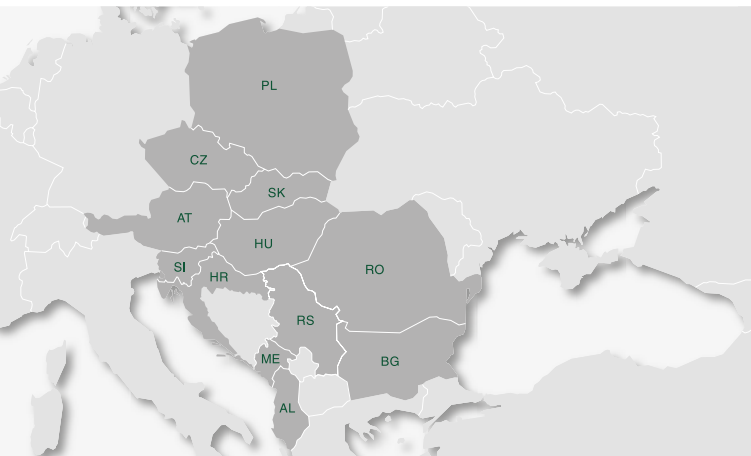




Investing in Hungary

An overview of the current
tax system | 2019





12 Countries. 1 Company. The TPA Group.

Investing in Hungary.

An overview of the current tax system.

The current developments within Central and Eastern European countries are accompanied by ongoing changes in tax systems. For investors, this means numerous new developments to take into account.

TPA's CEE Country Series covers 12 Central and South Eastern European countries, and gives an overview of the business environment and the most important new developments, including:

- Different types of business organisations, and their most important features
- Key details of corporate and personal income tax and VAT in each country
- Current tax allowances, reliefs and concessions
- Core provisions of double taxation agreements

In the TPA-Country Series there are booklets on Albania, Austria, Bulgaria, Croatia, the Czech Republic, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia. Visit our website www.tpa-group.com, for detailed information and updates, or subscribe to our electronic newsletter at service@tpa-group.com

The information in these folders is based on the present legal situation and current administrative practice, and is therefore subject to change. The information is general in nature, and of necessity abridged: the booklets are not a substitute for individual, specific advice.

Our CEE experts will be happy to answer your questions in more detail.

Contents

| | |
|----------------------------------|----|
| Types of organisation | 2 |
| Corporate income tax | 4 |
| Income tax | 6 |
| Filing dates and deadlines | 7 |
| Other taxes | 7 |
| Tax regulations | 7 |
| Tax concessions | 8 |
| Immovable property | 8 |
| Social insurance | 10 |
| General managers | 11 |
| VAT | 11 |
| Mergers & Acquisitions | 14 |
| Double taxation agreements | 16 |

Types of organisation

| | | <i>Name in local language</i> | <i>Registrable in commercial register / legal entity</i> | <i>Minimum capital</i> | <i>Sole-shareholder company</i> |
|----------------------------------|----------------|---|--|---|---------------------------------|
| Limited liability company | | Korlátolt Felelősségű Társaság (Kft.) | yes / yes | HUF 3,000,000 (EUR 10,000), HUF 100,000 (EUR 333) per shareholder | yes |
| Stock company | public | Nyilvánosan Működő Részvénytársaság (Nyrt.) | yes / yes | HUF 20,000,000 (EUR 66,667) for public | yes |
| | private | Zártkörűen Működő Részvénytársaság (Zrt.) | | HUF 5,000,000 (EUR 16,667) for private | |
| Cooperative | | Szövetkezet | yes / yes | no | no |
| General partnership | | Közkereseti Társaság (Kkt.) | yes / yes | no | no |
| Limited partnership | | Betéti Társaság (Bt.) | yes / yes | no | no |
| Registered branch office | | Fióktelep | yes / no | no | n / a |
| Permanent establishment | | Telephely | no / no | no | n / a |

