



Transaction Tax
Deal Modelling Guide

1 November 2010 – 31 January 2010

Introduction



Purpose of this document

- ▶ We set out our understanding of the tax laws of various countries for tax modelling purposes. The tax commentary included in this document aims at providing highlights of the corporation tax issues that are most relevant and applicable for the purpose of tax modelling.
- ▶ We would be delighted to discuss any of your queries regarding transaction tax further. The contact details of our transaction tax specialists are included on the next page of this document.

Addressees and the basis of our report

- ▶ Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.
- ▶ We draw your attention to the fact that the commentary provided is based on the current laws of the countries concerned as at 1 November 2010 and does not include changes that are pending legislation or court approvals.
- ▶ On a quarterly basis, we will update our document for subsequent changes or modifications to the tax laws and regulations or to the administrative interpretations thereof or for changes in the authorities' practices.

Assumption

- ▶ It should be noted that for your modelling purposes we have focused our commentary on 'large' companies as defined in the respective tax laws of the countries concerned.
- ▶ We have not included information on interest, penalties or surcharges on late payment or underpayment of tax.

Contacts



Contacts

Name	Position	Email	Telephone
Reece Jenknis	Partner	Reece.Jenkins@ru.ey.com	+7 (495) 705-9736
Richard Lewis	Partner	Richard.Lewis@ru.ey.com	+7 (495) 705-9704
Alexei Ryabov	Partner	Alexei.Ryabov@ru.ey.com	+7 (495) 641-2913
Andrei Sulin	Manager	Andrei.Sulin@ru.ey.com	+7 (495) 755-9743

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Section 1

Corporate tax – rates and payment

Corporate tax – rates and payment

Corporate tax

Country	Corporate income tax rate %	Payment date
Australia	30%	<ul style="list-style-type: none"> ▶ Tax year end is 30 June unless a substituted accounting period is granted by the tax authorities. ▶ Based on a 30 June year end, income tax payments are based on the tax for the last year assessed as a proportion of the prior year's gross income applied to the gross income derived for the quarter and are payable in quarterly instalments due on 21 October, 21 January, 21 April and 21 July. The final top-up payment is due on 1 December following year end.
Austria	25%	<ul style="list-style-type: none"> ▶ Corporate income tax payments are based on the tax for the last year assessed and are payable in quarterly instalments due on 15 February, 15 May, 15 August and 15 November in the current tax year. ▶ The tax year is generally the same as the calendar year. However, a tax payer may apply to the tax authorities to have a tax year that differs from the calendar year.
Belgium	33.99% (rate includes 3% surcharge)	<ul style="list-style-type: none"> ▶ Payable in advance in quarterly instalments (10 April, 10 July, 10 October and 20 December in the current calendar year corresponding to the year of assessment). ▶ Instalments are based on the estimated current year liability. ▶ The balance is payable two months after the notice of assessment is received, which is usually between 6 to 18 months following the end of the financial year concerned.
China	25% ¹	<ul style="list-style-type: none"> ▶ The tax year is generally the same as a calendar year. ▶ Provisional corporate income tax is payable in advance in quarterly instalments (by 15 April, 15 July, 15 October of the current year and 15 January in the subsequent year). Generally, book-to-tax adjustments are not required for quarterly tax filing purposes. ▶ An annual reconciliation and tax filing with book-to-tax adjustments are required by 31 May subsequent to the end of each taxable year.

¹ A uniform CIT rate of 25% now applies to foreign invested enterprises and domestic enterprises with the implementation of the new corporate income tax law effective from 1 January 2008, although certain tax holidays under the old corporate income tax law granted to companies established before 16 March 2007 will be grandfathered for a period of up to five years.

Country	Corporate income tax rate %	Payment date
Czech Republic	20% for the tax period commencing in 2009 19% for the tax periods commencing in 2010 onwards	<ul style="list-style-type: none"> ▶ Companies may select a calendar year or a fiscal year as their tax year. ▶ Quarterly advance payments of 25% of prior year liability are due by the 15th day of months three, six, nine and 12 during the current tax year. ▶ Different advance payment arrangements can be negotiated with the tax authorities on ad-hoc basis. ▶ The balance is due on filing, which is six months after the end of the tax year (for companies subject to a compulsory statutory audit or where returns prepared and filed by a tax advisor), otherwise three months after the end of the tax year. Discretionary extension for up to 10 months after the end of the tax period can be granted by the tax authorities upon request (if granted, no interest is charged).
Denmark	25%	<ul style="list-style-type: none"> ▶ The tax year for Danish companies is typically the same as the calendar year. ▶ Half of the ordinary tax on account is payable on 20 March and the remainder is due by the 20 November in the current year. ▶ Instalments are based on 50% of the average tax payable over the preceding three years. ▶ Any over or under-payments are settled in November of the following year.
Finland	26%	<ul style="list-style-type: none"> ▶ Tax is prepaid in 12 monthly instalments during the accounting period by the 23rd day of each month. ▶ The final tax assessment is made within 10 months of the end of the accounting period, and then a final settlement or refund is made.
France	34.43% ² (effective rate)	<ul style="list-style-type: none"> ▶ Tax is payable in quarterly instalments on 15 March, 15 June, 15 September and 15 December for companies ending their fiscal year on 31 December. ▶ Instalments are based on the previous fiscal years liability, with estimates made as required. ▶ A balancing payment is due on 15 April of the following year.
Germany	29.8% (This includes trade tax at an average rate of 14%)	<ul style="list-style-type: none"> ▶ The tax year is the same as a calendar year (although it is also possible to use the fiscal year). ▶ Corporate income tax (CIT) advance payments of 25% of prior year assessment are due on 10 March, 10 June, 10 September and 10 December during current tax year. The taxpayer can apply for an adjustment (or the authorities may adjust) to the advance payments if a change in profit before tax is expected. ▶ Balance payable within one month of receipt of assessment notice, which is usually issued within two to four months of the filing of the corporate tax return. Annual tax returns must be filed on 31 May of the year following the tax year. ▶ Trade tax advance payments of 25% of prior year assessment are due on 15 February, 15 May, 15 August and 15 November during the current tax year. These can also be subject to adjustment as with CIT.

² This is based on the standard corporate tax rate of 33 1/3% and a social security surtax of 3.3% imposed on corporation tax exceeding €763,000. 0% tax rate on 95% of the capital gain arising on the disposal of qualifying shareholding interest of 5% or more held for at least two years (there were suggestions that this regime might be extended to be applicable to intra-group transactions without any duration requirement. However, this was not included in the first draft of the French Finance Bill for 2011). 15% tax rate on capital gain arising on the disposal of patents. As from 27 September 2007 capital gain arising on the disposal of real estate assets (including shares in real estate companies) is subject to the standard 33.33% rate. Certain tax relief for listed real estate companies is available.

Country	Corporate income tax rate %	Payment date
Greece	24% ³ (for undistributed profits) 40% ⁴ (for distributed profits)	<ul style="list-style-type: none"> ▶ The income tax is payable in eight monthly instalments. The first instalment is due upon submission of the corporate income tax return. The other seven instalments are due on the last working day of the seven months following the deadline of the submission of the tax return. ▶ The Greek legal entities must make advance payments for next year's income tax, which is computed at 80% of the current year's income tax liability for corporate income tax returns filed after 1 January 2009. In case of newly established corporations, the prepayments are reduced to 40% respectively, for the first three years starting from the entity's registration with the tax authorities. Prepayments for next year's income tax liability can be made in eight monthly instalments on the same date as payments for the current tax year's liability.

³ Such tax rate is gradually decreased by 1% for each following accounting year finally reaching 20% for the non-distributed profits derived from accounting years starting as of 1/1/2014.

⁴ The profits distributed from Greek SAs in the form of remuneration and profit share towards the Board of Directors, members and managers, remuneration to employees excluding salaries and dividends or interim dividends, are taxed at 40% irrespective of being paid in cash or in shares. The same taxation at 40% is applicable for the profits distributed or capitalised by Greek Ltds and associations as well as for profits credited or remitted to the Head office in case of branches.

Country	Corporate income tax rate %	Payment date
Hungary	10% (up to HUF 500 million) 19%	<ul style="list-style-type: none"> ▶ As of 1 July 2010, a 10% corporate income tax rate can be applied to the first HUF 500 million of taxable profit. There are no specific criteria for the application of this special tax rate. 2010 is a transitional year as this law was adopted with effect from 1 July 2010. Therefore, companies should time apportion their profits to the number of days before 1 July 2010. The 10% rate can be applied to the first HUF 250 million of taxable profit arising in the second half of 2010. ▶ Equal advance instalments are payable on either a monthly or a quarterly basis in the current accounting year, depending on the size of the total corporate income tax liability for the preceding two tax years. ▶ Tax advances paid during the year should be 90% of the expected annual corporate income tax liability. This should be paid by the 20th day of the last month of the tax year. ▶ The remaining 10% balance is due on filing 150 days after the end of the tax year. For a calendar year end, this would approximate to 31 May of the year following the given tax year. <p>From 1 July 2007, a minimum corporate tax is payable by Hungarian companies from their second tax year of establishment. The base of minimum tax is 2% of all revenues (excluding revenues of foreign branches) adjusted by additions and deductions for tax purposes. As an alternative of the payment of the minimum corporate tax, the taxpayer may opt for the submission of a declaration to the tax authorities explaining the reasons of the negative tax base. In this case, the tax authorities may carry out a tax audit to investigate the facts described in the declaration.</p>

Country	Corporate income tax rate %	Payment date
India	<p>Domestic : 33.22% (*effective rate)⁵</p> <p>Foreign : 42.23% (*effective rate)⁶</p> <p>(*For the income year ending 31 March 2011)</p>	<ul style="list-style-type: none"> ▶ The Indian fiscal year runs from 1 April to 31 March. All companies must file their tax return by the following 30 September. ▶ Companies are required to estimate current taxable income and pay advance tax thereon on quarterly basis. Up to 15% of the advance tax is payable on or before 15 June, a further 30% of the advance tax on or before 15 September, and a further 30% of the advance tax on or before 15 December with the final 25% of the advance tax payable on or before 15 March. Any balance of tax due must be paid on or before the date of filing. ▶ Minimum Alternative Tax (MAT) applies to a company if the tax payable by the company on its total income, as computed under the Income-tax Act, is less than 18% of its book profit. In such cases, MAT is payable @ 19.93% / 19% (effective rate)⁷ of adjusted book profits, ▶ Credit for tax paid under MAT (being the difference between MAT and normal income- tax payable) is allowed to be carried forward for a period of ten years and set off against income-tax payable under the normal provisions of the Income-tax Act. The MAT credit available for set off is restricted to the extent of difference between MAT and normal income-tax payable for that year. ▶ Domestic companies paying dividends are liable to pay Dividend Distribution Tax (DDT) @ 16.61%⁸ on dividends declared to shareholders.

⁵ This is based on the standard corporate income-tax rate of 30% and surcharge @ 7.5% on income-tax and 3% excess on aggregate of income-tax and surcharge. Domestic company means an Indian company, or any other company which, in respect of its income liable to tax under the Income-tax Act, has made the prescribed arrangements for the declaration and payment, within India, of the dividends (including dividends on preference shares) payable out of such income.

⁶ This is based on the standard corporate income-tax rate of 40% and surcharge @ 2.5% on income-tax and 3% excess on aggregate of income-tax and surcharge. Foreign company means a company which is not a domestic company.

⁷ This is based on MAT rate of 18% and surcharge @ 7.5% / 2.5% (for domestic / foreign company respectively) and 3% excess on aggregate of income-tax and surcharge.

⁸ This is based on the dividend distribution tax rate of 15% and surcharge @ 7.5% on income-tax and 3% excess on aggregate of income-tax and surcharge

Country	Corporate income tax rate %	Payment date
Ireland	12.5% (trading income) 25% (non-trading income)	<ul style="list-style-type: none"> ▶ The first instalment of the final tax liability will be payable in the sixth month of the accounting period (i.e., 21 June for a company with calendar year accounts). To satisfy the preliminary tax payment rules, the amount payable will be 50% of the final corporation tax liability for the preceding accounting period or 45% of the final corporation tax liability for the current accounting period. ▶ The second instalment will be payable in the 11th month of the accounting period and the amount payable must bring the total preliminary tax paid to 90% of the final corporation tax liability for the current accounting period (i.e., 21 November for a company with calendar year end accounts) to satisfy the preliminary tax payment rules. ▶ In all cases the final instalment of 10% is payable by the ninth month after the end of an accounting period (i.e., the following September after a December year end). ▶ If the due date for the above instalments fall after the 21st day of the month, the 21st day becomes the due date, e.g., for an accounting period ending 31 December 2009, 21 June 2009 and 21 November 2009 are the first and second preliminary tax due dates.
Italy	IRES 27.5% + IRAP 3.9% ⁹ (Surtax of 6.5% applicable to oil and energy sector)	<ul style="list-style-type: none"> ▶ For all year ends (calendar year), payment is made in three instalments of the lower of the total tax forecast for the year or 100% of the tax for the previous year as follows: ▶ The first instalment of 40% is due on 16 June during the current year. ▶ The second instalment of 60% is due on 30 November in the current year. ▶ The third instalment is a balancing payment due on 16 June the following year.
Japan	41% ¹⁰ (Effective tax rate)	<ul style="list-style-type: none"> ▶ The tax year for a corporation is the same as its fiscal year. ▶ A corporation must file a tax return within two months from the end of its fiscal year, paying the tax at that time. A one-month extension is normally available upon the filing of application with the tax authorities. ▶ Except for corporations that are newly established or had no corporation tax liabilities in the prior year, if the fiscal year is longer than six months, the corporation must file an interim return within two months from the end of the first six months and make an advance payment at the time of filing the interim return equal to either 50% of its prior year's tax liability or 100% of its estimated tax liability for the first six months of the current year.

⁹ For tax periods which end on or after 31 December 2008, an amount equal to 10% of IRAP paid in the period is deductible for corporate income tax purposes. In addition, for both IRES and IRAP purposes, minimum taxable income may apply to companies which do not have a set level of revenues (dummy company).

¹⁰ The basic rate of national corporation tax is 30%. Local income taxes (inhabitants tax and enterprise tax) are also imposed on corporate income. After taking these taxes into account, the effective corporate income tax rate is approximately 41%.

Country	Corporate income tax rate %	Payment date
Luxembourg	28.59% ¹¹ , from tax year 2009	<ul style="list-style-type: none"> ▶ For corporate income tax, advance payments of 25% each of prior year total assessment is payable on 10 March, 10 June, 10 September and 10 December in the current fiscal year (10 February, 10 May, 10 August, 10 November for municipal tax). ▶ Tax returns should be filed with the Luxembourg tax authorities by 31 May of the following fiscal year. The tax assessment is usually issued about one year later. ▶ Balance is payable within one month of receipt of the assessment notice.
Netherlands	25.5% ¹² We note that there are proposals that this should be reduced to 25% with effect from 1 January 2011.	<ul style="list-style-type: none"> ▶ The standard tax year is the calendar year, but a company may use its financial year as its tax year. ▶ Companies must make partial payments of corporate income tax during the year, following preliminary assessments. The assessments are based on the expected final assessment for the year. ▶ Generally, two preliminary assessments are issued, on 31 January and 31 August. Both assessments may be paid in monthly instalments over the remaining months in its tax year. For example, for a company with a December year end, the first assessment may be paid in 11 monthly instalments over the remaining course of its tax year. ▶ The final assessment should be made within three years of the end of the tax year. However, this three-year period may be extended if a filing extension is granted for the corporate income tax return for the relevant year.
Norway	28%	<ul style="list-style-type: none"> ▶ The annual tax return is due on 30 April for individual enterprises and on 31 March for limited and public liability companies for an accounting year ending in the previous calendar year (the deadline is extended to 31 May for electronic assessments). ▶ Assessments are made in the fourth quarter of the year in which the return is submitted. ▶ Tax is paid in three instalments in the year in which the return is submitted. ▶ The first two instalments are each based on 50% of the current year tax estimate. The instalments are payable on 15 February and 15 April and the last instalment (outstanding tax) is payable three weeks after the assessment is issued. Interest is computed if the instalments are not paid within the fixed dates. Special rules apply to petroleum tax.
Poland	19%,	<ul style="list-style-type: none"> ▶ Unless the simplified method of advance tax payments (monthly fixed amount) or quarterly reporting is chosen (available largely for small taxpayers), payments are generally made monthly throughout the tax year based on monthly calculations of taxable profits. The advance tax payments for the previous month are remitted by the 20th day of the following month (starting from 1 January 2012 the taxpayer will not have to remit the advance for the last month, if by the payment deadline; it will settle the annual tax liability). ▶ Payment of the balance and filing of the annual tax return must be made by the end of the third month following the end of the tax year.

¹¹ For companies which have their registered office in Luxembourg-city (includes municipal taxes)

¹² The 2009/2010 corporate income tax rate is 20% on the first € 200,000 and a 25.5% top rate applies to taxable profits above € 200,000.

Country	Corporate income tax rate %	Payment date
Portugal	25% ¹³ (12.5% on the first 12,500 of taxable income)	<ul style="list-style-type: none"> ▶ Instalment payments are due in the seventh, ninth and 12th month of the accounting year. ▶ The instalment payments must cover 90% (for companies with turnover exceeding approximately €0.5 million) of the preceding year's tax liability net of withholding tax suffered. The first payment is mandatory. However, if the company can prove it is loss-making or will make limited profits, the second and third instalments are not necessary or may be reduced. ▶ Surtax payment (see note below) is made in three instalment payments which shall amount to 2% of the taxable profit exceeding €2 million assessed in the previous tax year. ▶ The balance is due (along with the filed returns) within five months of the end of the accounting period. ▶ Companies must also make a special payment on account in the third month of the financial year, of the difference between 1% of turnover (with a maximum of €70,000) and the preceding year's payments on account. The special payment on account can be subtracted from the tax liability in the following four years.
Russia	20%	<ul style="list-style-type: none"> ▶ The deadline for the payment of tax is 28 March of the year following the tax period (which is considered to be the calendar year). ▶ Tax payers are required to make advance tax payments monthly. Each payment must equal one third of the total advance payments for the preceding quarter. Alternatively, tax payers may choose to pay tax by the 28th day of each month based on profits actually earned in the preceding month.
South Africa	28%	<ul style="list-style-type: none"> ▶ Corporate income tax is calculated on the last day of the financial year. ▶ Corporate taxes have to be paid in advance. The first payment is due no later than six months before the financial year end and should be based on an estimate of the current year taxable gain. A second payment is made at financial year end followed by a third payment six months later.
Spain	30% (for tax years commencing after 1 January 2008)	<ul style="list-style-type: none"> ▶ Payments on account are due in April, October and December of each calendar year. ▶ Payments can be based on either 18% of the previous tax year's liability or as an estimate of the current year's liability (5/7 x CT rate x cumulative taxable base up to the month before payment due) less payment that has already been made. This alternative is compulsory for companies that had a turnover of more than €6m in the preceding year. ▶ An adjustment is made for overpayments or underpayments when the return is submitted in July of the following year.

¹³ These rates may be increased with a Municipal Surcharge up to 1.5%, resulting in a total nominal maximum tax rate of 26.5%. Also, as from July 2010, the Government introduced a new surtax of 2.5% of CIT, applicable to annual taxable profits exceeding EUR 2 million prior to the deduction of tax losses (for companies taxed under grouping provisions, the tax should be assessed on each company's taxable profit).

Country	Corporate income tax rate %	Payment date
Sweden	26.3% ¹⁴	<ul style="list-style-type: none"> ▶ Monthly advance tax payments are made during the financial year, based on the current year's estimated tax liability. ▶ Any balancing payment is due by March of the second year following the financial year. ▶ For example, for a 12 months financial year ended 31 December 2009, advance tax payments should be made during 2009 (first payment in February 2009), and any balance of tax should be paid by March 2011 at the latest.
Switzerland	12.7-24.3% (rate includes cantonal taxes)	<ul style="list-style-type: none"> ▶ The tax year corresponds with the company's financial year and does not necessarily correspond to the calendar year. ▶ Tax payments are payable by lump sum or by instalments and are based on current year income. The payment dates vary by canton. ▶ Companies using the calendar year as their tax year must file their federal tax return by 31 March of the following year but filing extensions are usually granted. (Cantonal tax deadlines vary between 30 June and 31 December following the tax year). Note that federal returns are always filed together with cantonal returns.
Turkey	20%	<ul style="list-style-type: none"> ▶ Companies file tax returns based on their financial accounting year and this should be submitted by the 25th day of the fourth month following the end of the financial year. ▶ Quarterly instalments are payable in advance during the tax year. These payments should be submitted by the 14th day of the second month following the end of each quarter and are paid by the 17th day of the same month. Each payment should be equal to 20% of the taxable income for that quarter on a cumulative basis. The advance corporate tax payments will be deducted from the annual corporate tax liability. ▶ The final corporate tax payment should be paid by the end of the fourth month following the end of the financial year. ▶ Overpayments of tax can be refunded or deducted from the company's other tax liabilities.
UK	28% (2010-2011) 27% (2011-2012) 26% (2012-2013) 25% (2013-2014) 24% (2014-2015)	<ul style="list-style-type: none"> ▶ Payable in equal quarterly instalments – first payment due 14 days and six months following the start of the accounting period and remaining payments due every three months after that. ▶ For example, for 12 month accounting period ended 31 December 2010, instalments due by 14 July 2010, 14 October 2010, 14 January 2011 and 14 April 2011. ▶ Instalments are usually based on an estimate of the current year tax liability.

¹⁴ For financial years starting before 1 January 2009, the corporate tax rate is 28%.

Country	Corporate income tax rate %	Payment date
United States	34% (Taxable income in excess of \$75,000 but less than \$10 million) ¹⁵	<ul style="list-style-type: none"> ▶ Annual tax return is due by the 15th day of the third month following close of the company's fiscal year. ▶ A company is entitled, upon request, to an automatic six month extension to file its return.
	35% (Taxable income in excess of \$10 million)	<ul style="list-style-type: none"> ▶ Generally, 100% of the company's tax liability must be paid through quarterly estimated tax instalments made during the year in which income is earned. The estimated payments are due on the 15th day of the fourth, sixth, ninth and twelfth month of the company's fiscal year. ▶ Overpayments of tax can be refunded or applied to the following year's tax liability.

¹⁵ Additionally, many states levy income or capital-based taxes, which normally are estimated at 5%, net of federal benefit.

Section 2

GST/VAT – Rates and payments

GST/VAT – Rates and payments

GST/VAT

Country	VAT tax rate %	Payment date
Australia	10%	<ul style="list-style-type: none"> ▶ The GST payable must be paid by the 21st day of the month following the month concerned (the month in which the tax is payable).
Austria	Standard Rate – 20% Reduced Rate – 10%	<ul style="list-style-type: none"> ▶ The VAT returns must be filed electronically with the tax authorities by the 15th of the second consecutive month of the month/quarter the return has been prepared for (e.g., the return for March has to be filed by May 15). Additionally a yearly VAT return must be filed electronically with the tax authorities by the end of June of the following year. The same due dates are valid for VAT payments. ▶ The filing deadline for the yearly VAT return is extended until 31 March of the second following year (i.e., 15 months after the year end to which it relates), if the taxable person is represented by a tax adviser.
Belgium	Standard rate – 21% Reduced rates – 6% to 12%	<ul style="list-style-type: none"> ▶ For monthly VAT returns (which are standard), VAT is payable by the 20th of the month following the month concerned. ▶ For quarterly VAT returns (which are exceptional), VAT is payable by the 20th of the month following the quarter concerned and prepayments (of 1/3 of the VAT due in the previous quarter) are to be made by the 20th of the second and third month of each quarter.
China	Standard rate – 17% Reduced rate – 13% ¹⁶	<ul style="list-style-type: none"> ▶ VAT taxpayers file and pay VAT on a periodical basis. For general VAT taxpayers, VAT is filed on the basis of 1 day, 3 days, 5 days, 10 days, 15 days or 1 month. Normally, general VAT taxpayers are subject to VAT on a monthly basis. ▶ For monthly filing, VAT shall be filed and paid within 15 days subsequent to the end of each month. For VAT filing on the basis of 15 days or less, the taxpayer shall pre-pay VAT within five days of the due date and make the filing and settlement within 15 days subsequent to the end of each month.
Czech Republic	Standard – 20% ¹⁷ Reduced – 10% ¹⁸	<ul style="list-style-type: none"> ▶ The VAT returns are filed either monthly or quarterly, depending on the turnover of the taxpayer (turnover up to CZK 10m per calendar year means quarterly filing). VAT returns must be filed and the tax liability settled within 25 days from the end of each VAT period.

¹⁶ These rates apply for general VAT taxpayers. Small-scale VAT taxpayers are subject to different rates and payment requirements.

¹⁷ The exemption from VAT (i.e., no output VAT without a right to claim input VAT deduction) applies to selected supplies such as financial, insurance or postal services. The Zero rate (i.e., no output VAT with a right to claim input VAT deduction) applies to selected supplies such as exported goods, intra-community supplies of goods or transport services.

¹⁸ Possible increase to 12% as of 2011, currently subject to intensive political debate.

Country	VAT tax rate %	Payment date
Denmark	Standard rate – 25 %	<ul style="list-style-type: none"> ▶ The last payment date for monthly VAT returns is the 25th of the following month. However, the payment for June is extended to August 17th. ▶ The last payment date for quarterly VAT returns is the 10th of the second month after the quarter has ended. However, the payment for the second quarter is extended to 17 August. ▶ The last payment date for half-yearly VAT returns is the first day of the third month after the half-year has ended.¹⁹
Finland	Standard rate – 23% Reduced rates: 13% or 9%	<ul style="list-style-type: none"> ▶ VAT payments and filings are made monthly on the 12th day of the following month.
France	Standard rate : 19.6% (Mainland France) ²⁰	<ul style="list-style-type: none"> ▶ VAT payments are due between 15th and 24th of the following month, depending on each company
Germany	Standard rate – 19% Reduced rate – 7%	<ul style="list-style-type: none"> ▶ Advance payments are due on the 10th following the end of the filing period. ▶ Filing of advance returns is due on the 10th following the end of a month, if in the prior year the annual tax liability exceeded €7,500. Monthly advance returns must also be filed for the year of a new business start up and the following calendar year. ▶ The annual VAT return must be filed on 31 May of the year following the tax year. The balance of VAT payable is due within one month of filing the VAT return.
Greece	Standard rate – 23% (for specific islands – 16%) Reduced rate – 11% or 5.5% (islands 8% or 4% respectively) ²¹ .	<ul style="list-style-type: none"> ▶ Companies with accounts must file periodic VAT returns electronically on a monthly basis. ▶ The deadline for filing/payment is the 26th day of the month following the month in which the VAT liability arose. ▶ The annual VAT return is filed before the 10th day of 5th month following the end of the enterprise's fiscal year.

¹⁹ If last day for payment is a Saturday, Sunday or public holiday then the last payment for VAT is postponed to the first following weekday.

²⁰ Specific reduced rates applicable to specific goods, services or in Corsica and Overseas dependencies.

²¹ The new increased VAT rates apply as of 01/07/2010.

Country	VAT tax rate %	Payment date
Hungary	Standard VAT rate: 25% Reduced VAT rates: 18%, 5%	<ul style="list-style-type: none"> ▶ VAT is payable upon the filing of the VAT return. ▶ As a general rule, taxpayers are obliged to file VAT returns quarterly, however, if the net VAT payable exceeds HUF 1 million in the second tax year preceding the tax year, VAT returns should be submitted on a monthly basis. ▶ If the net VAT payable is less than HUF 250,000 in the second tax year preceding the tax year, the VAT return should be submitted on a yearly basis provided that the taxpayer has no EU VAT registration number. ▶ Monthly VAT returns are due by the 20th day of the following month. ▶ Quarterly VAT returns are due by the 20th day of the month following the quarter. ▶ Annual VAT returns are due by 25 February of the following tax year.

