



## DOING BUSINESS IN EUROPE, MIDDLE EAST & AFRICA (EMEA)

By Globalaw Limited

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Dear Friends and Colleagues,

As the President of Globalaw Limited, a network of more than 100 law firms serving key market jurisdictions around the world, it is my distinct pleasure to welcome you to the Doing Business in Europe Guide written and produced by member firms representing global regions which serves as an immediate resource to provide valuable and critical information about legal requirements to operate in their respective countries.

Thus far, Globalaw has produced Doing Business Guides in Asia Pacific, Europe and Latin America. These Guides represent the individual and collaborative expertise of the law firms contributing to these publications, further demonstrating the regional strength of the attorneys who comprise the Globalaw network. In fact, the total population of the lawyers within Globalaw exceeds 4,500 practitioners who bring and offer a universe of practice areas to these key markets.

The Guides serve not only to demonstrate this expertise but also to provide an immediate roadmap to learn more about doing business fundamentals in a concise, informative and "desktop" format for your ready reference.

In addition to the contributing firms, I would also like to acknowledge the folks at MCI for their time and efforts to making this Guide a reality.

If you would like to learn more about the global resources of Globalaw, please visit our website at [globalaw.net](http://globalaw.net)

Best regards,

**Julia Holden-Davis**  
Globalaw President

## AFRICAN PROFILE

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Africa is the world's second largest continent and is also the world's second continent with the most inhabitants<sup>1</sup>. Africa is also considered by most paleoanthropologists to be the oldest inhabited territory on Earth, with the human species originating from the continent<sup>2</sup>.

Africa has an area of about 30.3 million km<sup>2</sup> (11.7 million square miles)<sup>3</sup>. Off the coasts of Africa, a number of islands are associated with the continent. Of these Madagascar, one of the largest islands in the world, is the most significant<sup>4</sup>. Other, smaller islands include the Seychelles, the Comoros, Mauritius, Réunion, Ascension, St. Helena, and Tristan da Cunha, to name a few.

The African continent is cut almost equally in two by the Equator. Africa is mainly found under a tropical region. Half of Africa is bounded on the north by the Tropic of Cancer and the other half on the south by the Tropic of Capricorn. Africa is the 'most tropical' of all the continents. Due the climate conditions, the cultures and the physical variations of the peoples reflect the process of adaptation to both hot, dry climates and hot, wet climates<sup>5</sup>.

Africa hosts a large diversity of ethnicities, cultures and languages. They are identified by their recognition of a common culture, language, religion, and history. Most Africans speak more than one language, and frequent migrations and interactions, including intermarriage, with other peoples have often blurred ethnic distinctions<sup>6</sup>.

Being a continent home to thousands of different societies or ethnic groups, there are known to be more than 1,500 distinct languages in Africa. The knowledge of most of the individual languages of Africa is still very incomplete.

Throughout the years, Africa has been colonised by European countries, culminating in the infamous "Scramble for Africa"<sup>7</sup>. The process of decolonization of Africa started as early as 1847. However, most of the current states in Africa arose from decolonisation in the 20th century, mainly between 1945 and 1960<sup>8</sup>. The process of decolonisation or the "quest for autonomy and independence" were, in some areas, peaceful, and orderly, whilst in many others, independence was achieved only after a protracted revolution.

1. <https://en.wikipedia.org/wiki/Africa>

2. <http://news.bbc.co.uk/2/hi/science/nature/1058484.stm>

3. World Population prospects – Population division, population.un.org.

4. <https://www.britannica.com/place/Africa>

5. <https://www.britannica.com/place/Africa>

6. <https://www.britannica.com/place/Africa>

7. <http://edition.cnn.com/2010/WORLD/africa/08/02/independence.africa.colonialism/index.html>

8. <https://history.state.gov/milestones/1945-1952/asia-and-africa>

Africa remains one of the richest continents blessed with a rich bounty of natural resources. Moreover, it is transitioning into an international financial services centre hub coupled with advances in the field of fintech, robotics and information technologies.

## REGIONS OF AFRICA

- Africa is classified into several regions, namely, North Africa, Central Africa, Southern Africa, Western Africa, and Eastern Africa. However, The United Nations also classified Africa into two separate and distinct parts (same is used as index for evaluation purposes).
- North Africa consists mainly of the territories that form part of the League of Arab states within the Arab world, including: Algeria, Egypt, Libya, Morocco, Tunisia, Ceuta, Melilla<sup>10</sup>.
- Geographically speaking, Sub-Saharan Africa regroups all the remaining territories of the continent, south of the Sahara: Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Congo, Dem. Rep., Congo, rep., Cote d'Ivoire, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Togo, Uganda, Zambia, Zimbabwe<sup>11</sup>.

## THE AFRICAN UNION (AU)

Launched in 2002 with Addis Ababa as its headquarters, the AU is a federation consisting of all of Africa's states. There are currently fifty-five (55) members in the AU. The union is the successor to the Organisation of African Unity (OAU)<sup>12</sup>.

The AU has a parliamentary government, known as the African Union Government, consisting of legislative, judicial and executive organs. It is led by the African Union President and Head of State, who is also the President of the Pan-African Parliament<sup>13</sup>.

The vision of the AU is that of: "An integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in global arena."<sup>14</sup>

The objectives of the AU are, amongst others, to achieve greater unity and solidarity between the African countries and the peoples of Africa, to defend the sovereignty, territorial integrity and independence of its Member States, to accelerate the political and socio-economic integration of the continent; to promote and defend African common positions on issues of interest to the continent and its peoples<sup>15</sup>.

Amongst its objectives, the AU also plans to create a free trade area, a customs union, a single market, a central bank, and a

common currency, thereby establishing economic and monetary union<sup>16</sup>.

## TRADE BLOCS AND TREATIES

Within the AU, there are several treaties, trade blocs and organizations established between member states of Africa. However, the AU only recognises the following as an official Regional Economic Community, also named as regional economic organisations<sup>17</sup>:

- o Arab Maghreb Union (AMU)
- o Common Market for Eastern and Southern Africa (COMESA)
- o Community of Sahel-Saharan States (CEN-SAD)
- o East African Community (EAC)
- o Economic Community of Central African States (ECCAS)
- o Economic Community of West African States (ECOWAS)
- o Intergovernmental Authority on Development (IGAD)
- o Southern African Development Community (SADC)

## DOING BUSINESS IN AFRICA

The economy in Africa can be considered as underdeveloped. Africa as a whole has abundant natural resources, but much of its economy has remained predominantly agricultural, and subsistence farming still engages a huge amount of the population<sup>18</sup>.

At the end of colonisation during the 20th century, the economic picture in Africa went through considerable development. This change was helped with better transportation and communication but also with the introduction of wage labour. The resources that were mined and developed during colonial rule were also widely exploited. The exploitation and exportation of agricultural and mineral produce granted African countries a means of foreign exchange thus granting a transition in their economy.

This transformation process also happened when politically independent African countries embraced the industrialisation process which often took place with foreign assistance.

Following World War II, there has been a great expansion of Africa's export, especially with the discovery of petroleum and the exploitation of minerals, such as diamonds, in several countries. Primary commodities, such as iron ore, sugar and coffee, also constitute a major part of exports of Africa.