| | <i>Capital tax / registration fees</i> | <i>Written form / Notarisation or counter-signature by lawyer</i> | <i>Tax transparency</i> | <i>Registration with tax authorities</i> | <i>Statutory audit (revenues more than HUF 300 million (EUR 1 million), resp. number of employees > 50)</i> |
|----------------------------------|---|---|-------------------------|--|--|
| Limited liability company | – / registration in commercial register, changes in commercial register entries | yes / yes | no | yes | Where revenues exceed HUF 300 million (EUR 1 million), resp. number of employees > 50 |
| Stock company | – / registration in commercial register, changes in commercial register entries | yes / yes | no | yes | Where revenues exceed HUF 300 million (EUR 1 million), resp. number of employees > 50 |
| Cooperative | – / registration in commercial register, changes in commercial register entries | yes / yes | no | yes | Where revenues exceed HUF 300 million (EUR 1 million), resp. number of employees > 50 |
| General partnership | – / registration in commercial register, changes in commercial register entries | yes / yes | no | yes | Where revenues exceed HUF 300 million (EUR 1 million), resp. number of employees > 50 |
| Limited partnership | – / registration in commercial register, changes in commercial register entries | yes / yes | no | yes | Where revenues exceed HUF 300 million (EUR 1 million), resp. number of employees > 50 |
| Registered branch office | – / registration in commercial register, changes in commercial register entries | yes / yes | n / a | yes | obligatory |
| Permanent establishment | – / – | – / – | n / a | yes | no |

Exchange rate: EUR 1 = HUF 300 (rounded)

Corporate income tax

| | |
|-----------------------------------|---|
| Tax rate | 9% Corporate income tax rate for corporations with limited or unlimited tax liability |
| Minimum corporate income tax base | If the taxable income is not at least 2% of total revenues, then the basis of assessment will be the second amount, unless the taxpayer submits a report about the reasons to the tax authorities. |
| Tax liability | |
| Unlimited | Corporations resident or managed in Hungary |
| Limited | Foreign corporations neither resident nor managed in Hungary, on their Hungarian income from Hungarian permanent establishments. Foreign corporations with their income from sale of investments (including capital reductions) in real estate companies (owning real estate located in Hungary), if Hungary does not have a DTA with the state in which the foreign corporation is resident or if the DTA assigns the taxation right for such income to Hungary. |
| Financial year | Calendar year; different financial year possible, but must be reported to the tax office in writing |
| Accounting | Generally, double-entry bookkeeping in accordance with accounting law |
| Loss set-offs / carryforwards | Loss set-offs not permitted Losses can be carried forward for the next 5 years. Restrictions in case of reorganization: If a shareholder obtains a majority in a legal successor, loss carryforwards of the legal predecessor can not be forwarded to the legal successor, if the majority shareholder did not have a dominating influence in the legal predecessor or the legal successor will not continue the business activity of the legal predecessor. Restrictions in case of change of shareholder: Loss carryforwards may get lost if a new shareholder gains a major influence which he (or one of his related companies) has not had during the last two (tax) years. No loss carrybacks |
| Associated parties | Where another enterprise directly or indirectly controls a majority of the votes in the enterprise or is entitled to appoint the responsible officers (parent company), or where the enterprise directly or indirectly controls a majority of the votes in another enterprise or is entitled to appoint the responsible officers (subsidiary), or in the case of the enterprise and another enterprise, where a third party controls a majority of the votes in both enterprises or is entitled to appoint the responsible officers (fellow subsidiary), or |

| | |
|-------------------------|---|
| | in the case of a foreign enterprise and its Hungarian establishments, for the Hungarian establishments and parent company, subsidiaries and fellow subsidiaries of the foreign enterprise, or the enterprise and its foreign permanent establishment, the foreign permanent establishment and the parent company, subsidiaries and fellow subsidiaries of the enterprise, or the enterprise has a main influence on the decisions made by another enterprise regarding its business and finance policy because of the same management board. The relevant votes include the votes of associated parties. |
| Operating expenses | Expenses of the business |
| Transfer prices | Arm's-length basis |
| Interest on financing | Deductible provided the investment constitutes assets of the business. Part of net financing costs exceeding the higher from 30% of the EBITDA (earnings before interests, tax, depreciations and amortisation of the tax year) or HUF 939.810.000 (approx. EUR 2.9 million) is not deductible. |
| Tax depreciation | Depreciation methods: straight-line Each type of asset is assigned its particular rate of depreciation by law Depreciation on a daily basis Additional depreciation for extraordinary wear and tear or loss of useful value |
| Provisions | Not allowable for tax purposes |
| Motor vehicle expenses | Deductible provided the vehicle constitutes assets of the business No input VAT on fuel of cars |
| Non-deductible expenses | Bribes and inducements Personal taxes and VAT on non-deductible expenses Expenses relating to non-taxable income Expenses relating to time barred claims |
| Withholding tax | No withholding tax for dividends paid to corporations |
| Interest | 0% |
| Royalties | 0% |
| Service payments | 0% |
| Dividends | 0% |
| Direct collection | none |
| Capital gains | As a general rule taxable |
| Investment income | Generally exempt from corporate income tax |