Country	VAT tax rate %	Payment date
India	<p>VAT: Standard Rate – 15%/ 12.5% Reduced Rate – 5%/ 4%/1%</p> <p>Service-tax: Standard Rate – 10.3%²²</p> <p>Excise duty: Standard Rate – 10.3%</p>	<ul style="list-style-type: none"> ▶ In India, there are multiple legislations governing the levy of indirect taxes. <p>VAT</p> <ul style="list-style-type: none"> ▶ VAT is state specific levy on the sale of goods in India. ▶ VAT returns are required to be submitted on a monthly, quarterly or annual basis, depending on the amount of VAT payable or turnover. ▶ VAT returns should be filed within the specified period²³ following the end of the reporting period. ▶ In certain states, accounts are required to be audited annually by a Chartered Accountant/ Cost Accountant and the audited statement of accounts, VAT audit report and certificate are required to be submitted to the VAT authorities in the prescribed format. <p>Service tax</p> <ul style="list-style-type: none"> ▶ Service tax is a federal levy applicable on specified taxable services (more than 100 services presently covered) at an effective rate of 10.3% (subject to specific exemptions/abatements available to certain services). ▶ Service tax needs to be paid on a monthly basis (quarterly basis in case of partnership firm and sole proprietors) by 6th day (5th day if payment is not made online) of the month following the respective month/quarter in which value of taxable services is received. ▶ Service-tax returns are to be filed on a half year basis (April-September and October-March) within 25 days from the end of the respective half year. <p>Excise duty</p> <ul style="list-style-type: none"> ▶ Excise duty is a federal levy applicable on the manufacture of goods in India. Excise duty rates depend on the nature of goods manufactured (generic rate 10.3%). ▶ Excise duty payment needs to be made and returns need to be filed on a monthly/quarterly basis depending upon on the nature of goods manufactured.
Ireland	<p>Standard rate – 21%²⁴ Reduced rate – 4.8% and 13.5%</p>	<ul style="list-style-type: none"> ▶ VAT periods: There are 6 bi-monthly VAT returns in a calendar year (January/February, March/April, May/June). ▶ VAT return submission and payment: If a company is dealt with by the Irish Revenue's Large Cases Division, it will be required to file VAT returns on-line. The submission deadline for businesses that file VAT returns on-line is the 23rd day of the month following the relevant VAT period. If the returns are not filed online the submission date is the 19th day of the month following the relevant period.

²² Goods and Services Tax (GST) is proposed to be introduced in India on 1 April 2011 as a comprehensive indirect tax, replacing various indirect taxes including excise duty, service tax, VAT and Central Sales Tax. Both the framework and the different aspects of this remain undecided at this stage. Although it was meant to take effect from 1 April 2011, this may be delayed to September 2011 or beyond.

²³ Varies from state to state – ranging from one week to three weeks

²⁴ Companies with a maximum annual VAT liability of €14,000 can avail of four-monthly or bi-annual filing of VAT returns. Zero rate may apply on certain goods and services, and some goods and services are exempt from VAT.

Country	VAT tax rate %	Payment date
Italy	Standard rate – 20% Reduced rate – 10% and 4%	<ul style="list-style-type: none"> ▶ Monthly VAT balances are due on the 16th of the month following the relevant month. ▶ A VAT advance payment is due on 27 December each year, such advance could be determined in 3 alternative ways: i.) 88% of the VAT due for December of previous year; ii.) 88% of the forecast of the amount due for December of the current year; iii.) the amount due for the transactions actually booked for the period from 1 to 27 December. ▶ If VAT is due in the annual VAT return, payment must be made by the 16th March of the following year.
Japan	Standard rate – 5%	<ul style="list-style-type: none"> ▶ Japan Consumption Tax is similar to VAT. Consumption Tax generally applies to i.) the supply of goods or services in Japan and ii.) the importation of goods into Japan. ▶ In general, a corporate taxpayer must file its annual Consumption Tax return and pay the tax due within two months after its fiscal year-end.
Luxembourg	Standard rate – 15% Intermediate rate – 12% Reduced rate – 6% Super-reduced rate – 3%	<ul style="list-style-type: none"> ▶ In principle, Luxembourg VAT returns must be filed on a monthly basis before the 15th of the month following the month concerned in addition to annual VAT returns due by 1 May of the following year. The VAT liability is due on the same date.
Netherlands	Standard rate is 19% ²⁵ Reduced rate – 6%	<ul style="list-style-type: none"> ▶ VAT returns must be submitted on a monthly, quarterly or annual basis, depending on the amount of VAT payable or reclaimable. ▶ The VAT return should be filed at the latest on the last day of the month following the end of the reporting period. In addition, the payment (if any) is due on the same day as filing.²⁶

²⁵ There is also a 0% rate which applies on certain goods and services.

²⁶ If the last day of the month is a Saturday or a Sunday, the VAT return should be filed and the payment should be received on the Friday before.

Country	VAT tax rate %	Payment date
Norway	Standard rate is 25% Reduced rate – 14% or 8%	<ul style="list-style-type: none"> ▶ Payment of VAT falls due at the end of the VAT return deadline. Normally, VAT returns should be filed bi-monthly. Returns shall normally be submitted for the following periods: <ul style="list-style-type: none"> ▶ Period 1 – January/February, ▶ Period 2– March-April, ▶ Period 3 – May/June, ▶ Period 4 – July/August, ▶ Period 5 – September/October, ▶ Period 6 – November/December. ▶ The VAT returns are due within one month and ten days of the end of each period. I.e. the deadline with respect to Period 1 is 10 April. However, the deadline for Period 3 is 31 August.
Poland	Standard rate – 22% ²⁷ Reduced rate – 7%, 5%, 3% Zero rate – 0% ²⁸	<ul style="list-style-type: none"> ▶ Polish companies must report all transactions on which VAT is due in monthly or quarterly aggregate returns (due by the 25th of the following month/quarter) and pay the VAT liability by the same date.
Portugal	Standard rate – 21% from July 1, 2010 (15% in Azores and Madeira) Intermediate rate – 13% from July 1, 2010 (9% in Azores and Madeira) Reduced rate – 6% from July 1, 2010 (4% in Azores and Madeira)	<ul style="list-style-type: none"> ▶ The payment of the VAT due in the periodic VAT returns should be made by the respective VAT return filing deadline, i.e., by the 10th/15th day of the second month following the period where the VATable operations took place, in case of monthly/quarterly VAT returns, respectively.
Russia	Standard rate – 18%; Reduced rate – 10%; Zero rate – 0%.	<ul style="list-style-type: none"> ▶ The payment of tax for each period (calendar quarter) is payable for the tax period in three equal monthly instalments. Each instalment is due not later than the 20th of each of the three months following the end of each tax period.

²⁷ Certain supplies are subject to VAT exemption.

²⁸ 0% rate (exemption with credit for input VAT) is available for certain categories of supplies (mainly intra-community supplies and export sales). The government has proposed to raise the standard rate of VAT from 22% to 23%, the reduced rate from 7% to 8%, and increase the rate to 5% instead of the current rates of 3% and 0% for certain domestic supplies. VAT on selected food products is proposed to be reduced from 7% to 5%. These proposals are temporary and expected to be in force until the end of 2013.

Country	VAT tax rate %	Payment date
South Africa	Standard rate – 14% Zero-rate – 0%	<ul style="list-style-type: none"> ▶ Returns must be submitted to SARS by the twenty-fifth day of the first month following the end of a tax period²⁹ (or by the end of the month where the return is submitted electronically). Payment is due upon submission of the return. ▶ Subject to certain provisions and compliance with the prescribed documentary evidence requirements; VAT is most commonly chargeable at the zero-rate in South Africa on: <ul style="list-style-type: none"> • goods exported from South Africa; and • services rendered to a non-resident or where services are physically rendered outside of South Africa; <p>VAT incurred on goods and services acquired that relate wholly to the making of taxable supplies, (including taxable supplies at the zero-rate) can be recovered in full as input tax.</p>
Spain	Standard rate: 16% ³⁰ Reduced rate 7% ³¹ or 4%	<ul style="list-style-type: none"> ▶ Monthly VAT returns must be filed 20 days following the end of the elapsed month. Annual VAT return must be filed by 30 January. ▶ Provided that a Company's net turnover in the preceding year is lower than €6 million, quarterly VAT returns may be filed. The deadlines of filing quarterly returns are 20 April 20, 20 July, 20 October and 30 January. ▶ The VAT liability is due on the same date as filing.
Sweden	Standard rate – 25% Reduced rate – 6% or 12%	<ul style="list-style-type: none"> ▶ For companies with annual revenues exceeding SEK 40 million, payments are made monthly on the 26th of the following month. ▶ Companies with annual revenue below SEK 40 million are entitled to make payments on a quarterly basis (upon application on a monthly basis) on the 12th of the second month after the VAT accounting period has ended. (i.e., for the first quarter of 2010, the VAT payment is due on 12 May 2010).

²⁹ For VAT purposes a tax period is one month

³⁰ The standard VAT rate will be 18% as from 1st July 2010 onwards.

³¹ The new reduced VAT will be 8% as from 1st July 2010 onwards.

Country	VAT tax rate %	Payment date
Switzerland	Standard rate – 7.6% Reduced rates – 2.4% and 3.6% ³²	<ul style="list-style-type: none"> ▶ VAT must normally be declared and paid on a quarterly basis unless certain exemption clauses apply. ▶ The VAT filing and payment deadlines are as follows: <ul style="list-style-type: none"> ▶ Quarter 1 – 31 May ▶ Quarter 2 – 31 August ▶ Quarter 3 – 30 November ▶ Quarter 4 – 28 February
Turkey	Standard rate – 18% Reduced rates – 1% and 8%	<ul style="list-style-type: none"> ▶ VAT is declared on a monthly basis. The deadline for filing is the 24th of the following month, and the deadline for payment of VAT is the 26th of the following month (two days after the filing date).
UK	Standard rate – 17.5% Reduced rate – 5% Zero rate – 0%	<ul style="list-style-type: none"> ▶ VAT returns are generally submitted quarterly. VAT returns must normally be submitted by the last day of the month following the end of the return period. Payment in full is also due by the same date. If payment is made electronically (e.g. BACS) a maximum seven day extension for the submission and payment of VAT returns is granted. ▶ Taxable persons whose annual VAT liability is greater than £2million must make payments on account, which are interim payments made at the end of the second and third months of each VAT quarter. The balance of VAT payable for the period is made at the end of the quarter. The amount payable is generally based on the taxable person's VAT liability for the previous twelve months.
United States	None	<ul style="list-style-type: none"> ▶ The United States does not have VAT/GST tax. However, most states will impose a sales tax on the retail sale of tangible goods and some services (unless a specific exemption applies). ▶ The few states that do not have sales tax include New Hampshire, Oregon, Montana, Alaska (local taxes may apply) and Delaware (although rentals of tangible personal property may be subject to tax). ▶ Sales tax rates average approximately 7%. ▶ Local cities and towns may also impose a sales tax. Generally, local taxes are paid along with the state taxes, although some states such as Louisiana and Colorado require the seller to complete a separate local sales tax return.

³² Until 31 December 2013.

Section 3

Tax depreciation

Tax depreciation

Goodwill and IP

Country	Goodwill and intellectual property (IP)
Australia	<ul style="list-style-type: none"> ▶ Goodwill is not deductible for tax purposes. ▶ Intellectual property is depreciated as follows: <ul style="list-style-type: none"> ▶ Copyright: shorter of 25 years or the period until the copyright expires; ▶ Patent: standard – 20 years; innovation patent – eight years; petty patent – six years ▶ Registered design – 15 years ▶ Licence (including spectrum licence) – the term of the licence ▶ In-house software – four years ▶ Licence to use the above items of IP – the term of the licence ▶ Trademarks are not depreciable
Austria	<ul style="list-style-type: none"> ▶ Goodwill is depreciated over 15 years and is an allowable deduction for tax purposes. ▶ The purchase price of shares in a qualifying Austrian corporate entity is treated as goodwill with an amount equal to the difference between acquisition costs and the equity of the target corporation according to accounting rules plus hidden reserves in non-depreciable assets but limited to 50% of the purchase price. The goodwill amortisation is effective at the level of the acquiring company and can only be claimed if and as long as the acquiring company is in the same tax group as the target. This goodwill amortisation is subject to further limitations. ▶ Trademarks and other IP can also be depreciated according to their useful life, or 15 years if not known. ▶ Both IP and goodwill can only be depreciated for tax purposes if they are acquired (i.e., not self-created).
Belgium	<ul style="list-style-type: none"> ▶ Under Belgian GAAP the cost of goodwill and IP is amortised over five years. Tax treatment generally follows accounting treatment. ▶ Tax authorities can claim a longer period for tax purposes (10 to 12 years) on certain IP, e.g., customer lists, however this would result in a timing difference only
China	<ul style="list-style-type: none"> ▶ Internally generated goodwill cannot be amortised or deducted for corporate income tax purposes. Acquired goodwill cannot be amortised, but can be deducted when the entire business is transferred or liquidated. ▶ Both internally generated and acquired IP can be amortised for tax purposes. Generally, IP is amortised under a straight-line method over a period of no less than 10 years, or over the estimated useful life specified in the relevant laws or the contracts.

Country	Goodwill and intellectual property (IP)
Czech Republic	<ul style="list-style-type: none"> ▶ Goodwill cannot be amortised for tax purposes (except for goodwill arising upon buying an enterprise (a specific type of asset deal) which is amortisable over 15 years). ▶ If the taxpayer has only a right to use IP for a definite period of time, the price of this right is amortised over this period. ▶ If an asset has an indefinite life, it is generally amortised over six years with certain exceptions (e.g., software over three years, research and development over three years) ▶ A straight line method for eventual goodwill and IP tax depreciation only applies.
Denmark	<ul style="list-style-type: none"> ▶ Goodwill and IP can be amortised at a rate of up to 1/7th per year. ▶ Special rules are applicable for immediate amortisation of acquisition costs for know-how and patents.
Finland	<ul style="list-style-type: none"> ▶ Goodwill and IP are amortised in equal annual instalments over their economic lifetime (maximum of 10 years) on a straight-line basis, unless a useful life of less than 10 years can be demonstrated.
France	<ul style="list-style-type: none"> ▶ As a general rule, goodwill and related IP are not depreciable. ▶ However, acquired goodwill and related IP rights can be depreciated so long as the taxpayer can support that: <ul style="list-style-type: none"> ▶ A useful economic life of these assets can be reasonably measured, such as patents and software. ▶ These assets are capable of being separated, distinguished or divided from the underlying business. These do not include client lists or brand names as these are intrinsically linked to the underlying business.
Germany	<ul style="list-style-type: none"> ▶ Both IP and goodwill can only be depreciated for tax purposes if they are acquired. ▶ In general, goodwill is depreciated over 15 years. ▶ The IP is depreciated according to its expected useful life.
Greece	<ul style="list-style-type: none"> ▶ Goodwill arising on the acquisition of a business is depreciated over one to five years, and this is allowable as a tax deduction. ▶ IP is depreciated over the useful life of the asset or five years if the useful life cannot be estimated.
Hungary	<ul style="list-style-type: none"> ▶ Goodwill can only be amortised if there is a reduction in value of the underlying asset (i.e., goodwill cannot be amortised automatically). Capitalised R&D costs can be depreciated over a period of up to five years. ▶ IP can be amortised over the useful economic life of the asset. IP rights acquired or created in 2003 or later can be amortised at a rate of up to 50%. ▶ From 1 July 2009, with retrospective effect from the tax year beginning in 2008, under certain circumstances, the taxpayer may opt to write-down the value of these assets on a straight line basis at 25% over the next four years. Reversal of any such write-down would not be deductible for CIT purposes at a later date.

Country	Goodwill and intellectual property (IP)
India	<ul style="list-style-type: none"> ▶ Intangibles such as know-how, patents, copyrights, trademarks, licenses, franchises, or other similar commercial rights are eligible for depreciation at 25% on a declining balance method. ▶ When capital expenditure is incurred for acquiring the right to operate telecommunication services (whether incurred before or after commencement of business to operate telecommunication services) a deduction would be allowed in equal installments beginning from the previous year from which the business commences or in which the expenditure is incurred until the year in which the license expires. ▶ Depreciation may not be allowable on goodwill unless it is possible to classify the payment as an acquisition of an intangible listed above. ▶ Assets that are used for less than 180 days in the year in which they are acquired and put to use qualify for depreciation in that year equal to 50% of the amount calculated at prescribed rates.
Ireland	<ul style="list-style-type: none"> ▶ Tax depreciation may be claimed on capital expenditure incurred after 7 May 2009 on the provision of specified intangible assets for the purposes of the trade. The write off period follows the accounting treatment of the specified intangible assets. However companies may opt to elect for a 15 year fixed write down period at a rate of 7% per annum and 2% in the final year. Such an election must be made in the year of acquisition. The definition of intangible assets is broad and includes goodwill directly attributable to the IP acquired. ▶ The assets in question must be retained for a period of 10 years in order to avoid a claw-back of allowances received. ▶ The allowances can be set-off against trading income derived from the use of the intangible assets but not against other income. The tax deduction and associated interest relief are capped at 80% of taxable profits (calculated before capital allowances and interest) from the exploitation of intangible assets (i.e., a minimum 2.5% cash tax rate applies). Any excess allowances and interest are available for carry forward for offset against trading income derived from the use of the IP in subsequent accounting periods. ▶ The existing reliefs for companies in respect of capital expenditure incurred on patents and know-how are being discontinued; however companies may opt for these reliefs for a further two years. The existing relief for expenditure on computer software over eight years is not affected. ▶ The definition of computer software has been extended to include 'end user' software acquired by a company carrying on a trade. This software may be written off over a period of eight years.
Italy	<ul style="list-style-type: none"> ▶ Goodwill that is purchased may be amortised over 18 years³³. ▶ Any trademark is amortised over 18 years. ▶ Patents/know-how is amortised over two years.
Japan	<ul style="list-style-type: none"> ▶ Intangible assets, including goodwill, are amortised using the straight line method over their useful lives. ▶ Goodwill is amortised over five years. ▶ Patents are amortised over eight years. ▶ Trademarks are amortised over 10 years.

³³ Intangible asset step up election – Based on Law 185/2008, enacted 29 November 2008 and effective from 11 February 2009, taxpayers undertaking mergers, demergers and asset contribution in exchange for shares may step-up the assets tax basis by paying a 16% step-up tax. The new election would apply to M&A transactions executed from FY 2008. Moreover, the election allows the depreciation of goodwill and trademarks over 9 instead of 18 years.

Country	Goodwill and intellectual property (IP)
Luxembourg	<ul style="list-style-type: none"> ▶ Goodwill and IP are amortised depending on their useful life, usually between five and 10 years, i.e., 10% to 20% straight line or reducing balance. This excludes internally generated goodwill.³⁴
Netherlands	<ul style="list-style-type: none"> ▶ Taxpayers are free to choose a depreciation method provided that it is consistent with sound business practice. In addition, once a method is chosen it must be applied consistently (certain other restrictions may however apply. See below). <p>Goodwill</p> <ul style="list-style-type: none"> ▶ The maximum annual depreciation for acquired goodwill is 10% of the cost price (pro-rated for assets acquired during the year). However, a write down to lower business value should in principle be possible. Internally generated goodwill cannot be depreciated <p>IP</p> <ul style="list-style-type: none"> ▶ Costs relating to the internal generation of IP can be immediately expensed instead of a certain amount being depreciated each year. ▶ The maximum annual depreciation for acquired IP is 20% of the cost price (pro-rated for assets acquired during the year). However, a write down to lower business value should in principle be possible.
Norway	<ul style="list-style-type: none"> ▶ Acquired goodwill is amortised on a reducing balance basis up to 20%.
Poland	<ul style="list-style-type: none"> ▶ Goodwill generated on the acquisition (purchase) of a business (assets and liabilities) is amortised over five years. ▶ Internally generated goodwill and goodwill arising on a merger purchase of shares or contribution in-kind of a business cannot be amortised for tax purposes.
Portugal	<ul style="list-style-type: none"> ▶ Goodwill may not be depreciated. It is allowable as a deduction only if authorised by the tax authorities. ▶ IP is depreciated according to its useful life (i.e., can only be depreciated if it is acquired for consideration and its exclusive right of use is limited in time hence is subject to effective economic depreciation).
Russia	<ul style="list-style-type: none"> ▶ Goodwill is expensed evenly over a period of five years. ▶ Useful life of an intangible asset (IA) shall be determined on the basis of the period of validity of a patent or certificate and/or other limits on the periods of use of items of IP and on the basis of the useful life of IA which is stipulated by relevant agreements. In case of IA for which the useful life of an item of IA cannot be determined, amortisation norms shall be established on the basis of a useful life of 10 years.
South Africa	<ul style="list-style-type: none"> ▶ There is no tax allowance for goodwill. ▶ Limited allowances to claim cost of acquisition of IP – over 20 years for inventions, patents and copyrights and 10% for designs & related knowledge.
Spain	<ul style="list-style-type: none"> ▶ Acquired goodwill is amortised on a maximum of 5% straight line basis if several requirements are met. ▶ Patents and trademarks may be amortised if they depreciate and have a limited useful life.
Sweden	<ul style="list-style-type: none"> ▶ Only acquired goodwill is depreciable on a 20% straight line or 30% declining balance. Depreciation for tax purposes on other goodwill should follow the accounts. ▶ A third alternative is based on remaining depreciable value (i.e., declining balance) and allows a company to choose any percentage up to a maximum of 25%.

³⁴ As from 1 January 2009, Luxembourg has introduced an IP regime which may allow for an 80% exemption of income and capital gain deriving from certain IP.

Country	Goodwill and intellectual property (IP)
Switzerland	▶ 20% straight line or 40% reducing balance.
Turkey	▶ Goodwill is depreciated over five years, in equal instalments, while other IP is depreciated over 15 years
UK	▶ Amortisation and impairment are deductible on acquired goodwill when these charges are expensed through the profit and loss account, or where an election is made to claim 4% straight line depreciation on cost on the basis that the company's accounts are drawn up in accordance with generally accepted accounting principles.
United States	▶ Generally, intangible assets, including goodwill, going concern value, patents and copyrights, acquired as part of an asset sale or deemed asset sale may be amortised over 15 years (i.e., a straight stock sale does not result in amortisable goodwill for US tax purposes).

Buildings

Country	Buildings
Australia	<ul style="list-style-type: none"> ▶ The original construction cost of buildings is depreciated over 40 years. This construction cost is passed from one owner to the next. Depreciation is not based on purchase price. ▶ Specified buildings (e.g., industrial buildings and hotel accommodation) are depreciated over 25 years. ▶ Buildings are depreciable by components. The main structure must be distinguished from other elements (e.g., lifts and air conditioning) which are separately depreciable.
Austria	<ul style="list-style-type: none"> ▶ Depends on type of building but typically 2% to 3% straight line.
Belgium	<ul style="list-style-type: none"> ▶ Office building 3% straight line. ▶ Industrial building 5% straight line.
China	<ul style="list-style-type: none"> ▶ Generally depreciated over a minimum of 20 years on a straight-line basis for tax purposes. ▶ The residual value should be reasonably estimated based on the nature and condition of the building. It cannot be changed once determined. However, the prevailing tax law does not specify the definition of 'reasonable estimation'.
Czech Republic	<ul style="list-style-type: none"> ▶ General buildings are depreciated over 30 years. ▶ Specified buildings are depreciated over different periods, e.g., greenhouses over 10 years, plastic and wooden buildings, structures for electricity generation, towers and industrial buildings over 20 years, offices and shopping centres for 50 years. ▶ Taxpayer may elect to use either the straight line or the accelerated method. Either method should not affect the period of depreciation. ▶ Technical improvement (CAPEX) generally leads to an extension of the depreciation period.
Denmark	<ul style="list-style-type: none"> ▶ Commercial and industrial buildings are depreciated on a 4% straight line basis. ▶ Offices, financial institutions, hotels and certain other buildings may not be depreciated. However, offices and commercial buildings which are used in conjunction with commercial and industrial buildings may be depreciated together.
Finland	<ul style="list-style-type: none"> ▶ Maximum of 4% to 20% on a reducing balance basis, depending on the type of building. ▶ Factories, warehouses and shops are depreciated at 7%.
France	<ul style="list-style-type: none"> ▶ Buildings are depreciable by components. The main structure must be distinguished from other elements whose useful lives are different: ▶ Main structure: 1.4% to 5% straight line. Hotels and conference centres may be depreciated on an accelerated basis. ▶ Other elements which are eligible for tax depreciation may qualify for deduction in the range between 2.5% and 20%.
Germany	<ul style="list-style-type: none"> ▶ Commercial and industrial buildings constructed after 31 March 1985 are depreciated on a 3% straight line basis. ▶ Other buildings constructed on or after 1 January 1925 are depreciated on a 2% straight line basis. ▶ Other buildings constructed before 1 January 1925 are depreciated on a 2.5% straight line basis. ▶ Higher rates may be available if the actual useful life is shorter than the period implied by the above rate.
Greece	<ul style="list-style-type: none"> ▶ 5% to 8% straight line for shops. ▶ 3% to 5% straight line for other buildings.

Country	Buildings
Hungary	<ul style="list-style-type: none"> ▶ Commercial and industrial buildings 2% to 6% (in some special cases different rules apply) straight line. ▶ Land is not depreciable.
India	<ul style="list-style-type: none"> ▶ Buildings for residential purposes: 5% on declining balance method. ▶ Buildings other than those for residential purposes: 10% on declining balance method. ▶ 100% depreciation is allowed on temporary buildings. ▶ Assets that are used for less than 180 days in the year in which they are acquired and put to use qualify for depreciation in that year equal to 50% of the amount calculated at prescribed rates.
Ireland	<ul style="list-style-type: none"> ▶ Industrial buildings may qualify for tax depreciation at a rate of 4% straight line. ▶ Expenditure incurred on hotels can be depreciated over 25 years.
Italy	<ul style="list-style-type: none"> ▶ Maximum tax depreciation rates are strictly regulated and vary depending on the type of industry. Rates vary between 3% and 6%. ▶ The depreciable cost must be net value of the land where the building has been built. This is the higher of the amount separately booked for statutory accounts purposes or 30% of the total cost of the industrial building (20% for all other buildings). Same rules apply where the building is acquired through a lease agreement. ▶ For both commercial and industrial buildings, the standard depreciation rate is 3%. ▶ However, for shopping malls the rate is 6% and for chemical industry buildings the rate is 5%.
Japan	<ul style="list-style-type: none"> ▶ 2% to 14.3% straight line.
Luxembourg	<ul style="list-style-type: none"> ▶ Commercial buildings 1.5% to 4% straight line. ▶ Industrial buildings maximum 4% straight line.
Netherlands	<ul style="list-style-type: none"> ▶ Taxpayers are free to choose a depreciation method provided that it is consistent with the concept of a sound business practice. In addition, once a method is chosen it must be applied consistently (certain other restrictions may however apply. See below). ▶ All components of building, land and the associated attributes should be depreciated as one asset. Depreciation is limited if there is an increase in the value of the land. ▶ The fiscal book value of real estate should not be less than the value provided in the Law on Valuation of Real Estate, known as the WOZ value, for portfolio investments, or be less than 50% of the WOZ value if the building is used by the taxpayer (or in particular cases a related company of the taxpayer) in its business. ▶ An exception is made for buildings that are eligible for accelerated depreciation of environmental investments. ▶ Notwithstanding the above it should generally be possible to revalue a building to lower business value. ▶ The WOZ value of real estate is an estimated fair market value determined as a tax base for municipal real estate tax. The WOZ value of the real estate is adjusted annually by the local municipality. Therefore, a building can (in general) be depreciated to 50% of the WOZ value. ▶ Besides the purchase price, acquisition or manufacturing costs include, amongst others, related installation costs, notary costs, real estate transfer tax, irrecoverable VAT, and certain other costs.

