

# Tax Surveys A European Comparison 2014



# Doing Business in Luxembourg

## 1. Self Employed

## 2. Partnership:

**S.C. Unlimited Liability, No minimum capital, No Notary,**

**S.E.C.S. Limited liability for non-active partners (investors), no minimum capital, no notary**

## 3. Company:

**S.A. min capital €31.000 (25% paid up rest 5 years), limited liability, Notary fees**

**S.aR.L. Min Capital €12.400 (fully paid) Limited liability, Notary fees**

**S.aR.L.-S or 1.1.1 company (Law 23/07/2016 in force from 16/01/2017)**

**One shareholder, Min capital One Euro, No Notary Fees, create in one day?**



# Doing Business in Luxembourg

1. **Trading permit: Relevant qualifications and takes some time**
2. **VAT registration if turnover >€25.000**
3. **Rented office space and real presence (see [www.BUROS.lu](http://www.BUROS.lu))**
3. **Social security registration: No minimum limit, Shareholder/Gérant treated as independant and not employee so individual pays employee (+/-12%) and employer contributions (+/-13%)**
4. **Directors fees not tax deductible**
5. **Dividends subject to 15% withholding tax and 50% of dividend subject to income tax so final tax +/-20%**
6. **Corporate Taxation as follows**



# A European Comparison of the following taxes for 2014 was undertaken

## Agenda

1. The Countries Involved
2. Self Employed Tax
3. Corporate Tax
4. Salary Taxes, Social Security
5. Value Added Tax
8. Q&A



## **AGN Offices in the following Countries Completed the Survey:**

**22 of 28 European Union Countries:** Austria, Belgium, Cyprus, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany Greece, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Sweden, United Kingdom. (*Missing Bulgaria, Hungary, Latvia, Lithuania, Malta, Slovenia*)