Corporate income tax

| | |
|---|--|
| National parent-subsidiary exemption | No qualifying period / no minimum holding <ul style="list-style-type: none"> Gains on disposal of investments are not exempt Domestic dividends are tax exempt |
| International parent-subsidiary exemption | No qualifying period / no minimum holding <ul style="list-style-type: none"> Gains on disposals of investments are not exempt Investment income is tax exempt |
| Non-EU states | No qualifying period / no minimum holding <ul style="list-style-type: none"> Gains on disposals of investments are not exempt Investment income is tax exempt |
| EU interest and royalties directive | No withholding tax for interest and royalties paid to companies |
| Amortisation of goodwill | |
| Asset deal | Recognition of goodwill possible on acquisition of business |
| Share deal | not available |
| Group taxation / pooling | Not possible |
| Disclosed investment | The acquisition of the shares of a Hungarian or foreign company may be disclosed to fiscal authorities within 75 days. Capital gains/losses on the sale of disclosed investments 1 or more years after date of acquisition are tax neutral (neither taxable nor tax deductible). |

Income tax

| | |
|-----------------------|--|
| Tax rate | Generally at the rate of 15 % |
| Tax-free allowance | none |
| Taxable base | gross annual income |
| Tax liability | |
| Unlimited | on worldwide income (except where DTA restricts the right to assess tax): Natural persons with their residence, habitual abode or vital interests in Hungary |
| Limited | on certain income in Hungary: Natural persons, who have neither their residence nor their habitual abode in Hungary, on certain Hungarian income |
| Tax assessment period | Calendar year |
| Income categories | <ol style="list-style-type: none"> Income from self-employment Income from employment Other income Income of sole proprietors Gains on transfer of property Capital gains Benefits in kind Income from securities trading Other income (e.g., rent) |

| | |
|--------------------|---|
| Accounting | none Sole proprietors: receipts and payments accounting |
| Loss set-offs | none |
| Loss carryforwards | none |
| Operating expenses | Expenses of the business |
| Flat-rate option | One-man businesses with annual income of less than HUF 15 million (EUR 50,000): flat rate deduction for business expenses |
| Motor vehicles | Deduction of actual costs or rate per kilometre |
| Withholding tax | Withholding tax on income calculated using tax table is generally at the rate of 15 % |
| Interest | 15 %, or as reduced by the applicable DTA |
| Royalties | 15 %, or as reduced by the applicable DTA |
| Dividends | 15 %, or as reduced by the applicable DTA |

Filing dates and deadlines

| | |
|------------------------------|---|
| Income tax returns | 20 May of the following year |
| Corporate income tax returns | 31 May of the following year |
| VAT returns | 20 th of the month following the month of assessment, or quarterly (monthly or quarterly filing) 15 February of the following year (annual filing period) |

Other taxes

| | |
|-------------------------------|--|
| Business tax | Maximum of 2 % (depending on the municipality) |
| Capital transfer tax and fees | Only minimal amounts |

Tax regulations

| | |
|---------|--|
| Rulings | <p>Obtainable for transactions planned in the future; possibly for current and completed transactions; or for transfer price determination between associated companies, for a period of 3–5 years</p> <p>Required to be represented by recognised tax adviser</p> <p>To be submitted to Hungarian Finance Ministry</p> <p>Fee payable: min HUF 5 million (EUR 16,667), maximum HUF 11 million (EUR 36,667); for transfer prices determination min HUF 2 million (EUR 6,667)</p> |
|---------|--|

Tax regulations

| | |
|----------------------------|--|
| Penalties for late payment | Default penalty: private persons up to HUF 200,000 (EUR 667), other taxpayers up to HUF 500,000 (EUR 1,667) Penalty for delay: twice the applicable bank base rate, calculated on a daily basis |
| Criminal provisions | Up to 50 %, or 200 %, of the unpaid tax |

Tax concessions

| | |
|----------------------------------|--|
| Direct | For entrepreneurs: Investments in special economic zones and investments in special business fields can be subject to tax concessions on application: depending on volume of investments and jobs created |
| Indirect | |
| Examples of allowable deductions | Families can reduce their tax base monthly by a family allowance per child: <ul style="list-style-type: none"> ▪ with 1 child: HUF 66,670 (EUR 222) ▪ with 2 children: HUF 133,330 (EUR 444) ▪ with 3 or more children: HUF 220,000 (EUR 733) |
| Grants | Government grants for the creation of new jobs Investment grants |