Country	Buildings
Norway	<ul style="list-style-type: none"> ▶ Industrial plants and buildings 4% or 8% reducing balance. ▶ Office buildings 2% reducing balance.
Poland	<ul style="list-style-type: none"> ▶ Residential buildings – 1.5% p.a. straight line ▶ Commercial buildings – 2.5% p.a. straight line ▶ Individual rates: <ul style="list-style-type: none"> ▶ Used non-residential buildings – depreciation is over the remaining tax life of the building, where the remaining tax life is 40 years less the number of years elapsed between the moment the building was first put into use and the date of its entry into the records of the taxpayer. In any case, this period must not be shorter than 10 years ▶ Used residential buildings – in principle should be depreciated over 10 years (i.e., 10% depreciation p.a.).
Portugal	<ul style="list-style-type: none"> ▶ The following tax depreciation rates apply to buildings on a straight-line method: ▶ 2% for commercial, administrative and residential buildings. ▶ 5% for industrial as well as hotels, restaurants, service stations, medical, school, recreation and cultural services related buildings. ▶ No depreciation is allowed for land.
Russia	<ul style="list-style-type: none"> ▶ For assets with a useful life over 20 years, the depreciation should be calculated based on a straight line basis only. For assets with a useful life less than 20 years, the taxpayers are free to choose either a straight line or non-linear method of depreciation. ▶ Special coefficient of 2 (i.e., the amount of tax depreciation can be increased by a multiple of two) shall apply: i.) in relation to fixed assets used for work under conditions of an aggressive environment and/or multi-shift basis; ii.) in relation to own fixed assets of taxpayers which are industrial-type agricultural organisations; iii.) in relation to own fixed assets of taxpayers which are organisations with the status of resident of an industrial production special economic zone or a tourism and recreation special economic zone. ▶ Special coefficient of 3 (i.e., the amount of tax depreciation can be increased by a multiple of three) shall apply: i.) in relation to fixed assets which are subject to finance lease agreement; ii.) in relation to fixed assets which are used only in carrying out scientific and technical services. ▶ Taxpayers are allowed to immediately deduct 10% (or 30% of cost of fixed assets with a useful life over three years and up to 20 years). Should this be done, the remaining 90% (or 70%) should be depreciated based on the general rules.
South Africa	<ul style="list-style-type: none"> ▶ Depends on type of building, but annual allowance of 5% on commercial buildings.
Spain	<ul style="list-style-type: none"> ▶ Commercial buildings maximum 2% straight line. ▶ Industrial buildings maximum 3% straight line.
Sweden	<ul style="list-style-type: none"> ▶ The tax legislation states that the depreciation is to be straight line method in line with the economic life of the building. The following depreciation percentages are recommended by the Swedish Tax Agency: ▶ Commercial buildings 2% to 5%. ▶ Factory buildings 4%. ▶ Office buildings 2%.

Country	Buildings
Switzerland	<ul style="list-style-type: none"> ▶ Commercial buildings can be depreciated from 1.5% to 2% on a straight line basis or 3% to 4% on a reducing balance basis. ▶ Industrial buildings can be depreciated from 3.5% to 4% on a straight line basis or 7% to 8% on a reducing balance basis.
Turkey	<ul style="list-style-type: none"> ▶ Generally depreciated over 50 years (for concrete buildings which are not used for industrial purposes). ▶ Buildings which are used as factories and built from concrete, iron, steel are depreciated over 40 years. ▶ Factory buildings which are built from materials other than those mentioned above (namely concrete, iron and steel) will be depreciated over 10-33 years depending on the material used. ▶ Improvements on the buildings owned by the Company are depreciated within the remaining useful life period of the building. ▶ Generally, leasehold improvements on rented buildings are depreciated over the life of the lease agreement, in equal instalments, (i.e., over the lease period). In case the lease period is not determined or determined as one year, the useful life is treated as five years. ▶ No depreciation is available for waste land.
UK	<ul style="list-style-type: none"> ▶ As of 1 April 2008, the Industrial Building Allowances (IBAs) are gradually being phased out over the next four years. ▶ With effect from 1 April 2008, IBAs will be reduced from 4% to 3% and by a further 1% in each of the following years. There will be no IBA allowances for accounting periods after 31 March 2011. ▶ Balancing adjustments on the disposal of an industrial building are withdrawn from 21 March 2007. ▶ Fixtures that are integral to a building will be classified separately and included in a pool with a 10% rate of capital allowances.
United States	<ul style="list-style-type: none"> ▶ Generally, commercial and industrial buildings are depreciated straight-line over 39 years. For property placed in service prior to 13 May 1993, the recovery period is over 31.5 years.

Plant and machinery

Country	Plant and machinery
Australia	<ul style="list-style-type: none"> ▶ A depreciating asset may be depreciated over its effective life as estimated by the taxpayer or by using the Commissioner's determination as published in tax rulings. The depreciation rate is calculated by reference to the effective life of all the asset as follows: <ul style="list-style-type: none"> ▶ Straight line over the effective life ▶ Diminishing value method at double the straight line rate ▶ Office equipment 10% to 25% straight line. ▶ Plant and machinery 10% to 20% straight line. ▶ Depreciation of an asset is only allowed for tax purposes when the asset concerned is held and ready for use and is used by a taxpayer for a taxable purpose. ▶ Depreciation commences once the asset is installed and ready for use.
Austria	<ul style="list-style-type: none"> ▶ Office equipment 10% to 25% straight line. ▶ Plant and machinery 10% to 20% straight line. ▶ Advanced depreciation is available for tangible assets (except buildings and cars) acquired after 12 December 2008 and before 1 January 2011 in the amount of 30%.
Belgium	<ul style="list-style-type: none"> ▶ Machinery and equipment 10% to 20% straight line. ▶ Office furniture and equipment 10% to 15% straight line. ▶ IT systems 10% to 15% straight line (if classified as office equipment). ▶ Reducing balance available for most assets (exceptions include intangibles, assets transferred for use by third parties, and company cars), up to a maximum 40% of the acquisition value per year.
China	<ul style="list-style-type: none"> ▶ Generally on a straight line basis. ▶ Useful life is estimated as follows: <ul style="list-style-type: none"> ▶ Machinery and production equipment – at least 10 years ▶ Appliances, tools and furniture related to production and business operations – at least five years ▶ Electronic equipment – at least three years ▶ The residual value should be reasonably estimated based on the nature and use condition of the plant and machinery. It cannot be changed once determined. However, the prevailing tax law does not specify the definition of 'reasonable estimation'.

Country	Plant and machinery
Czech Republic	<ul style="list-style-type: none"> ▶ Office machines and certain light machinery (tools) – three years. ▶ Furniture and certain light machinery – five years. ▶ Heavy machinery – 10 years. ▶ Power plants, wiring, piping – 20 years. ▶ Taxpayer may elect to use either straight line or the accelerated method. Neither method affects the period of depreciation. ▶ Office machines, light machinery and furniture if acquired new and put in use between 1 January 2009 and 30 June 2010 may be depreciated over a shorter period. The office machines and certain light machinery may be depreciated over 12 months on a straight-line basis. Furniture and certain light machinery may be depreciated over 24 months (60% of the acquisition price in the first 12 months and 40% in the remaining period). Additional specific rules apply for this depreciation method. ▶ Technical improvement generally leads to extension of the depreciation period.
Denmark	<ul style="list-style-type: none"> ▶ General plant and equipment with a short economic life such as cars, office equipment, machinery. (above DKK 12,300) can be depreciated at an annual rate at up to 25% of the acquisition price in accordance with the reducing balance method. ▶ IT systems (software) – 100% of the purchase price is depreciable in the year of purchase. ▶ Assets with long economic life must be depreciated on separate balance at an annual rate of 21% (to be gradually reduced to 15% in 2016). ▶ Ships of 20 tonnes or more for the carriage of goods or passengers can be depreciated with up to 12% annually. ▶ Acquisition cost for assets which are to be leased cannot be depreciated in the year of acquisition but can be depreciated in the following year at 50% (remaining tax value of the asset is added to the balance for general plant and equipment).
Finland	<ul style="list-style-type: none"> ▶ Machinery and equipment 0% to 25% reducing balance. ▶ Short-life assets (useful life of less than three years) are usually expensed.
France	<ul style="list-style-type: none"> ▶ Office equipment 10% to 20% straight line. ▶ Plant and machinery 5% to 10% straight line (components may also be isolated and depreciated more rapidly) or reducing balance 12.5% to 50%.

Country	Plant and machinery
Germany	<ul style="list-style-type: none"> ▶ Office equipment 4% to 20% straight line. ▶ Plant and machinery 4% to 20% straight line. ▶ IT systems 33.3% straight line. ▶ If a movable tangible fixed asset was acquired before 31 December 2005, the reducing balance method will be available but limited to the lower of 20% or 2x straight line method rate. If a movable tangible fixed asset was acquired between 31 December 2005 and 1 January 2008, the reducing balance method will be available but limited to lower of 30% or 3x straight line method rate. If a movable tangible fixed asset was acquired between 1 January 2008 and 1 January 2011, the reducing balance method will be available but limited to the lower of 25% or 2.5x straight line method rate. It is possible to change the depreciation method from straight-line to reducing balance. ▶ For movable tangible assets a depreciation method based on the actual useful life of an asset is allowed if the application of this depreciation method is considered economically reasonable.
Greece	<ul style="list-style-type: none"> ▶ Office equipment 15% to 20% straight-line. ▶ For the three years following the year in which a new company begins to operate, the company can choose between not depreciating any assets or reducing the statutory depreciation rates by 50% provided that the method selected is applied consistently. ▶ Leasehold assets are depreciated by the lessor over the term of the lease agreement. ▶ Improvements and additions on leasehold assets are depreciated by the lessee over the term of the lease agreement. However, if the depreciation rate deriving from it is lower than the statutory rate (provided by a Presidential Decree), depreciation should be claimed using the statutory rate. ▶ Computer hardware/software may be fully depreciated in the year it is brought into service (otherwise at the statutory rates 24% to 30%).
Hungary	<ul style="list-style-type: none"> ▶ Equipment and machinery 14.5% straight line. ▶ Automation equipment, computers, environmental protection equipment, medical equipment and other specified items – 33%. ▶ 50% tax depreciation rate may be opted for computers and related facilities, plant, machinery and other equipment newly purchased in 2003 or later.
India	<ul style="list-style-type: none"> ▶ Plant and machinery: Typically depreciation at 15% on a declining balance method is allowable. Subject to the fulfillment of prescribed conditions, additional depreciation equal to 20% of actual cost is allowed in respect of new plant and machinery in the year of installation ▶ Computers including computer software: 60% on declining balance method. ▶ Certain other Plant & Machinery: Accelerated depreciation at rates varying from 30%-100% is allowable. ▶ In case of undertakings engaged in generation or generation and distribution of power, depreciation is allowed on a straight line basis at the prescribed rates. ▶ Assets that are used for less than 180 days in the year in which they are acquired and put to use qualify for depreciation in that year equal to 50% of the amount calculated at prescribed rates.
Ireland	<ul style="list-style-type: none"> ▶ Plant and equipment – 12.5% straight line. ▶ A tax incentive was introduced in the Finance Act 2008 which provided for capital allowances of 100% of expenditure incurred by companies on certain energy efficient equipment in the year the equipment is purchased.

Country	Plant and machinery
Italy ³⁵	<ul style="list-style-type: none"> ▶ Plant and machinery 3% to 15%. ▶ Plant and equipment purchased by Italian taxpayers from 1 July 2009 to 30 June 2010 benefit from an additional 50% exemption for corporate income tax purposes. In particular, the exemption is granted as a deduction of the taxable income for IRES purposes, equal to 50% of the value of the investment in plant and equipment. A claw back provision applies if the plant and equipment are sold before the second fiscal year when originally purchased. Qualified investments in plant and equipment are those listed on a specific Ministerial Chart (ATECO chart). Real properties, vehicles and intangible assets are excluded.
Japan	<ul style="list-style-type: none"> ▶ Plant: 2.7% to 14.3% straight line. ▶ Machinery: 4.6% to 33.4% straight line or 11.4% to 83.3% declining-balance.
Luxembourg	<ul style="list-style-type: none"> ▶ Plant and machinery 10% straight line or reducing balance. ▶ Office equipment 20% to 25% straight line or reducing balance.
Netherlands	<ul style="list-style-type: none"> ▶ Taxpayers are free to choose a depreciation method provided that it is consistent with the concept of sound business practice. In addition, once a method is chosen it must be applied consistently (certain other restrictions may however apply. See below). ▶ The annual depreciation of business assets must correspond to the part of the acquisition or manufacturing costs not yet depreciated that is attributable to that year. For these purposes, besides the purchase price, acquisition or manufacturing costs may include, amongst others, installation costs, notary costs, real estate transfer tax, irrecoverable VAT, and certain other costs. ▶ The maximum annual depreciation percentage for the year is 20% of the cost price (pro-rated for assets acquired during the year). However, a write down to lower business value should in principle be possible. ▶ With a view to the current economic downturn, a temporary measure has been introduced with respect to the depreciation of certain newly acquired business assets. Investments made in 2009 and 2010 may be depreciated in two years; with a maximum of 50% each year. This 'accelerated and random depreciation' facility can be applied to most business assets. Business assets which are excluded are, <i>inter alia</i>, buildings, intangible assets (including software) and cars (for certain fuel efficient cars however the accelerated and random depreciation can be applied). Also, business assets which will be mainly at the disposal of third parties (i.e., for 70% or more of their use) are excluded from the accelerated and random depreciation facility.
Norway	<ul style="list-style-type: none"> ▶ Reducing balance method up to a maximum of: ▶ Office equipment 30%. ▶ Plant and machinery 20%. ▶ Fixed technical installation in buildings 10% (as of fiscal year 2009).

³⁵ Asset step up election – Based on the Budget Law for FY 2008, enacted 28 December 2007 and effective from 1 January 2008, taxpayers undertaking mergers, demergers and asset contribution in exchange for shares may step-up the assets tax basis by paying a step-up tax on the stepped-up amount (i.e. on the higher amount attributed to an intangible asset as a consequence of an extraordinary transaction). The new election would apply to M&A transactions executed from FY 2008 Step-up tax ranges from 12% to 16% depending on the stepped up amount (12% up to 5 Million/€, 14% from 5 to 10 Million/€, 16% over the latter threshold) .

Country	Plant and machinery
Poland	<ul style="list-style-type: none"> ▶ Plant and machinery 5% to 25% straight line. ▶ Office equipment 14% straight line. ▶ IT systems 30% straight line. ▶ Plant and equipment can also be depreciated using the reducing balance method, with annual standard depreciation rate (5%-30%) multiplied by a coefficient of up to 2.0. ▶ Individual tax depreciation schemes can apply to selected categories of second hand or modernised assets.
Portugal	<ul style="list-style-type: none"> ▶ Office equipment is depreciated on a straight-line method at 12.5% to 33.33%. ▶ Other plant and machinery is depreciated at 5% to 33.33%. ▶ Please note the reducing balance method can be used for new tangible fixed assets other than buildings, office furniture and cars not for public transport or rental.
Russia	<ul style="list-style-type: none"> ▶ For assets with a useful life over 20 years, the depreciation should be calculated based on a straight line basis only. For assets with a useful life less than 20 years, the taxpayers are free to choose either straight line or non-linear method of depreciation. ▶ Special coefficient of 2 (i.e., the amount of tax depreciation can be increased by a multiple of two) shall apply: i.) in relation to fixed assets used for work under conditions of an aggressive environment and (or) multi-shift basis; ii.) in relation to own fixed assets of taxpayers which are industrial-type agricultural organisations; iii.) in relation to own fixed assets of taxpayers which are organisations with the status of resident of an industrial production special economic zone or a tourism and recreation special economic zone. ▶ Special coefficient of 3 (i.e., the amount of tax depreciation can be increased by a multiple of three) shall apply: i.) in relation to fixed assets which are subject to finance lease agreement; ii.) in relation to fixed assets which are used only in carrying out scientific and technical services. ▶ Taxpayers are allowed to immediately deduct 10% (or 30% of the cost of fixed assets with a useful life over three years and up to 20 years). Should this be done, the remaining 90% (or 70%) should be depreciated based on the general rules.
South Africa	<ul style="list-style-type: none"> ▶ Plant and Machinery: For new and unused machinery an allowance of 40%:20%:20%:20% (full first-year allowance is available regardless of when in the year expenditure is incurred) ▶ Plant and Machinery: Second hand machinery is depreciated straight line over five years (full allowance is available regardless of when in the year expenditure is incurred) ▶ Office equipment: 20% straight line (pro-rated for the year in which expenditure is incurred) ▶ IT related: three years straight line (pro-rated for the year in which expenditure is incurred) ▶ Small business corporations may deduct 100% of the cost of plant manufacturing and machinery brought into use. For non manufacturing assets a deduction of 50%:30%:20% (over three years) is allowed.
Spain	<ul style="list-style-type: none"> ▶ Maximum straight line amortisation rates: <ul style="list-style-type: none"> ▶ Office equipment 10% or 15%. ▶ Plant and machinery 10% or 12%. ▶ IT systems 25%.

Country	Plant and machinery
Sweden	<ul style="list-style-type: none"> ▶ Asset with useful life of three years or less should be expensed in the year of acquisition or authorised as below. ▶ Machinery and equipment 20% straight line, 30% declining balance or 25% of remaining depreciable value (i.e., declining basis).
Switzerland	<ul style="list-style-type: none"> ▶ Office furniture is depreciated at 12.5% on a straight line basis, or at 25% on a reducing balance basis. ▶ Office machines and data processing equipment are depreciated at 20% on a straight line basis, or at 40% on a reducing balance basis. ▶ Machinery is depreciated at 15% on a straight line basis, or at 30% on a reducing balance basis.
Turkey	<ul style="list-style-type: none"> ▶ Office equipment and furniture are depreciated at 20% on a straight line basis, or at 40% on a reducing balance basis, ▶ Generally, IT systems are depreciated at 25% on a straight line basis, or at 50% on a reducing balance basis. ▶ Computer software and mobile phones are depreciated at 33.3% on a straight line basis, or at 50% on a reducing balance basis.
UK	<ul style="list-style-type: none"> ▶ As of 1 April 2012 WDAs will be reduced from 20% to 18% per annum for expenditure in the main rate pool. ▶ As of 1 April 2012 WDAs will be reduced from 10% to 8% per annum for expenditure in the special rate pool. ▶ Plant and machinery can form part of a general pool, or can be kept separate as a 'short life asset' if considered life is less than five years. Any balancing allowance, i.e., a loss on disposal, would therefore be recognised earlier than if the asset had been kept in the normal plant and machinery pool. ▶ The allowances on long life plant and machinery, (i.e., those assets whose life is more than 25 years) are 10%. ▶ The annual investment allowance provides 100% relief for the first £100,000 of expenditure incurred on plant and machinery (excluding cars) for any business, regardless of size. The maximum amount of AIA will be reduced to £25,000 per annum with effect from 1 April 2012.
United States	<ul style="list-style-type: none"> ▶ Plant and machinery is generally deductible under a double-declining balance method over a recovery period of five years (e.g., computers and peripheral equipment, office machinery) or seven years (e.g., office furniture and fixtures such as desks, files and safes). ▶ The double-declining balance method is an accelerated form of depreciation that allows twice the annual rate of depreciation than under the straight line method. ▶ Generally, using a double-declining balance the following recovery rates will be utilised in each tax year: <ul style="list-style-type: none"> ▶ Five year property: 20%, 32%, 19.20%, 11.52%, 11.52% and 5.76%, or ▶ Seven year property: 14.29%, 24.49%, 17.49%, 12.49%, 8.93%, 8.92%, 8.93% and 4.46%.³⁶

³⁶ Note for US tax purposes, property is generally deemed to be placed in service using a half-year convention; therefore, an extra year of depreciation results.

Cars

Country	Cars
Australia	<ul style="list-style-type: none"> ▶ Depreciation rate is 12.5% straight line or 25% diminishing value. A maximum limit is imposed on the cost of a car for depreciation purposes (the 'luxury car limit'). ▶ The luxury car limit is indexed each year. For a taxpayer who starts to hold a car in the 2010-2011 income year, the limit is A\$57,466.
Austria	<ul style="list-style-type: none"> ▶ 12.5% straight line.
Belgium	<ul style="list-style-type: none"> ▶ 20% to 33% straight line. However, for tax purposes the deductible amount of depreciation will be limited as a function of the CO2 emission of the car concerned (50% – 100%).
China	<ul style="list-style-type: none"> ▶ Generally on a straight line basis. ▶ Useful life is estimated as follows: <ul style="list-style-type: none"> ▶ Aircrafts, trains and vessels– at least 10 years ▶ Means of transport other than aircrafts, trains and vessels – at least four years ▶ The residual value should be reasonably estimated based on the nature and condition of the vehicles. It cannot be changed once determined. However, the prevailing tax law does not specify the definition of 'reasonable estimation'.
Czech Republic	<ul style="list-style-type: none"> ▶ Amortisation over five years (four years for certain cars registered until the end of 2007). ▶ Taxpayer may elect to use either straight line or the accelerated method. Either method does not affect the period of depreciation. ▶ The depreciation of new cars acquired between 1 January 2009 and 30 June 2010 may be shortened to 24 months (60% of the acquisition price is depreciated over the first 12 months and 40% over the remaining 12). Additional specific rules apply for this depreciation method.
Denmark	<ul style="list-style-type: none"> ▶ Depreciated up to 25% reducing balance method.
Finland	<ul style="list-style-type: none"> ▶ Cars are generally included in the general machinery and equipment pool. Cars used for commercial transportation can be subject to a separate rate maximum of 15% to 25% reducing balance, at the taxpayer's option.
France	<ul style="list-style-type: none"> ▶ 20% to 25% straight line (tyres for instance may be isolated as components and depreciated more rapidly).
Germany	<ul style="list-style-type: none"> ▶ 16.7% straight line. ▶ If a car was acquired between 1 January 2008 and 1 January 2011, the reducing balance method will be available but limited to lower of 25% or 2.5x straight line method rate. It is possible to change the depreciation method from straight-line to reducing balance. ▶ A depreciation method based on the actual useful life of the car is allowed if the application of this depreciation method is considered economically reasonable.
Greece	<ul style="list-style-type: none"> ▶ 11% to 15% straight line.
Hungary	<ul style="list-style-type: none"> ▶ 20% straight line.

Country	Cars								
India	<ul style="list-style-type: none"> ▶ Motor cars³⁷: 15% on declining-balance method. ▶ Commercial vehicles: Depreciation is provided on commercial vehicles at rates varying from 40% - 60% ▶ Assets that are used for less than 180 days in the year in which they are acquired and put to use qualify for depreciation in that year equal to 50% of the amount calculated at prescribed rates. 								
Ireland	<p>▶ Tax depreciation of 12.5% on a straight line basis is restricted to a maximum qualifying cost of €24,000 for cars acquired after 1 July 2008. However, not all cars will be entitled to this full amount. Cars purchased after 1 July 2008 will be categorised based on their CO2 emissions according to the following scale:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Category A vehicles</th> <th style="text-align: left;">Category B/C vehicles</th> <th style="text-align: left;">Category D/E vehicles</th> <th style="text-align: left;">Category F/G vehicles</th> </tr> </thead> <tbody> <tr> <td>0-120 g/km</td> <td>121-155 g/km</td> <td>156-190 g/km</td> <td>191 g/km+</td> </tr> </tbody> </table> <ul style="list-style-type: none"> ▶ Vehicles in categories A/B/C will receive the full qualifying cost of €24,000 (regardless of the cost of the car). Cars in categories D/E will receive 50% of the qualifying expenditure i.e., €12,000 or 50% of the cost of the car if lower. Cars in categories F/G will not qualify for capital allowances. ▶ Cars purchased between 1 January 2002 and 30 June 2008 can be depreciated at 12.5% on a straight line basis for capital allowances subject to their qualifying cost restriction in the year of acquisition (€24,000 since 1 January 2007). 	Category A vehicles	Category B/C vehicles	Category D/E vehicles	Category F/G vehicles	0-120 g/km	121-155 g/km	156-190 g/km	191 g/km+
Category A vehicles	Category B/C vehicles	Category D/E vehicles	Category F/G vehicles						
0-120 g/km	121-155 g/km	156-190 g/km	191 g/km+						
Italy	<ul style="list-style-type: none"> ▶ In principle, car costs are fully deductible only when the usage of cars is instrumental to the main business activity, (e.g., rental company, taxi company). ▶ For all other cars, costs are: <ul style="list-style-type: none"> ▶ 90% deductible if the vehicles are assigned to employees. ▶ 40% deductible in other events; in this case, a limitation to acquisition cost applies (€18,076). 								
Japan	▶ 5% to 50% straight line or 12.5% to 100% declining balance.								
Luxembourg	▶ 25% straight line or reducing balance.								

³⁷ Other than those used in a car rental business.

Country	Cars
Netherlands	<ul style="list-style-type: none"> ▶ Taxpayers are free to choose a depreciation method provided that it is consistent with the concept of sound business practice. In addition, once a method is chosen it must be applied consistently (certain other restrictions may however apply. See below). ▶ The annual depreciation of business assets must correspond to the part of the acquisition or manufacturing costs not yet depreciated that is attributable to that year. For these purposes, besides the purchase price, acquisition or manufacturing costs may include, amongst others, related installation costs, irrecoverable VAT, and certain other costs to the extent relevant. ▶ The maximum annual depreciation percentage for the year is 20% of the cost price (pro-rata for assets acquired during the year). However, a write down to lower business value should in principle be possible. Taxpayers are free to choose a depreciation method provided that it is consistent with the concept of sound business practice. In addition, once a method is chosen it must be applied consistently (certain other restrictions may, however, apply. See below). ▶ The annual depreciation of business assets must correspond to the part of the acquisition or manufacturing costs which have not yet been depreciated and are attributable to that year. For these purposes, besides the purchase price, acquisition or manufacturing costs may include related installation costs and irrecoverable VAT. ▶ Depreciation of an asset is only allowed for tax purposes when the concerning asset is used in the taxpayer's enterprise. ▶ The maximum annual depreciation percentage for the year is 20% of the cost price (pro-rated for assets acquired during the year). However, a write down to lower business value, should in principle be possible. ▶ There is a grandfathering rule for existing (and depreciated) capital items. The taxpayer may be able to depreciate a maximum annual amount of $12/(60-V) \times$ book value of the item on 1 January 2007. (V represents the number of months for which the taxpayer has already depreciated the goodwill/capital asset on 1 January 2007).
Norway	▶ 20% reducing balance.
Poland	▶ 20% straight line. Depreciation on the initial value of the car exceeding EUR 20,000 is non- tax deductible.
Portugal	<ul style="list-style-type: none"> ▶ Cars are depreciated at 12.5% to 25%. ▶ Maximum depreciable cost of cars is €40,000.
Russia	▶ Russia does not have specific rules for cars. Therefore please see the rules outlined in the Plant and machinery section above.
South Africa	▶ 20% straight line.
Spain	▶ Maximum 16% straight line.
Sweden	▶ 20% straight line, 30% reducing balance or 25% of remaining depreciable value.
Switzerland	▶ 20% straight line or 40% reducing balance.
Turkey	<ul style="list-style-type: none"> ▶ Depreciated over five years, either straight line or reducing balance ▶ The depreciation period of passenger vehicles (of the companies which are not involved in the car rental business), commences from the month in which they are purchased. The outstanding balance carried from the acquisition year, due to the interim period application, is deductible in the fifth year.
UK	<p>Cars bought before 1 April 2009:</p> <ul style="list-style-type: none"> ▶ Cars costing less than £12,000 relieved as for plant and equipment. ▶ Tax depreciation on cars costing more than £12,000 is capped at £3,000 per annum (on a pro-rated basis), if the cars qualify as low

Country	Cars
	<p>CO2 emission cars , with emissions not exceeding 110g/km, they will qualify for a 100% first year allowance.</p> <p>Cars bought after 1 April 2009:</p> <ul style="list-style-type: none"> ▶ Expenditure on cars bought from April 2009 goes into the main 20 per cent pool if CO2 emissions do not exceed 160g/km. ▶ Expenditure on cars bought from April 2009 with higher emissions goes into 10 per cent 'special rate' pool. ▶ Cars with private use go to single asset pool but still attract allowances at 20 per cent or 10 per cent as above, but then adjusted for private use percentage. ▶ Cars with emissions that do not exceed 110g/km continue to attract first-year allowances at 100 per cent.
United States	<ul style="list-style-type: none"> ▶ Generally, motor vehicles are depreciated on a double-declining basis over a recovery period of five years. ▶ As noted above, the double-declining balance method is an accelerated form of depreciation that allows twice the annual rate of depreciation than under the straight line method. Using a double-declining balance the following recovery rates will be utilised in each tax year: <ul style="list-style-type: none"> ▶ Five year property: 20%, 32%, 19.20%, 11.52%, 11.52% and 5.76%.³⁸

³⁸ Note for US tax purposes, property is generally deemed to be placed in service using a half-year convention; therefore, an extra year of depreciation results.