Africa remains the most profitable region in the world and its economic growth is among the world's brightest<sup>19</sup>. Multinational enterprises from developing countries are expanding their activities in Africa but investors from developed countries remain the key players<sup>20</sup>. Foreign companies have a certain advantage in sectors such as banking, telecommunications and infrastructure<sup>21</sup>. These sectors create clear investment opportunities for foreign businesses in Africa and are drivers of current economic growth<sup>22</sup>.

There seems to be a positive trend in Africa when it comes to

09. <https://waronwant.org/media/africa-continent-wealth-continent-poverty>

10. [https://en.wikipedia.org/wiki/North\\_Africa](https://en.wikipedia.org/wiki/North_Africa)

11. <https://data.worldbank.org/region/sub-saharan-africa>

12. <https://au.int/en>

13. <https://au.int/en>

14. <https://au.int/en/about/vision>

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17. <https://au.int/en/organs/recs>

18. <https://www.britannica.com/place/Africa/Economy>

19. <http://www.ipsnews.net/2018/08/africas-economic-growth-prospects-amongst-worlds-brightest/>

20. <https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2109>

21. <https://www.un.org/africarenewal/web-features/investing-africa-sound-business-and-sustainable-corporate-strategy>

22. <https://www.un.org/africarenewal/web-features/investing-africa-sound-business-and-sustainable-corporate-strategy>

foreign investments and African governments are building on that, thus increasing the rate of Foreign Direct Investments. In order to continue to attract such investments, African governments are fully involved into eliminating corruption; improving safety and security in the country; strengthening the macroeconomic environment, investing in quality education and skill development in science, technology and innovation; and avoiding giving unnecessary tax holidays and waivers to foreign companies<sup>24</sup>. Investing in Africa can be good business with a sustainable corporate strategy.

***"Africa could be on the brink of an economic takeoff, much like China was 30 years ago and India 20 years ago"***- The World Bank<sup>25</sup>

Africa's rise looks unstoppable. Its economic pulse has quickened, infusing the continent with a new commercial vibrancy. Its economy is growing at around 6% annually comparable with many of the new emerging countries. Lack of roads is no longer a barrier to information. Mobile phones are the new drumbeat. Democracy is becoming firmly entrenched. More children are in school. Poverty is on the decline. Access to health has increased. Africa today is no longer perceived as the 'hopeless' land with a gloomy future, but is now considered as the land of promise.

Improved political and macroeconomic stability and microeconomic reforms have induced Africa's growth surge. Several African countries have halted their deadly hostilities, creating the political stability necessary to foster economic growth<sup>26</sup>. Africa's economy has grown healthier as governments have lowered inflation, trimmed their foreign debt, and shrunk their budget deficits. Finally, African governments increasingly adopted policies to energize markets. They have privatized state-owned enterprises, reduced trade barriers, cut corporate taxes and strengthened regulatory and legal systems. Together, these structural changes have helped fuel an African productivity revolution by helping companies to achieve greater economies of scale, increase investment and become more competitive on the continent.

Africa will continue to profit from rising global demand for oil, natural gas, minerals, food, arable land and other natural resources in the foreseeable future. The continent boasts an abundance of riches, including 10 percent of the world's reserves of oil, 40 percent of its gold, and 80 to 90 percent of the chromium and the platinum group metals<sup>27</sup>. Demand for raw materials is growing fastest in the world's emerging economies, which now account for half of Africa's total trade. As trade patterns have shifted, African governments are forging new types of economic partnerships<sup>28</sup>.

***"Today, while Asia's tiger economies continue to expand rapidly, we foresee the potential rise of economic lions in Africa's future"***<sup>29</sup>- McKinsey's: Lion on the move

Foreign Direct Investment (FDI) has become a vital source of economic development for the African continent. With an increase from approximately USD 9 billion in 2000 to USD 18 billion in 2004 and USD 46 billion in 2018<sup>30</sup>, FDI has become a major source of finance for Africa's development. Africa is becoming increasingly attractive to international investors with continuous efforts by governments on the continent towards improving the business climate. Investment in the region is thought to produce the best yields thereby improving the attractiveness of the destination. Intra-African investment is also growing strongly, underlining a growing sense of self-confidence and belief in the potential of the continent<sup>31</sup>.

The surge in foreign direct investment combined with growing capital investments and the view of Africa as a future growth market indicates that Africa's outlook is positive. Strategic resources, a growing customer base and generally positive economic prospects are all contributing to growing interest in Africa as a business and investment destination. "Africa is the untold story and could be the big story of the next decade."<sup>32</sup>- Muhtar Kent, CEO Coca-Cola.

Africa will also be, by 2050, the continent with the most youthful population in the world<sup>33</sup>. Coupled with that is the fact that access to secondary and tertiary education has been made easier, we shall have a next generation of highly qualified young adults with an outstanding potential for investment.

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## BULGARIA

- Strategically located on the crossroad between Europe and Asia with an area of 110,993.6 km<sup>2</sup>.
- Practices parliamentary democracy.
- Population comprises Bulgarians (84.8%), Turks (8.8%), Roma (4.7%), others (1.7%) and people who confirmed no self-identification. Religious composition of the country consists of Orthodox Christian (the official religion) (82.6%), Islam (12.2%), Roman Catholicism (0.6%) and Protestantism (0.5%), with other religions (0.2%), and with "not stated" totalling approximately 4%.
- Bulgarian is the national language; English is widely written and spoken especially in urban areas and for business.
- Currency: Bulgarian lev (BGN).
- Investment growth areas include tourism (developing golf clubs, ski resorts, SPA centres), energy from natural resources, light industry, development of new technologies, trade centres and retail chains, agriculture, media and telecommunication, food processing.

### BUSINESS PRESENCE

- Six types of legal entities are known under the Bulgarian legislation: general partnership; limited liability company; joint stock company; limited partnership; partnership limited by shares; and Societa Europea (SE).
- Two additional types can exist: sole owner limited liability company and sole-owner joint stock company.
- Companies can have corporate members.
- The minimal registered capital required is as follows.
  - For Limited Liability Company—BGN 2;
  - For Joint Stock Company—BGN 50 000.
- Usually the incorporation process takes between one and two weeks.
- The company comes into being as from the day of the registration with the Commercial Register, but business activity can start earlier. Legal actions performed by the founders on behalf of the company in process of registration are treated as performed by the founders themselves on the principle of solidarity, and such actions are transferred to the company once the incorporation is completed.
- Foreigners and foreign legal entities can acquire real estate, subject to certain restrictions set forth in the international conventions duly executed and ratified by the competent Bulgarian authority. EU citizens and EEA citizens may acquire real estate in accordance with the requirements of the Treaty of Accession of Bulgaria to EU. Foreigners have the right to acquire the property of buildings, unless it is expressly prohibited by a particular legal act.
- As of 1 January 2012 EU and EEA citizens and legal entities may acquire regulated land plots in Bulgaria. All limitations to the acquisition of land from EU and EEA citizens and entities have been abolished on 1 January 2014.
- As of May 2014 certain restrictions are in place regarding the acquisition of agricultural land in Bulgaria. Pursuant to the new legislation only natural or legal persons who have been residents or have been established in Bulgaria for more than 5 years are eligible to acquire agricultural land. In addition legal entities, whose partners or shareholders are directly or indirectly companies registered under jurisdictions with preferential tax regimes. Certain exemptions are in place for citizens and legal entities of the EU and EEA.