Immovable property

| | |
|--------------------------|---|
| Tax depreciation | |
| Depreciation | Straight-line, using the rates prescribed in Corporate Income Tax Act 1996 No. LXXXI, recognising depreciation under commercial law |
| Additional depreciation | Of rights (also in connection with real estate), where as a result of contractual changes the rights can no longer be successfully asserted On property, plant and equipment, in the event of physical damage as a result of "force majeure" |
| Depreciation categories | |
| Land | no depreciation |
| Buildings | |
| Durable construction | 2% (concrete, reinforced concrete, brick, etc.) |
| Medium-life construction | 3% (light steel and other metals, etc.) |
| Lightweight construction | 6% (planks, etc.) |
| Rental property | 5% |

| | |
|--|---|
| Tax base for buildings | Acquisition and construction costs as defined in accounting law |
| Special depreciation | none |
| Write-ups | none |
| Property transfer tax | |
| Objects of taxation | Acquisition of Hungarian real estate for consideration (transactions between associated parties may be tax exempt) under certain circumstances acquisition of investments in a company owning real estate located in Hungary (transactions between associated parties may be tax exempt) under certain circumstances in connection with reorganisations of a company owning real estate located in Hungary (exception: under certain circumstances tax advantaged reorganisation) |
| Real estate | Land, buildings, additions, appurtenances, building rights, buildings on land owned by others |
| Basis of assessment | Market value |
| Tax rate | for commercial buildings 4% up to a fair value of HUF 1 billion (EUR 3.3 million), 2% for exceeding amounts, maximum tax is HUF 200 million (EUR 666,667) reductions for residential property |
| Property tax (land tax, buildings tax) | |
| Objects of taxation | Undeveloped land and buildings in Hungary |
| Basis of assessment | Local government authorities decide between: <ol style="list-style-type: none"> 1. Area in m² 2. Market value |
| Amount of tax | Either an amount per m ² or a percentage tax rate, as determined by local government authorities; the statutory maximum amount or maximum tax may not be exceeded |
| Ceiling | Land: HUF 340 / m ² or 3.0% of the adjusted market value Buildings: HUF 1,850 / m ² or 3.6% of the adjusted market value |
| Real estate funds | |
| Owner of the fund assets | The fund company, so that for the investor there is no entry in the Property Register and no property transfer tax. |
| Valuation | 3/6-monthly valuation by expert |
| Borrowing | Maximum permissible 60% |
| Diversification of risk | Value of any individual property not to exceed 20/30% of total fund assets 15% of the fund assets: cash, securities |
| Taxation | 15% if fund shares are owned by a private investor 9% if the investor is subject to corporate income tax |

Social insurance

| | |
|---|---|
| Social insurance | Statutory health, accident and pension insurance for all gainfully employed persons (covers benefits in kind and in cash) |
| Contribution rates and maximum contribution | Contribution rates are fixed, no contribution ceiling for pension insurance |
| Self-employed persons | |
| Basis of assessment | without supporting documents and vouchers, 90% of income; with appropriate documentation, income less associated costs |
| Social contribution tax | 19.5% |
| Pension insurance | 10% (no maximum contribution) |
| Medical insurance | 7% |
| Vocational education and training | 1.5% |
| Unemployment contribution | 1.5% |
| Authority | The relevant tax office is responsible for collection of contributions. |
| Statutory provisions | The applicable statutory provisions are Law 1997/80 governing the provision of social insurance and private pensions and Law 2018/52 governing the social contribution tax. Total contributions amount to 42%. |
| Employed persons | |
| Basis of assessment | Tax base for income tax |
| Social contribution tax | 19.5% |
| Pension insurance | 10% employee |
| Medical insurance | 7% employee |
| Vocational education and training | 1.5% employer |
| Unemployment contribution | 1.5% employee |
| Handicapped quota | For employers with more than 20 employees, handicapped persons must make up 5% of the total number employed. If this threshold is not achieved, employers pay a yearly amount of HUF 1,350,000 (EUR 4,500) per person on the number of handicapped persons that should be employed. |
| Authority | The relevant tax office is responsible for collection of contributions. |
| Statutory provisions | The applicable statutory provisions are Law 1997/80 governing the provision of social insurance and private pensions and Law 2018/52 governing the social contribution tax. Employees' contributions total 18.5% and employer's contributions total 21%. |