Section 4

Relief for losses

Relief for losses

Country	Relief for losses
Australia	<ul style="list-style-type: none"> ▶ Tax losses can be carried forward indefinitely subject to a continuity of ownership test (COT), and failing that, a same business test (SBT). ▶ Where there is a majority change in ultimate ownership, any tax losses that are carried forward at that time will become subject to the SBT from the time of the change in ownership. ▶ The restriction on carried forward tax losses also applies to part year losses in the year of the deal.
Austria	<ul style="list-style-type: none"> ▶ Trading tax losses incurred by Austrian resident companies may be carried forward indefinitely. ▶ The offset of loss carry-forwards against taxable income is limited to 75% of taxable income in a fiscal year. The remaining balance of the loss carry-forwards may be offset against income in future years, subject to the same 75% limitation. This limitation does not apply to certain types of profits (e.g., profits derived from the termination of a business or from an independent part of a business, or certain liquidation profits). ▶ Tax losses may not be carried back. ▶ A change in shareholders does not affect the use of loss carry-forwards, provided that no substantial change in the business and management of the company occurs (change of ownership rules). Special rules apply to losses of entities involved in reorganisations.
Belgium	<ul style="list-style-type: none"> ▶ Tax losses (both trading and capital losses) incurred by Belgium resident companies may be carried forward indefinitely to offset against future taxable profits. ▶ Tax losses may not be carried back. ▶ Tax losses may not be carried forward if a change in control occurs unless the change can be justified by legitimate financial or economic reasons.
China	<ul style="list-style-type: none"> ▶ Tax losses may be carried forward for a period of five years. ▶ Carry-back of tax losses is not permitted. ▶ Losses arising from the sale of equity interests are regarded as ordinary tax losses and are deductible in the year in which they are incurred. ▶ If a company with tax losses is transferred to another company, tax losses of the transferee company can be continuously used by it after the transfer. However, it is still subject to the above-mentioned five-year carry-forward period.
Czech Republic	<ul style="list-style-type: none"> ▶ Trading tax losses incurred in 2003 and earlier years may be carried forward for seven years to offset against taxable profits. Losses incurred thereafter may be carried forward for five years only. ▶ Loss relief may be restricted where there is a substantive change in direct ownership or control (generally changes relating to more than 25% of the share capital or voting rights, or changes leading to decisive influence of the owner), or upon restructuring (e.g., merger, de-merger). ▶ Losses cannot be carried back.

Country	Relief for losses
Denmark	<ul style="list-style-type: none"> ▶ Trading tax losses may be carried forward indefinitely to offset against future taxable profits. ▶ Tax losses may not be carried back. ▶ The amount of tax losses carried forward may be restricted if more than 50% of the shares or voting rights in a Danish company, held directly or indirectly, change ownership since the beginning of the income year in which the losses are incurred.
Finland	<ul style="list-style-type: none"> ▶ Trading tax losses may be carried forward for 10 years to offset against future taxable profits from the same source of income. ▶ Tax losses may not be carried back. ▶ If there is a change of ownership, directly or indirectly, involving more than 50% of a company's shares, losses being carried forward generally may not be deducted in the year the change of ownership occurs and in following years. The taxation authorities may, on application, grant an exemption to the change of control rules in which case the tax losses would be carried forward despite the ownership change.
France	<ul style="list-style-type: none"> ▶ Trading tax losses may be carried forward indefinitely subject to the condition that the company which incurred the losses does not substantially change its trade or tax status. ▶ In a tax consolidated group, tax losses incurred by tax consolidated entities during the tax consolidation period are definitively surrendered to the consolidating company. ▶ Losses may be carried back against profits derived during the previous three fiscal years.

Country	Relief for losses
Germany	<ul style="list-style-type: none"> ▶ Tax losses for CIT and trade tax purposes can be carried forward without limitation in time. There is, however, a limitation on the amount of tax losses brought forward which may be offset against current year profits. The first €1m of the taxable income can be fully offset with tax losses brought forward but the amount of the fiscal year's income exceeding €1m can only be offset up to 60% by tax losses brought forward (i.e., some profits may remain taxable). ▶ An optional loss carry-back of a maximum €0.5 million is allowed for CIT only (not trade tax). ▶ Under the change of ownership rules applicable from 2008 onwards the loss carry-forwards are (partly) no longer valid where more than 25% of the shares in the company are directly or indirectly transferred to an acquirer, a related party to the acquirer or a group of acquirers within a period of five years: <ul style="list-style-type: none"> ▶ On share transfers of more than 25% but not more than 50%, tax loss carry-forwards are lost on a pro-rata basis. ▶ On share transfers of more than 50%, the entire tax loss carry-forwards are lost. ▶ Currently an insolvency restructuring exemption applicable to ownership changes that take place after 31. December 2007 is under review by European Commission. Therefore the insolvency restructuring exemption is not applicable until the final decision of the Commission (this even applies if binding rulings have been granted before the current suspension of the rule). If the European Commission decides that the exception is compatible with the EU market losses carried forward of distressed companies may be preserved under certain conditions (applicable from FY 2008 onwards): <ul style="list-style-type: none"> ▶ The shares in the distressed company are acquired in order to prevent or resolve illiquidity or over-indebtedness of the distressed company and ▶ The essential business structure of the company is maintained which is deemed to be fulfilled if i.) a works council agreement is entered into or ii.) a minimum average sum of salaries is continued to be paid in the next five years or iii.) predominantly new assets are injected into the company. ▶ From 2010 onwards, a group restructuring exception and a built-in gain exception becomes effective allowing for a (partial) prevention of losses carried forward: <ul style="list-style-type: none"> ▶ Under the group restructuring exception, a transfer of shares is not detrimental under the change of control rules, if after a (direct or indirect) transfer of more than 25%/50% of the shares, 'the same person' still owns (directly or indirectly) 100% of the loss entity. ▶ Under the built-in gain exception, tax losses carried forward are preserved to the extent hidden reserves for tax purposes are available at the level of the company. It must be noted that this only applies to hidden reserves which are subject to taxation in Germany (i.e., hidden reserves in subsidiaries are not included since a gain is tax exempt in Germany).
Greece	<ul style="list-style-type: none"> ▶ Greek resident companies are entitled to carry forward trading tax losses, to offset future taxable profits, for 5 consecutive years following the year in which they are incurred. However, foreign sourced losses may only be used set off only against foreign sourced profits and they cannot be carried forward. ▶ Tax losses may not be carried back. ▶ The transfer of shares in a Greek société anonyme or limited liability company does not affect its right to carry forward losses.

Country	Relief for losses
Hungary	<ul style="list-style-type: none"> ▶ Tax losses incurred in 2004 and subsequent years may be carried forward indefinitely. The tax authority's approval for carrying forward losses is no longer required. However, losses can be carried forward only if the negative tax base was generated in compliance with the general anti-abuse rules. ▶ Losses cannot be used to offset the minimum tax (a minimum corporate tax that taxpayers may choose to pay on a voluntarily basis). ▶ Credit institutions and financial enterprises are able to carry forward tax losses from the 2009 tax year.
India	<ul style="list-style-type: none"> ▶ Broadly, any loss arising on a certain category of income may be offset against income from the same category, capital gains or income from another category. ▶ Broadly, business losses may be carried forward for eight years to be set off against taxable income derived from the business, provided the income tax return for the year in which the loss arose is filed within the due date for filing return. ▶ In the case of amalgamation / demerger (subject to fulfillment of the prescribed conditions), accumulated loss and unabsorbed depreciation of the amalgamating / demerged company is transferred to the amalgamated / surviving company. ▶ Brought forward tax losses (excluding depreciation) in the case of closely held companies may lapse if there is any change in the shareholding of that company beyond 49%. ▶ Where during any year the depreciation allowance cannot be utilised against income or gains of that year, then such unabsorbed depreciation shall be added to the depreciation for the following year. Such unabsorbed depreciation could be carried forward indefinitely to be set off against taxable income of subsequent years. ▶ Carry back of losses do not exist. ▶ Losses under the head 'capital gains' may not be set off against other income, but may be carried forward for eight years to be set off against any future capital gains with an exception in relation to long term capital losses. Long term capital losses may only be set off against long term capital gains only.
Ireland	<ul style="list-style-type: none"> ▶ Trading tax losses carried forward from prior years can be used to reduce the trading profits of the current period on a euro for euro basis. ▶ Current year trading tax losses can be carried back on a euro for euro basis against trading profits of the preceding period. ▶ Subject to restrictions, the general rule is that trading tax losses may be used to reduce non-trading income and chargeable gains in the current year or in the preceding year. Such losses are available on a value basis, i.e., €100 of trade losses required to shield €50 of non-trade income. ▶ Tax losses may be carried forward without time limit to offset against future taxable income from the same trade.

Country	Relief for losses
Italy	<ul style="list-style-type: none"> ▶ Trading tax losses may be carried forward for five years to offset against future taxable profits. Losses incurred in the first three tax years from the incorporation of a company may be carried forward indefinitely to the extent they relate to a new business activity. ▶ Tax losses may not be carried back. ▶ Taxable losses incurred in a period when the tax exemption regime is applicable will be limited accordingly. ▶ In case of mergers, specific conditions and equity thresholds must be met in order not to lose the right to carry forward losses of merged entities. ▶ Subject to exceptions, anti-avoidance rules restrict the amount of losses carried forward in cases where: <ul style="list-style-type: none"> ▶ The majority of the voting rights of the company concerned are transferred. ▶ There is a significant change to the nature or conduct of the trade in the financial year in which the transfer occurs, or in the two preceding or subsequent years.
Japan	<ul style="list-style-type: none"> ▶ Tax losses may be carried forward for seven years to offset future taxable profits. ▶ Unused tax losses may be assumed by a surviving company in a tax-qualified merger or by a shareholder in the liquidation of a wholly-owned subsidiary, subject to certain restrictions. ▶ The use of loss carry forward may be limited upon i.) a tax-free reorganisation with a group company within five years from the group formation (i.e., creation of over 50% relationship) or ii.) an ownership change followed by substantial change in the business within five years. ▶ Tax losses may be carried back one year. However, the loss carry-back is suspended in general for tax years ending from 1 April 1992 through 31 March 2012.
Luxembourg	<ul style="list-style-type: none"> ▶ Tax losses (whatever their origin) can be carried forward indefinitely to offset against future taxable profits. ▶ The use of carried forward losses may be limited where a corporation has been transferred, e.g., where the company's activities fundamentally change or there is deemed to be a liquidation for tax purposes. However a recent court case has suggested that even if the activity and the shareholders have changed, the company should still be allowed to carry forward losses. ▶ Losses cannot be carried back.
Netherlands	<ul style="list-style-type: none"> ▶ Tax losses may be carried back one year and carried forward for nine years to offset against taxable profits. ▶ For FY09 and FY10 tax losses, taxpayers have the option to elect a different system: three year carry-back and six year carry forward. The extended measure for carry back is limited to EUR 10 million loss carry back per year. ▶ Grandfathering rules are in place whereby existing losses available as at 1 January 2007 and incurred in 2002 or earlier, are effectively available for carry forward until 2011. ▶ Anti-abuse rules apply to prevent the offset of tax losses by holding/financing companies with profits generated by non holding/non financing activities. ▶ Anti-abuse rules apply to prevent the trade in shares of companies that have loss carry-forwards available. In principle, loss carry forward will no longer be available to offset future profits, if the ultimate shareholders in a company have substantially – i.e., 30% or more – changed in comparison to the beginning of the year in which the company incurred the loss, although exceptions apply.

Country	Relief for losses
Norway	<ul style="list-style-type: none"> ▶ Tax losses may be carried forward indefinitely to offset against future taxable profits ▶ Carry back is only possible where a business is terminated and losses may only be offset against taxable profits in the preceding two years ▶ As part of the enacted stimuli package, Norwegian companies can carry back losses for fiscal years 2008 and/or 2009 and offset such losses against taxable income in the two preceding years. 2009 tax losses can be carried back and be offset against income in fiscal years 2007 and 2008. The carry back losses for each year is limited to 20 MNOK.
Poland	<ul style="list-style-type: none"> ▶ Tax losses derived from trading may be carried forward for five consecutive years following the year in which they were incurred to offset profits from all sources that are derived in those years. Up to 50% of the tax losses occurred in any tax year may offset profits in any of the following five tax years. ▶ Tax losses may not be carried back. ▶ Tax losses of enterprises that are being transformed, merged, taken over, or divided may not be carried forward. In the case of mergers, tax losses of the surviving entity may be utilised post-merger subject to anti-avoidance regulations. Changing shareholders should not impact the ability to utilise tax losses carried forward.
Portugal	<ul style="list-style-type: none"> ▶ Trading tax losses may be carried forward for six years to offset against future taxable profits. ▶ Trading tax losses which arise from January 2010 onwards may be carried forward up to four years and offset against future taxable profits. ▶ Tax losses cannot be carried back. ▶ If there is a change in the business purpose, a significant change to the nature or conduct of the trade, or a change of 50% or more in the capital (or voting rights), any tax losses existing at the time of the change may not be carried forward. However, it may be possible to obtain a waiver on this restriction if a petition is successfully filed to the Minister of Finance before the change occurs.
Russia	<ul style="list-style-type: none"> ▶ Tax losses may be carried forward for ten years to offset against future taxable profits. ▶ Tax losses cannot be carried back. ▶ There are no change of control provisions in Russia. ▶ As noted in the Tax consolidation section below, there is no tax consolidation in Russia and, as a result, any losses which arise are only available to the company in which they arise.
South Africa	<ul style="list-style-type: none"> ▶ Subject to specific anti-avoidance rules, trading tax losses incurred by South African resident companies may be carried forward indefinitely to offset against future taxable profits, provided that the company is carrying on a trade.

Country	Relief for losses
Spain	<ul style="list-style-type: none"> ▶ Tax losses may be carried forward and offset against future taxable income for a period of 15 tax years. For newly established enterprises, the 15 year period begins in their first profitable year for tax purposes. ▶ Tax losses may not be carried back. ▶ If a company with tax losses has not been active in the six months prior to being acquired by another company, and the transaction is not carried out for tax avoidance purposes (e.g., purchase of companies for losses with no genuine commercial reasons), the amount of tax losses available to carry forward will need to be reduced in proportion by the difference in shareholders' contributions, corresponding to the interest acquired at its accounting value and the acquisition price.
Sweden	<ul style="list-style-type: none"> ▶ Trading tax losses can be carried forward indefinitely to offset against future taxable profits. ▶ Losses may not be carried back. Losses exceeding 200% of the purchase price could be discontinued when a company is subject to a change of control. ▶ Use of remaining losses in an acquired company through a group contribution may in certain circumstances be restricted for a period of five years, starting in the year following the year of the change in control.
Switzerland	<ul style="list-style-type: none"> ▶ Tax losses may be carried forward generally for seven years to offset against future taxable profits. ▶ Tax losses may not be carried back. ▶ Losses incurred by a foreign permanent establishment are deductible from taxable income. However, if a foreign permanent establishment of a Swiss company realises profits in the seven years following the year of a loss and if the permanent establishment can offset the loss against such profits in the foreign jurisdiction, the Swiss company must add back the amount of losses offset in the country of the permanent establishment to its Swiss taxable income. ▶ A change in ownership does not affect the loss carry forwards, except in the case of the transfer of a shell company.
Turkey	<ul style="list-style-type: none"> ▶ Tax losses may be carried forward for five years. An order of priority applies for the use of losses and exemptions to offset against taxable income for the year, being i.) exemptions; and then ii.) prior year losses. ▶ Tax losses cannot be carried back. ▶ Resident companies may deduct losses incurred in business activities performed abroad if foreign losses are approved by auditors authorised under the laws of the relevant jurisdiction. Foreign losses may not be deducted if income arising from the foreign activity would have been exempt from corporation tax in Turkey.

Country**Relief for losses****UK**

- ▶ Trading losses remain with the company and can be carried forward indefinitely for utilisation against the first available profits of the same trade.
- ▶ Trading losses may be utilised in the current year, against any other profits made.
- ▶ Trading losses may also be carried back to shelter the profits arising in the previous year. For accounting periods ending between 24 November 2008 and 23 November 2010, companies may carry losses back three years rather than the usual 12 month period. However, there is a £50,000 limit on the amount available for carry back to the two 'extra' years.
- ▶ Trading losses brought forward by companies are not available for set off against future trading profits where there has been a change in ownership and either:
 - ▶ A major change in the nature or conduct of the company's trade at any time within the three year period before or after the change in ownership.
 - ▶ A revival of a negligible trade following a change in ownership.

Relief for non trading losses may be claimed against the total profits arising in the company during the relevant accounting period. Such relief is available after relief has been taken for trading losses brought forward, but before relief is given for current year/carried back trading and UK property business losses.

- ▶ Non trading losses may be carried back to shelter the non trading profits arising in the 12 months prior to the period to which the losses relate.
- ▶ Non trading losses may be brought forward against future profits non-trading profits i.e., all profits except those classified as trading.
- ▶ Non trading losses brought forward by companies are not available for set off against future non trading profits where there has been a change in ownership and either:
 - ▶ (for investment companies) a significant increase in the amount of the company's capital (subject to specific and complex regulations); or
 - ▶ within the period of six years beginning three years before the change in ownership there is a major change in the nature or conduct of the business carried on by the company; or
 - ▶ the change in ownership occurs at any time after the scale of the activities in the business carried on by the company has become small or negligible and before any significant revival of the business.

Country	Relief for losses
United States	<ul style="list-style-type: none"> <li data-bbox="434 272 2092 400">▶ If allowable deductions of a US corporation or branch of a foreign corporation exceed its gross income, the excess is a net operating loss (NOL). In general, NOLs may be carried back two years and forward 20 years to offset taxable income in those years. However, any NOL carry forward may only reduce up to 90% of Alternative Minimum Taxable Income (AMTI), (the 'Alternative Minimum Tax Rules) with the remaining 10% of AMTI taxed at a 20% rate. <li data-bbox="434 400 2092 528">▶ The American Reinvestment and Recovery Act of 2009 and the Worker, Homeownership and Business Assistance Act of 2009, extended the carry-back period from two years to five years for most companies for certain 2008 and 2009 net operating losses. Special rules apply with respect to the 90% NOL limitation for Alternative Minimum Tax purposes, for life insurance companies and for certain 'eligible small business'. <li data-bbox="434 528 1778 564">▶ Also, limitations may apply to an NOL carry-back for certain corporate equity reduction transactions (CERT).³⁹ <li data-bbox="434 564 2092 724">▶ There are substantial limitations applicable to the use of the NOL carry forwards where there is a change in ownership of a loss corporation. After an ownership change, the amount of taxable income that a corporation may offset each year by pre-acquisition NOL carry forwards is subject to an annual limitation (the 'Section 382 Limitation). The Section 382 Limitation is generally determined by multiplying the value of the equity of the corporation immediately prior to the ownership change by the federal long-term tax-exempt rate in effect on the date of the change.⁴⁰ Any unused limitation may be carried forward and added to the next year's limitation. <li data-bbox="434 724 2092 855">▶ An ownership change is deemed to occur if after any owner shift involving a 5% shareholder, or an equity structure shift, the percentage of stock of a loss corporation owned by one or more 5% shareholder increases by more than 50 percentage points over the lowest percentage of stock in the corporation owned by such shareholders during the testing period, which is generally the three prior years. The percentage of stock held by a shareholder is determined on the basis of the stock's fair market value.

³⁹ Generally, a company may not carry back losses attributable to interest deductions allocable to a CERT. A CERT is defined as either i.) a major stock acquisition or ii.) an excess distribution. A 'major stock acquisition' is the acquisition by a corporation of stock in another corporation representing 50% or more by vote or value, of such corporation's stock. An 'excess distribution' exists when the aggregate distributions (including redemptions) made by a corporation during its tax year exceed either (a) 150% of the average of such corporation's distributions for the three years immediately preceding the tax year, or (b) 10% of the fair market value of the stock of such corporation as of the beginning of such tax year.

⁴⁰ Generally, the Section 382 Limitation may be decreased by the recognition of any build-in losses and increased by the recognition of build-in gains, provided such build-in gains or losses are recognised in the five year period following the ownership change.

Section 5

Tax consolidation

Tax consolidation

Country	Tax consolidation
Australia	<ul style="list-style-type: none"> ▶ Parents and their 100% owned subsidiaries are able to consolidate for income tax purposes. ▶ The consolidation regime applies to wholly-owned groups of Australian resident entities that choose to form a consolidated group for income tax purposes. It does not apply for other taxes such as Fringe Benefits Tax (FBT) or GST. ▶ Once a choice to consolidate is made it is irrevocable and is mandatory for all wholly-owned Australian entities in the group. ▶ The consolidation regime applies not only to companies but also to certain other qualifying entities such as some trusts and partnerships. ▶ There are specific rules which apply to resident wholly-owned subsidiaries of foreign holding companies where there are multiple entry points into Australia (MEC groups). The MEC group rules extend the ability to consolidate beyond groups that have a single resident Australian holding company, enabling these groups to work out their income tax liability as though they are a single entity. ▶ Upon joining a tax consolidated group the losses of the subsidiary members are transferred to the head company (subject to loss recoupment tests). The future use of those losses may be restricted by an availability fraction determined by the relative market values of the companies concerned.
Austria	<ul style="list-style-type: none"> ▶ Parent and subsidiaries are able to consolidate their taxable income (group taxation). The group parent company must hold (either directly or indirectly) more than 50% of the capital and voting rights in the subsidiary. Alternatively, a joint holding is possible under certain circumstances. ▶ Partnerships do not qualify as group members. ▶ 100% of the taxable profit or loss of Austrian group members may be consolidated to the parent's taxable income. ▶ Tax losses from foreign group members can be consolidated in proportion to the shareholding, but profits are generally not consolidated. Substantial changes of the business of foreign group members may result in a claw-back of losses utilised in Austria.
Belgium	<ul style="list-style-type: none"> ▶ In the absence of tax consolidation and group relief rules in Belgium, loss making and profit making group companies cannot be easily combined for tax purposes. ▶ Each legal entity is taxed separately.
China	<ul style="list-style-type: none"> ▶ In general, tax consolidation of group companies is not available and companies must file separate tax returns, unless specifically approved by government authorities. ▶ Tax resident enterprises shall adopt combined filing for units (branches and establishments without legal person status) operating in different areas of China to calculate the annual income tax. ▶ With approvals of relevant tax authorities, non-resident enterprises which have two or more establishments in China may select a main establishment to file a consolidated tax return.
Czech Republic	<ul style="list-style-type: none"> ▶ Tax consolidation or group relief is not available.

Country	Tax consolidation
Denmark	<ul style="list-style-type: none"> ▶ Danish group companies are subject to mandatory tax consolidation. ▶ Tax losses of a group company may be set off against the taxable income of another group company. ▶ One company in the consolidated group is chosen to pay the corporate tax due, which is known as the 'administration company'. In general, it is the ultimate Danish parent company which will be appointed as the administration company. However if the Group has no ultimate Danish parent company, one of the Group's Danish sister companies should be appointed as the administration company. ▶ Income and losses of all the companies in the consolidated group must be included in the administration company's taxable income. The administration company pays corporate tax on its net taxable income.
Finland	<ul style="list-style-type: none"> ▶ Group contributions are allowed for limited liability companies. Group contributions are tax deductible for the payer and included in the income of the recipient. By transferring these contributions, income can effectively be allocated among group companies. ▶ To qualify, both companies must among other conditions be resident in Finland, and both companies have to be part of the same group (at least 90% ownership required) from the beginning of the fiscal year. In addition, the financial years of both companies have to end at the same date.
France	<ul style="list-style-type: none"> ▶ Entities subject to French corporate tax may elect to form a tax consolidation group. Such a group would include the French subsidiaries in which the French parent or the French permanent establishment of a foreign parent has a shareholding of at least 95% and for which the parent or the French permanent establishment of a foreign parent has elected to form a tax consolidation group. French subsidiaries held through an EU interposed subsidiary could also qualify for the French tax consolidation group subject to conditions. ▶ Losses incurred by group companies during their tax consolidation period may be relieved against profits derived by other group companies. Losses incurred by a tax consolidated subsidiary prior to joining a tax consolidation group may still be used during the tax consolidation but only on a stand-alone basis, i.e., these losses can only be used in the same entity against future taxable profits.
Germany	<ul style="list-style-type: none"> ▶ Consolidated tax returns can be filed for a German group of companies (which all have a place of management in Germany) for which a fiscal unity (Organschaft) is established. A fiscal unity allows an offsetting of losses of group companies with profits of other group companies. ▶ The requirements for a fiscal unity for corporate income tax and trade tax are: <ul style="list-style-type: none"> ▶ Financial integration – from the beginning of the fiscal year of the controlled company, the parent company must hold the majority of the voting rights ▶ A profit and loss absorption agreement for a minimum period of five years (unless justifiable cause for early termination) and the profits and losses must actually be transferred to the parent of a fiscal unity. Otherwise the fiscal unity is disregarded retroactively. The profit and loss absorption agreement is registered with the Commercial Register by the end of the fiscal year for which it should become effective ▶ Where the parent of the fiscal unity is a partnership, it must carry on minimum trade activities. Otherwise it would not be recognised as the parent (i.e., a holding company).
Greece	<ul style="list-style-type: none"> ▶ Tax consolidation is not possible under the Greek tax law. Tax losses of one group company may not be offset against the profits of another group company.
Hungary	<ul style="list-style-type: none"> ▶ Under Hungarian tax laws, tax consolidation is only possible for VAT purposes.