#### Approvals and Licensing

- Subject to license or approval are:
  - Gambling.
  - Banking.
  - Trade and distribution of drugs and medical practice.
  - Arms and Ammunitions Trade, Dual Use Goods.
  - Radio and television broadcasting.
  - Insurance.
  - Gas and oil extraction and sale.
  - Energy from natural resources and energy distribution.
  - Food supplements production and distribution, etc

### FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

#### Restrictions In Equity Participation

- Foreign individuals or legal entities are free to invest in equity of Bulgarian companies. There are no restrictions as to the foreign participation in the capital of Bulgarian companies.

#### Restrictions In Real Property Acquisition

## EXCHANGE CONTROL

### Currency and Exchange Control

- Each foreigner or Bulgarian may open and hold an unlimited number of bank accounts, in any kind of currency, with any bank in Bulgaria. No restrictions whatsoever apply to the repatriation of profits, capital, royalties and interest.
- Exchange control regulations are based on the principle of freedom to act, transact and pay. Transfers are effected in accordance with the Foreign Exchange Act (effective 1 January 2000) and Ordinance No. 10 dated 16 December 2003 on the export and import of Bulgarian Lev and foreign currency cash in hand, precious metals, precious stones and articles thereof and on keeping of the customs registers under Article 10a of the Foreign Exchange Act.
- Resident and non-resident natural persons may export and import sums of up to BGN 19,558.30 (€10,000) inclusive or their equivalent in a foreign currency freely, without declaring such sums in writing to the customs authorities. Any sums in excess of BGN 19,558.30 (€10,000) or their equivalent in a foreign currency must be declared to the customs authorities regarding their type and amount. Upon export of sums in excess of BGN 30,000.00 or their equivalent in a foreign currency, the origin of the financial resources which are being exported must be declared in addition to the type and amount of the currency exported. A certificate from the National Revenue Agency for lack of public liabilities must be also presented by national residents when exporting sums exceeding BGN 30,000. If there are public liabilities exceeding the amount of BGN 5,000.00, the customs authorities do not allow the export. Foreigners have the right to export as much currency in excess of the limit set by the Bulgarian law as they have declared upon entry into the country. Any sums exceeding EUR 10,000 when imported or exported within the European Union have to be declared only upon request by the custom authorities.
- Restriction on cash payments: according to the Act on the Restriction of Cash Payments, all payments exceeding the amount of BGN 10,000.00 (approximately €7,500.00) are to be made through a bank transfer. The act also concerns payments below BGN 10,000.00 if they are part of a monetary performance, that exceeds the said amount. The penalty for not complying with the restriction is a fine equal to 25% of the total amount of the payment for individuals and 50% of the total amount of the payment if it concerns a legal entity.
- Restriction on cash payment for notary conveyance: as of 1 July 2011 there are new rules applicable to real estate conveyances. When the price under the transfer exceeds BGN 10,000.00, the money should be transferred to a special bank account of the notary or to an escrow account with a bank specifically chosen by the seller and the buyer.
- Significant number of treaties about avoidance of double taxation, mutual agreement procedures, etc.
- All the companies registered in Bulgaria are subject to taxation by the Bulgarian tax authorities for the income derived out of economic activities on the territory of Bulgaria.
- Bulgaria's corporate income tax rate is 10%.
- A special tax rate is applicable for companies dealing in shipping as well as companies engaged in games of chance and gambling.
- VAT is 20%. Compulsory (when the annual turnover is of BGN 50,000 or more) and optional VAT registration exist.
- Withholding tax over the dividends paid to the foreign corporate shareholders is 5% and for the EU resident companies is 0%.
- Fees and taxes over real estate conveyance:
  - Municipality tax due is in the amount of 2–2.5%
  - Notary fee is approximately 1%
  - Registration fee is in the amount of 0.1%
  - The powers of attorney and declarations to be certified and apostiled, translation of the apostille, registration in the Registry Agency after the purchase will generally accrue additional expenses in the amount of approximately and not more than 0.1%
- As of 1 January 2012 the Bulgarian VAT on hotel accommodation is 9%.
- As of 1 January 2014 a tax of 8% shall be imposed on the gross amount of the personal income of local tax residents from interest on deposit accounts in commercial banks.

## TAX AND INVESTMENT INCENTIVES

### Investment Incentives Under The Investment Promotion Act

- There are two classes of eligible investment for investment support depending on the investment amount – Class A and Class B. In 2013 in order to further encourage investment these amounts were significantly lowered and vary in different industries:
  - Investment in manufacturing industry:
    - Class A: minimum BGN 10 million (€ 5 million)
    - Class B: minimum BGN 5 million (€ 2.5 million)
  - Investment in manufacturing with guaranteed permanent employment:
    - Class A: minimum BGN 4 million (€ 2 million) and 150 workplaces
    - Class B: minimum BGN 2 million (€ 1 million) and 100 workplaces
  - Investment in high – tech industries in disadvantaged regions:
    - Class A: minimum BGN 2 million (€ 1 million)
    - Class B: minimum BGN 1 million (€ 500 000)
  - Investment in high – tech industries with guaranteed permanent employment:

## TAXATION

- Taxes are withheld on: incomes (both corporate and individual ones, exceptions exists), alcohol and alcohol drinks, tobacco products, energy products and electric energy, coffee and coffee extracts, cars, import of goods, taxable supplies of articles or services if the taxes for these supplies of articles or services are not chargeable from recipient.

- Class A: minimum BGN 1 million (€ 500 000) and 150 workplaces
- Class B: minimum BGN 0.5 million (€ 250 000) and 100 workplaces
- o Investment in transport industry, administration, office and business support:
  - Class A: BGN 3 million (€ 1.5 million)
  - Class B: BGN 1.5 million (€ 750 000)
- o Investment in transport industry, administration, office and business support with guaranteed permanent employment:
  - Class A: minimum BGN 1 million (€ 500 000) and 150 workplaces
  - Class B: minimum BGN 0.5 million (€ 250 000) and 100 workplaces
- The incentives, which depend on the investment class obtained, include:
  - o Financial aid for construction of physical infrastructure elements for Class A.
  - o Personalized administrative services for Class A.
  - o Financial aid for training aimed at attainment of professional qualification by the hired staff for both Class A and Class B.
  - o Faster administrative services for both Class A and Class B.
  - o Sale or establishing against consideration of limited real rights on private state or municipal property, without a tender or an auction both Class A and Class B
- Investment incentives for priority investment projects:
  - o Opportunities for other forms of state aid, institutional support, public-private partnerships or joint-ventures.
- Investment incentives for industrial zones:
  - o Different type of transactions between the investor and the legal entity established for the purposes of construction and development of industrial zones.

## Tax Incentives

- Incentive for manufacturing activities in municipalities with a high rate of unemployment:
  - o The amount of the annual corporate income tax due by entities on their profits from manufacturing may be partly or fully reduced if the activities are carried out in municipalities with high unemployment.
  - o There is a number of specific eligibility conditions for applying the incentive (including conditions imposed under the EU state aid rules).
- VAT incentive for large investment projects:
  - o Entities investing in a large investment project can benefit from a faster recovery of VAT and self-charge of VAT on importation of certain goods.
  - o There are a number of specific requirements for applying the VAT incentive, including the need of obtaining authorization from the Bulgarian Ministry of Finance.

