

# Tax Brochure Corporate Tax | 2015



## A European Comparison

The AGN European Region conducts annual surveys of corporate taxes, parent companies, self employed, value added (VAT), salary and social security and inheritance taxes. These surveys have been produced for a number of years and provide interesting comparisons from year to year and from country to country and give an insight into trends.

The 2015 corporate tax survey covers most European countries (including Turkey) and aims to calculate the effective corporate tax payable using a model profit and loss account for a standard trading company with pre-tax accounting profit of € 930,000.00. It also calculates the dividend receivable by shareholders of a company resident in a non-treaty (tax haven) country. Additionally the percentage of accounting profit received as dividend is shown under different assumptions.

### Results of the 2015 Survey:

**Nominal corporate tax rates** range from 12.5% (Cyprus, Liechtenstein and Ireland) to 33-34% (Belgium and France). Romania (16%), the Czech Republic (19%) and Poland (19%) are also quite low, whereas Germany, Greece and Spain all show nominal rates of at least 26%. A notable exception is the Isle of Man, where - apart from rental profits from Manx property, and local banking services - no corporate tax is charged.

**Effective corporate tax rates:** The truth however lies in comparing the effective corporate tax burden, thus considering taxable adjustments of the accounting profit and withholding taxes on business expenses such as intercompany interest and royalties.

Effective corporate tax rates range from approximately 13% (Cyprus and Luxembourg), to 47% (France). However, most countries surveyed have effective corporate taxes between 23% and 38%. Poland shows the largest divergence between nominal (19%) and effective (40%) rates, followed by France.

Net dividends received by shareholders may be subject to withholding taxes. Without considering the shareholder's personal income tax position the range of percentages of accounting profit received is:

- **Individual shareholder resident in same country:** From 84% (Liechtenstein) to 35% (France).
- **Individual shareholder resident in treaty country:** From 87% (Cyprus) to 42% (France).
- **Individual shareholder resident in non-treaty country:** From 87% (Cyprus) to 13% (France).
- **EU resident company as shareholder:** From 87% (Cyprus, Luxembourg) to 53% (France).
- **Treaty country (non EU) resident company as shareholder:** From 87% (Cyprus, Luxembourg) to 45% (France).
- **Non-treaty country resident company as shareholder:** From 87% (Cyprus) to 42% (France).

### Tax adjustments to the accounting profit

Most countries adjust accounting profit (usually increases) to arrive at taxable profit. These adjustments are generally shown as a percentage of book expenses.

**Complimentary pension provisions:** The Czech Republic, France, Ireland, Poland, Romania, Spain, Turkey and the UK do not allow deduction of company pension provisions. Non-executive directors' fees: Austria and Germany allow a 50% deduction. Czech Republic, Greece, Poland and Russia disallow them completely. Ireland, Poland, and Spain allow a deduction, but charge a withholding tax, as does Czech Republic, Greece, Luxembourg and Russia.

**Depreciation:** Apart from Czech Republic, Hungary, Ireland, Isle of Man, Russia and the UK, depreciation of fixed assets for accounting purposes is also accepted for tax purposes.

**Company cars:** Austria, Croatia, France, Ireland, Liechtenstein, Poland, and Portugal set a maximum purchase price. Annual depreciation rates range from 12,5% (Austria) to 50% (Turkey).