Country	Tax consolidation
India	<ul style="list-style-type: none"> ▶ The income tax law does not provide for the consolidation of income or common assessment of groups of companies. Each company, including a wholly owned subsidiary, is assessed separately.
Ireland	<ul style="list-style-type: none"> ▶ Ireland operates a group tax relief system. Tax relief is available to a group of companies that meet the following requirements: <ul style="list-style-type: none"> ▶ The group companies have a minimum share relationship of 75%; and ▶ The parent company is entitled to 75% of distributable profits and 75% of assets available for distribution on a winding up. ▶ Such companies may transfer surplus tax losses and excess charges on income to other Irish companies or branches within the EU tax group. ▶ A group exists where the companies in the group are resident in the EU or in an EEA member country with which Ireland has entered into a tax treaty. ▶ Finance Act 2007 introduced legislation to comply with a ruling of the ECJ on foreign losses in the Marks & Spencer case. The legislation allows trading losses of a subsidiary resident in an EU Member State to be offset against the taxable income of an Irish parent company where all possibilities for relief for those losses in the Member State of the subsidiary have been exhausted and where the loss is not available for offset against profits in another member state.
Italy	<ul style="list-style-type: none"> ▶ Italian tax laws provide for a domestic consolidation system. ▶ To qualify for the consolidation, over 50% of the voting rights of each subsidiary must be owned, directly or indirectly, by a common Italian parent company. ▶ The tax consolidation includes 100% of the subsidiaries' taxable profits and tax losses. ▶ Net interest expenses which are not deductible, i.e., these expenses which exceed the threshold of 30% of the EBITDA (see TP/thin capitalisation section) may be transferred among companies within the tax consolidation group.
Japan	<ul style="list-style-type: none"> ▶ A domestic parent corporation and all of its wholly-owned domestic subsidiaries may elect a tax consolidation by applying to the National Tax Agency (NTA) three months prior to the commencement of the first consolidated year. ▶ Consolidated subsidiaries are subject to the mark-to-market method for certain assets before entering the tax consolidated group unless certain conditions are met (e.g., a wholly owned subsidiary for the five- year period prior to the formation of the tax consolidated group). ▶ Profits and losses in the current year are offset within the tax consolidated group, and the net losses of the group may be carried forward for seven years. ▶ Tax losses of the parent company prior to the formation of the tax consolidation can be used to offset profits of the group. From 2010 onwards, tax losses incurred by a consolidated subsidiary meeting certain requirements prior to joining the tax consolidated group are allowed to be used during the tax consolidation but only on a stand-alone basis.

Country	Tax consolidation
Luxembourg	<ul style="list-style-type: none"> ▶ The head entity of the fiscal group can combine its tax result with the tax results of its affiliated subsidiaries for Corporate Income Tax (CIT) and Municipal Business Tax (MBT) purposes provided the following conditions are satisfied: ▶ The head entity of the fiscal group must be either a Luxembourg corporation fully subject to CIT, or a permanent establishment of a foreign corporation fully subject to a tax comparable to Luxembourg CIT: <ul style="list-style-type: none"> ▶ The subsidiaries must be Luxembourg corporations fully subject to CIT; ▶ The head entity must hold directly or indirectly 95% (or 75% in exceptional cases) of the share capital of the subsidiaries since the beginning of the financial year; and ▶ The option of tax consolidation must be maintained for at least five consecutive years so that if the conditions of the tax consolidation are not met during the entire period, the tax benefits are clawed back. ▶ The tax consolidation rules also allow consolidation between a Luxembourg parent company and its indirectly held Luxembourg subsidiary through a non-resident qualifying company. A non-resident qualifying company must be one which is subject to a similar tax regime to Luxembourg (minimum rate of 10.5%).
Netherlands	<ul style="list-style-type: none"> ▶ Subject to certain conditions, a taxpayer (parent company) may form a fiscal unity with another taxpayer (subsidiary). As a consequence, the companies involved can file a consolidated tax return for corporate income tax purposes. ▶ Conditions to be met include: <ul style="list-style-type: none"> ▶ The parent company owns at least 95% of the beneficial and legal ownership of the shares in the subsidiary; ▶ The taxpayers have matching financial years and are subject to the same tax regime; ▶ Both taxpayers have their tax residence in the Netherlands; ▶ The parent company takes the form of an NV, a BV, a co-operative or mutual insurance company. A Dutch permanent establishment of a foreign entity can also be the parent company of a fiscal unity; ▶ The subsidiary takes the form of an NV or a BV. A Dutch permanent establishment of a foreign entity can also be regarded as a subsidiary of a fiscal unity.
Norway	<ul style="list-style-type: none"> ▶ Norwegian group companies cannot use consolidated income statements as basis for taxation. However, income may be transferred between Norwegian group companies through 'group contributions', provided that certain requirements are met, thus enabling intra-group utilisation of losses. ▶ The surrenderer and the claimant of a group contribution must both be Norwegian companies; the parent company must own more than 90% of the shares in the subsidiary and have an equivalent part of the votes at the general assembly. Norwegian branches of foreign companies may also qualify under the group contribution regime provided that the foreign company is resident within the EEA (or in a country with which Norway has an established tax treaty which contains a non-discrimination provision prohibiting discrimination against Norwegian branches of foreign companies). ▶ The group contribution is tax deductible for the granting company and must be entered as taxable income in the receiving company.

Country	Tax consolidation
Poland	<ul style="list-style-type: none"> ▶ Groups of related Polish resident companies may report combined taxable income or losses and make one combined tax payment for all companies belonging to the group. To qualify as a tax group, the following conditions must be satisfied: <ul style="list-style-type: none"> ▶ The parent company in the tax group must directly own 95% of the shares of the subsidiary companies (average share capital must be at least zł1 million). ▶ The tax group must remain in existence for at least three years. ▶ Average profitability of the group companies in each tax year must amount to at least 3% of the gross revenues of the group companies. ▶ The members of the group may not benefit from any tax exemptions with respect to corporate tax. ▶ The members of the group may not perform transactions with related parties outside the group which would be against the Polish transfer pricing regulations. ▶ The agreement on formation of the group must be executed in the notary deed and registered by the tax office.
Portugal	<ul style="list-style-type: none"> ▶ Resident companies within a group may elect to be taxed on their consolidated taxable profits. Key conditions required for tax consolidation include the following: <ul style="list-style-type: none"> ▶ The parent company must hold, directly or indirectly, at least 90% of the subsidiaries' registered capital and at least 50% of their voting rights; ▶ All companies in the group must have their head office and effective place of management in Portugal; ▶ All companies in the group must have the same tax year and the consolidated profit must be taxed at the highest rate of income tax. ▶ Consolidated tax losses may be offset against consolidated taxable profits only within the consolidated group. The consolidated taxable profits equal the sum of the group companies' taxable profits or losses, as shown in each of the respective tax returns, adjusted for dividends distributed between group companies that are included in the tax bases of the individual companies.
Russia	<ul style="list-style-type: none"> ▶ No tax consolidation available in Russia.
South Africa	<ul style="list-style-type: none"> ▶ There is no fiscal unity or tax consolidation in South Africa. ▶ Under the South African group relief rules, subject to the fulfilment of certain requirements, it is possible to transfer assets between companies within the same 'group of companies' in a tax neutral manner.
Spain	<ul style="list-style-type: none"> ▶ A group of companies may file a consolidated tax return by election to the tax authorities. For tax purposes, a group of companies include corporations resident in Spain that are controlled by a parent corporation which is resident in Spain and that is not controlled by another Spanish-resident company . ▶ Consolidated tax losses may be offset against consolidated taxable profits only within a consolidated tax group.
Sweden	<ul style="list-style-type: none"> ▶ If a company holds more than 90% of the voting rights (shares) in another company for the entire fiscal year, these companies can offset taxable profits and tax losses between each other by making group contributions of tax deductibles or taxable income to each other (subject to sufficient distributable reserves). Group contributions can also be made in cases of indirect ownership (e.g., parent to subsidiary or between two sister companies with the same parent), if the above prerequisites are fulfilled.
Switzerland	<ul style="list-style-type: none"> ▶ There is no fiscal unity or tax consolidation under Swiss tax law for corporation income tax purpose. Each corporation is treated as a separate taxpayer and files its own return.

Country	Tax consolidation
Turkey	<ul style="list-style-type: none"> ▶ There are no provisions for group relief or tax consolidation. Each company is treated as a separate legal entity under the Turkish Tax Legislation.
UK	<ul style="list-style-type: none"> ▶ There is no fiscal unity or tax consolidation in the UK. ▶ Instead under the UK group relief rules, subject to certain conditions being met, it is possible to surrender current year losses between members of a 75% group. ▶ There are also provisions for current year losses to be surrendered in a consortium. Broadly a consortium exists where a company (the consortium company) is at least 75% owned by companies which each owns between 5% and 75%. The consortium company must be a UK trading company (or overseas company trading in the UK through a permanent establishment) or the holding company of such a company. Losses can be transferred to or from the consortium company by the consortium members based on the shareholding of the consortium member in the consortium company.
United States	<ul style="list-style-type: none"> ▶ An affiliated group of US corporations may elect to determine its US federal income tax liability on a consolidated basis.⁴¹ An affiliated group generally consists of a US parent corporation and US subsidiary corporations connected through 80% or more common ownership. Ownership is determined by both vote and value. Generally, non-voting and nonconvertible preferred stock is not counted. ▶ Generally, the filing of a consolidated return allows a group of affiliated corporations to report income and deductions on an aggregate basis. As a result, taxable losses from one member may, with certain limitations, be used to offset taxable income from other members of the consolidated group. In addition, gain or loss recognised on transactions between members of a consolidated group is generally deferred until one of the members which were a party to such a transaction leaves the group.

⁴¹ Not all states follow the consolidated return rules.

Section 6

**Transfer pricing/
thin capitalisation**

Transfer pricing/thin capitalisation

Country	Transfer pricing/thin capitalisation
Australia	<ul style="list-style-type: none"> ▶ There is no requirement that international related party transactions actually take place at an arm's length price. However, if the price is not arm's length, the Commissioner may deem an arm's length price to have been paid for income tax purposes. ▶ Thin capitalisation restrictions operate for companies that are either 50% owned from offshore or have offshore operations of greater than 10% of asset value. ▶ The thin capitalisation limit is the greater of 75% of assets (effectively a 3:1 debt to equity ratio) or the amount that a financier would be prepared to loan on commercial terms based purely on the credit and assets of the Australian operations. ▶ If the company is subject to thin capitalisation limits only because it has offshore subsidiaries, Australian debt may be 110% of its worldwide gearing ratio. ▶ For financial institutions, the ratio is effectively 20:1 with further concessions around securitisation programs.
Austria	<ul style="list-style-type: none"> ▶ All transactions between related parties must be conducted on an arm's length basis. If not, the transaction price will be adjusted by the tax authorities for corporate income tax purposes. ▶ Austrian tax laws do not provide specific debt-to-equity rules. However, the tax authorities may reclassify loans granted by shareholders, group companies, or by third parties guaranteed by group companies as equity. ▶ If a loan is reclassified, interest is not deductible for tax purposes and withholding tax on hidden profit distribution may become due. Capital duty of 1% of the loan amount would be triggered if the reclassified loan was granted by a parent or a sister company to its direct subsidiary or direct sister, respectively.

Country	Transfer pricing/thin capitalisation
Belgium	<ul style="list-style-type: none"> ▶ The Belgian Income Tax Code (ITC) contains three anti-avoidance provisions that relate to specific aspects of transfer pricing: <ul style="list-style-type: none"> ▶ All 'abnormal or gratuitous advantages' granted by a Belgian enterprise are added to the taxable income of the Belgian enterprise, unless the advantages are included in the Belgian taxable income of the recipient. ▶ Tax losses and some other deductions cannot be used to offset against any abnormal or gratuitous advantages received by a Belgian enterprise, i.e., this may mean that the amount of such advantages received forms the minimum tax base for the enterprise. ▶ All intra-group dealings should be measured against the arm's length standard and reciprocal corrections can be agreed in a ruling with the tax authorities. ▶ In addition, the Belgian ITC contains anti-avoidance provisions concerning royalties, interest on loans and the transfer of certain types of assets. Under these provisions, the tax payer must demonstrate the bona fide nature of the transaction. ▶ No debt-to-equity limitation applies in general. However, a 7:1 ratio is recommended in practice. ▶ It is possible to claim a notional interest deduction on 'risk capital' which is deducted from the tax base for all Belgian companies and Belgian branches of foreign companies. The notional interest deduction is computed by multiplying the 'risk capital' by the preceding year's average 10-year Government bond rate. This deduction can be carried forward for seven years and is offset against taxable profits first before claiming a deduction for carried forward losses. ▶ 'Risk capital' equals total equity, including retained earnings and accumulated reserves, stated in the non-consolidated opening balance sheet of the tax year, subject to other exclusions. The applicable rate for FY10 is 3.8%.

Country	Transfer pricing/thin capitalisation
China	<ul style="list-style-type: none"> ▶ Transfer pricing <ul style="list-style-type: none"> ▶ All transactions between related parties must be conducted on an arm's length basis. If not, tax authorities are empowered to make reasonable adjustments. ▶ China recognises the concept of cost-sharing arrangement. Taxpayers may apply for Advance Pricing Agreements in the People's Republic of China (PRC). ▶ PRC companies are required to disclose related-party transactions in the annual corporate income tax filings. In addition, PRC companies should prepare contemporaneous TP Documentation by 31 May subsequent to the end of each tax year unless certain conditions have been met: ▶ Companies undertaking cost sharing arrangements should also prepare TP Documentation. ▶ TP Documentation should be maintained for 10 years starting from 1 June of the following year when the related-party transactions take place. ▶ Thin capitalisation rules: China has two sets of debt-to-equity requirements for business and tax purposes. ▶ For Foreign Investment Enterprises (FIE) in the PRC, the following debt-to-equity ratios are applicable for the purpose of obtaining foreign-currency loans from foreign parties (including foreign related parties) and meeting corporate law requirements: <ul style="list-style-type: none"> ▶ For investment projects below US\$3 million, the capital contribution must equal or exceed 70% of the total investment. ▶ For investment projects of US\$3 million to US\$10 million, the capital contribution must equal or exceed 50% of the total investment, but not less than US\$2.1 million. ▶ For investment projects of US\$10 million to US\$30 million, the capital contribution must equal or exceed 40% of the total investment, but not less than US\$5 million. ▶ For investment projects in excess of US\$30 million, the capital contribution must equal or exceed 33.3% of the total investment, but not less than US\$12 million. ▶ For tax purposes, subject to certain exceptions, generally the debt-to-equity ratio for financial institutions is 5:1 and the ratio for non-financial institutions is 2:1. Interest incurred for loans from related parties in excess of the above ratios shall not be tax deductible in the current period or in the future.

Country	Transfer pricing/thin capitalisation
Czech Republic	<ul style="list-style-type: none"> ▶ Transfer pricing – Czech tax law includes transfer pricing provisions similar to the rules applicable in the OECD tax systems. Fair market prices must be used in transactions between related parties (e.g., two companies that are 25% owned, managed or controlled directly or indirectly by the same person) unless documented justification exists for a variance from the market price (arm's length' principle). Advanced Pricing Agreements can be applied as of 2006. ▶ There are no legally binding requirements for transfer pricing documentation; however if the transfer prices are challenged by the tax authorities, the taxpayer is usually asked to substantiate the arm's length level of prices. There is a non-binding directive regarding the recommended content of the TP documentation generally corresponding to OECD guidelines. ▶ Thin capitalisation – Simplistically, financial expenses related to loan agreements are subject to the following tests (the term 'financial expenses' is defined as interest and related expenses, including arrangement, intermediation and guarantee fees): <ul style="list-style-type: none"> ▶ Loans linked to profit – financial expenses will be non tax-deductible where the amount of interest, yield or maturity is entirely or partly derived from the taxpayer's profit. ▶ Thin capitalisation for loans from related parties – financial expenses on loans received from related parties is deductible only up to a debt to equity ratio of 6:1 for banks or insurance companies, and 4:1 for other debtors. Back-to-back scenarios are considered related party loans.
Denmark	<ul style="list-style-type: none"> ▶ Interest paid by a Danish company to a foreign group company is not deductible to the extent that the Danish company's debt-to-equity ratio exceeds 4:1. Debt and equity are assessed at their market values at the year end. ▶ Tax relief on interest expenses which relate to 'controlled debt' will be denied if the debt to equity ratio is in excess of 4:1. Debt is considered to be controlled if the Danish shareholder directly or indirectly owns more than 50% of the shares or voting rights. Only the interest expense (and capital losses), related to the part of the controlled debt that needs to be reclassified into equity in order to meet the 4:1 ratio, is non-deductible. ▶ The limited deductibility rule also applies to third-party debt if the third-party receives guarantees from affiliated group companies. ▶ If a Danish company has net financial expenses of more than DKK 21.3 million (year 2010) after restriction in accordance with Danish thin capitalisation rules, it must be assessed whether the Danish company's net financial expenses exceed the interest ceiling on the basis of the taxable value of the company's assets at the end of the income year (interest ceiling rule). ▶ In contrast to the Danish rules on thin capitalisation, the restrictions on deductibility under the interest ceiling rule cover all debt, including debt to independent creditors. ▶ The taxable income before net financial expenses (EBIT) may, as a maximum, be reduced by 80%. Net financial expenses exceeding 80% of the company's EBIT will not be deductible under Danish tax rules (EBIT rule). ▶ Transfer pricing documentation requirements apply.

Country	Transfer pricing/thin capitalisation
Finland	<ul style="list-style-type: none"> ▶ The Finnish domestic tax law does not currently have any specific thin capitalisation provisions, which also means there are no precise rules on the maximum debt-to-equity ratio. Thus, interest determined on an arm's length basis is normally fully deductible. ▶ However, the Finnish Ministry of Finance is currently investigating whether thin capitalisation and the resulting risk of loss of tax revenue would require a legislative action. ▶ All transactions with related parties must be conducted on an arm's length basis. If not, the transaction price will be adjusted by the tax authorities for corporate income tax purposes. ▶ Transfer pricing documentation requirements have to be satisfied for companies or groups meeting certain criteria. Failure to comply can result in a fine of up to €25,000 for each taxable entity and for each failure.
France	<ul style="list-style-type: none"> ▶ For domestic transactions, French tax law does not provide specific transfer pricing rules and instead contains a general provision requiring that all related party transactions are at arm's length. ▶ For cross-border transactions, French tax law provides for i.) specific transfer pricing rules and ii.) an anti-abuse provision, whereby profits which are indirectly transferred by a company which is subject to corporation tax in France to a related party established abroad or to an entity established in a 'fiscally-privileged' country through transfer prices or by any other means, are reinstated in the taxable income of that company. <ul style="list-style-type: none"> ▶ As from 2010, specific anti-avoidance provisions have been introduced in French tax law applicable to Non-cooperative States or Territories (included in a list officially published which will be updated annually). Non-cooperative States or Territories namely include States or Territories that have concluded a tax information exchange agreement with France. When paid to a Non-cooperative State or Territory, dividends, interest flows or service fees are subject to an increased tax burden (e.g. no possibility to benefit from the parent exemption regime on dividends and capital gains realised by the French taxpayer, restrictions on the tax deductibility of interest expense, application of an increase 50% WHT). ▶ As from FYs commencing on or after 1 January 2010, upon request of the tax authorities, large enterprises will be required to provide a formal and compulsory transfer pricing set of documentation in connection with cross-border transactions with non-resident related parties. ▶ Interest incurred by French companies on loans from related parties⁴² is deductible on an accruals basis to the extent that: <ul style="list-style-type: none"> ▶ The share capital of the borrowing company has been fully paid for. ▶ The interest rate charged by related party lenders does not exceed: <ul style="list-style-type: none"> ▶ The average annual interest rate on loans granted by financial institutions, set annually by the French Tax Authorities. ▶ A rate considered to be a market rate (the possibility to refer to a market rate is subject to the condition that the lender is controlled directly or indirectly by the same ultimate shareholder than the borrower).

⁴² It should be noted that there were suggestions that the French Finance Bill for 2011 might provide that third party loan guarantees by related parties will fall under the French thin capitalisation rules.

Country	Transfer pricing/thin capitalisation
	<ul style="list-style-type: none"> ▶ The amount of interest that meets the above Arm's Length Test (ALT) also meets at least one of the three thin capitalisation tests (Thin Cap Test) below: <ul style="list-style-type: none"> ▶ The debt to equity ratio of the borrowing company does not exceed the percentage calculated as the amount of interest satisfying the ALT x 150% of the net equity (on the opening or closing date of the financial year at the option of the company), divided by the average indebtedness of the French borrowing company from related companies; or ▶ Related party interest does not exceed 25% of adjusted operating profits of the year, (i.e., earnings before income tax, related party interest, amortisation, depreciation, and specific lease payments) ▶ Interest due to related parties does not exceed interest received from related parties. ▶ The portion of the interest that exceeds the highest of the above three tests is not immediately tax deductible but can be carried-forward indefinitely and offset against tax profits under certain conditions. The amount of interest carry forward is discounted each year by 5%. ▶ Safe harbour rule: the Thin Cap Test simply establishes a presumption of thin capitalisation that can be rebutted by evidencing that the thinly-capitalised company's indebtedness, (i.e., related party and bank debt) does not exceed the average level of total indebtedness (debt to equity ratio) of the group, (i.e., French and foreign entities consolidated, for accounting purposes, in accordance with the accounting standards). <ul style="list-style-type: none"> ▶ The excess interest is surrendered to the head of the tax consolidation group which may carry forward the excess interest and deduct it from the tax consolidated result according to a specific Thin Cap Test.
Germany	<ul style="list-style-type: none"> ▶ All transactions between related parties must be conducted according to the arm's length principle. Otherwise the transaction price may be adjusted by the tax authorities for tax purposes. ▶ For FY08 onwards, interest paid by a German corporation, which is a member of a group, is subject to the 'Interest Limitation Rule'. ▶ Interest expenses are tax deductible up to the amount of interest income received. The exceeding interest expenses (so called 'net interest expenses') will only be deductible up to the amount which equals 30% of the taxable EBITDA. ▶ A <i>de-minimis</i> rule applies if the net interest expenses do not exceed €3m per fiscal year. ▶ A deduction of all interest expenses is allowed if the 'Escape Clause' applies. This is the case if, broadly, the equity ratio of the German business in its IFRS balance sheet of the previous financial year does not fall short by more than 2% (FY 08 and FY 09 1%) of the worldwide equity ratio in its consolidated group IFRS balance sheet of the previous financial year. An equity ratio is roughly calculated as equity divided by its total assets. However, several adjustments for thin cap purposes have to be considered. ▶ Non- deductible interest can be carried forward but is subject to change of ownership rules for tax loss carry-forwards. The new group restructuring exception and the built-in gain exception are also applicable to interest carry forward, the latter to the extent that hidden reserves are not fully attributed to tax losses carried forward. ▶ Where the net interest expense is lower than 30% of tax EBITDA, that 'excess' tax EBITDA can be carried forward over a period of five years. The tax EBITDA of a year is only eligible for the carry forward, if none of the exemptions from the 'Interest Limitation Rule' (de-minimis rule', non-group affiliation or escape clause) applies. The tax EBITDA carry forward can be applied for the first time when calculating taxable income for periods ending in 2010. Upon application it is possible to determine and to apply the tax EBITDA carry forward for periods beginning after 31 December 2006 and ending before 1 January 2010.

Country	Transfer pricing/thin capitalisation
Greece	<ul style="list-style-type: none"> ▶ In general, interest on loans is tax deductible on the condition, amongst others, that the loan serves a business purpose. Further, if a company's gross revenue includes profits which are exempt from income tax, e.g., dividends from domestic companies, then interest expenses should be allocated on a pro-rata basis, between taxable and non-taxable revenue. The portion corresponding to non-taxable revenue is not tax deductible. This provision does not apply to banks, insurance, mutual funds and portfolio investment companies. ▶ In case of loans concluded between affiliated companies as of 21 July 2009, thin capitalisation rules (in the form of non deduction of the interest) will apply based on a 3:1 Debt/Equity ratio limitation for each accounting period.⁴³ ▶ According to the Greek Uniform Chart of Accounts the net equity (assets minus liabilities) consists of the following: <ul style="list-style-type: none"> ▶ Capital ▶ Premium on capital stock ▶ Reserves ▶ Results carried forward ▶ Deposits and appropriations for capital increase ▶ For related party transactions that are not conducted on an arm's length basis, any amount over or under invoiced may be deemed as an accrued profit of the company that has had its revenue decreased or expenses increased through the transfer-pricing practice. The profit adjustment may be taxed accordingly. The transfer pricing tax provisions are henceforth explicitly applicable to real estate and other tangible assets' rentals. Transfer pricing documentation requirements apply. ▶ The above tax provisions are effective for profits earned in fiscal years for which the annual income tax return submission obligation arises as of 1 January 2011 and onwards.

⁴³ The scope of the thin-capitalisation rules (3:1) is extended to bond loans, and loans granted to third parties for which guarantees of any kind have been provided by associated enterprises. The provisions in question do not apply to leasing companies, factoring companies, SPVs of L. 3156/2003 and L. 3601/2007 established in Greece, finance companies and credit institutions operating in Greece. The above apply to profits resulting from balance sheets dated 31 December 2010 and onwards.

Country	Transfer pricing/thin capitalisation
Hungary	<ul style="list-style-type: none"><li data-bbox="421 271 2098 399">▶ Transfer pricing rules apply to related party transactions, where the relationship is determined on the basis of either direct or indirect majority ownership. The term 'party' includes resident and non-resident entities, as well as Hungarian branches and permanent establishments of foreign resident companies. From 2010, a Hungarian company's foreign permanent establishment and its related parties also qualify as related parties.<li data-bbox="421 399 2098 526">▶ In related party transactions, pre-tax profits must be adjusted by the difference between the arm's length price and contract price with Hungarian tax resident entities. In the event that such an adjustment is not made, the tax authorities may impose a penalty of up to 50% of the tax shortfall and charge late payment interest to the party underpaying the tax. The corresponding (Hungarian) contracting party can reclaim the overpaid tax.<li data-bbox="421 526 2098 686">▶ Transfer pricing adjustments have been extended to include transactions such as contributions in kind in the course of registered capital increases and reductions, as long as the majority owner of the company provides/receives the in-kind contributions. The transfer pricing rules are also applicable for in-kind dividend distributions to related parties and where the related party owner receives equity in-kind upon the liquidation of the company. As of 1 January 2010, transfer pricing rules also apply to in-kind contributions provided upon establishment of the company.<li data-bbox="421 686 2098 748">▶ Hungarian tax laws provide a general 3:1 debt-to-equity ratio. This provision is applicable to all loans, except for those from financial institutions, to non-public bonds, certain bills of exchange, and any other liability on which the company pays interest.

Country	Transfer pricing/thin capitalisation
India	<ul style="list-style-type: none"> ▶ The Income tax Act includes detailed transfer pricing regulations. Under these regulations, income and expenses, including interest payments, with respect to international transactions between two or more associated enterprises (including permanent establishments) must be determined using arm's length principles. There are various methods prescribed for determining arms length price. ▶ The definition of the term 'associated enterprises' is fairly wide under the Income tax Act. Further, under the said definition, two enterprises are deemed to be associated enterprises based on the nature and type of international transaction undertaken between them. The term 'international transactions' means a transaction between two or more associated enterprises, either or both of whom are non-residents. ▶ Receipt of shares of closely held company by recipient closely held company / firm on or after 1 June 2010 for 'inadequate consideration' or 'nil' consideration will be taxable in the hands of the recipient closely held company / firm as income from other sources where the fair market value (i.e. net asset value) or difference between the fair market value and consideration (as the case may be) of such shares exceeds Rs. 50,000. These provisions are applicable whether the enterprises are resident or non-resident and whether or not the enterprises are related / associated enterprises. ▶ Certain cases of receipt of shares including amalgamation / demerger of foreign company with another foreign company and transfer or issue of shares to the shareholders in consideration for amalgamation / demerger are explicitly exempted. ▶ There are no thin capitalisation norms under Indian tax law. ▶ Under Indian tax laws, loans and/or advances given by a closely held company to a shareholder holding at least 10% of the voting power in the company or any concern where such shareholder is a member or a partner and in which has a substantial interest (in case of company, person shall be deemed to have substantial interest if he is the beneficial owner of shares carrying not less than 20% of voting power) or by any company on behalf of or for the individual benefit of any such shareholder, would be deemed to be a dividend to the extent of available accumulated profits of the company giving the loans and/ or advances. Such deemed dividends are taxable for the shareholder/concern and the company giving loans and advances to such shareholder /concern is liable to withhold tax. ▶ However, under Indian corporate laws, in specific cases such as share buyback, a minimum debt-equity ratio needs to be adhered to. ▶ Further, banks and financial corporations must comply with capital adequacy norms. ▶ In addition, foreign exchange regulations prescribe that debt-equity ratio should not exceed 4: 1 in case of borrowings beyond a certain prescribed limit from non-resident lenders.