**6 Non-European Union Countries:** Isle of Man (except for VAT), Liechtenstein, Russia, Switzerland, Turkey, Ukraine.

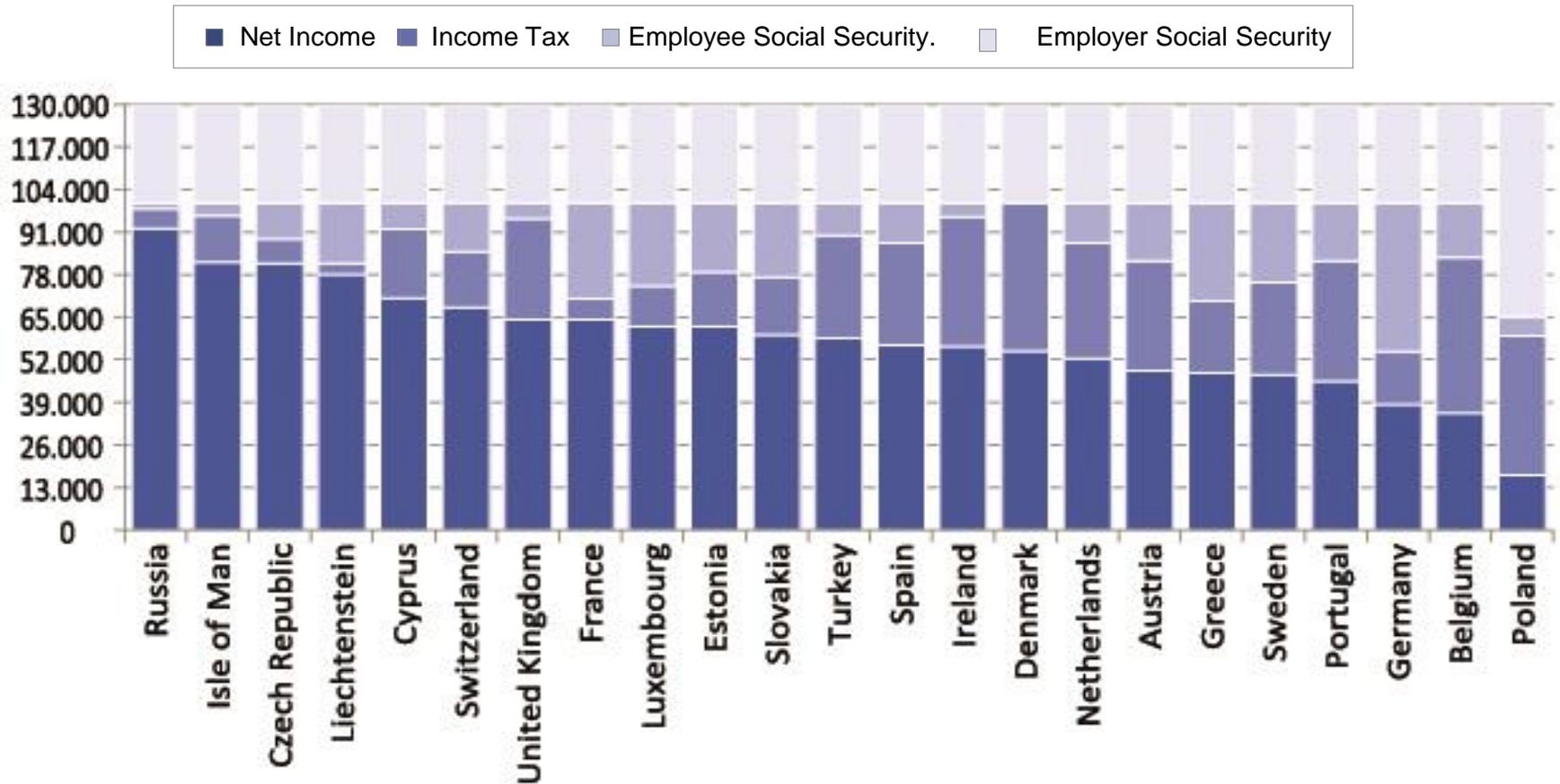




# SELF- EMPLOYED TAXATION 2014



# Self Employed Taxation 2014



## Self Employed Taxation 2014

**Net Income:** The least net income is left by: **Belgium** 36% , **Germany** 38% and **Portugal** 45%.

The best net income is left by: **Russia** 92%, **Isle of Man** 81% and **Czech Republic** 82%. In **Luxembourg** a self employed person is left with 62% of his gross income

**Social Security Contributions:** are a deductible expense except the **Czech Republic, Ireland, Isle of Man and the UK**

**VAT Registration:** is required with a registration threshold for majority of the countries except in Russia .

**Depreciation:** is allowed as a tax deduction except in the UK (the UK has a capital allowances system).

## Self Employed Taxation 2014

**Mortgage Payments:** are allowed as a deduction in all except **Austria, Cyprus, Germany, Ireland, Liechtenstein, Russia, Slovakia, Sweden, Turkey and the UK.**

**Travel Expenses** are allowed as a deduction except in **Russia.**

**Entertaining Expenses** are not allowable in **Czech Republic, Greece, Ireland, Poland, Portugal, Russia, Slovakia, Turkey and the UK.**

**Flat Rate Deductions** are allowable in only 9 countries surveyed **Austria, Czech Republic, Estonia, Germany, Liechtenstein, Netherlands, Portugal, Slovakia, and Spain.**

## Self Employed Taxation 2014

**Deductions in respect of the Taxpayer's Children** are not allowed in **Cyprus, Denmark, Greece, Isle of Man, Ireland, Netherlands, Poland, Russia, Sweden, Turkey and the UK.**