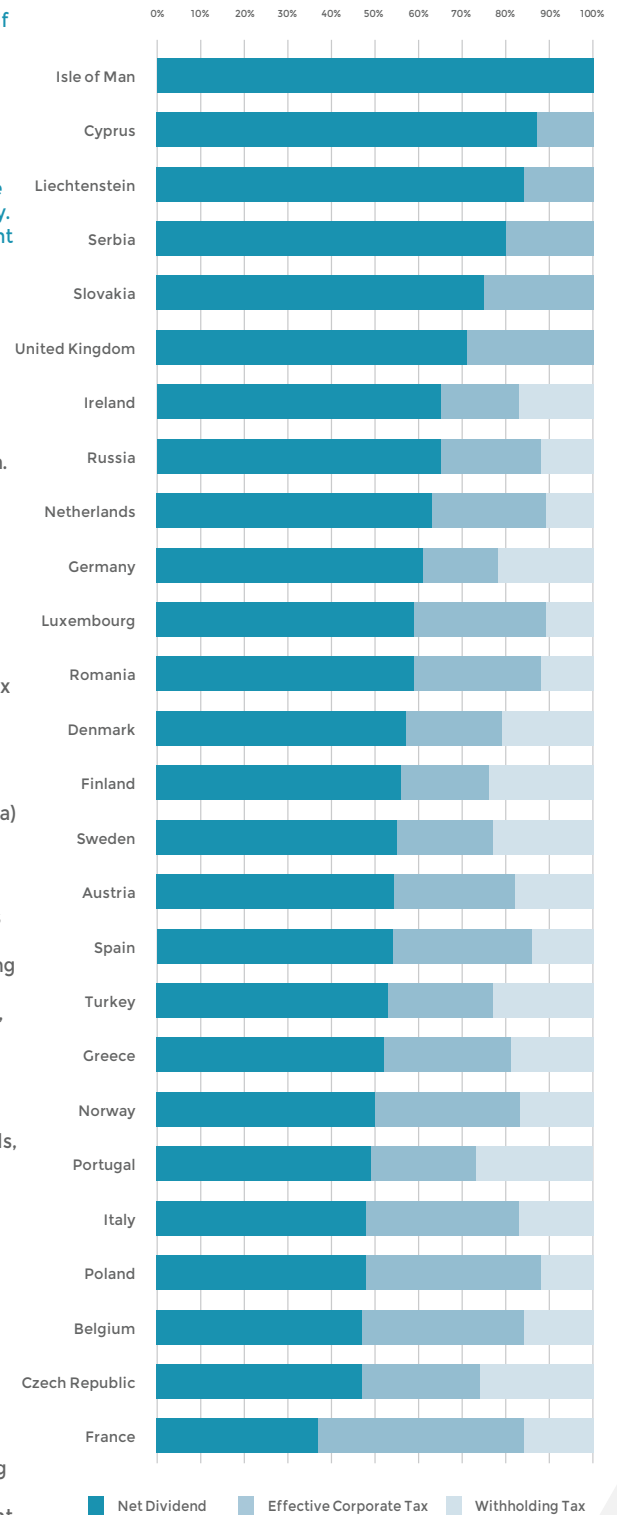
**Intercompany interest deduction:** Most countries apply the arm's length principle for interest on loans from group companies or related parties and about 50% apply thin capitalization rules. In the UK transfer pricing rules and additional worldwide debt cap apply. Belgium, Croatia, the Czech Republic, Greece, Romania, Russia, and the UK apply withholding taxes between 5% and 25% on intercompany interest payments.

**Royalties:** Denmark, Hungary, Isle of Man, Liechtenstein, Luxembourg, the Netherlands, Switzerland and Sweden do not apply withholding taxes to royalties paid to EU companies. The others do at rates between 10% (Poland, France and Cyprus) and 25% (Belgium).

**Company formation costs:** Cyprus, Ireland, Poland, Russia, Sweden and the UK completely disallow the deduction of formation costs.

**Conclusion:** Apart from the Isle of Man, which can definitely be named as a tax haven within Europe, from the corporate tax perspective, Liechtenstein, Luxembourg and Cyprus seem to be good places to run a business; if the shareholder is a non-resident individual or company, up to 87% (Cyprus and Luxembourg), and 84% (Liechtenstein) of the company's pre-tax accounting profit can be received as dividend.

*Some other Eastern-European countries such as Hungary and Slovakia however have become increasingly competitive.*



# Corporate Tax | 2015

## A European Comparison



Published by AGN International – Europe Limited, a UK Registered Company (No. 4619314)

The European regional organisation of AGN International Ltd, a worldwide association of separate and independent accounting and consulting firms with 684 locations in 90 countries and 13,500 total partners and staff  
Registered office: 24 Greville Street, London EC1N 8SS, UK. Phone +44 (0) 207 971 7373 | Email: info@agn.org