Country	Transfer pricing/thin capitalisation
Ireland	<ul style="list-style-type: none"> ▶ Ireland recently introduced a general transfer pricing regime through the 2010 Finance Bill. This legislation is generally non restrictive and can be summarised as follows; <ul style="list-style-type: none"> ▶ Will apply to 'any arrangement involving the supply and acquisition of goods, services, money or intangible assets' between associated parties (also domestic-domestic) ▶ Has to be in a trading context i.e., Case I/II transactions. Therefore non-trading transactions such as interest-free loans are generally excluded ▶ Will apply only to adjust understated trading receipts upwards or overstated trading expenses downwards and is therefore considered 'one-way transfer pricing' ▶ Applies to accounting periods beginning on or after 1 January 2011 however, the rules do not apply to arrangements the terms of which are agreed before 1 July 2010 ▶ OECD style documentation should suffice and this should be maintained for inspection upon request from the Irish Revenue however there is no requirement for it to be prepared or kept in the State ▶ Transactions which are covered from the 'other side' do not require the preparation of Ireland specific documentation ▶ No thin capitalisation rules exist in Ireland. ▶ However, under a general re-characterisation rule, interest paid to a non-resident 'related' company (i.e., where the relationship is more than 75%) is reclassified as dividend distribution and a tax deduction is denied. This is regardless of the debt to equity ratio of the company. ▶ An exemption from this treatment is, however, available where the interest is paid to a group company in the EU or a treaty partner country, and the interest is paid in the course of a trading activity. ▶ Interest paid to a non resident related company includes interest paid to a 75% non-resident parent or sister company (except for a sister company 90% of whose share capital is owned directly by an Irish resident company).

Country	Transfer pricing/thin capitalisation
Italy	<ul style="list-style-type: none"> ▶ Italy imposes transfer pricing rules on transactions between related resident and non-resident group companies. Under these rules, intra-group transactions must be carried out at arm's length, or else adjustments of prices must be made. Domestic intra-group transactions are governed by other anti-abuse provisions. ▶ On 29 September 2010 the Italian tax authorities approved a Regulation with reference to transfer pricing documentation requirements. Notably, Italian companies may avoid penalties, in case of transfer pricing adjustments, when they have available supporting documents for their transfer pricing policy. The Regulation is inspired by the EU Transfer Pricing Code of Conduct. The new Regulation provides for the following filing requirements: <ul style="list-style-type: none"> ▶ for fiscal years before 2010 still open to tax assessment, the taxpayer has to notify the existence of transfer pricing documentation to tax authorities before 29 December 2010 (late notices will be accepted, when communicated before the beginning of the inspections); ▶ for fiscal years on or after 2010, the notification is required together with the filing of the annual tax return; and ▶ where there is an inspection, the company needs to provide the mentioned documentation within 10 days from the request. ▶ A general limitation applies to interest deduction based on EBITDA. Any net interest expense in excess of 30% of the EBITDA would become non-deductible in the current year, but can be carried forward without any time limit. Merger and other corporate restructurings could jeopardise the carry forward benefit. ▶ Excess interest may freely be transferred and allocated within companies in the tax consolidation regime, subject to 30% EBITDA test on a company basis.

Country	Transfer pricing/thin capitalisation
Japan	<ul style="list-style-type: none"> ▶ All cross-border transactions with foreign affiliated entities should be conducted according to the arm's length principle. Otherwise the transaction price may be adjusted by the tax authorities for tax purposes. ▶ An entity is considered to be a foreign affiliated entity if a direct or indirect relationship by 50% or more ownership or substantial control exists. ▶ The law provides that the burden of proof as to the reasonableness of the pricing is passed to the taxpayer, and if the taxpayer fails to provide proof or to disclose pertinent information to the tax authorities, taxable income is increased at the discretion of the tax authorities. ▶ Thin-capitalisation rules limit the deduction for interest expense for companies with foreign related-party debt if the debt-equity ratio exceeds 3:1.
Luxembourg	<ul style="list-style-type: none"> ▶ Inter-company pricing between affiliated companies must be on an arm's length basis for Luxembourg tax purposes ▶ Luxembourg tax law does not have thin capitalisation provisions. However, in practice, for holding of participations activities performed by a Luxembourg company, interest on debt exceeding a debt to equity ratio of 85:15 is generally not deductible. This excess interest could be treated as dividends and be subject to withholding tax at 15% (unless exempt/reduced by an applicable income tax treaty or domestic law based on, but broader than, EU Directive)

Country	Transfer pricing/thin capitalisation
Netherlands	<ul style="list-style-type: none"> ▶ Inter-company pricing between associated companies must be on an arm's length basis. Appropriate transfer pricing documentation needs to be kept in the Netherlands to support arm's length pricing of inter-company transactions. ▶ Qualification of debt as equity for Dutch tax purposes is based on case law. Existing case law reclassifies debt as equity, amongst others, if: <ul style="list-style-type: none"> ▶ The interest is profit-dependent ▶ The loan is subordinated to all other debt of the borrower ▶ The loan is perpetual or has a term, exceeding 50 years, and the loan can be called prematurely by the lender only in the event of a liquidation, suspension of payments, or bankruptcy of the borrower ▶ If a taxpayer takes out a loan from a related entity which does not have a fixed maturity date, or has a maturity date of over 10 years after the date of contracting and no compensation has been agreed on the loan in either substance or in form, or a compensation has been agreed which is substantially lower than the fair market compensation that would have been agreed upon between unrelated parties, no compensation for the loan is deductible in determining the profit for corporate income tax purposes. ▶ Thin capitalisation rules: Interest expenses (and other costs) with respect to related party loans (or deemed related party loans) may be partly or entirely disallowed if the Dutch entity is considered to be excessively debt financed. Two ratios are introduced to determine the 'excess debt'. The taxpayer may elect to apply the most favourable of the following two ratios: <ul style="list-style-type: none"> ▶ Fixed ratio: The average fiscal debt may not exceed more than three times the company's average fiscal equity plus €500k. Note that debt is defined for this ratio as the net balance of receivables and payables (not affecting back-to-back financing). ▶ Group ratio: if the taxpayer's debt-to-equity ratio in its commercial accounts does not exceed the debt-to-equity ratio of the group's accounts there will not be a denial of tax deduction for interest on related party loans under thin capitalisation rules. ▶ Anti-debt creation rules: anti-debt creation rules restrict interest deductibility in situations where related party debt (legally or de facto) is used in the Netherlands to finance certain listed transactions. These listed transactions include the acquisition or increase of a participation which after such acquisition or increase can be considered a related party. A related party is: <ul style="list-style-type: none"> ▶ A company in which the taxpayer holds an interest (directly or indirectly) of at least one-third; ▶ A company that holds (directly or indirectly) at least an interest of one-third in the taxpayer; ▶ A company in which a third party holds an interest of at least one-third, while the same company also holds an interest of at least One-third in the taxpayer; or ▶ A company that is part of the same fiscal unity as the taxpayer. ▶ This non deductibility can be rebutted if taxpayer can provide proof that both the share purchase transaction and the shareholder loan have been entered into for (valid) 'business reasons', or if the interest income is effectively taxed in the hands of the related creditor at a rate of at least 10%, over a basis as calculated in accordance with Dutch tax principles (subject to tax). The latter criterion does stipulate that interest income may not be sheltered by losses incurred in prior years or others forms or types of relief which were available at the moment the loan was taken up. In addition, the loan may not be created in anticipation of losses (or other forms of relief) which will arise in the year (or the near future) in which the loan was granted to the taxpayer.

Country	Transfer pricing/thin capitalisation
Norway	<ul style="list-style-type: none"> ▶ Tax authorities may impute an arm's length price if transactions between related parties are not considered to be conducted on arm's length terms. ▶ The Norwegian Parliament has adopted new annual reporting and documentation requirements for taxable entities which have controlled transactions and similar dealings with related parties. The new reporting requirements apply from the fiscal year 2007 and the new documentation requirements from the fiscal year 2008. ▶ Norway does not have statutory thin capitalisation rules, but these are embedded in the general transfer pricing rules that are based on the OECD guidelines. The new transfer pricing documentation requirements will also apply to intra-group financing. ▶ With effect from 1 January 2007, thin capitalisation rules within the petroleum tax sector have been replaced by an allocation rule that regulates the deductibility of interest expenses for income subject to petroleum tax.
Poland	<ul style="list-style-type: none"> ▶ As a general rule, tax relief on interest accrued in a tax year is available only when it is actually paid. ▶ All transactions with related parties must be conducted on an arm's length basis. If not, the transaction price is adjusted for corporate income tax purposes. ▶ Under Polish thin-capitalisation rules, tax relief on interest expenses which relate to related party debt will not be available to the extent the debt to equity ratio of 3:1 is exceeded. For this purpose, equity consists of paid-in registered share capital, and excludes debt converted into capital or contributed intangibles that are not depreciated for tax purposes, e.g., goodwill in certain circumstances. ▶ The thin-capitalisation rules apply to interest on loans granted by Polish and foreign qualified entities. They cover the following loans: <ul style="list-style-type: none"> ▶ Loans granted by a shareholder that holds at least 25% of the voting rights in the borrower; ▶ Loans granted by shareholders that jointly hold at least 25% of the voting rights in the borrower. ▶ Loans granted by one company to another company if the same shareholder or shareholders hold at least 25% of the voting rights in both the lender and borrower. ▶ The definition of loans is wide and covers any contract whereby a lender agrees to transfer to the borrower the ownership of a specified sum of money, and the borrower agrees to return the same amount of money. ▶ The meaning of loans shall also include the issue of debt securities, irregular deposit or deposit. Non-deductible interest subject to thin capitalisation restrictions is classified as interest (and not dividend) for withholding tax purposes. ▶ Indebtedness is calculated towards the direct shareholder(s) granting loans and towards shareholders having at least 25% voting power in the lender. ▶ 50% penalty CIT rate applies to any income assessed on related party transactions, if statutory transfer pricing documentation is not delivered within seven days.

Country	Transfer pricing/thin capitalisation
Portugal	<ul style="list-style-type: none"> ▶ All transactions with related parties must be conducted on an arm's length basis. If not, the transaction price will be adjusted by tax authorities for corporate tax purposes. ▶ The thin-capitalisation rules apply to interest paid by a Portuguese company to a non-resident company (except if resident in the EU), if the payer has excessive indebtedness and if the borrower and lender are related for this purpose. ▶ In general, a debt is considered excessive when the debt-to-equity ratio exceeds 2:1. Interest expenses on excessive debt will be disallowed for tax deduction, but will not be re-classified as a dividend distribution. ▶ Payments to non-residents based in tax havens, not subject to tax or subject to a low taxation may be denied as a deduction and would trigger a 35% or 55% stand-alone charge to corporate tax, unless it can be proven that such amounts correspond to effective transactions and are not abnormal within the business activity.
Russia	<p data-bbox="421 569 627 611">Transfer pricing</p> <ul style="list-style-type: none"> ▶ Tax authorities shall, for the purpose of checking whether taxes have been calculated in full, have the right to check the proper use of prices in transactions in the following instances: <ul style="list-style-type: none"> ▶ With respect to transactions between interdependent persons; ▶ With respect to goods exchange (barter) transactions; ▶ Where foreign transactions are carried out; ▶ Where there is an upward or downward deviation of more than 20% against the level of prices used by the taxpayer in respect of identical (homogeneous) goods (works and services) within a short period of time. ▶ If the above transactions are not at the arm's length from the market level, the transaction price could be adjusted by the tax authorities. <p data-bbox="421 874 728 916">Thin capitalisation rules</p> <ul style="list-style-type: none"> ▶ Thin capitalisation rules apply to interest on loans payable by a Russian borrower to a foreign legal entity, which owns directly or indirectly more than 20% of the charter capital of the Russian borrower or to another Russian legal entity which is related to such a foreign legal entity, or if the above parties act as guarantors of the Russian borrower's debt. Thin capitalisation rules stipulate a debt to equity ratio of 3:1. Interest payable on controlled debt in excess of the above limit is treated as a dividend, i.e., it does not constitute a deductible cost for profits tax purposes and is taxed in accordance with the procedure applied to dividends.

Country	Transfer pricing/thin capitalisation
South Africa	<ul style="list-style-type: none"> ▶ South Africa has transfer pricing provisions which apply to the supply of goods and services (which would include the granting of financial assistance) between resident and non resident ‘connected persons’ for tax purposes, i.e., transactions need to be at an arms’ length price. ▶ The South African Revenue Services (SARS) has provided ‘safe harbours’ with regard to the payment of interest to a non-resident connected person. The SARS has stipulated that that where the loan, advance or debt is denominated in ZAR, the SARS will generally accept an interest rate equal to the weighted average of the South African prime rate plus 2 percentage points. ▶ Where the loan, advance or debt is denominated in a foreign currency, a rate not exceeding the weighted average of the relevant interbank rate plus 2 percentage points will be an acceptable nominal annual interest rate. ▶ Any interest in excess of the prescribed rates above will be regarded as excessive interest and will not be allowed as a deduction. The disallowed amount will be deemed to be a dividend and subject to Secondary Tax on Companies (STC) at 10%, noting that STC is due to be replaced by a dividend WHT of 10% which will apply equally to the disallowed amount. ▶ South Africa has thin capitalisation rules that apply, inter alia, where interest-bearing ‘financial assistance’ is granted by a non-resident, directly or indirectly, to a connected person who is a resident (i.e., the South African incorporated subsidiary). More than a 50% interest in a company would constitute a ‘connected person’ as defined. Hence any interest-bearing arrangement between the South African subsidiary and a foreign holding company would be subject to South Africa’s thin capitalisation rules. As a general guideline, the SARS will not apply South Africa’s thin capitalisation provisions where the financial assistance: fixed capital ratio does not exceed 3:1. ▶ The term ‘financial assistance’ includes the granting of a loan, advance or debt, and the provision of any security or guarantee.
Spain	<ul style="list-style-type: none"> ▶ Transfer pricing adjustments will be imposed by the tax authorities if prices agreed between related parties for both domestic and overseas controlled transactions are not at arm’s length. For those years new document information will be required. Penalties will be imposed if this documentation requirement is not complied with. ▶ A thin-capitalisation rule applies in Spain. Any interest paid on loans from foreign related parties in excess of 3:1 debt-to-equity ratio is treated as dividends and not deductible for tax purposes. ▶ This rule does not apply if the lender is an EU-resident company that does not reside in territory defined as a tax haven for Spanish tax purposes.

Country	Transfer pricing/thin capitalisation
Sweden	<ul style="list-style-type: none"> ▶ There are no thin capitalisation rules in Sweden. However, the Companies Act requires compulsory liquidation of a company if more than 50% of the share capital is lost without replacement of new capital. ▶ Intra-group transactions must be carried out at arm's length. Transfer pricing documentation requirements apply. Tax authorities may adjust the income of an enterprise if its taxable income in Sweden is reduced as a result of contractual provisions that are not based on market rates and if the following 3 conditions are met: <ul style="list-style-type: none"> ▶ The party to which the income is transferred is not subject to tax in Sweden; ▶ It is reasonably established that a community of economic interest exists between the parties. ▶ It is clear from the circumstances that the contractual provisions were not agreed upon for reasons other than the community of economic interest. ▶ As of 1 January 2009, interest expenses resulting from intra group acquisition of share, or share based instruments, financed by intra-group debt, will become non deductible unless: <ul style="list-style-type: none"> ▶ The beneficial owner of the interest income is taxed for the interest income at a minimum of 10%. ▶ The restructuring was undertaken for commercial reasons (the definition of 'commercial reasons' is somewhat unclear). ▶ No grandfathering of structures which existed before 1 January 2009.
Switzerland	<ul style="list-style-type: none"> ▶ Multinational enterprises have to take into account the OECD Transfer Pricing Guidelines. The mark ups of service companies must be determined in accordance with the arm's length principle, on the basis of comparable uncontrolled transactions, with appropriate ranges of mark ups for any individual case. ▶ For federal tax purposes, the thin capitalisation rules apply only to the disallowance of the interest deduction. Under the federal thin capitalisation guidelines, the minimum capitalisation is calculated based on the maximum indebtedness of all of the assets. For each type of asset, only a specified percentage may be financed with debt from related parties (directly or indirectly). Consequently, the debt-to equity ratio results from the sum of the maximum amount of indebtedness of all of the assets. ▶ The following are examples of the maximum percentages of indebtedness: cash, 100%; accounts receivable, 85%; participations, 70%; loans, 85%; domestic and foreign bonds in Swiss Francs, 90%; foreign bonds in foreign currency, 80%; and intangibles, 70%. ▶ The required equity is calculated on the basis of the fair-market value of all assets at the end of the financial year. For finance companies the maximum debt capital is typically 85.7% of total assets. However, equity for Swiss regulated banks is calculated according to the Swiss banking legislation and as such, often also serves for tax purposes for the calculation of the necessary equity. ▶ Interest rates may not exceed arm's length rates. Interest on third-party debt is usually tax deductible unless the debt is guaranteed or backed by long term deposits of its shareholder or affiliates. Interest paid or accrued on debt qualifying as hidden equity is not deductible for corporate income tax purposes and, if paid, will be re-classified as a hidden profit distribution if and to the extent such debt exceeds the maximum of interest calculated according to the above mentioned ratio (safe haven). Hidden profit distributions will be added to the taxable company's profit and is subject to 35% withholding tax (reductions may be available under domestic tax law or double tax agreements).

Country	Transfer pricing/thin capitalisation
Turkey	<ul style="list-style-type: none"> ▶ Transactions between related parties should be at arm's length. Tax authorities may adjust the taxable income of a company by adjusting the prices used between related parties to reflect the arm's length income and expenses for transactions between related parties that are not carried out on an arm's length basis. ▶ Financing provided to a company from an affiliated company or from a shareholder may be re-characterised as 'disguised capital' and consequently the interest paid on the loan is disallowed, if the borrower's debt-to-equity ratio exceeds 3:1 (or 6:1 if the related party is a bank or a financial institution). ▶ The company's last fiscal year, period end equity, is used to determine thin capitalisation. Interest paid or accounted together with foreign-exchange differences related to disguised capital are regarded as non-deductible expenses. Additionally, interest related to disguised capital is treated as dividend distributed and is subject to dividend distribution withholding tax.
UK	<ul style="list-style-type: none"> ▶ The UK thin capitalisation rules are now included in the transfer pricing rules and therefore apply to parties wholly within the UK as well as to transactions with non-resident entities. The rules require companies to conduct their tax affairs on arm's length terms and to maintain sufficient documentation to support their compliance with such principle. ▶ There are no statutory safe harbour rules but the UK tax authorities generally allow a deduction for interest provided the debt/equity ratio does not exceed 1:1 and there is an interest cover of at least 3:1. ▶ It is noted the transfer pricing rules consider thin capitalisation of each company on a stand-alone basis, (i.e., ignoring the fact that the company is part of a larger group), and the level of debt that the company could borrow is determined without taking into account any related party guarantees. ▶ Interest on a loan which was entered into mainly for tax avoidance purposes will not be deductible for corporation tax purposes. ▶ Further restrictions on interest deductions (the 'worldwide debt cap) apply for periods of account that start on or after 1 January 2010. The rules introduce a new cap on interest deductions allowable by reference to the external debt of the worldwide group. ▶ The rules only come into effect if the initial 'gateway test' is failed. ▶ The 'gateway test' is failed if the net debt of all the UK companies in the group exceeds 75% of the gross debt of the worldwide group. ▶ If the test is failed, the difference between the 'tested expense amount' and the 'available amount' will be disallowed (this difference being the 'total disallowed amount'). The 'tested expense amount' is the sum of the net deductions for each relevant UK group company in respect of loan relationships and certain other finance costs (subject to exclusions), and 'the available amount' is the sum of certain financing expenses in the worldwide group's consolidated income statement (subject to exclusions). ▶ The amounts so disallowed may be exempted from corporation tax in the hands of those group companies receiving intra-group financing income, to the maximum of the lower of: i.) the total disallowed amount; and ii.) the sum of the net financing income amounts of relevant group companies. ▶ Targeted anti-avoidance rules apply to the worldwide debt rules. ▶ The legislation is complex and untested, and its application and operation will be carefully watched by all interested parties.

Country	Transfer pricing/thin capitalisation
United States	<p data-bbox="421 276 629 308">Transfer pricing</p> <ul data-bbox="421 312 2092 435" style="list-style-type: none"> <li data-bbox="421 312 2092 371">▶ Generally, under US transfer pricing principles, the IRS may re-determine the tax liabilities of related parties if, in its discretion, this is necessary to prevent the evasion of taxes or to clearly reflect income. <li data-bbox="421 376 2092 435">▶ If the IRS adjusts a taxpayer's tax liability, tax treaties between the US and other countries usually provide procedures for allocation of adjustments between related parties in the two countries to avoid double tax. <p data-bbox="421 440 663 472">Thin capitalisation</p> <p data-bbox="421 478 949 507"><i>Limitation on interest deduction (debt/equity)</i></p> <ul data-bbox="421 512 2092 762" style="list-style-type: none"> <li data-bbox="421 512 2092 667">▶ The US thin-capitalisation principles may attempt to limit the deduction for interest expense if a US corporation is thinly capitalised. Where the thin-capitalisation requirements are not met, funds loaned to the company by a related party may be re-characterised as equity by the Internal Revenue Service. As a result of the re-characterisation, the corporation's deduction for interest expenses may be disallowed, and principal and interest payments may be considered distributions to the related party and be subject to withholding tax as dividends. <li data-bbox="421 671 2092 762">▶ The determination of debt versus equity is a multi-prong, fact driven test. Generally, US tax authorities will consider industry standards in which the corporation operates the ability to service the debt, written unconditional promise to pay on demand or a fixed sum on a specified day, the presence of a fixed rate of interest and relationship between the parties.⁴⁴ <p data-bbox="421 767 1290 799"><i>Disallowance of certain disqualified interest paid (related party limitations)</i></p> <ul data-bbox="421 804 2092 1056" style="list-style-type: none"> <li data-bbox="421 804 2092 991">▶ A deduction is disallowed for certain 'disqualified' interest paid on loans or guaranteed by related foreign parties that are not subject to US tax on the interest received. The disallowed interest may be carried forward to future years and allowed as a deduction. There will be no disallowance of the interest deduction if the payer corporation's debt-to-equity ratio does not exceed 1.5:1. If the debt-to-equity ratio exceeds this amount, the deduction of any 'excess interest expense' of the payer is deferred. 'Excess interest expense' is defined as the excess of interest expense over interest income, minus 50% of the adjusted taxable income of the corporation plus any 'excess limitation carry forward.' <li data-bbox="421 995 2092 1056">▶ In addition, under US Treasury regulations, interest expense accrued on a loan from a related foreign lender must be actually paid before the US borrower can deduct the interest expense.

⁴⁴ This is not an exclusive list.

Section 7

Transfer taxes

Transfer taxes

Country	Transfer taxes
Australia	<ul style="list-style-type: none"> ▶ Stamp duty is a State and Territory based tax with each jurisdiction having its own legislation. Broadly, a transfer of assets which comprise 'dutiabale property' (or property in some jurisdictions) will give rise to a liability to stamp duty (at rates of up to 6.75%). The types of assets generally subject to duty on their transfer include land, goods, goodwill, intellectual property, statutory licences. ▶ In most jurisdictions the liability to pay stamp duty will rest with the purchaser. However, in South Australia and Queensland all parties to the transaction are liable for the duty under the relevant legislation. Notwithstanding this, we note that as a matter of accepted commercial practice the contract for the sale of the assets will generally specify the purchaser as being the party liable for any stamp duty arising. ▶ Stamp duty is imposed on the higher of GST inclusive consideration and unencumbered market value. The time for the lodgement and payment of stamp duty ranges from 30 days to six months from the date of the transaction, depending on the State/Territory. ▶ With a business/asset transfer it is possible for stamp duty liabilities to arise in multiple jurisdictions. ▶ A 10% GST is imposed on the sale of 'taxable supplies', defined as the supply of goods, services and activities in the ordinary course of business, unless the supply is GST free. GST is likely to apply on the transfer of the assets unless the transfer constitutes a 'supply of a going concern' as defined under the GST Act, and each of the following is also satisfied: <ul style="list-style-type: none"> a) The transfer is for consideration; b) The recipient of the assets is registered or required to be registered for GST; and c) The supplier and the recipient have agreed in writing that the supply is of a going concern. ▶ A 'supply of a going concern' is defined under the GST Act as a supply under an arrangement under which: <ul style="list-style-type: none"> a) the supplier supplies all of the things necessary for the continued operation of an enterprise; and b) the supplier carries on, or will carry on, the enterprise until the day of the supply.
Austria	<ul style="list-style-type: none"> ▶ Capital contributions to an Austrian GmbH or AG are subject to a 1% capital duty. However, in general grandparent contributions are capital duty exempt. ▶ The transfer of real estate located in Austria triggers real estate transfer tax at a rate of 3.5% plus 1% registration fee, based on the purchase price (in case of reorganisations according to the Austrian Reorganization Tax Act a special tax base applies). ▶ Real estate transfer tax is also triggered if all (100%) shares in an Austrian GmbH or AG, holding Austrian real estate, are transferred. Also the combination of 100% of the shares in such an entity in one hand would trigger real estate. The real estate transfer tax in this case is based on a special tax value (so called Einheitswert) multiplied with the factor three. ▶ Stamp duties are imposed on a number of transactions, such as rental contracts (1%) or loan agreements and credit facilities (0.8%) or assignments of receivables (0.8%). The stamp duty falls due, if a written and signed contract is set up in Austria or brought into Austria. In some cases also the contracting outside Austria could lead to a stamp duty. Loans granted from a shareholder to an Austrian subsidiary are always subject to stamp duty.

Country	Transfer taxes
Belgium	<ul style="list-style-type: none">▶ The transfer of shares in a Belgian company is not subject to transfer taxes or VAT.▶ Equity contributions to a Belgian company are not subject to capital duty.▶ The direct transfer of ownership rights on real estate – other than by equity contribution – is subject to an ad valorem registration duty of 12,5% (reduced to 10% if the property is located in the Flemish Region) on the higher of the agreed price and the fair value of the asset.▶ Please note that equity contribution may also trigger the ad valorem registration duty. This is because such contribution is assimilated to a sale to the extent that, apart from issuing new shares, the receiving company also assumes liabilities (so-called 'mixed contribution'). In case a set of assets comprising real estate is so contributed, the real estate is deemed to be sold in the same proportion of which it makes up the set of assets (unless the contribution forms part of one of the operations referred to in the EU Merger Directive).