General managers

| | |
|----------------------|---|
| Civil law | Contracts for services / employment contract |
| Social insurance | Subject to social insurance |
| Income tax | Income tax on wages and salaries, including all payroll-related costs |
| VAT | No VAT |
| Work permit | Not required |
| Residence permit | Not required |
| Liability | In case of negligence, e.g., with respect to employer's taxes, or delay in declaring insolvency |
| Minimum remuneration | none |

VAT

| | |
|-----------------------------|--|
| Tax rates | Standard rate: 27% Reduced rate 5%, e.g. for <ul style="list-style-type: none"> ▪ supply of pharmaceuticals ▪ supply of books ▪ district heating supply of meat, eggs, milk ▪ under certain conditions supply of new residential real estates Reduced rate 18%, e.g. for <ul style="list-style-type: none"> ▪ supply of milk products, of products manufactured using flour and milk ▪ accommodation |
| Supply of goods | Supply of goods and withdrawal for private use (self supply) are taxable. |
| Place of supply of goods | Principally the place where the item is located at the time disposal is transferred (static supply). In case of dispatch/transportation by the supplier or purchaser: the place where dispatch/transportation begins (moving supply). Importation from third country: If the supplier owes the import VAT – import country In case of transportation by ship, airplane, railroad within the EU: the place of dispatch Special provisions for chain and triangular transactions |
| Supply of services | Supply of services and private use / supply of services without consideration (self-supply) are taxable |
| Place of supply of services | From 1 January 2010 a differentiation is made between services rendered <ul style="list-style-type: none"> ▪ to taxable persons ("Business to Business", "B2B") or ▪ to non-taxable persons ("Business to Customer", "B2C"). |

| | | |
|--|--|--|
| | For purposes of determining the place of the supply of services, <ul style="list-style-type: none"> taxable persons and non-taxable legal entities holding a VAT registration number will be considered as "taxable persons". | |
| ▪ Basic rule | B2B | B2C |
| | Place of recipient (The place where the recipient of services has established his business) | Place of supplier (The place where the supplier of services has established his business) |
| ▪ Special cases | B2B | B2C |
| Supplies of services by intermediaries | Place of recipient (basic rule) | Place of the underlying transaction |
| Property services | Place of the property | Place of the property |
| Cultural, artistic, scientific, educational, sports, entertainment or similar services, like services in connection with fairs and exhibitions including services of the respective organizers | Place of recipient (basic rule) | Where the services are physically carried out |
| Other services concerning the right of admission and related other services for events like fairs and exhibitions | Place of the event | Where the services are physically carried out |
| Passenger transport | Distances covered | Distances covered |
| Transportation of goods (without intra-community portion) | Place of recipient (basic rule) | Distances covered |
| Intra-community goods transportation | Place of recipient (basic rule) | Place of departure of the transport |
| Ancillary transport services | Place of recipient (basic rule) | Where the services are physically carried out |
| Appraisal and processing of movable tangible objects | Place of recipient (basic rule) | Where the services are physically carried out |
| Restaurant and catering services | Where the services are physically carried out | Where the services are physically carried out |
| Restaurant and catering services in connection with intra-community passenger transport | Place of departure | Place of departure |
| Hiring of means of conveyance for up to 30 days | Where the means of transport is actually put at the disposal of the customer | Where the means of transport is actually put at the disposal of the customer |

| | | | |
|---|--|---|--|
| | Hiring of means of conveyance for over 30 days | Place of recipient (basic rule) | Where non-taxable person is established Special regulations for hiring pleasure boats |
| | "Listed services" to third country recipients | Place of recipient (basic rule) | Where non-taxable person is established |
| | Telecommunication, broadcasting and electronically supplied services | Place of recipient (basic rule) | Where non-taxable person is established |
| Reverse Charge (reversal of tax liability) | | For all supplies of services and work supply Special regulation (among others) for building services | |
| Requirements | | The supplier of the service has no domestic domicile or habitual abode, nor a domestic permanent establishment involved in supplying the service The recipient of the supply of services is a taxable person registered in Hungary (even for non-taxable activities) | |
| Consequences | | Invoice without VAT, indication of the reverse charge, VAT registration numbers of the supplier and the recipient The recipient owes the VAT. | |
| Tax exemption | | Important differentiation concerning input VAT deduction | |
| Zero rated (Input VAT deduction is applicable in spite of VAT-free supply of goods and services) | | <ul style="list-style-type: none"> Exports of goods Subcontracting Cross-border goods transportation Cross-border passenger transport by boat and aircraft Mediation of the above transactions | |
| VAT exemption (Input VAT deduction is not applicable) | | <ul style="list-style-type: none"> Sales of banks, insurance companies and pension funds Property sales (the supplier can opt for tax liability) Tax-free renting of property Sales of doctors, dentists etc. | |
| Real Estate | | | |
| Rent | | Renting of immovable property is VAT exempt; the lessor can opt for tax liability | |
| Sale | | Revenues from the sale of real property are VAT exempt; the seller can opt for tax liability (27%). Exception: Sale of building lots and of land with buildings without permit of use or with permit of use younger than 2 years is always taxable. | |
| Leasing | | | |
| Financial leasing with contractual transfer of ownership | | Supply of goods | |
| Financial leasing with option | | Supply of services | |
| Operating Leasing | | Supply of services | |

