate development to develop the tourist industry:

   i. Development aid: may take the form of tax relief, import duty relief or rates relief, provide upon delivery of a "license" by the authorities

      Only available for new projects representing an economic benefit to Gibraltar and the aim of which is to create tangible immovable asset that is meant to remain for a long period of time, provide additional housing (more than 2 units of housing); contribute to the tourist industry; result in new employment opportunities and career prospects in Gibraltar and to improve the economic or financial infrastructure of Gibraltar. Finally, the project must be completed within a certain period of time following the issuance of the license and the applicant must not invest less than the prescribed amount for the project

   ii. Deduction of approved expenditure on premises: tax deduction of an amount equal to approved expenditures (i.e. painting, decorating, repair or enhancement of the frontage) incurred by tax payers with an interest in Gibraltar based buildings. The claim for the deduction must be done within a 2 year period following the year the said expenditure was incurred

e. The deduction to be allowed in respect of connected party expenses shall be the lower of:

   i. The amount of the expense

   ii. 5 % of gross turnover

   iii. 75% of the pre expense net profit

f. Income Tax act 2010 subject to review by the EU Code of Conduct Group.

g. Companies are taxed only on income accrued and derived from Gibraltar