## Renewable Energy Sources (Res) Projects

- Certain measures to promote production still remain:
  - o Preferential prices under several conditions.
  - o Long term contracts in accordance with the Energy from Renewable Sources Act for the purchase of electricity produced from renewable sources.
  - o Guaranteed access for electricity produced from renewable sources to transmission and distribution networks.
  - o Guarantee of the transmission and distribution of electricity.
  - o Priority dispatching of electricity produced from renewable source.
  - o Providing of the necessary infrastructure and electricity power to regulate the power system.
- More than 50 agreements with other countries to promote and protect foreign investments. Among companies that have invested in Bulgaria are Microsoft, Siemens, IBM, CEZ, HYUNDAI, WILLI BETZ and Carlsberg.

## EMPLOYMENT LAW

- No preliminary work permits or visas required for workers from the European Economic Area.
- From 1st of January 2020 until 31st of December 2020 the minimal monthly salary shall be BGN 610 or approximately EUR 305. Another increase shall come into force as of 1st of January 2021, by which the minimal monthly salary shall become BGN 650 or approximately EUR 325 – still one of the cheapest labour forces in Europe.
- Significant number of on-going projects and programmes initiated by the Ministry of Labour and Social Policy dedicated to starting new businesses, opening new work places, creating opportunities for working of different social groups, supporting regions with high level of unemployment, etc.
- Trilateral cooperation on national and municipal level between the state, workers' organisations and employers' organisations on issues regarding the standard of life, labour and insurance conditions.
- Legal opportunities for establishing of trade unions.
- Individual and collective labour agreements (CCA) exist, as well as labour agreements with definite term (of not more than three years) and with indefinite term.
- Work week of 40 hours in the span of five days, with the possibility for its prolongation subject to special conditions.
- Obligatory break of 30 minutes per work day for lunch, 12 hours of break between two consecutive work days, weekly work break of two consecutive days, one of them shall be Sunday.
- Obligatory full-pay leave of at least 20 work days per year, not including the national holidays.
- Termination of work contracts on mutual agreement or on the initiative of one of the parties, with preliminary notification or not, including as a disciplinary sanction—strict regulation depending on the case.

- Compulsory state social insurance and additional compulsory and free social insurance. Payments for the compulsory insurance are on the base of the gross salary decreased with certain expenses, but the base shall not be less than certain minimum levels, with percentages distributed between the employer and the employee according to a scheme. Some of the risks covered by the compulsory state insurance are: motherhood, retirement, unemployment, work accident, industrial disease, etc.
- Compulsory health insurance in payments are evaluated in accordance with the principles of the compulsory social insurance, percentages distributed between the employer and the employee according to a scheme.

## INTELLECTUAL PROPERTY

- Bulgarian law recognises both national and international protection and enforceability of intellectual property rights (including industrial property rights like patents, marks, geographical indications, industrial design, copyrights and neighbouring rights, etc.).
- Bulgaria is a member of the following international conventions in the field of industrial property:
  - Paris Conventions for the Protection of Industrial Property – since 13 June 1921.
  - Bern Convention for the Protection of the Literary and Artistic Works – since 5 December 1921. Latest Act – Paris 4 December 1974.
  - Convention Establishing the World Intellectual Property Organization – since 19 May 1970.
  - Patent Cooperation Treaty (PCT) – since 21 May 1984.
  - Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure – since 19 August 1980.
  - Hague Agreement Concerning the International Deposit of Industrial Designs – since 11 December 1996.
  - Madrid Agreement Concerning the International Registration of Trade Marks – since 1 August 1985.
  - Protocol Relating to the Madrid Agreement Concerning the International Registration of Trade Marks – since 2 October 2001.
  - Lisbon Agreement for the Protection of Appellations of Origin and the International Registration – since 12 August 1975.
  - Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods – since 12 August 1975.
  - International Convention for the Protection of New Varieties of Plants (UPOV Convention) – since 24 April 1998.
  - Strasbourg Agreement Concerning the International Patent Classification – since 27 November 2001.
  - Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks – since 27 February 2001.
  - Nice Agreement Concerning the International Classification

Goods and Services for the Purposes of the Registration of Marks – since 27 February 2001.

- Locarno Agreement Establishing an International Classification of Industrial design – since 27 January 2001.
- Convention on the Grant of European Patents (European Patent Convention) – since 1 July 2002.
- After becoming member of the WTO on 1 December 1996, Bulgaria became a party to the TRIPS Agreement as well.
- Beijing Treaty on Audiovisual Performances – since 24 June 2012.
- Bulgaria is also a member of the Patent Cooperation Treaty, as well as a party to the European Patent Convention.
- Bulgarian national legislation in the area of intellectual property protection is modern and provides protection to a broad range of intellectual property rights. Protection of objects such as industrial designs, new plant varieties, animal breeds and topographies of integrated circuits, is governed by separate laws.

## DISPUTE RESOLUTION

- Three-instance court proceedings on civil cases, two-instance court proceedings on certain civil cases.
- Three-instance court proceedings on criminal cases.
- Two-instance court proceedings on administrative cases.
- Separate commerce, civil and criminal departments have been established in most of the district and all the appellate courts, and commerce, civil and criminal chambers have been created in the Supreme Court of Cassation.
- Supreme Court of Cassation operates as the highest instance on civil, commerce and criminal cases. • Separate administrative courts together with a Supreme Administrative Court operate on the territory of the country.
- Alternative opportunities exist for dispute resolution:
- Arbitration Court before the Bulgarian Chamber of Commerce and Industry (BCCI), the Bulgarian Industrial Association (BIA), mediation, etc.

## IMMIGRATION PROCEDURES

### Passport and Visa Requirements

### Business Passes and Work Permits

- Since 1 January 2007 the Republic of Bulgaria has been applying the European Union's Common Visa Policy, subject to the terms of the Accession Treaty. According to Article 4 of the Act concerning the conditions of accession of the Republic of Bulgaria and Romania, the provisions of the Schengen acquis specified in Annex II to that Act shall be binding and applicable in the Republic of Bulgaria from the date of accession (1 January 2007), while the rest shall be applicable from the date of the Council's decision on Bulgaria's accession to the Schengen area.

- After Bulgaria's accession to the EU as a full member, one of our country's main priorities is the accession to the Schengen area. On 11 December 2018, the European Parliament voted for the resolution in favour of accepting Bulgaria, requiring the European Council to "act swiftly" on the matter.
- Regulation (EC) No 2018/1806 of 14 November 2018 lists the countries whose nationals must be in possession of visas when crossing the external borders and those whose nationals are exempt from that requirement.
- Nationals of certain countries do not require a visa in order to enter Bulgaria for a stay of 90 days within a 180-day period. If a visitor intends to stay for more than 90 days within a 180-day period residence permit must be obtained..
  - EEA citizens (including Switzerland) may enter the territory of Bulgaria with valid ID card or passport issued by the competent authorities of the concerning countries.
  - Foreigners may also enter Bulgaria without a visa if they have a permanent residence in EU or if they possess a valid multiple entry Schengen C type visa.
  - A complete list of visa exempt countries can be found on the website of the Ministry of Foreign Affairs of Bulgaria, examples:
  - Visa-obliged citizens need to obtain a Bulgarian short stay type C visa for business purposes before entering Bulgaria. No continuous stay, or the total duration of several consecutive stays may last for more than 90 days within a 180-day period, commencing from the date of first entry.
- Authorities may grant single/double/multiple entry business visas. Single and double visas are valid up to 180 days and multiple entry visas may be valid up to 365 days, with exceptions of up to 5 years. Business visas are issued based on an invitation letter from the host company in Bulgaria, typewritten on the company letterhead and endorsed by the Bulgarian Chamber of Commerce. Bulgaria issues national visas only, which do not allow entry into the Schengen area.
- There are different procedures for access to the Bulgarian labour market intended to stimulate long-term cross-border labour mobility, as well. Single work and residence permit and Blue Card of the EU may be granted to non-EU native employees after obtaining a type D visa by a Bulgarian consulate.