VAT

| | |
|--|--|
| Input VAT refund for Hungarian taxable persons within the EU | <p>New regulations as of 1 January 2010 concerning input VAT amounts (initially for input VAT ex 2009) invoiced in another EU member state. Application for refund is no longer required to be made at the foreign tax authorities, instead:</p> <p>Electronic application to be made by the Hungarian taxable person at its competent Hungarian tax office at the latest by 30 September of the following year. Separate applications are required for each member state.</p> <p>Filing of original invoices is only necessary if required by fiscal authorities of the respective member state.</p> <p>Minimum amount of refundable input VAT: EUR 400 (EUR 50 if the refund period coincides with the calendar year).</p> |
| Foreign taxable persons | Taxable persons without domicile or permanent establishment in Hungary. |
| Registration | Registration required if sales are effectuated in Hungary. |
| Input VAT refund for taxable persons domiciled in the EU | <p>New regulation as of 1 January 2010 (concerning input VAT ex 2009):</p> <p>If no sales are made in Hungary, electronic application at the competent tax office in the EU member state (originating country) of the taxable person.</p> |

Mergers & Acquisitions

| | |
|--|--|
| Financing | |
| Financial assistance by the subsidiary | Financial assistance is prohibited in Hungary in the case of Stock Corporations. For limited liability companies there is no regulation. |
| Subordinate debt (mezzanine capital) | The use of subordinate debt is allowed. |
| Interest expense for acquisition financing | Interest on debt used for purchase of a share in a subsidiary is tax deductible in the parent company. |
| Interest expense on subordinate debt (mezzanine capital) | Currently, there is no special legal regulation in Hungary regulating interest on subordinate debt. |
| Acquisition debt push down (the debt is transferred to the subsidiary after the acquisition) | There is no special legal regulation. Interest on such debt is generally regarded as tax-deductible. |
| Squeeze-out options | |
| Possibility to exclude minority shareholders | No squeeze out option exists. |
| Capital gains – corporations | |
| Sale of shares in a joint stock corporation | The gain on the sale of shares in a joint stock corporation is taxable income. |

| | |
|--|--|
| Sale of shares in a limited liability company | The gain on the sale of shares in a limited liability company is taxable income. |
| Sale of interest in a partnership | The gain on the sale of ownership interest in a general partnership and in a limited partnership is taxable income. |
| International participation exemption | <p>Disclosed investment: Since 1 January 2007, the acquisition of 10% or more of the shares of a Hungarian company or foreign company can be disclosed to fiscal authorities within 75 days.</p> <p>Capital gains/losses on the sale of such disclosed investments 1 or more years after the acquisition are tax neutral (neither taxable nor tax deductible).</p> |
| Sale of business (enterprise) | |
| Definition | Sale of the business is possible. The component parts of the business are tangible and intangible assets, liabilities and employees. |
| Accounting and tax treatment | During a sale of a business, the transferred assets are recorded by the buyer at the actual value agreed by the parties. |
| Goodwill | If the purchase price is higher than the value of the business as determined on the basis of the fair value of individually valued assets, a goodwill is created. |
| Goodwill amortization | Amortization in financial accounts is possible if the value of goodwill continually decreases from year to year. For tax purposes 10% amortization per year is acknowledged. |
| Mergers | |
| Types of mergers described by commercial law | Upstream merger, side-stream merger, takeover of assets by main shareholder |
| Valuation | Revaluation in financial accounting is optional. Possible in the case of companies which are terminated in the course of the merger. |
| Valuation in financial accounting | Assets are recorded at fair value, liabilities remain at book values, and the remaining difference is recorded as capital reserve within the equity of the successor company. |
| Goodwill amortization | n / a |
| Tax treatment of the revaluation | <p>Revaluation of assets is basically taxable, thereafter the basis for tax depreciation is the revalued amount.</p> <p>Preferential merger: revaluation difference is not taxable, but is also not the basis for tax depreciation.</p> |
| Contributions (transfer of assets to the capital of a company) | |
| Contribution in kind | The shareholder may contribute assets to the registered capital of the company and the amount of contribution shall be determined by the fair value of the assets as agreed between the shareholder and the company. The contributor guarantees the agreed value. An expert opinion is voluntary. Tax losses cannot be transferred. |