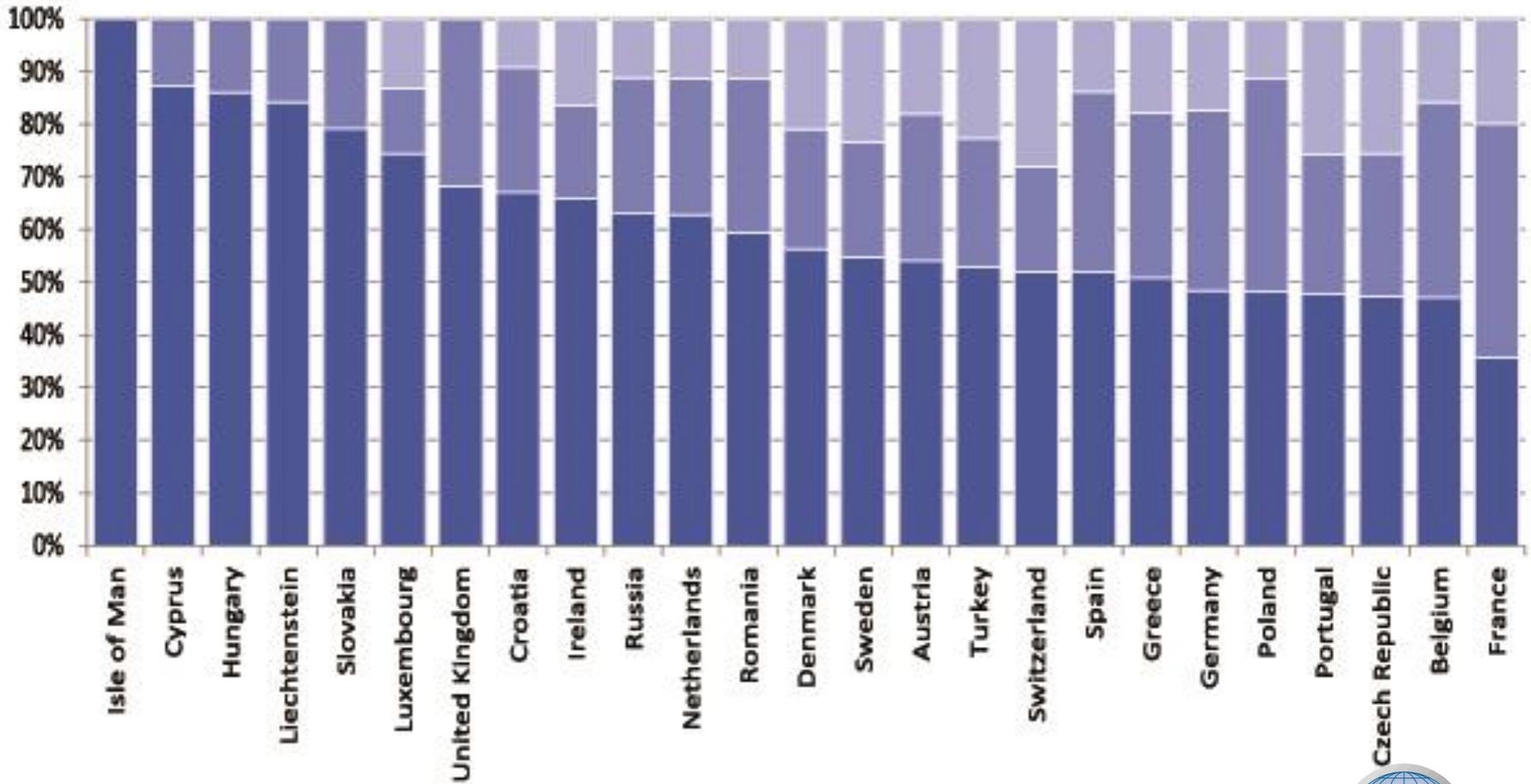
**Non-Working Spouse:** A deduction in respect of the taxpayer's non working spouse is not allowed in **Cyprus, Denmark Germany, Greece, Netherlands, Poland, Russia, Spain, Sweden, Switzerland, Turkey, and the UK.** The most generous jurisdiction is the Isle of Man where €11,453 is allowed.