- Health insurance.
- Letter from employer explaining purpose of trip/Labour agreement.
- Verified invitation letter.
- Consular fee.

For specific requirements, visitors should contact the consulate where application is to be lodged. A list of Bulgarian consulates is available on the website of the Ministry of Foreign Affairs of Bulgaria.

## Standard Documents Required

- Passport.
- Photo.
- Application form.
- Copy of roundtrip ticket or itinerary, or proof of financial coverage for leave from Bulgaria.
- Proof of financial means amounting to a minimum of €50 per day.



## CYPRUS

- Strategically located at the heart of three continents, Europe, Asia and Africa and near the oil-producing Middle East countries, making it one of the major selling points when it comes to foreign investments.
- The Republic of Cyprus is a presidential democracy and a member of the European Union as well as the Eurozone.
- Its population is estimated at 950.000.
- The official languages are Greek and Turkish, while English is widely spoken, especially in the business world.
- Currency: Euro (€).
- Investment growth areas include tourism and hospitality, real estate, maritime transportation, renewable energy resources, wholesale and retail trades, investment funds, education, agriculture and manufacturing related services.
- Cyprus is considered as an international transparent business centre offering opportunities across a wide range of sectors which will be mentioned in detail below.

### BUSINESS PRESENCE

- Main types of business entities in Cyprus: limited liability companies (either by shares or by guarantee), sole proprietorships, partnerships, registered branches of foreign companies, and Cyprus International Trusts.
- Limited liability companies are the most popular business models.

### FOREIGN INVESTMENT IN CYPRUS

- Cyprus has attracted significant investment from foreign investors due to its rapid economic growth, incentives and advantageous European business operating environment.
- Cyprus launched a vast number of opportunities and encourages Foreign Direct Investment in priority economic growth sectors with the introduction of a number of measures, reform initiatives and investment opportunities.
- Being Europe's Eastern outpost at the intersection of important transport and communications routes and at the crossroad of three continents, Cyprus provides a secure gateway for European enterprises into the Middle East, North Africa and Asia, while offering non-European businesses and entrepreneurs possibilities for investment into Europe.

### TAXATION

#### Corporate Tax

- Cyprus-resident companies and branches are subject to corporation tax at 12,5% on their worldwide taxable income, which is one of the lowest in Europe.
- A company is tax resident in Cyprus if its effective management and control is exercised from Cyprus. For purposes of definition, usually the country of residence of

the company's majority of directors is considered to be the country where the effective management and control of the company is exercised.

- Where a company is not a tax resident of Cyprus, tax is imposed only on its income accruing or arising from Cyprus.

#### Personal Income Tax

- Cyprus tax resident individuals are taxed based on worldwide income. Husband and wife are taxed separately. Each individual's first €19.500 of income is tax free. Income above that amount is taxed at rates increasing from 20% to a top rate of 35% on taxable income above €60.000.
- There are two ways in which individuals may qualify as tax-resident in Cyprus. The standard test is physical presence for at least 183 days in the tax year. However, Law 119(I) of 2017 provides an alternative route to residence. With effect from 1 January 2017, individuals who meet all the following conditions in respect of a given tax year will be deemed to be tax-resident in Cyprus if:
  - o they are physically present in Cyprus for one or more periods amounting to at least 60 days
  - o they do not remain in another country for one or more periods exceeding 183 days in total
  - o they are not tax resident in another country
  - o they undertake business in Cyprus, have employment in Cyprus or hold a post in a Cyprus-resident company which continues to the end of the tax year
  - o they maintain a permanent residence at their disposal for their use in Cyprus

#### Withholding Tax

- Under Cyprus legislation there is no withholding tax on dividends, interests and royalties paid to non-residents of

Cyprus. In cases where royalties are earned on rights used within Cyprus there is a withholding tax of 10% (reduced to 5% on film and television royalties). Such Cyprus withholding tax on royalties for rights used within Cyprus may be reduced or eliminated by the Double Taxation Treaties entered into by Cyprus or by the EU Interest and Royalty Directive as transposed into the Cyprus tax legislation.

- Any withholding tax suffered abroad on income that is subject to tax, in Cyprus will be credited against Cypriot tax payable on such income irrespective of the existence of a double taxation treaty

#### **Capital Gains Tax**

- Cyprus does not impose any tax on capital gains except on gains from the sale of immovable property in Cyprus and of shares of unlisted companies directly or indirectly owning immovable property in Cyprus. These are taxable at 20%. All other gains are exempt.

### **TAX AND INVESTMENT INCENTIVES**

- Positive approach by the tax authorities towards foreign investors.
- No tax on profit from sale of shares, bonds and other securities even if the profits form part of a company's trading activity.
- No tax on profits from operations of permanent establishments maintained outside Cyprus.
- No withholding tax on interest payable to non-Cypriot tax residents.
- No tax on dividends payable to non-Cypriot tax residents irrespective of whether companies or individuals.
- Beneficial use of EU Directives that have been transposed into the Cyprus Tax Legislation.
- Wide and exceptionally beneficial Double Tax Treaty Network (with 65 countries).
- Unilateral tax-relief is granted to all Cyprus companies for foreign tax suffered, irrespective of the absence of a double tax treaty.
- Activities in the Free Trade Zone of Larnaca and Limassol utilised for transit trade are treated as not being part of the normal EU customs region. Therefore, non-EU items stored in these Cypriot free trade zones are not taxed on import duties, excise fee or VAT.
- There is an exemption introduced for high-paid individuals, exempting 50% of the first ten years' income from employment in Cyprus of a person who was not previously resident in Cyprus, provided the income from employment in Cyprus exceeds €100.000 per annum.

### **NON-DOM CONCEPT**

#### **Prior to the law change:**

- An individual who would spend > 183 days in Cyprus during the tax year (Cyprus Tax Resident - CTR) would be subject to both Income Tax and Defence Tax.

#### **Law change**

- Introduction of 'domicile' (dom.) concept in the Defence Tax Law.
- An individual will be subject to Defence Tax only if:
  - o he/she spends more than 183 days in Cyprus; and
  - o he/she is domiciled in Cyprus.

#### **Tax effect of law change for Non-dom. Individuals:**

- A non-dom. will be exempt from Defence Tax even if he/she spends more than 183 days in Cyprus.

#### **Benefits**

Where a person is non-domiciled in Cyprus, but is a Cyprus tax resident, the following consequences arise:

- no Cyprus tax is payable on receipt of dividend income from any company anywhere in the world (although on foreign dividends, the source country may withhold taxes); the provisions whereby a Cyprus tax-resident company must declare at least 70% of its after-tax accounting profits within two years (known as the "deemed distribution rules"), will not apply to that proportion of shareholding beneficially owned by a non-Cyprus domiciled individual
- no Cyprus tax is payable on receipt of interest income from anywhere in the world (although on foreign interest, the source country may withhold taxes) and no Special Defence Contribution is payable on rental income.