Mergers & Acquisitions

| | |
|-----------------------|--|
| Tax treatment | The difference between net book value and fair value of the contributed assets is taxable. |
| Goodwill amortization | n / a |

Double taxation agreements

The right to taxation in the event of sale of interests in property companies is subject to differing provisions. In accordance with the OECD Model Agreement, for those countries for which there is a "yes" in the real estate clause column the right to taxation in the case of share deals lies not with the country of residence of the vendor but with the country in which the property is situated.

| Country | Effective date | Real estate clause | Dividends % | Interest % | Royalties % |
|------------------------|----------------|--------------------|-------------|------------|-------------|
| Albania | 24.08.1995 | no | 5/10 | 0 | 5 |
| Australia | 10.04.1992 | yes | 15 | 10 | 10 |
| Austria | 09.02.1976 | no | 10 | 0 | 0 |
| Armenia | 25.02.2010 | yes | 5/10 | 10 | 5 |
| Azerbaijan | 13.12.2008 | yes | 8 | 8 | 8 |
| Bahrain | 19.06.2015 | yes | 0/5 | 0 | 0 |
| Belarus | 24.06.2004 | no | 5/15 | 5 | 5 |
| Belgium | 18.04.1984 | no | 10 | 15 | 0 |
| Bosnia and Herzegovina | 01.01.2003 | no | 10 | 0 | 10 |
| Brazil | 22.05.1992 | no | 15 | 10/15 | 15/25 |
| Bulgaria | 07.09.1995 | no | 10 | 10 | 10 |
| Canada | 16.04.1996 | yes | 5/10/15 | 10 | 10 |
| China | 31.12.1994 | yes | 10 | 10 | 10 |
| Croatia | 07.06.1998 | no | 5/10 | 0 | 0 |
| Cyprus | 24.09.1982 | no | 5/15 | 10 | 0 |
| Czech Republic | 27.12.1994 | no | 5/15 | 0 | 10 |
| Denmark | 04.07.2011 | yes | 15 | 0 | 0 |
| Egypt | 22.05.1994 | yes | 15/20 | 15 | 15 |
| Estonia | 05.07.2004 | no | 5/15 | 10 | 0 |
| Finland | 25.10.1978 | yes | 5/15 | 0 | 0/5 |
| France | 28.04.1980 | no | 5/15 | 0 | 0 |
| Georgia | 20.03.2012 | yes | 5 | 0 | 0 |
| Germany | 30.12.2011 | yes | 5/15 | 0 | 0 |
| Greece | 25.05.1983 | no | 10/45 | 10 | 0/10 |
| Hongkong | 29.11.2010 | yes | 5/10 | 5 | 5 |
| Iceland | 01.01.2006 | yes | 5/10 | 0 | 10 |
| India | 01.01.2006 | yes | 10 | 10 | 10 |
| Indonesia | 04.02.1993 | no | 15 | 15 | 15 |
| Iran | 30.12.2016 | yes | 0 | 5 | 5 |
| Ireland | 05.12.1996 | yes | 5/15 | 0 | 0 |
| Israel | 13.11.1992 | no | 5/15 | 0 | 0 |
| Italy | 16.05.1977 | no | 10 | 0 | 0 |
| Japan | 13.02.1980 | no | 10 | 10 | 0/10 |
| Kazakhstan | 03.03.1996 | yes | 5/15 | 10 | 10 |
| Korea | 29.03.1989 | no | 5/10 | 0 | 0 |