Country	Tax declaration deadline	Standard Corporate Tax Rate (%)	Effective Corporate Tax Rate (%)	Effective withholding tax (%) (Company shareholder non treatyCountry)	Dividend Distributed (%)	Adjustments to tax base (%)				Book depreciation acceptable for tax purposes	Legal rates for tax purposes	Adjustments to tax base (%) Entertainment costs	Max. depreciation rates for cars (%)	Adjustments to tax base (%)		Debt / Equity ratio (Thin cap. rules)	Intercompany interest - withholding tax max	Royalties - withholding tax max.
						Bad debts - General provision	Bad debts - Specific provision	Company (not state) pension provision	Non executive directors' fees					Adjustments to tax base (%) Non-deductible motoring costs	Adjustments to tax base (%) Company formation costs			
Austria	June	25.00%	27.54%	18.12%	54.35%	100%	0%	0%	50.00%	Y/N	Y	50.00%	12.50%	purchase cost ratio	0%	N	0%	10.00%
Belgium	September	34.00%	37.00%	16.00%	47.00%	0.00%	100.00%	100.00%	0.00%	Y	Y	50.00%	20.00%	25.00%	0.00%	Y	25.00%	25.00%
Cyprus	December	13.00%	13.00%	0.00%	87.00%	100.00%	0.00%	0.00%	0.00%	Y	Y	0.00%	20.00%	0.00%	100.00%	N	0.00%	10.00%
Czech Republic	April	19.00%	27.00%	26.00%	47.00%	100.00%	80.00%	100.00%	100.00%	N	Y	100.00%	22.00%	0.00%	0.00%	Y	15.00%	15.00%
Denmark	June	24.00%	22.00%	21.00%	57.00%	100.00%	0.00%	0.00%	0.00%	Y	Y	75.00%	25.00%	0.00%	0.00%	Y	0.00%	0.00%
Finland	April	20.00%	20.00%	24.00%	56.00%	100.00%	0.00%	0.00%	0.00%	Y	Y	50.00%	25.00%	0.00%	0.00%	N	0.00%	20.00%
France	May	33.00%	47.00%	16.00%	37.00%	100.00%	0.00%	100.00%	80.00%	Y	Y	0.00%	25.00%	0.00%	0.00%	Y	0.00%	10.00%
Germany	May/ December	16.00%	17.00%	21.00%	61.00%	100.00%	0.00%	0.00%	50.00%	Y	Y		17.00%	0.00%	0.00%	Y	15.00%	15.00%
Greece	June	26.00%	29.00%	18.00%	52.00%	100.00%	100.00%	0.00%	100.00%	Y	Y	0.00%	20.00%	0.00%	0.00%	N	20.00%	20.00%
Ireland	8 months and 21 days from accounting year end <sup>3</sup>	13.00%	18.00%	16.00%	65.00%	100.00%	0.00%	100.00%	0.00%	N	Y	100.00%	13.00%	0.00%	100.00%	N	0.00%	20.00%
Isle of Man	January	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	N	Y	0.00%	25.00%	0.00%	0.00%	N	0.00%	0.00%
Italy	September	28.00%	35.00%	17.00%	48.00%	100.00%	0.00%	0.00%	0.00%	Y	Y	0.00%	25.00%	30.00%	0.00%	N	15.00%	10.00%
Liechtenstein	June	12.50%	15.87%	0.00%	84.13%	0.00%	0.00%	0.00%	0.00%	Y	Y	0.00%	18.00%	0.00%	0.00%	N	0.00%	0.00%
Luxembourg	May	29.00%	30.00%	10.00%	59.00%	100.00%	0.00%	0.00%	100.00%	Y	Y	0.00%	25.00%	0.00%	0.00%	N	0.00%	0.00%
Netherlands	May	25.00%	26.00%	11.00%	63.00%	0.00%	0.00%	0.00%	0.00%	Y	Y	27.00%	20.00%	0.00%	0.00%	N	0.00%	0.00%
Norway	May	27.00%	33.00%	17.00%	50.00%	100.00%	100.00%	0.00%	0.00%	Y	Y	100.00%	20.00%	0.00%	0.00%	N	0.00%	0.00%
Poland	March	19.00%	40.00%	11.00%	48.00%	100.00%	100.00%	100.00%	100.00%	Y	Y	0.00%	20.00%	0.00%	100.00%	Y	0.00%	10.00%
Portugal	May	21.00%	24.00%	27.00%	49.00%	100.00%	0.00%	0.00%	0.00%	Y	Y	0.00%	25.00%	0.00%	0.00%	N	0.00%	0.00%
Romania	March	16.00%	29.00%	11.00%	59.00%	100.00%	70.00%	100.00%	0.00%	Y	Y	2.00%	25.00%	0.00%	0.00%	Y	16.00%	16.00%
Russia	March	20.00%	23.00%	12.00%	65.00%	0.00%	100.00%	0.00%	100.00%	N	Y	0.00%	32.00%	0.00%	100.00%	Y	15.00%	20.00%
Serbia	June	15.00%	20.00%	0.00%	80.00%	0.00%	0.00%	0.00%	0.00%	Y	Y	1.00%	0.00%	0.00%	0.00%	Y	20.00%	20.00%
Slovakia	March	22.00%	25.00%	0.00%	75.00%	100.00%	0.00%	0.00%	0.00%	N	Y	100.00%	25.00%	0.00%	0.00%	N	35.00%	35.00%
Spain	July	28.00%	32.00%	14.00%	54.00%	100.00%	0.00%	100.00%	0.00%	Y	Y	0.00%	16.00%	0.00%	0.00%	N	0.00%	20.00%
Sweden	July	22.00%	22.00%	24.00%	55.00%	100.00%	0.00%	0.00%	0.00%	Y	Y	0.00%	30.00%	0.00%	100.00%	N	0.00%	0.00%
Turkey	April	20.00%	24.00%	23.00%	53.00%	100.00%	0.00%	0.00%	0.00%	Y	Y	0.00%	50.00%	0.00%	0.00%	Y	0.00%	20.00%
United Kingdom	December	20.00%	29.00%	0.00%	71.00%	100.00%	0.00%	100.00%	0.00%	N	Y	100.00%	0.00%	0.00%	100.00%	Y	10.00%	10.00%