### **ALTERNATIVE INVESTMENT FUNDS (AIFS) & REGISTERED ALTERNATIVE INVESTMENTS FUNDS (RAIFS)**

Cyprus has introduced a legislative process encompassing both investment funds and investment fund management. Under the Law, all investment products are under the supervision of the Cyprus Securities and Exchange Commission (CySEC) which is the competent regulatory and supervisory body. The Law has strengthened and modernised the fund regime in Cyprus in line with EU directives promoting transparency and increased investor protection. There are two types of AIFs, AIF with unlimited and limited number of investors. There are four forms of AIFs namely Common Fund, Fixed Capital Investment Company, Variable Capital Investment Company and Limited Partnership.

#### **Benefits of AIFs:**

- no restrictions regarding the type of investments
- simple application process and time efficient
- can be self-managed
- can be set up as umbrella funds, allowing different asset pools with different investment policies
- can be listed on Cyprus Stock Exchange or other EU stock exchanges
- no tax on dividends
- no withholding tax on dividend distributions
- no taxation of capital gains
- low setup and maintenance costs
- single passport

Registered AIFs (RAIFs) are a new and innovative fund vehicle launched in July 2018. They are geared to professional and well-informed investors and offer a quick and cost-efficient fund launch of only one month from the date of notification. The RAIF must appoint an Alternative Investment Fund Manager (AIFM) which may be licenced in Cyprus or any other EU member state, which is responsible for the regulatory oversight of the fund, therefore no CySEC authorisation is required.

- No licensing required
- No minimum capital requirements
- No investment restrictions
- Multiple Compartments possible
- Can be open or closed-ended
- Units of RAIFs may be listed
- Must appoint local Depository

## WHY CYPRUS?

Cyprus is an ideal location for fund domicile and in fact various factors constitute Cyprus to be a strong contender amongst other traditional fund jurisdictions.

- Regulation by Cyprus Securities and Exchange Commission (CySEC), increased status and credibility.
- Different types of structure to suit different needs and jurisdictions.
- Cyprus is a well-regulated EU member state, combines tax efficient features of a modern financial centre with the necessary infrastructure for the fund's industry.
- Low cost base, efficient and investor friendly government authorities.
- Funds are NOT taxable (only fund managers pay tax).
- Extensive network of double tax treaties for international tax planning.
- Rigorous anti-money laundering regulations.
- On the white list of the OECD.
- FATF approved country, which is relevant for investors and managers alike.
- EU and OECD compliant tax system.
- Highly skilled professional services.
- Strategic geographical position not far from the heart of Europe where investors and key service providers reside and close to Middle East and Asia where significant investor pools are located.

## IMMIGRATION PROCEDURES

### Passport and Visa Requirements

- A valid passport is required by all, except nationals of EU countries who hold a valid national identity card with the bearer's photograph. Passports must be valid for three months after the day of departure for visitors not requiring visas. Those requiring visas must have passports valid for six months from date of application.

### Business Passes and Work Permits

- Travel to the Republic of Cyprus for reasons other than immigration, with a visit that does not exceed three months, might need a travel visa. A travel visa provides the right for a continuous visit or several visits to Cyprus. The duration of visits

in total should not exceed three months in any half of a year from the date of the first visit. In case a visitor needs to come to Cyprus often (business trips, etc.) it is possible to get a multiple-entry visa for several visits. The total duration of the visits should not exceed three months in any half of a year from the date of the first entry. The multiple-entry Cyprus visa is valid for one year. In exceptional cases it might be valid for more than a year, but no more than five years for certain categories of persons.

- Work permits are awarded depending on the nationality of the applicant, his/her personal achievements or his/her status as a foreign investor.

### Permanent Residency for Foreign Investors

- Cyprus has welcomed investment from third country nationals and to facilitate this has made clear terms and conditions for permanent residency. Cyprus has one of the fastest immigration services in Europe where most cases are completed within a period of two months. To qualify in order to begin the application process and get the Permanent Residency in Cyprus, applicants are required to purchase a residential property (ies) of a combined value of 300.000 EUR (plus VAT, if applicable). The property must be purchased from a property development company as a first-time sale. Also, the main applicant is required to maintain a three-year fixed deposit with a Cyprus bank, of at least 30.000 EUR, and such funds must be derive from outside Cyprus. In addition, the applicant must provide evidence of secured annual income of at least 30.000 EUR. The funds must originate from abroad and are to be increased by 5.000 EUR for each dependent, and 8.000 EUR for each parent included in the application.

## CYPRUS INVESTMENT PROGRAMME ("CIP") – CYPRUS CITIZENSHIP

### Legal Basis

- The Cyprus Investment Programme, based on subsection (2) in Section 111A of the Civil Registry Laws of 2002 to 2019, was approved by the Cyprus Council of Ministers on 13 September 2016, and subsequently amended in May 2018, February 2019, May 2019 and August 2019. The latest amendments to the CIP are effective from 22 August 2019. Most investment immigrations advisors today agree that the Cyprus CIP is the most attractive European investor immigration programme.
- By virtue of this Law, the Council of Ministers of Cyprus may grant citizenship by naturalisation to foreign entrepreneurs. Additionally, the Law provides for the granting of Cypriot citizenship to the spouse, children, as well as the parents of the investor. Neither the spouse nor the children are obliged to meet any additional financial criteria; however, an additional financial criterion applies with regards to the parents of the main applicant (\*please refer to the below analysis for further guidance).

### Benefits

- Approximately six (6) months' process
- No requirement to live in Cyprus prior to, during or after the CIP application
- EU free movement of goods, services & capital

- Residency permit issued within 5 to 10 business days of application
- Valid for Life: citizenship is transferable to descendants
- Visa Free Travel: VISA free travel to 172 countries worldwide, including the EU countries, Canada and Australia, amongst others
- Flexible and efficient foundation for tax structuring and planning
- Extensive network of favourable Double Tax Treaties
- No withholding of tax on payment of dividends, interest and royalties abroad
- Flat corporation tax rate of 12,5%
- Established & reputable International Business Centre
- High standard of professional services
- Efficient accounting, legal and banking sectors
- No history and language proficiency tests are required
- No family planning laws, no hereditary restrictions (estate planning)
- Highly qualified and multilingual labour force
- Common law jurisdiction
- Quality of life, education and access to medical facilities

#### Financial Criteria

Direct investments in Cyprus amounting to a minimum of €2 million held for at least 5 years, in any of the following:

- Investment in real estate, land development and infrastructure projects (application that include properties that have already been used for a previous citizenship application by another applicant (resale), increase the amount of investment to €2.5 million);
- Purchase, creation or participation in Cyprus businesses and companies based and operating in Cyprus. Such companies are required to have a physical presence in Cyprus and to employ at least 5 Cypriot or EU citizens. Investments in the shipping sector are eligible under the criterion;
- Investment in Alternative Investment Funds ("AIFs") or Registered Alternative Investment Funds ("RAIFs"), which invest exclusively in Cyprus. AIFs or RAIFs are permitted to invest in stocks in the Cyprus Stock Exchange up to €200.000. This criterion also includes financial assets (bonds, bills, and securities) of Cypriot companies or organizations issued after approval by CySEC; or
- combination of the aforementioned criteria amounting to €2 million.