# CORPORATE TAX 2014



# Corporate Tax 2014



## Corporate Tax: Nominal corporate tax rates

These range from:

0% IM (except for rental profits from Manx property, and local banking services)

10% to 12.5% Hungary, Cyprus, Ireland and Liechtenstein

16% Romania

19% Poland and Czech Republic

**21% (really 29.22%) Luxembourg to be reduced to 19% (27.08%) or 15% (22.8%) for taxable income <€25.000 in 2017, 18% (26.01%) in 2018 (incl unemployment surcharge 7% + municipal tax 6.75%)**

26% Greece and Spain

33-35% Belgium, France, Malta, Germany, Italy, Norway, Sweden Turkey and the UK

## Corporate Tax 2014

**Nominal Tax Rates vs Effective 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% in **Cyprus and Luxembourg**, to 47% in **France**. However, most countries surveyed have an effective corporate tax rate between 23% and 38%.

**Poland** shows the largest divergence between the nominal at 19% and effective 40% rates.

## Corporate Tax 2014

**Tax adjustments to the accounting profit:** Most countries adjust accounting profit (usually increases) to arrive at taxable profit.

**Complimentary pension provisions:** The **Czech Republic, France, Ireland, Poland, Romania, Spain, Turkey and the UK** do not allow deduction of company pension provisions. **Luxembourg** does but there is a 20% withholding at source.

**Non-executive directors' fees:** **Austria and Germany** allow a 50% deduction. **Ireland, Poland, Spain,** allow a deduction, but charge a withholding tax. **Czech Republic, Greece, Luxembourg and Russia** disallow them completely and charge a withholding tax (**Luxembourg** 20%).

**Depreciation:** is not deductible in **Czech Republic, Hungary, Ireland, Isle of Man, Russia and the UK.** UK allows capital allowances.

## Corporate Tax 2014: Adjust Commercial Result

**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**.

**Luxembourg** No limit depreciation 4 years

**Intercompany interest deduction:** Most countries apply the arm's length principle for interest intergroup loans and about 50% apply thin capitalization rules. **Belgium, Croatia, the Czech Republic, Greece, Romania, Russia, and the UK** apply withholding taxes between 5% and 25% on intercompany interest payments. **Luxembourg** sets acceptable margins

**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 other

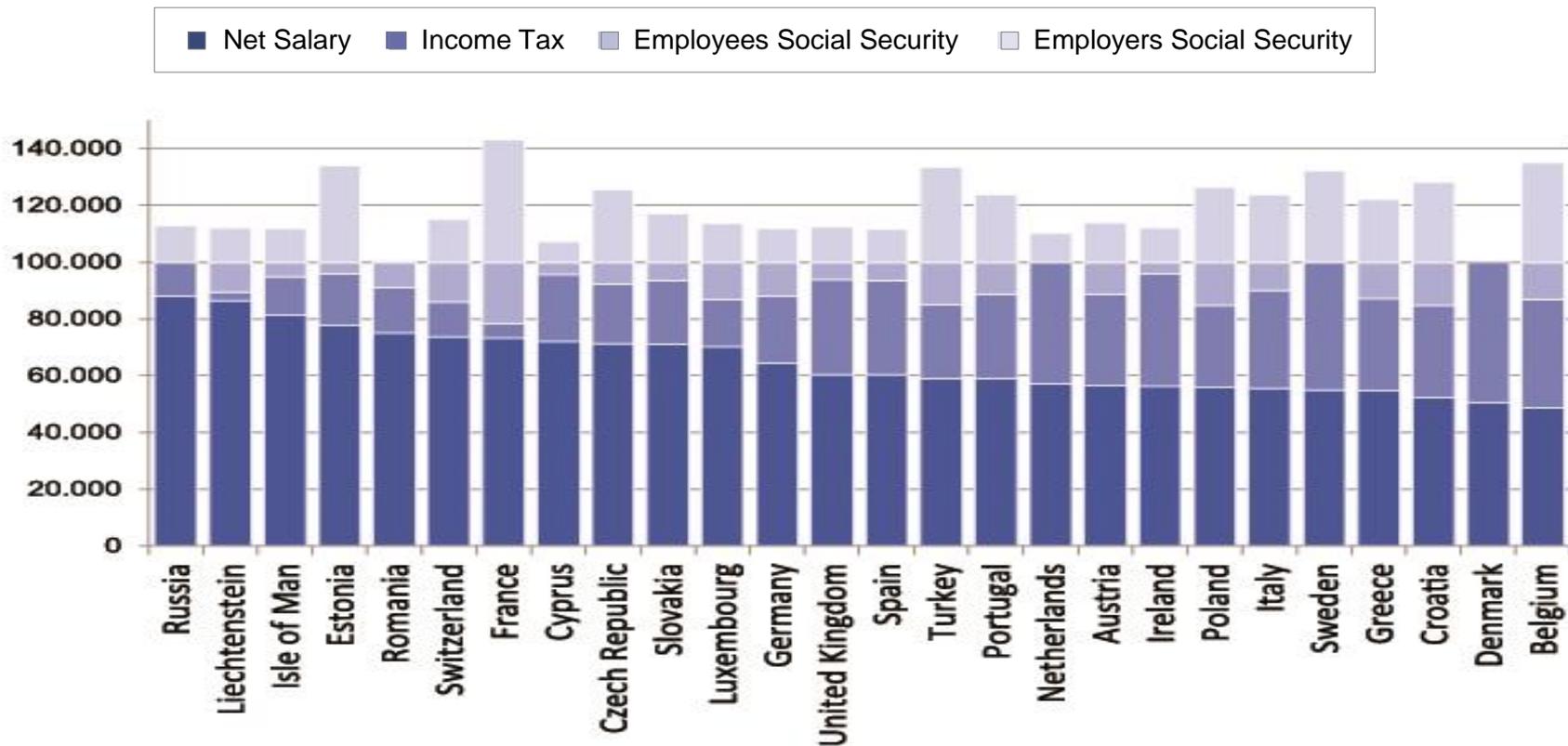
- at rates between 10% **Poland, France and Cyprus** and 25% **Belgium**