Country

Transfer taxes

China

- ▶ In general, the transfer of shares in a Chinese company is subject to income tax as follows:
 - ▶ For transferors as resident enterprises, the capital gain shall be included in the total taxable income of the transferor and be taxed at its applicable corporate income tax rate.
 - ▶ For transferors as non-resident enterprises, a withholding tax at 10% on the gain is applied. If the host country of the transferor has a tax treaty with China, subject to the approvals of the PRC tax authorities, the reduced rate prescribed in the treaty prevails.
 - ▶ No value-added tax or business tax is levied for the transfer of shares in a Chinese company.
 - ▶ Stamp duty at 0.05% (or 0.1% for listed shares in the PRC) on the transfer consideration of the sales and purchase agreement is imposed of each of the contracting parties if the agreement is executed or used in the PRC.
- ▶ The prevailing PRC tax law provides tax deferral treatment for group reorganisations (e.g., merger, demerger, share or non-monetary assets exchange in China) that are qualified as 'special restructuring' upon meeting certain requirements.
- ▶ Direct sale of an asset in China will trigger a wide range of taxes. As summarised in the following table, the tax costs are dependent on the assets to be sold.

Tax	Scope of tax	Land & property	Tangible assets	Intangibles
Business tax	Transfer value ¹	5%	-	5%
Valued-added tax	Transfer value			
	- Inventory	-	17%	-
	- Fixed Assets ²	-	17%/2%	-
Land appreciation tax	Gain on transfer	30% - 60%	-	-
Stamp duty ³	Contract value	0.05%	0.03%	0.05%
Deed tax ³	Transfer value	3%-5%	-	-

1. If the property is acquired (instead of self-constructed), the cost of acquisition may be deducted from gross proceeds when calculating Business Tax.
2. In 2009, China has changed the value-added tax regime from a production-based VAT system to a consumption-based VAT system. Effective from 1 January 2009, the sale of used fixed assets by a general VAT tax payer shall be subject to the following value-added tax treatment:
 - Sale of fixed assets purchased or self-constructed after 1 January 2009 is subject to VAT at 17%.
 - Sale of fixed assets purchased or self-constructed (if these assets were not covered under the VAT refund pilot scheme) before 31 December 2008 is subject to VAT at 4% with a half rate reduction.
3. Deed tax is imposed on the buyer and stamp duty is imposed on both buyer and seller.

Country	Transfer taxes
Czech Republic	<ul style="list-style-type: none"> ▶ Gift Tax – The gift tax rate is progressive and varies depending on the relationship between the donor and the recipient. Considering only donations between unrelated parties, the respective rate ranges from 7% (gifts up to CZK 1m) to 40% (gifts exceeding CZK 50m). ▶ Real Estate Transfer Tax – The transfer of real estate is subject to real estate transfer tax at the rate of 3%. Real estate transfer tax is generally not imposed on the transfer of shares in a company (even if its assets consist mainly of real estate) and transfers of real estate in the course of business transactions. If however, a shareholder contributes real estate into the registered capital of the company and then disposes of their stake in the company in a period of less than five years from the date of contribution, their real estate transfer tax obligation would become due. ▶ The tax base for Real Estate Transfer Tax is the purchase price or the real estate or its expert estimated value, depending on which is higher. Care has to be taken in case of sale of a bulk of real estate so that the price is allocated correctly.
Denmark	<ul style="list-style-type: none"> ▶ Capital Duty – there is no capital duty in Denmark. ▶ Stamp taxes – there are no stamp taxes in Denmark. ▶ Real estate transfer taxes – There are no real estate transfer taxes in Denmark. However, registration duty applies on a transfer of real estate. The registration duty comprises a fee of 0.6% of the sales price and a fixed fee of DKK 1,400.
Finland	<ul style="list-style-type: none"> ▶ The transferee is generally liable to pay transfer tax for real estate situated in Finland and for shares and certain other securities issued by a Finnish company. ▶ The applicable rate of tax applied to the transfer of real estate is 4% and a rate of 1.6% applies to the transfer of securities. The transfer tax is generally calculated by applying the relevant rate to the purchase price. ▶ If securities are transferred between parties that are not tax resident in Finland, transfer tax is not usually imposed. However, transfer tax is usually imposed when real estate or securities related to the management of real estate are transferred. ▶ If the transferee is not resident in Finland, the transferor is obligated to collect the transfer tax from the transferee and liable to pay the transfer tax and submit the appropriate notice of transfer taxes to the tax authorities.
France	<ul style="list-style-type: none"> ▶ The main applicable transfer taxes are the following: <ul style="list-style-type: none"> ▶ The transfer of stock in a non-listed corporation (e.g., Société anonyme (S.A.) and Société par actions simplifiées (S.A.S.)) is subject to a 3% transfer tax capped at €5,000 based on the fair market value. ▶ Transfer taxes on the sale of interests in partnerships or companies whereby capital is composed of shares (as opposed to corporations whose capital is composed of stock (e.g., Société à responsabilité limitée, (SARL), Société civile, Société en nom collectif (SNC)) are subject to an uncapped 3% transfer tax, assessed on the fair market value. ▶ Transfer tax of 5% is applicable to shares and stock in real estate companies (i.e., companies for which the market value of their real estate assets exceeds the market value of their other assets). ▶ The sale of going concern is subject to 3% transfer tax up to €200k and 5% transfer tax above €200k, assessed on the fair market value. ▶ Nominal registration duties (maximum €500) apply in case of capital increase, merger and contribution subject to conditions.

Country	Transfer taxes
Germany	<ul style="list-style-type: none"> ▶ If either the real estate located in Germany or at least 95% of the shares in a corporation or partnership which owns real estate located in Germany is transferred (directly or indirectly) to a new shareholder, real estate transfer tax (RETT) becomes due. ▶ RETT (tax rate is generally 3.5% but may be higher in some states, e.g., 4.5% in Berlin, Hamburg and Saxony-Anhalt) is calculated on a special value. Generally, the acquirer and the seller will be jointly liable for the RETT due under German tax law. If the real estate is owned by a partnership, RETT is due by the partnership. ▶ From 2010 onwards, a group restructuring exemption for RETT becomes available for mergers, spin offs or asset transfers carried out under the German Reorganization Act (similar rules apply in other EC/EEA Member States) if; <ul style="list-style-type: none"> ▶ The reorganisation only includes one controlling company and a controlled company; <i>or</i> ▶ Several controlled companies controlled by one controlling company. ▶ A company is deemed to be controlled under the new exemption rule if the controlling company holds directly or indirectly at least 95% of its shares over an uninterrupted period of five years prior to the conversion and five years after the conversion (i.e., two watch periods to be considered).
Greece	<ul style="list-style-type: none"> ▶ Stamp duty – For some contracts that are concluded and executed in Greece, stamp duty at 2.4% or 3.6% may apply. ▶ Capital duty – In principal, capital duty applies upon establishment of a company and increase of the share capital. The rate is 1%. ▶ Real estate transfer tax – The purchase of land attracts transfer tax payable by the purchaser, provided that the seller acquired this property before 31/12/2005. The taxable value for transfer tax purposes is the higher amount between the contract price and the objective value. ▶ The objective value system applies to real estate (i.e., land and buildings) situated in most part of Greece and this method takes into consideration various factors such as the zone price per square meter, the marketability. Where no objective value exists, the value is determined by the Greek Tax Authorities on the basis of the ‘comparative value’ system, namely comparison of contract price with the transfer value of similar real estate property located nearby. ▶ Generally speaking, the transfer tax rate is 8% for the first €20,000 and 10% for the excess part of the taxable value. ▶ Moreover, a local authority surcharge is also levied, calculated at 3% on the amount of transfer tax. The purchaser is liable to this surcharge, as well.

Country	Transfer taxes
Hungary	<ul style="list-style-type: none"> ▶ Capital duty and stamp duty: there is no capital duty per se in Hungary. Therefore, incorporation of a company and subsequent capital increases are free from tax. Only a small registration fee applies when registering the company with the Hungarian Court of Registry. ▶ Transfer tax: Transfer tax is payable upon the acquisition of real estate property, movable property on auctions, cars and trailers, rights of pecuniary value (rights related to real estates (acquisition/termination), usufruct on real estates, usufruct on cars and trailers), building structures, medical activity licence, securities arising from inheritance. ▶ As of 2010 the acquisition of shares in companies holding real estate in Hungary is subject to transfer tax, provided that the ownership of the acquirer reaches 75% of the company that holds the real estate. Companies that indirectly own real estate (i.e., companies holding shares in companies that own real estate in Hungary) are also considered to be companies holding real estate for transfer tax purposes. From 1 July 2010, the acquisition of shares in a company holding real estate should be exempt from transfer tax where the acquisition takes place between related parties. ▶ From 2010, the rate of transfer tax for real estates decreased to 4%. In addition, if the market value of a real estate property exceeds HUF 1 billion, the rate of the transfer tax on the exceeding part is 2%, but the transfer tax liability is capped at HUF 200 million per real estate. Transfer tax is levied on the market value of the transferred property. The transfer tax base also includes the VAT amount. ▶ Acquisition of real estates for commercial purposes: a preferential transfer tax of 2% is levied on the acquisition of real estates if the acquisition takes place for trading purposes, provided that certain requirements met. ▶ Transfer of cars and trailers: cars: 18 HUF/ cm³, above 1890 cm³-24 HUF/cm³; trailers: up to 2500 kg – HUF 9000 (EUR 32), in other cases HUF 22,000 (EUR 78); ▶ Exemptions: <ul style="list-style-type: none"> ▶ Vehicle trading/leasing: the Act on Stamp Duty, in effect, provides exemption from transfer tax with respect to the acquisition of vehicles for trading purposes. ▶ From 2010, acquisition of property in the course of a preferential (tax neutral) merger or demerger. ▶ Gift tax: gifts are subject to tax at progressive rates, at a maximum of 40%. The top rate is applicable if the value of the gift exceeds HUF 35,000,000 (EUR 122,690). Gift tax is a territorial tax, and only applies if the transfer takes place in Hungary. From 2009 the acquisition/transfer of receivables free of charge and the assumption of debt fall under the scope of the Act on Stamp Duties and are subject to gift tax. In the event of the acquisition/transfer of receivables free of charge and the assumption of debt, the Act on Stamp Duty must be applied wherever the property acquirer is a Hungarian resident private individual or an organisation registered in Hungary. ▶ Gift tax on acquisition of real estate with an extremely disproportionate consideration from 2009: if the consideration paid does not reach 50% of the market value of the property, gift tax should be paid on the difference between the purchase price and 50% of the market value of the property. For the rest of the market value of the property, transfer tax is payable.

Country**Transfer taxes**

- India**
- ▶ Generally, stamp duty is levied on any instrument of transfer. Stamp duties are imposed on a number of transactions, such as issue of shares, transfer of assets/business/shares, high court order for business re-organisation including amalgamation or demerger.
 - ▶ Stamp duty cannot be levied on the transfer of shares held in a de-materialised form (i.e., in an electronic format).
 - ▶ Stamp laws provide certain exemptions (in certain states) where a transfer takes place between a holding and subsidiary company. Stamp duty on transfer of property between companies is exempted if the transfer takes place between a company and its 90% subsidiary; or the transfer takes place among subsidiaries of a common parent, provided 90% of the share capital of each subsidiary is held by such parent company.
 - ▶ Securities Transaction tax (STT) is levied on taxable securities transactions on the value of such transaction. Taxable securities transaction means a purchase or sale of an equity share in a company or a derivative or a unit of an equity oriented fund entered into in a recognised stock exchange. STT is payable by the purchaser or the seller or both at the applicable rates.
 - ▶ Value Added Tax (VAT) is levied on sale of goods and services including transfer of assets. Transfer of assets can be in the form of an itemised sale or on a slump sale basis. (this refers to the transfer of one or more business undertakings as a result of the sale, for a lump-sum consideration, without assigning values to individual assets and liabilities). In case of an itemised sale (where values have been assigned to individual assets and liabilities), transfer of assets is subject to VAT. However, transfer on slump sale basis is not subject to VAT.

Country	Transfer taxes
Ireland	<ul style="list-style-type: none"> ▶ No charge to capital duty arises in Ireland. ▶ The charge to Irish stamp duty arises on a written instrument, i.e., a document transferring ownership in property (e.g., deed of transfer, stock transfer form, grant of lease) that: <ul style="list-style-type: none"> ▶ Relates to Irish property, i.e., moveable and immovable property, or ▶ Is executed in Ireland, or ▶ Relates to a matter or thing done or to be done in Ireland. ▶ Where shares are transferred electronically the charge to stamp duty is based on treating the operator instruction/electronic message as the executed instrument of transfer. ▶ Stamp Duty on the transfer of stock/marketable securities is chargeable at a flat rate of 1%. Where the consideration paid/market value of shares transferred (whichever is greater) is €1,000 or less the instrument is exempt from stamp duty provided it contains an appropriate certificate. ▶ Stamp Duty on non-residential property is charged at ad valorem rates on a sliding scale from 0% up to a maximum of 6% depending on the consideration paid/market value of the property (whichever is higher). The 6% rate is charged on consideration amounts/market values in excess of €80k. ▶ Stamp Duty on residential property is chargeable at ad valorem rates (i.e., first €125,000 @ 0%, next €875,000 @ 7% and excess over €1,000,000 @ 9%) and depends on i.) the consideration paid/market value of the property (whichever is higher), ii.) whether it is new or second-hand and iii.) whether the purchaser is a first-time buyer, owner occupier or investor. ▶ Leases are chargeable to stamp duty on both the premium and the lease rentals. The duty charged on the premium is at the ad valorem rates applicable to residential/non-residential property. Duty is charged on a sliding scale on the lease rentals based on the duration of the lease. ▶ Residential leases of less than 35 years or for an indefinite term are liable to stamp duty at 0% where the rent is less than €30k per annum. ▶ The accountable person liable to stamp duty is the transferee/purchaser. ▶ There are a variety of reliefs and exemptions from stamp duty, e.g. associated companies relief for transfers within a 90% tax group, transfers of shares or businesses as part of a reconstruction or amalgamation of companies, transfers of qualifying intellectual property (as defined by s101 SDCA 1999) and transfers of certain financial services instruments. ▶ Intermediary relief is available on transfers of securities through the CREST system by recognised intermediaries subject to conditions.
Italy	<ul style="list-style-type: none"> ▶ Share deal is not subject to transfer tax (stamp duties). ▶ No registration tax is due on the sale of shares. ▶ The sale of the business (asset deal) is subject to a registration tax on the fair market value of the business sold, or, if it is higher, on the consideration agreed. The tax rate might range from 3% to 11% (depending on whether real estate are included on the going concern sold). According to the Registration Tax Law, the tax authorities are entitled to assess the fair market value of the business transferred and, as a matter of fact, such behaviour is somewhat frequent. Even if both the buyer and the seller are jointly liable for the tax, this is generally paid by the buyer. The registration tax paid is deductible for income tax purposes.

Country	Transfer taxes
Japan	<ul style="list-style-type: none"> ▶ Increase of the stated capital from a capital contribution is subject to registration tax at a rate of 0.7%. Under the Company Law, at least half of the capital contribution must be recorded as stated capital. ▶ The transfer of land and building may trigger registration tax (2%) and real estate acquisition tax (4%), but a reduced rate or exemption is available in some cases. ▶ Stamp duty is levied on certain documents executed in Japan at up to JPY 600,000 per document. A share purchase agreement is not subject to stamp duty. ▶ The transfer of taxable assets (including goodwill) conducted in Japan is subject to consumption tax at a rate of 5%. A transferor needs to charge consumption tax (output tax) on the sales price. Where the transferor makes a taxable purchase in Japan, the consumption tax (input tax) levied on such purchase can be fully or partially credited against the output tax, and net amount of the consumption tax is payable to the tax office.
Luxembourg	<ul style="list-style-type: none"> ▶ Property tax – A local property tax is levied on the unitary value of the real estate. The tax rate depends on the location and classification of the property. However, the annual tax rate may not exceed 7.5% of the unitary value. ▶ Registration duty – The transfer of immovable property located in Luxembourg is subject to a registration duty of 6%. In addition 1% mortgage duty (transcription tax) and a municipal surcharge of 3% is due if the property is situated in the territory of Luxembourg City. These duties are normally computed on the up-rated sales price or the market value. Please note that slightly different rates may apply in cases of resale. ▶ VAT – For Luxembourg VAT purposes, property qualifies as goods and the transfer of property as supply of goods. As a general rule, the transfer of property is exempt from VAT. However, this should be analysed on a case-by-case basis. ▶ Capital duty – Capital duty has been abolished with effect from 1 January 2009. The incorporation of a Luxembourg company, the modification of its bylaws and/or the transfer of the seat or effective management of a company to Luxembourg is subject to Registration duty of EUR 75. Other registration duties may apply in certain circumstances. ▶ Registration duty – Under certain circumstances, debt instruments, if they are registered might be subject to a 0.24% registration duty. Registration duties may also be applicable in relation to certain other transactions.
Netherlands	<ul style="list-style-type: none"> ▶ The Netherlands do not have capital tax or stamp duty tax. ▶ The transfer of the legal or economical ownership of Dutch real estate is subject to 6% transfer tax on the higher of the fair market value or the consideration. If the real estate is transferred more than once within a period of six months, then – in respect of subsequent transfers within this period- transfer tax should normally only be due on the increase in value/consideration in the intermediate period, if any. Please note that also the transfer of shares in Dutch real estate owning companies may be subject to transfer tax if such companies qualify as real estate companies (i.e., their assets consist of 70% or more of Dutch real estate and a motive test is met).
Norway	<ul style="list-style-type: none"> ▶ Norway does not levy any capital duty or stamp taxes. ▶ Acquisition of real estate in Norway is not subject to real estate transfer tax. However, registration of ownership in order to obtain legal title to real property is however charged with a stamp duty of 2.5% of the fair market value on registration date. Registration is optional.

Country	Transfer taxes
Poland	<ul style="list-style-type: none"> ▶ Sale or exchange of tangible or intangible assets (property rights) is subject to transfer tax (tax on civil law transactions, Polish: <i>'podatek od czynności cywilnoprawnych'</i>, PCC). The transfer tax rate is 2% for sale of tangible assets and property rights related to real estate. 1% transfer tax applies to sale of other intangibles (property rights, including shares in companies). Sale of shares in a Polish company (share deal) is subject to 1% transfer tax on the fair market value of the shares, even if the transaction is performed abroad between non-residents. ▶ Broadly, where a transaction is subject to VAT (or is exempt from VAT), it is not subject to transfer tax (with certain exceptions: the transfer tax in principle applies to VAT exempt sales of buildings, structures, flats or sale of shares in companies). The transfer tax exemption for contributions in-kind to a company or a partnership, to the extent these are subject to VAT or VAT exempt, was withdrawn as of 22 April 2010. There is an option to impose VAT on transfer of real estate between VAT payers in which case transfer tax does not apply. ▶ Loans are subject to 2% transfer tax (unless constitute a financial service exempt from VAT or are granted by a foreign financial institution/ enterprise whose scope of business covers granting loans and credits). Shareholder loans are also exempt from transfer tax. Increase of registered share capital in a company is subject to 0.5% transfer tax on the nominal amount of the increase (this tax does not apply when increase is a result of contribution in-kind of business/branch or shares giving the majority of voting rights as well as merger/demerger reorganisation). ▶ Transfer tax is payable by the buyer or the borrower or the company, which share capital is increased. The tax should be paid and the transfer tax return filed with the tax office within 14 days from signing of the sale agreement or the loan agreement (unless the contract should be concluded in the form of a notarial deed as in such a case the tax is collected by the notary public at the signing date).
Portugal	<ul style="list-style-type: none"> ▶ In general, the onerous⁴⁵ acquisition of real estate by a company is subject to 6.5% Real Estate Transfer Tax (RETT), plus stamp duty at a rate of 0.8%. ▶ The acquisition of 'quotas' in 'Lda.' companies (limited liability companies) with real estate properties may be subject to RETT whenever, through the acquisition, any of the shareholders becomes the holder of, at least, 75% of the share capital. The rate of the tax is 6.5%. ▶ However, these rules do not apply to companies limited by shares. The transfer of shares in an 'S.A.' company is not subject to RETT regardless of whether the company owns, or not, real estate. RETT should also be due in case of mergers when the merged company owns real estate that is transferred to the merging company as a result of the merger. The RETT rate is also 6.5% in the scenario. ▶ In case of merger, and when the merged company owns any real estate that is transferred to the merging company as a result of the merger, stamp duty should be due at a 0.8% rate on the value of the transferred real estate. RETT should be also due in this case (see above). ▶ In general, transfer of companies and legal reorganisation are not subject to VAT. ▶ Tax relief on transfer taxes can be sought from the Tax Authorities in case of reorganisations. This needs to be approved previously by the Portuguese Tax Authorities.
Russia	<ul style="list-style-type: none"> ▶ There are no transfer taxes in Russia.

⁴⁵ Broadly, the real estate onerous acquisition concept foreseen in Portuguese tax law includes the acquisition by onerous title of real estate property rights (and similar legal conceptions). Additionally, it also includes other specific situations, e.g. long term (more than 30 years) rental contracts or in case of an offer to purchase in which the buyer can assign its contractual position.

Country	Transfer taxes
South Africa	<ul style="list-style-type: none"> ▶ The transfer of shares in a South African company is subject to transfer taxes (Securities Transfer Tax (STT)) of 0.25% on the higher of the consideration paid or the market value ▶ No STT arises on the issue of shares. ▶ Transfer of fixed property in South Africa to a company is subject to transfer taxes of 8% (individuals may be taxed at a different rate).
Spain	<ul style="list-style-type: none"> ▶ Share deals are generally exempt from VAT and transfer tax. However, if the target qualifies as a 'real estate entity', the direct and/or indirect acquisition of more than 50% of its shares would be subject to Spanish real estate transfer tax (the ordinary rate being 6%) payable by the purchaser. The tax base is equal to the fair market value of the real estate owned by the 'real estate entity'. An entity is qualified as a 'real estate entity' if more than 50% of its assets qualifies as real estate located in Spain. This test must be conducted at fair market value based on assets reflected in the company's balance sheet at the acquisition date of the shares. ▶ Cash and asset contributions to a Spanish company give rise to 1% capital duty tax on the amount contributed. This applies to both an increase in share capital and in share premium. However, as from 1 January 2009, asset contributions to a Spanish company are exempt from capital duty provided that they comply with the requirements set forth in the tax law to qualify as reorganisation transactions.
Sweden	<ul style="list-style-type: none"> ▶ The only transfer tax in Sweden is stamp duty, levied on real property at a fixed rate of 3% (from 1 January 2011 this will increase to 4.25%) of the property's value for a juridical person and 1.5% of the property's value for an individual.

Country	Transfer taxes
Switzerland	<ul style="list-style-type: none"> ▶ Securities transfer tax – The acquisition and sale of securities, (e.g., shares, bonds, collective capital investments like funds) is subject to the securities transfer tax provided that a securities dealer is – either as a contracting party or as an intermediary – involved in the transaction. ▶ Securities dealers are domestic commercial banks, professional securities traders as well as asset managers and investment consultants arranging the acquisition and sale of securities. In addition, domestic corporations having securities of at least CHF10m on their balance sheet are also qualified as securities dealers. ▶ The definition of ‘bonds’ is broader than used in the financial markets. ‘Bonds’ in the sense of the stamp duty act are defined as written promissory notes, issued for a fixed amount, which are used for collective raising of capital from third parties, collective investment purposes or consolidation of liabilities. ▶ Common bonds are issued subject to identical terms and qualify as taxable bonds if the number of issued promissory notes (including sub-promissory notes) exceeds ten and the amount exceeds CHF0.5m. Medium Term Bonds are issued subject to variable terms and qualify, issued by a non-bank, as taxable bonds in the sense of the withholding tax act and the stamp duty act, if the number of lenders exceeds 20 and the amount exceeds CHF0.5m, whereas domestic and foreign banks, which are subject to the banking legislation applicable at their domicile, do not count for the determination of the number of lenders. ▶ The tax rates are 0.15% for Swiss securities and 0.3% for foreign securities. ▶ Certain transactions, (e.g., group restructurings, share capital redemptions, sale or acquisition of foreign bonds by a foreign party) and certain contracting parties, (e.g., foreign listed companies incl. their foreign subsidiaries, foreign banks, central banks) are exempt from securities transfer tax. ▶ The approved revision of the withholding and stamp tax ordinances implies that as of 1 August 2010, all interest payments on loan agreements or current account relationships between companies pertaining to the same group of companies (i.e., all companies which need to be fully consolidated according to generally accepted accounting principles) are no longer subject to withholding tax and stamp duty on issuance. ▶ Due to several exemption clauses, a case-by-case analysis is necessary to assess whether the securities transfer tax is due. ▶ Real estate transfer tax – Some cantons and municipalities levy a cantonal and/or communal real estate transfer tax on the transfer of real estate located in the respective canton/municipality. There is no real estate transfer tax on federal level. ▶ The tax rates vary from canton to canton and are in the range of 0%, (e.g., no real estate transfer tax in Zurich) to 3.3% (canton of Vaud). The tax base is normally the transaction price unless it does not correspond to the arm’s length principle. ▶ The transfer of real estate in connection with a group restructuring is exempt from the real estate transfer tax.

Country	Transfer taxes
Turkey	<ul style="list-style-type: none"> ▶ All transactions between related parties must be conducted on an arm's length basis. If not, the transaction price might be adjusted by the tax authorities for corporate income tax purposes in a possible tax inspection. ▶ Stamp tax – Documents specified by Stamp Tax Code are subject to stamp tax. The term 'documents' refers to the documents which are issued by writing on and signing or putting a mark that may substitute for signature and which can be presented to improve or indicate an issue and the documents which are prepared in magnetic environment and as electronic data. ▶ The taxpayers of the stamp tax are those who sign the documents. The companies who sign the contract are joint liable for the payment of the stamp tax. ▶ Contracts signed outside Turkey might not be subject to stamp tax. However, such a contract will still be within the scope of stamp tax practice if one of the following conditions is fulfilled: <ul style="list-style-type: none"> ▶ Presenting to Turkish authorities (official departments). ▶ Providing a formality or endorsement. ▶ Using (benefiting) in any way in Turkey. ▶ The base of the stamp tax is the amount stated on the document. In case the amount is not clearly stated but if it is possible to calculate the value of the contract from the variables stated in the contract, calculated amount will be taken into consideration. ▶ The general stamp tax rate applicable to the agreements is 0.825% (as of 1 January 2010). On the other hand, the tax rate is 0.165% for rental agreements and letters of cancellation; 0.825% for letters of guarantee and deeds of settlement and 0.66% for remunerations (payroll). ▶ Land registry fees – On a transfer of real estate assets, land registry fees are payable by both the seller and buyer at 1.65% of the market value consideration. The total land registry fee is 3.3%. ▶ The real estate transfer tax is 1.65% of the sales price of the property payable by both buyer and seller and accordingly real estate transfer tax is 3.3% of the total sales value of the real estate.
UK	<ul style="list-style-type: none"> ▶ Stamp duty and/or stamp duty reserve tax of 0.5% is charged on certain consideration on the transfer of shares, marketable/chargeable securities and interest in certain partnerships. ▶ Stamp duty land tax of 0% to 4% is charged on any consideration for money or money's worth on the transfer of land and buildings and certain partnership interests where the transfer is between unconnected parties. Special market value rules apply where the vendor and purchaser are connected and where the purchaser is a company. ▶ No value added tax will be imposed on the transfer of trade and assets of a business if the transfer qualifies as a transfer of a going concern.