#### Additional financial & other criteria

In addition to the above criteria the applicant must fulfil the following conditions:

- A donation of at least €75.000 to the Research and Innovation Foundation for the promotion of an entrepreneurial innovation ecosystem (can be waived if the applicant invests the same in a certified innovative or social enterprise, or €400.000 out of the main investment is in the primary, secondary sectors, R&D or renewable energy sources)
- A donation of at least €75.000 to the Cyprus Land Development Corporation for the purpose of providing affordable housing schemes
- Applicant should be a holder of a valid Schengen visa when

submitting a CIP application (unless the applicant is a holder of a passport exempting them from the need to obtain a Schengen Area visa)

- Hold a Clean Criminal Record from the country of origin and residence (if different) and not appear in the list of persons with frozen assets within the EU
- Privately owned residence in Cyprus, of minimum €500.000 excluding VAT. If the direct investment is made in residential property, this requirement is not applicable. In case the investor's parents are included in the application either purchase an additional property of at least €500.000 or the investor and parents acquire one residential property of a total value, minimum, €1mn
- The applicant prior to his/her naturalization as a Cypriot citizen must hold a residence permit in Cyprus for at least 6 months
- There is a detailed list of non-eligible persons, which includes, but is not limited to:
  - Politically Exposed Persons entrusted with a prominent public function in the last five years, notwithstanding the fact that they may not hold such function at the time of the CIP application.
  - Applicants who have previously been denied citizenship by any other EU country.

#### Eligibility of Family Members

The definition of "Children" includes those up to (and including) the age of 17 and "Adult Dependents" which are adult children from the ages of 18 up to and including 28 (subject to their application being reviewed by the Council of Ministers prior to their 29th birthday), provided that:

- they are financially dependent on the main applicant; and
- they are students working towards either a first university degree, or a first master's degree.

Additionally, an investor's child with severe physical or mental disability that makes him or her unable to work is also considered as financially dependent.

The parents of the main applicant may be included in the same application provided an additional investment of €500.000 (plus VAT if applicable), is made in residential property in Cyprus. Furthermore, high ranking officers of Cyprus companies, who have made an investment in Cyprus, and who have paid taxes to the Cypriot authorities in the aggregate value of €100.000 in the last three years, are also eligible under the CIP.

## SHIPPING

Today, Cyprus is the largest third-party ship-management centre in Europe and one of the largest crew management centres in the world, while the island's ship register is the third largest in Europe and the 11th largest in the world.

The Cyprus flag is considered one of the highest quality EU flags available today and is on the White Lists of the Paris and Tokyo memoranda of understanding on Port State Control with a consistently low detention record, helping shipowners avoid unnecessary surveys and inspections.

With a legacy of over 9,000 years in merchant shipping and being strategically located at the crossroads of three continents, Cyprus has long been established as an international maritime centre.

Tonnage Tax System (TTS)

Cyprus companies which own Cyprus flag vessels are only subject to tonnage tax and no Corporate Tax in Cyprus (currently at 12,5%) on net profits will be charged.

Cyprus introduced in 2010 an EU approved TTS which covers the three main "maritime transport" activities, namely ship-owning (Cyprus or foreign flag vessels), ship-management (crew and technical management to qualifying ships of any flag) and chartering (Cyprus or foreign flag vessels). The TTS gives to ship-owners of foreign flag ships, charterers and ship-managers the option to choose whether to enter the TTS and be taxed on net tonnage or whether to be taxed under the Corporate Tax at 12,5%.

**COMPANIES OF FOREIGN INTEREST & EMPLOYMENT**

In order for companies of foreign interest, to employ third country nationals in Cyprus, one (1) of the following must apply:

- Non – EU Shareholders should own the majority of the company's shares.
- If the percentage of foreign participation in the company's share capital is equal to or less than 50% of the total share capital, in order for the company to qualify, the foreign participation should equal to or be greater than the amount of €171.000.

Note:

- In the case where companies are the shareholders, their final owners (natural persons who are the ultimate beneficial owners) should be declared, in order to receive the approval of the Civil Registry and Migration Department.
- A foreign direct investment of capital amounting to at least €171.000 as per the point above, must be legally admitted to Cyprus from abroad. This should be proved by appropriate bank and other documents. This requirement only applies to companies which will employ staff from third countries for the first time.
- To operate in independent offices in Cyprus, housed in suitable premises, separate from any private housing or other office, except in the case of business co-habitation.

The following cases are excluded:

- Public companies registered in any recognized stock exchange.
- Former offshore companies that were operating in Cyprus by approval of the Cyprus Central Bank, before the change of the offshore status.

Employment of staff

Companies that meet the above conditions, are entitled to employ third country nationals in the following categories, provided that they first obtain temporary residence and employment permits.

- Directors/ Senior Management: Maximum five (5) persons with minimum gross monthly salary of €3.872.
- Middle management executives and other key personnel: Maximum ten (10) persons with minimum gross monthly salary between €1936 - €3871.
- Support staff: There is no maximum number for the employment of third country nationals under this category, provided that the necessary approvals from the Department of

Labour have been obtained. No approval from the Department of Labour is needed for third country nationals who enjoy free access to the labour market.

- For employing a greater number of third country personnel under the above categories, duly justified and documented requests by the company must be submitted to the Department.

**INTELLECTUAL PROPERTY**

- Cyprus is signatory to all major international conventions relevant to IP (EU Trademarks, WIPO, Paris Convention, Madrid Convention, Berne Convention, Patent Cooperation Treaty and the Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIP"))
- Excellent judicial infrastructure and a developing arbitration centre.
- The Cyprus IP Box Regime is compliant with the guidelines and requirements of the OECD.
- It ensures stability in the methodology of calculating taxes on royalties and will enables investors to plan accurately for the future.
- Unregistered trademarks are protected by the Cyprus courts under the tort of passing off.

The Provisions of The Cyprus IP Box Regime

- The Cyprus IP Box Regime provides that 80% of Qualifying Profits generated from the Qualifying IPs will be considered as deemed expenses and only 20% will be subject to 12,5% corporation tax. Thus, the maximum effective tax rate will be 2,5%.

**DISPUTE RESOLUTION**

- The Cyprus legal system is mainly based upon the English common law. The English case law is closely followed and all Cypriot statutes regulating business affairs are based on, or copy, English law.
- Litigation is the predominant method for resolving disputes. However, arbitration is becoming more and more popular, particularly in disputes relating to construction, insurance, shipping and trade.
- The District Courts hear all commercial disputes, except admiralty disputes which fall within the admiralty division of the Supreme Court.
- Cases may proceed on appeal at the Supreme Court. There is just one Supreme/Appellate court (no right of second Appeal).
- Litigation does not preclude the parties from achieving settlement. The courts favour settlement to reduce their heavy workload and encourage the parties to exhaust settlement possibilities before a case is scheduled for hearing.
- Alternative Dispute Resolution (ADR) is available and includes mediation, conciliation and arbitration. ADR is most frequently used in the construction industry. Arbitration is also used to some degree in the shipping and energy related sectors.
- ADR law has recently been introduced, enabling consumer disputes to be settled out of court by an arbitration system.