## **SALARY TAX and SOCIAL SECURITY 2014**

# Salary Tax and Social Security 2014



## Salary Tax and Social Security 2014

**Net Salary: Russia** leaves 88% net in the pocket of the individual, **Liechtenstein** 86% and **Luxembourg** 70% and **Belgium** the least 49%.

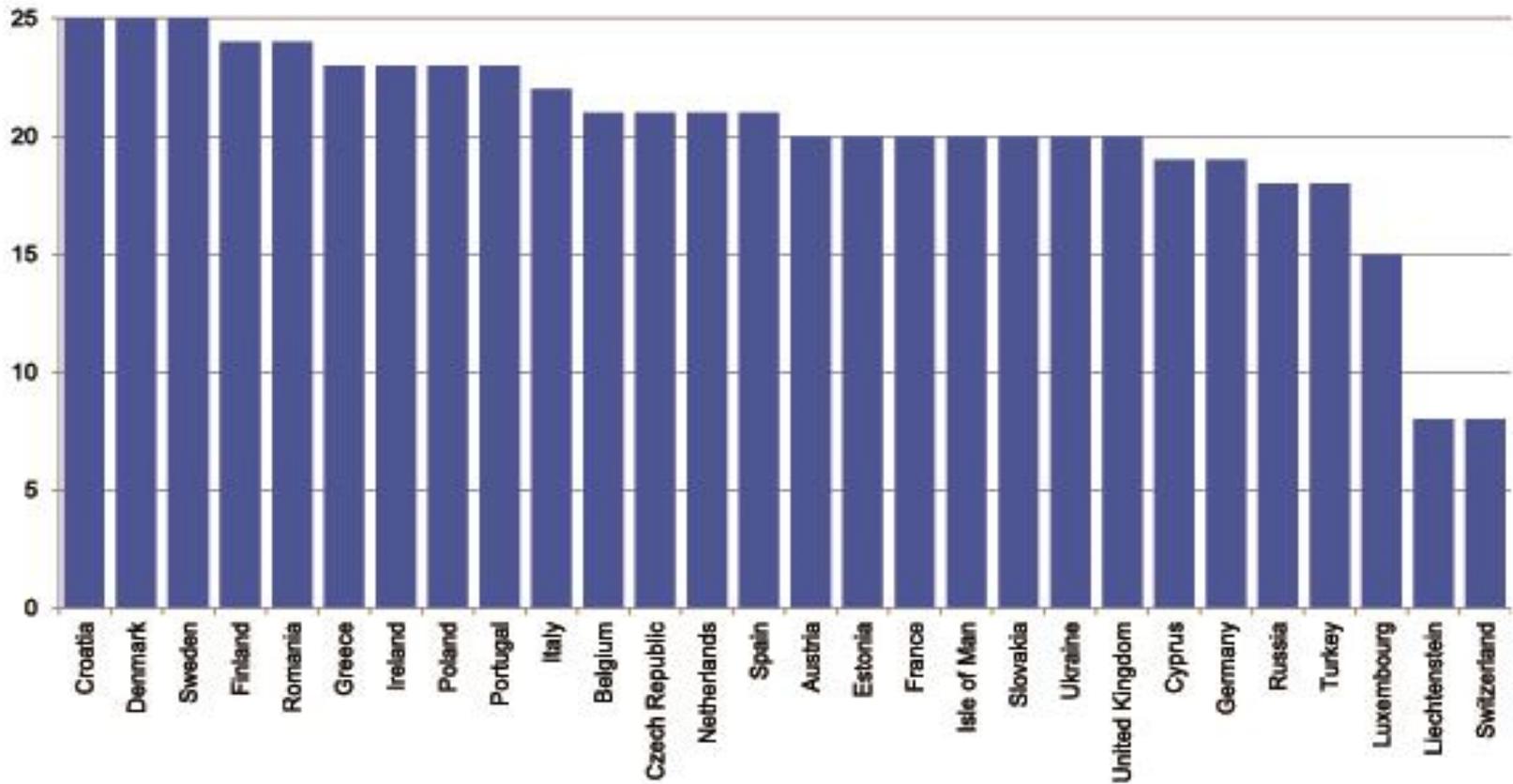
**Employers Cost:** In **Belgium** the cost of employing someone is 280% of net salary, In **Sweden** 250%, in **Austria** and **France** 200% and in **Luxembourg** 161%



## V.A.T 2014



# V.A.T Rates 2014



## V.A.T Rates

**V.A.T Rates:** vary from 8% in **Liechtenstein and Switzerland**, 15% in **Luxembourg** and up to 25% in **Croatia, Denmark and Sweden**. The most common rate is **20% in Austria, Estonia, France, Isle of Man, Ukraine and United Kingdom**.

**V.A.T Registration:** There is no turnover limit to exceed in **Italy, Netherlands Portugal Spain, Sweden and Turkey**. The highest threshold is **Russia** with €170k and **Isle of Man and UK** at €95k, **France, Liechtenstein and Switzerland** at €82k, **Ireland** €72k, and **Romania** at €65k. **Luxembourg** is €25k. Only **Spain** does not allow voluntary registration

## V.A.T Rates

**Distance Selling Thresholds:** There are no turnover thresholds in **Russia and Turkey** and the others vary from €25k in **Ukraine** and €100k in **France, Germany, Isle of Man, Italy, Luxembourg, Netherlands and UK**. The rest have a threshold of between €32k and €37k except **Liechtenstein and Switzerland** that are at €82k

**V.A.T. Invoice:** Only in **Ireland Liechtenstein and Switzerland** do you not need to mention on the invoice why you have not charged VAT.

**Reclaim of V.A.T. in another country:** Only not possible in **Ukraine and Russia**. You need a VAT representative in **Liechtenstein, Switzerland, Portugal, Romania, Spain Turkey, and Ukraine** and you do not need to submit original invoices in **Czech Republic, Finland, Isle of Man and Sweden**. You do not need to prove your VAT registration in your own country to **Czech Republic and Croatia**

## Q&A

### *Thank you for listening*

If you want to go into more detail on the surveys and download them please go to [www.agn-europe.org](http://www.agn-europe.org) and on the right click on tax surveys. There you find the results of these surveys since 2004.

***Or call me to discuss: Karl Horsburgh Bueros SARL 621245215***