| Country | Effective date | Real estate clause | Dividends % | Interest % | Royalties % |
|----------------------|----------------|--------------------|-------------|------------|-------------|
| Kosovo | 12.03.2014 | yes | 0/5 | 0 | 0 |
| Kuwait | 21.12.1994 | yes | 0 | 0 | 10 |
| Latvia | 24.12.2004 | yes | 5/10 | 10 | 5/10 |
| Liechtenstein | 24.12.2015 | yes | 0/10 | 0 | 0 |
| Lithuania | 24.12.2004 | yes | 5/15 | 10 | 5/10 |
| Luxembourg | 26.01.2017 | yes | 0/10 | 0 | 0 |
| Macedonia | 12.11.2002 | no | 5/15 | 0 | 0 |
| Malaysia | 25.12.1992 | no | 10 | 15 | 15 |
| Malta | 29.11.1992 | yes | 5/15 | 10 | 10 |
| Mexico | 03.11.2011 | yes | 5/15 | 10 | 10 |
| Moldova | 16.08.1996 | no | 5/15 | 10 | 0 |
| Mongolia | 14.04.1998 | no | 5/15 | 10 | 5 |
| Morocco | 20.08.2000 | no | 12 | 10 | 10 |
| Netherlands | 18.08.1987 | no | 5/15 | 0 | 0 |
| Norway | 01.01.1982 | no | 10 | 0 | 0 |
| Oman | 18.03.2017 | yes | 0/10 | 0 | 8 |
| Pakistan | 06.02.1994 | yes | 15/20 | 15 | 15 |
| Philippines | 07.02.1998 | yes | 15/20 | 15 | 15 |
| Poland | 08.08.1995 | no | 10 | 10 | 10 |
| Portugal | 28.01.1999 | no | 10/15 | 10 | 10 |
| Qatar | 20.03.2012 | yes | 5 | 0 | 5 |
| Romania | 15.09.1995 | no | 5/15 | 15 | 10 |
| Russia | 03.11.1997 | no | 10 | 0 | 0 |
| San Marino | 29.11.2010 | yes | 5/15 | 0 | 0 |
| Saudi Arabia | 01.05.2015 | yes | 5 | 0 | 5/8 |
| Serbia | 01.01.2007 | no | 5/15 | 10 | 10 |
| Singapore | 18.12.1998 | no | 5/10 | 5 | 5 |
| Slovakia | 21.12.1995 | no | 5/15 | 0 | 10 |
| Slovenia | 01.01.2006 | yes | 5/15 | 5 | 5 |
| South Africa | 05.05.1996 | no | 5/15 | 0 | 0 |
| Spain | 10.03.1988 | no | 5/15 | 0 | 0 |
| Sweden | 01.01.1983 | yes | 5/15 | 0 | 0 |
| Switzerland | 09.11.2014 | yes | 0/15 | 0 | 0 |
| Tunisia | 19.07.1997 | no | 10/12 | 12 | 12 |
| Thailand | 11.10.1989 | yes | 15/20 | 10/25 | 15 |
| Turkey | 09.09.1995 | no | 10/15 | 10 | 10 |
| Turkmenistan | 19.11.2016 | yes | 5/15 | 10 | 10 |
| Ukraine | 24.06.1996 | yes | 5/15 | 10 | 5 |
| United Arab Emirates | 04.10.2014 | yes | 0 | 0 | 0 |
| United Kingdom | 03.11.2011 | yes | 10/15 | 0 | 0 |
| Uruguay | 13.08.1993 | no | 15 | 15 | 15 |
| USA | 05.03.2010 | yes | 5/15 | 15 | 0 |
| Uzbekistan | 13.12.2008 | yes | 10 | 10 | 10 |
| Vietnam | 30.06.1995 | yes | 10 | 10 | 10 |

Notes

Notes

TPA Group

In tax advisory, auditing and advisory, not only the phrase “other countries, other customs” is valid but also other markets, other legislation, other languages and much more. Therefore, we await you on-site with high-quality consultancy, know-how and an understanding for your individual situation.

Because even if everything else is different, one aspect should remain the same: your corporate success.

The TPA Group is active in twelve countries in Central and South Eastern Europe: Albania, Austria, Bulgaria, Croatia, the Czech Republic, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.

All our offices and contact persons can be accessed at:

www.tpa-group.com

Imprint

Information as of 1 January 2019 and subject to change. Without liability. The information given here is greatly simplified and is no substitute for professional advice. Responsible for the content: TPA Steuerberatung GmbH, Praterstraße 62-64, 1020 Vienna, FN 200423s HG Wien.

Editor: Tunde Csernetics, E-Mail: service@tpa-group.com;

Design, cover artwork: TPA, www.tpa-group.at, www.tpa-group.com

greenprint*
carbon neutral printed

Order and profit from our free brochures at:

www.tpa-group.com/investingCEE

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary
Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia



Tax
Audit
Advisory
Accounting