Country	Transfer taxes
United States	<p data-bbox="434 272 645 309"><i>State transfer tax</i></p> <ul style="list-style-type: none"> <li data-bbox="434 312 1576 349">▶ Sales taxes are imposed by certain states and should be considered in all asset acquisitions. <li data-bbox="434 349 1491 386">▶ Also, most states impose real estate transfer tax on direct transfers of real property.⁴⁶ <li data-bbox="434 386 2029 448">▶ A minority of states treat a transfer of a controlling interest in an entity with an interest in real property as a conveyance of a taxable interest in real property. <li data-bbox="434 448 2083 510">▶ Most states provide for exemptions from sales tax for transfers of tangible personal property (non including motor vehicles) involved in acquisitions and reorganisations as occasional/casual sales. Additionally, the transfer of inventory should be exempt as sales for resale. <p data-bbox="434 510 1397 547"><i>Federal Withholding Tax (Foreign Investment in Real Property Tax Act (FIRPTA))</i></p> <ul style="list-style-type: none"> <li data-bbox="434 547 2063 670">▶ In general, any buyer of a US real property interest (USRPI) from a foreign person is required to deduct and withhold 10% of the gross sales price. A USRPI is an interest: i.) in 'real property' located in the US or its territories; ii.) a domestic corporation that is a US real property holding corporation (USRPHC), or iii.) partnerships that satisfy certain USRPI ownership tests. A USRPHC includes any US corporation if more than 50% (by value) of such corporation's assets were US real property holding interests on certain dates.

⁴⁶ These jurisdictions include Chicago, Illinois, Cook County; Connecticut; District of Columbia; Delaware; Maine; New York State; New York City; Pennsylvania; and Washington. New York law states that 'in the case of a corporation which has an interest in real property, the transfer or acquisition of a controlling interest in the corporation occurs when a person, or group of persons acting in concert, transfers or acquires a total of 50% or more of the voting stock in such corporation.' Controlling interest is defined in the case of a corporation as 'either 50% or more of the total combined voting power of all classes of stock of such corporation, or 50% or more of the capital, profits or beneficial interest in the voting stock of the corporation.'

Section 8

Transaction costs

Transaction costs

Country	Transaction costs
Australia	<ul style="list-style-type: none"> ▶ Stamp duty, financial due diligence fees and legal fees are capitalised into the cost of the relevant asset. ▶ Tax fees are generally deductible outright. ▶ Interest costs are generally fully deductible even if they are capitalised for accounting purposes. ▶ Upfront borrowing expenses on finance are included in the overall calculation of the implicit interest rate on the financing and are therefore deductible over the term of the loan. ▶ Other costs which are not outright deductible and cannot be seen as relating to the cost base of the asset (referred to as black-hole expenditure) are deductible straight line over five years. <p><i>GST Treatment</i></p> <ul style="list-style-type: none"> ▶ The GST incurred on transaction costs may not be fully recoverable if the transaction costs relate to the making of an input taxed financial supply (for example, the acquisition and/or sale of shares). In certain instances, a Reduced Input Tax Credit (RITC) equal to 75% of the GST incurred on an acquisition may be recovered if the acquisition constitutes a 'reduced credit acquisition'. ▶ The recoverability of GST incurred on transaction costs can be complex and should be analysed on a case by case basis.
Austria	<ul style="list-style-type: none"> ▶ CIT treatment: Depending on the type of transactions costs, the costs are tax deductible (e.g., real estate transfer tax, duty, notary and lawyer fees, commission fees, transportation costs) or must be capitalised and amortised over the useful life of the underlying assets (e.g., decision making costs such as due diligence costs, financing costs, inventory costs). ▶ VAT treatment: Input VAT on costs relating to the acquisition of shares is deductible only if the acquiring entity is a taxable business and the participation is business-related. For holding companies, this is the case only if the holding company is actively involved in the administration of the participation and a fee is charged for this.
Belgium	<ul style="list-style-type: none"> ▶ For corporate tax purposes, in principle, transaction costs are fully deductible (if they are allocated in accordance with the OECD principles). In certain cases, the transaction costs (relating to financing) may be capitalised and amortised. ▶ When the place of supply is Belgium, Belgian VAT rules apply. In principle, transaction costs are VAT-able, with certain exceptions such as financial services (including mediation in relation to a share deals and bank fees) and services supplied by Belgian law firms, which are exempt from Belgian VAT. However, when legal fees are subsequently on charged by a person other than a Belgian law firm, they become subject to Belgian VAT. ▶ The deduction of input VAT on transaction costs relating to a sale of shares is subject to controversy and the Belgian VAT Authorities generally disallow the deduction. However, there are arguments in favour of a deduction.

Country	Transaction costs
China	<ul style="list-style-type: none"> ▶ Transaction costs (e.g., stamp duty, lawyer fees, due diligence fees) are generally deductible. If the investment assets are obtained by way of exchange for non-monetary assets, the relevant tax costs and fees should be capitalised as the asset cost. ▶ Deed tax associated with the acquisition of the land/property payable by buyers should be capitalised as the cost of the land/property. ▶ Generally, interest expenses associated with the loans borrowed for asset acquisition can be capitalised as the acquisition cost. However, it is still unclear whether the interest expenses associated with the loans borrowed for equity acquisition are deductible. ▶ VAT paid on acquisition of assets is generally recoverable by the buyer upon a subsequent sale of the assets, except for VAT paid on fixed assets purchased or self-constructed by the seller before 31 December 2008.
Czech Republic	<ul style="list-style-type: none"> ▶ CIT – Asset deal: Generally, the transaction costs are deemed to be tax deductible provided that: <ul style="list-style-type: none"> ▶ Costs are incurred in order to generate, assure and maintain taxable profits; ▶ Sufficient documentation substantiating the costs is in place; ▶ The transaction costs are agreed at arm's length level between related parties. ▶ Certain transaction costs incurred when obtaining loan financing are subject to thin capitalisation rules (for more details, please refer to the Thin capitalisation section). ▶ Transaction costs incurred in connection with the acquisition of assets that are depreciated/amortised according to the Czech Income Taxes Act must be capitalised into the acquisition price and depreciated/amortised accordingly. However, the Czech tax and accounting law does not provide clear guidance on how to treat the transaction costs when a going concern business is acquired. One of the methods that should be accepted by the Tax Authorities is capitalisation into the value of recognised goodwill that is amortised over 15 years for tax purposes. ▶ CIT – Share deal: Generally, transaction costs relating to the acquisition of shares should be capitalised into the acquisition price of the shares. ▶ Transaction costs not capitalised and other direct costs connected with holding shares are deemed to be non-tax deductible (unless the capital gain on the sale is taxable). Directly related costs are recaptured and can be deducted at the point of sale. Alternatively, holding share costs become effectively deductible if they are recharged. ▶ Value added tax – Asset deal: Input VAT borne in connection with transaction costs is generally recoverable (provided that the acquired assets are used for activities subject to VAT or to zero VAT rate). ▶ Value added tax – Share deal: Generally, taxpayers are not entitled to recover input VAT from transactions connected with the acquisition of shares. ▶ Under specific circumstances (e.g., share deal followed by a merger with the acquirer), the input VAT may be deductible.

Country	Transaction costs
Denmark	<ul style="list-style-type: none"> ▶ Transaction costs, which are incurred to acquire and maintain the company's income (including ordinary depreciation) may be deducted for tax purposes. ▶ Broadly, VAT which relates to VAT taxable activities can be deducted. If expenses relate to VAT taxable activities and also are not VAT liable activities the VAT is deductible according to the VAT deduction rate. ▶ Insurance and bank services are primarily exempt from VAT in Denmark whereas consultancy and legal services are subject to VAT. It is possible for companies with VAT taxable activities to deduct the VAT of costs relating to such activities. VAT must not be deducted if the costs relate to VAT exempt or 'outside-the-scope of VAT' activities. Companies with both VAT-taxable and VAT exempt activities may deduct VAT on a pro-rata basis.
Finland	<ul style="list-style-type: none"> ▶ Transaction costs are generally capitalised ▶ VAT on the transaction costs is deductible depending on the VAT status of the entity
France	<p data-bbox="434 624 819 655"><i>Corporate income tax treatment:</i></p> <ul style="list-style-type: none"> ▶ As a general rule, transaction costs incurred by a French company for the acquisition of the shares of a target company are deductible for corporate income tax purposes provided that they are incurred in its own interest. ▶ Different types of costs may be incurred in relation to the acquisition of the shares of a target company which can be divided into two categories: <ul style="list-style-type: none"> ▶ The advisory fees relating to the acquisition of the shares of the target company (share acquisition costs) are capitalised in the books but may be depreciated over five years for tax purposes ▶ The financing fees (financing costs) in respect of which a distinction has to be made: <ol style="list-style-type: none"> i.) the fees relating to the issuance of loans invoiced by the financing parties should be booked as '<i>frais d'émission d'emprunt</i>'. The borrowing company may choose to amortise this or take a full deduction in the books of such fees in the year in which they are incurred. The tax treatment follows the accounting treatment retained by the company. ii.) the fees invoiced by the advisors of the financing parties should be fully tax deductible in the year in which they are incurred. <p data-bbox="434 1094 613 1126"><i>VAT treatment:</i></p> <ul style="list-style-type: none"> ▶ The French VAT incurred on acquisition costs should be recoverable, at least partially (dependent on an allocation key and a VAT pro-rata/liability ratio), assuming that the structure incurring these costs performed VATable activities and assuming that these acquisition costs are incurred in connection with the performance of such VATable activities. However, the recovery of the French VAT incurred on costs directly linked to sale of shares could be challenged by the French Tax Authorities, even if there are some arguments to demonstrate that such VAT is recoverable, at least partially (determination of an allocation key and a VAT pro-rata/liability ratio).

Country	Transaction costs
Germany	<ul style="list-style-type: none"> ▶ In general, transaction fees (e.g., for legal advice and due diligence) charged to an entity can only be treated as a tax deductible acquisition cost where such cost was incurred for services provided to the entity, i.e., the entity has been the recipient of the services and its benefits. ▶ Transaction costs may be partially tax deductible for CIT and trade tax purposes. Otherwise, they must be capitalised as ancillary acquisition costs: <ul style="list-style-type: none"> ▶ According to German tax law, expenses incurred from the moment the investor has the <i>intention to acquire</i> the investment generally qualify as ancillary acquisition costs and thus increase the book value of the investment. Expenses incurred before this date can be treated as immediately tax deductible. ▶ Fees with regard to debt financing (lawyers, financial advisors, tax advisors), which are paid to third party advisors (i.e., not to the providers of the debt) should generally be immediately tax deductible. ▶ Fees charged by the provider of the debt must generally be capitalised and amortised according to the terms of the underlying debt tranche. Costs relating to the constitution and release of securities (e.g., legal advice, notary expenses) should generally be immediately tax deductible. ▶ In order to be entitled to fully deduct the input VAT on the transaction costs, the acquiring entity must be considered as an entrepreneur for German VAT purposes which actively influences the current operations of all of its participations. Pure holding activity is not sufficient. There is a substantial risk of partial or full non-deductibility if the value of the output supplies of the holding entity is lower than the costs on which the input VAT has been incurred. In addition, several court cases are pending with regard to holding companies and refund of input VAT.
Greece	<ul style="list-style-type: none"> ▶ Greek income tax legislation provides that only certain expenses may be considered as tax deductible. In addition to the above, the general deductibility criteria applicable to all types of expenses must also be fulfilled. Accordingly, such expenses need to be considered as productive for the company, i.e., expenses contributing to the expansion of the company's activities and the increase of its profits. Generally expenses qualify for tax deductibility, if: <ul style="list-style-type: none"> ▶ They are properly supported by adequate documentation as specified in the Greek Code of Books and Records (GCBR); ▶ They relate to the activity of the enterprise (i.e., are of a productive nature); ▶ They are not of an illegal nature; ▶ They are real and accrued; ▶ They refer to the subject fiscal year; ▶ They are posted in the statutory accounting books; ▶ The amount is certain; and ▶ They relate to the acquisition of taxable income (i.e., the acquisition relates to the company's business operation).

Country	Transaction costs
Hungary	<ul style="list-style-type: none"> ▶ Based on the general rules, transaction costs (i.e., bank charges, advisory, legal fees) are deductible for CIT purposes if the costs relate to the business activity of the taxpayer. ▶ Bank services (e.g., granting loan) are generally VAT exempt services in Hungary, while advisory and legal services are subject to VAT. The input VAT charged on advisory and legal services are deductible in accordance with the general rules, i.e., no deduction is permitted for services used for non-business purposes. ▶ Taxpayers who use services supplied for both taxed transactions and for exempt purposes may deduct only the input VAT that is attributable to the former transactions (pro-rata deduction). ▶ Input VAT charged in relation to transaction costs incurred in connection with the acquisition of shares is generally not deductible as the holding of shares is not considered a taxable activity for VAT purposes, i.e., a pure holding company cannot be treated as taxable person, therefore, it does not have the right to deduct any input VAT.
India	<ul style="list-style-type: none"> ▶ Transaction costs incurred by an Indian company wholly and exclusively for the purposes of an amalgamation or demerger of an undertaking, shall be allowed as a deduction for five successive years beginning from the year in which the amalgamation or demerger takes place; one-fifth being allowable in each year. ▶ Transaction costs such as lawyer fees, court fees, stamp duty fees, audit fees, consulting fees, incurred in relation to the above should be eligible for such a deduction. ▶ Transaction costs in other acquisitions are generally added to the cost of the asset acquired. ▶ The input VAT incurred on transaction costs e.g., lawyers fees, bankers fees, is creditable provided the expenses are incurred for genuine business purposes.
Ireland	<ul style="list-style-type: none"> ▶ Transaction costs are typically not deductible in calculating the corporation tax liability of the acquiring entity. However, where expenses are not deductible for corporation tax purposes they may be deductible for capital gains tax purposes. ▶ VAT charged by a person providing professional services in relation to a transaction (e.g., an accountant or general consultant) can be recovered in so far as the entity making the acquisition itself is not carrying on a VAT exempt activity (i.e., certain financial, medical and educational activities among others) and is registered for VAT.

Country	Transaction costs
Italy	<p data-bbox="434 272 600 309"><i>Corporate tax</i></p> <ul style="list-style-type: none"> <li data-bbox="434 309 2085 346">▶ The most common transaction costs are generally treated as follows:⁴⁷ <ul style="list-style-type: none"> <li data-bbox="486 346 2085 564">▶ Legal costs incurred on: <ul style="list-style-type: none"> <li data-bbox="539 378 2085 472">Negotiation of share purchase agreement – are added to participation costs (where participation costs are the value with which the shares/quotas of the company are recognised in the balance sheet of the shareholder/quota-holder, i.e., price paid for the shares plus ancillary expenses); <li data-bbox="539 472 2085 533">Negotiation of bank finance – when related to local country borrowing, these costs are capitalised and amortised during the loan duration; <li data-bbox="539 533 2085 564">Due diligence review – are added to participation costs. <li data-bbox="486 564 2085 719">▶ Accountants' costs incurred on: <ul style="list-style-type: none"> <li data-bbox="539 596 2085 628">General accounting advice – are added to participation costs; <li data-bbox="539 628 2085 660">Undertaking financial/tax due diligence – are added to participation costs; <li data-bbox="539 660 2085 692">Providing ad hoc tax advice on industry specific issues – are added to participation costs; <li data-bbox="539 692 2085 719">Providing tax advice on implications of financing structure – should be capitalised and amortised during the loan duration. <li data-bbox="486 719 2085 751">▶ Investment bankers' fees for advice on transaction – add to participation costs. <li data-bbox="486 751 2085 783">▶ Fees paid to bank in respect of the provision of loan finance: – be capitalised and amortised during the loan duration. <p data-bbox="434 783 495 815"><i>VAT</i></p> <ul style="list-style-type: none"> <li data-bbox="434 815 2085 877">▶ The recoverability of VAT arising from transaction costs is generally allowed, but issues may arise if those costs are incurred by an entity which active business is totally or partially VAT exempt (i.e., holding company).
Japan	<ul style="list-style-type: none"> <li data-bbox="434 877 2085 954">▶ In general, transaction costs incurred in connection with the acquisition are treated as part of the acquisition cost of the target company's shares (basis of shares) and not deductible for the calculation of income tax liability of the acquiring company. <li data-bbox="434 954 2085 1015">▶ Loan arrangement fees for securing the provisions of the loan finance should be generally capitalised and depreciated over the loan duration. <li data-bbox="434 1015 2085 1048">▶ Generally, consumption tax (input) incurred on transaction costs are recoverable, however, there are certain exceptions.

⁴⁷ A different treatment may be applicable for Italian companies preparing their statutory financial statements according to IAS/IFRS. In fact: i.) the new IFRS 3 revised generally recognises acquisition related costs as expenses; and ii.) Italian domestic tax law (Article 4, par.1 of Ministerial Decree 48/2009) states that the IAS treatment of acquisition related costs is relevant also for corporate tax purposes.

Country	Transaction costs
Luxembourg	<ul style="list-style-type: none"> ▶ Based on the general rules, transaction costs (i.e., bank charges, advisory, legal fees) are deductible for CIT purposes if the costs relate to the business activity of the taxpayer. To the extent expenses are linked to exempt income (e.g., exempt dividend) and up to the amount of such income, they will not be deductible if incurred in the same tax year as the income is received. Deductible expenses (even from previous years) linked to exempt income or to an asset on which exempt capital gains may be realised will be subject to recapture upon the realisation of such capital gains (i.e., the taxation of such capital gains up to the lower of the amount of such expenses and the amount of such gains). ▶ Transaction costs include various services, such as legal services, due diligence services, advisory services. These services are subject to VAT at the standard VAT rate of 15% if located in Luxembourg. ▶ The VAT incurred on these transaction costs will be deductible within the limit of the VAT deduction right of the recipient. ▶ However, in most cases there will be no, or only a limited, right to deduct the VAT paid or self-assessed (which is the case if the services received are in direct relation to an activity outside the scope of VAT, such as the holding of participations).
Netherlands	<ul style="list-style-type: none"> ▶ In general, transaction costs (i.e., other than interest costs) are deductible, provided these costs can be allocated to the company which incurs such costs and these costs are at arm's length. ▶ A distinction should be made between financing costs and acquisition costs. <ul style="list-style-type: none"> (i) <i>Financing costs</i> Financing costs are typically related to obtaining the financing of the transaction, such as bank fees, (legal) fees for bank documents, underwriting fees, (part of the) due diligence fees (usually some of the financial due diligence can be considered deductible financing costs insofar as necessary to obtain third party financing). (ii) <i>Acquisition costs</i> Acquisition costs are costs associated with the acquisition of shares. This includes costs such as advisory fees and legal fees. Such costs are to be capitalised as part of the cost price of the acquired shareholding. However, it could be argued that costs incurred prior to reaching an agreement with the seller should be deductible for Dutch corporate income tax purposes. ▶ In principle financial services are generally exempt from VAT. However, deal costs, i.e., costs attributable to the sale of shares or businesses, generally consist of merchant bank and/or rating agency costs which are, following case law of the Dutch Supreme Court, VATable in the country of the supplier.
Norway	<ul style="list-style-type: none"> ▶ Costs incurred in connection with acquisition of shares must be capitalised, including analysis, due diligence review. These costs reduce the taxable gain upon future sales of shares. ▶ However, costs classified as operating expenses may be directly expensed, i.e., appraisal of potential business, integrating and organising the business. ▶ VAT on transaction costs which relate to a transfer of business (transfer of a going concern) will be deductible provided that the transaction costs are for use in a VAT liable business by the recipient, i.e., purchase of a competitor company. ▶ Recovery of input VAT on transactions costs with regard to sales of shares will normally be excluded or very limited. This applies to all kind of companies, but in particular holding companies, which normally have none or only a few VAT liable activities. It also seems that the ability to recover input VAT on transactions costs in situations where the holding company is part of a VAT group have been narrowed by the VAT authorities in the last couple of years.

Country	Transaction costs
Poland	<ul style="list-style-type: none"> ▶ There are no regulations that directly address the question of CIT and VAT treatment of transaction costs. ▶ Based on current practice, the transaction-related costs related to acquisitions should be deductible for Polish tax purposes, but where they are directly and strictly related to the acquisition of shares (e.g., price paid for shares, notary fees, CTT charged on sale of shares, advisory fees related to the preparation of the purchase agreement) they are capitalised into the value of shares, ▶ Other expenses such as financing-related costs or advisory fees should generally be deductible for tax purposes when they are incurred as they should generally be considered by the tax authorities as costs indirectly related to revenues (the regulations are not precise in this respect; item by item review in view of the criteria developed by the tax authorities in the rulings should be considered). ▶ The tax authorities and administrative courts tend to disallow certain categories of transaction costs (e.g., capital duty on share capital increase). ▶ VAT deductibility on transaction costs is a complex issue and should be analysed on a case by case basis. Generally, the deduction of input VAT should be possible provided that the taxpayer exercises VAT-able supplies (for example, an acquisition holding company providing management services). In cases where the taxpayer carries out only pure holding activities or does not execute any supplies giving right to VAT recovery (e.g., financial services), the deduction of input VAT is not possible. ▶ Input VAT on purchases of goods and services directly/exclusively related to the holding activity or VAT-exempt supplies (e.g., granting loans) should not be recoverable. In the case of input VAT on purchases of goods and services related to both exempt and taxable supplies (e.g., financial services and management services), only partial deduction of the input VAT should be allowed (VAT pro-rata calculation will be applied).
Portugal	<ul style="list-style-type: none"> ▶ There are no specific rules regarding the deductibility of transaction costs. ▶ In general, the transaction costs incurred should be deductible if they are considered to be essential to generate taxable profits or are for the maintenance of the company's production source.
Russia	<ul style="list-style-type: none"> ▶ <i>Corporate income tax</i> <ul style="list-style-type: none"> ▶ Transaction costs are generally tax deductible. ▶ <i>VAT treatment</i> <ul style="list-style-type: none"> ▶ Transaction costs (e.g., lawyer fees, due diligence costs) are usually subject to 18% VAT. ▶ Input VAT on VATable activities should be offsetable.
South Africa	<ul style="list-style-type: none"> ▶ Transaction costs are typically not deductible as they are usually of a capital nature. However, transaction costs incurred in the production of income and not of a capital nature will automatically be deductible under the general deduction rules. This includes legal fees, accounting fees. ▶ Expenses relating to the acquisition of an investment which is capital in nature are generally not allowable in computing the profits chargeable to tax. ▶ Provided that the company is eligible to recover all of its input VAT, then in principle it should be possible to recover all VAT incurred in relation to services received to the extent the company is the recipient of such services.

Country	Transaction costs
Spain	<ul style="list-style-type: none"> ▶ Transaction costs – Spanish Corporate Income Tax Law does not expressly restrict the deductibility of transaction costs for Corporate Income Tax purposes. Therefore, the tax treatment will follow the accounting treatment. From an accounting perspective, transactions costs could be treated as: i.) expense of the year; ii.) deferred expense; iii.) higher value of the investment. The accounting treatment of transaction costs is a very complex issue that must be analysed on a case by case basis. As a general rule, transaction-related expense recorded by the purchasing company would be tax deductible provided that it is properly recorded as an expense from an accounting perspective. ▶ Input VAT borne in connection with advisory fees and other transaction-related costs is generally recoverable. However, the Spanish holding's right to fully recover input VAT could be restricted to the extent that the holding company is subject to 'pro-rata rule' or 'different sectors regime'.
Sweden	<ul style="list-style-type: none"> ▶ From a CIT perspective, financing costs are deductible whilst acquisition costs should be added to the acquisition price of the shares, and should neither be deductible nor amortisable. ▶ Input VAT on acquisition costs should however be deductible for VAT purposes to the extent the acquirer performs taxable/VATable transactions.
Switzerland	<ul style="list-style-type: none"> ▶ Transaction costs are usually tax-deductible on the level of an acquiring Swiss-based company, subject to the at arm's length criterion if transaction services are provided by related parties ▶ Transaction costs are normally expensed as incurred and it is not required to capitalise transaction costs for income tax purposes. ▶ It needs to be analysed on a case-by-case basis and often negotiated with the tax authorities whether transaction costs can be (partially) charged to the (operating) company being acquired. In general, transaction costs are only tax deductible at the level of the target/acquired company if there is a benefit for this legal entity (e.g., financial due diligence report may also provide valuable information for the target company itself). ▶ M&A advisory services should be VAT recoverable for a Swiss entity. However, the general input tax reduction rules must be observed (e.g., input VAT reduction for holding companies).

Country	Transaction costs
Turkey	<ul style="list-style-type: none"> ▶ Various costs arising from a transaction are deductible provided that these expenses are necessary and directly related to business activities. It is also important these expenses should be in line with the size of the transaction. These transaction costs may include expenses such as advisory fees for valuation of the assets or shares being sold, banker's fees and other miscellaneous fees which are directly related with the sale of the transaction. ▶ It is important to note that bank commissions and other service fees paid to banks (such as investment banks) are not subject to VAT in Turkey. The bank fees are subject to Banking and Insurance Transactions Tax (BITT), which is applied at a normal rate of 5%, and is not recoverable by the company undertaking the expense. Therefore, the BITT is a cost item for the company paying these bank fees. ▶ Other advisory fees by professional service firms (such as the fees of audit and consulting firms as well as lawyers) may be subject to VAT at 18%. This VAT can be recovered from the output VAT of the company provided that the services are related with the activities of the company. The period required for recoverability of this input VAT depends on the size of the output generated by the company. ▶ It is important to note that some other fees may also arise during the transactions, such as mandatory fees paid to government agencies, e.g., the Competition Board, environmental bodies and fees paid for obtaining licenses in some specific types of transactions. Such fees would be deductible by the company benefiting from the transaction and, in principle, should not be subject to VAT. ▶ It should be noted that deductibility of transaction costs, as well as the recoverability of the related VAT, requires that all the expenses are documented in compliance with the rules set in the Tax Procedural Law of Turkey.
UK	<ul style="list-style-type: none"> ▶ Costs relating to obtaining loan finance (as opposed to equity) will generally be tax deductible for corporation tax purposes. The basis of deduction usually follows the accounting treatment, e.g., bank agreement fees, loan arrangement fees and professional fees in securing the provision of that loan finance. ▶ Expenses relating to the acquisition of an investment which are capital in nature are generally not allowable in computing the profits chargeable to tax. ▶ Expenditure on appraising and investigation of investments will be revenue in nature (and allowable) until the time when the 'acquisition process' commences. Expenditure incurred from that point will be capital in nature. ▶ Provided that the company is eligible to recover all of its input VAT, then in principle it should be possible to recover all VAT incurred in relation to services received to the extent the company is the recipient of such services. However, the UK tax authorities are currently taking an aggressive approach and any material VAT recovery may be challenged.

Country	Transaction costs
United States	<ul style="list-style-type: none"><li data-bbox="434 272 2092 400">▶ Generally, transaction costs that are ‘inherently facilitative’ to an acquisition, whether it is asset or stock must be capitalised to the basis of the acquired assets or stock, regardless of when such costs are incurred during the transaction life cycle. These costs include, securing an appraisal, investment banking fees, attorney fees incurred for negotiating and drafting the purchase agreement and advisory fees incurred to structure the transaction.<ul style="list-style-type: none"><li data-bbox="488 400 2092 496">▶ For an asset acquisition, transaction costs are capitalised and are allocated among the acquired assets (e.g., furniture, fixtures and equipment, real property and goodwill, going concern and identifiable intangibles), increasing the tax basis of the asset on a residual basis. Any costs that are allocated to amortisable assets may be amortised over 15 years;<li data-bbox="488 496 2092 528">▶ In a stock acquisition, transaction costs are capitalised and increase the basis of the stock, but are not amortisable.<li data-bbox="434 528 2092 592">▶ Non-facilitative costs, such as due diligence costs incurred in the process of investigating or otherwise pursuing certain transactions may be deductible, if certain requirements are met.<li data-bbox="434 592 2092 625">▶ Generally, costs related to debt financing are amortisable over the term of the related debt.

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