## CZECH REPUBLIC

- One of the most stable and prosperous of the post-communist states of Central and Eastern Europe (CEE).
- A strategic location in the heart of Europe with good access to both western and eastern markets.
- Parliamentary democracy.
- First CEE country admitted into the OECD.
- Member of EU, WTO, IMF, EBRD, WIPO, MIGA, NATO.
- National language: Czech, English is widely written and spoken for business.
- Currency: Czech crown (CZK), fully convertible.
- Current business environment:
  - Attractive environment for private equity.
  - Educated and skilled workforce.
  - Favourable labour costs.
  - Price and monetary stability.
  - Stable political, economical and social system.

### BUSINESS PRESENCE

- Main types of legal entities used for doing business: limited liability company, joint stock company, and limited or unlimited partnership companies.
- Other possible options for doing business: registered branches of foreign companies, Societas Europaea, European Economic Interest Grouping.

### FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- Same conditions for investments into Czech companies exist for Czech citizens as well as foreigners in most areas.
- Foreigners may acquire real estate in the Czech Republic without any restrictions.

### EXCHANGE CONTROL

- No restrictions are imposed on import or export of capital. Repatriation payments can be made in any currency. Both Czech residents as well as non-residents can hold bank accounts in any currency.

### TAXATION

#### *Corporate Income Tax*

- Taxpayers that have their registered office or place of their management in the Czech Republic are taxed at a rate of 19% on income generated in the Czech Republic as well as from abroad.

- One of the most stable and prosperous of the post-communist states of Central and Eastern Europe (CEE).
- A strategic location in the heart of Europe with good access to both western and eastern markets.
- Parliamentary democracy.
- First CEE country admitted into the OECD.
- Member of EU, WTO, IMF, EBRD, WIPO, MIGA, NATO.
- National language: Czech, English is widely written and spoken for business.
- Currency: Czech crown (CZK), fully convertible.
- Current business environment:
  - Attractive environment for private equity.
  - Educated and skilled workforce.
  - Favourable labour costs.
  - Price and monetary stability.
  - Stable political, economical and social system.
- Taxpayers that do not have their registered office in the Czech Republic are taxed at a rate of 19% on income generated in the Czech Republic only.
- Only certain investment funds are taxed at a rate of 5%. Selected entities (such as pension companies funds) are taxed at a rate of 0%.
- Law on income taxes contains a number of tax allowances and deductible items.

#### *Personal Income Tax*

- Individuals are subject to tax rate of 15%. Individuals with high income are subject to additional tax of 7%.

- Law on income taxes contains a number of tax allowances and deductible items.

#### Withholding Tax

- Certain types of income (dividends, interests etc.) are subject to withholding tax.

#### VAT

- VAT is applied on most items and services as well as on selected transactions. Currently there are three rates of VAT in the Czech Republic (the basic rate 21%, the first reduced rate 15% and the second reduced rate 10%).

#### Other Taxes

- Real Property Tax consists of tax from buildings and from plots. The calculation of tax is complicated due to a number of inputs.
- Road Tax is applied on all road motor vehicles and trailers registered and operated in the Czech Republic.
- Probationary period may be agreed between the employer and employee for a maximum period of three months (six months for management positions) starting at the commencement of the employment relationship. During the probationary period, either party may terminate at will with immediate effect.
- Employees are entitled to various statutory benefits, such as overtime compensation, annual leave, sick leave, maternity and parental leave. Statutory minimum annual holiday entitlement is four weeks for full-time employees.
- Fixed-term employment is possible for a maximum period of 36 months and may be repeated only twice (i.e., the fixed-term employment cannot last more than nine years). Exceptions are possible in case of serious operational reasons.
- Statutory minimum monthly wage for full-time employees equals to approximately €580.
- Formation of trade unions is regulated by law, but is not subject to employer's consent. Collective bargaining agreement may only be entered into with a trade union organization. Collective bargaining agreement may be entered into either for fixed term or for indefinite period of time, in which case it can be terminated with six months' notice.
- Strike actions are allowed primarily, but not exclusively, in support of negotiations of a collective bargaining agreements.

### INTELLECTUAL PROPERTY

- Czech Republic is a member of World Intellectual Property Organization (WIPO), European Patent Organization (EPO) and a contractual party of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).
- The system of legal protection of intellectual property in the Czech Republic is consistent with the principles of market economy and is harmonised with EU law, (i.e., Czech intellectual property laws conform to international and European standards and provide suitable protection to all entities.)
- The protection of industrial property rights is provided primarily by the Industrial Property Office, which performs a function of a

patent and trademark office in the Czech matters and European Union Intellectual Property Office (EUIPO) in EU matters.

### DISPUTE RESOLUTION

- The system of courts in the Czech Republic is: District Courts, Regional Courts, High Courts, The Supreme Court and The Supreme Administrative Court. Besides this system of courts there is the Constitutional Court, whose mission is to protect the constitutionality.
- Generally, disputes (including business related disputes) at first instance are heard at District Courts, unless stated otherwise. Regional Courts and High Courts usually operate as courts of appeal.. The tax rate is dependent on cylinder capacity, maximum permissible weight or number of axles.
- Inheritance and Gift Taxes were incorporated into the Income Tax law, the same rates would be applied for income relating with gifts as for taxation of their economic activity (15% in case of individuals and additional tax of 7 % for individuals with high income, 19% in case of legal entities). Income gained by inheritance and gifts are tax exempted for certain persons (generally relatives).
- Real Estate Transfer Tax: applied at flat rate of 4% of the tax base. The taxpayer of the Real Estate Transfer Tax is the acquirer of a real estate.
- Excise Taxes are applied on selected products such as petrol, alcohol, tobacco products at various rates.
- Environmental Taxes: applied on selected products such as electricity, natural gas, coal at various rates.

### TAX AND INVESTMENT INCENTIVES

- The Ministry of Industry and Trade established a foreign direct investment promotion agency "CzechInvest" in 1992, whose mission is inter alia to attract foreign investments and provide comprehensive service for all investors.
- Czech Republic introduced investment incentives in 1998, and this step attracted a massive inflow of foreign direct investments.
- Next step was represented by a new Law on Investment Incentives that was adopted in 2000.
- Investment incentives comprise, for example, tax incentives (tax reliefs), grants for job creation, training and re-training.
- Currently the Czech Republic prioritizes higher-added-value projects (technology centres, ICT Services etc.).

### EMPLOYMENT LAW

- Statutory working hours of 40 per week. This may be less under specific circumstances. Maximum overtime hours per calendar year are 150, but may be extended with employee's consent up to total of 416 overtime hours in a year.
- Unilateral termination of employment by the employer is possible only on specific grounds (e.g. redundancy, healthrelated reasons, breach of working discipline).

Employee may terminate employment at any time without any reason. Termination period is two months in all cases and may be prolonged only by an individual written agreement, provided that the termination period is the same for both employer and employee. Statutory minimum severance pay in case of termination by the employer on redundancy grounds is one to three times the average monthly salary of the employee depending on the length of employment. In the case of certain healthrelated termination reasons, the statutory minimum severance pay amounts to 12 times the average monthly salary of the employee. For gross breach of working discipline, employment may be terminated by employer with immediate effect.

### CZECH REPUBLIC 25 DOING BUSINESS IN EUROPE

- The Czech Republic also has arbitration courts. The arbitration court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic is widely used.

### IMMIGRATION PROCEDURES

- Czech Republic as a member of the EU (since 1 May 2004) is part of Schengen area (since 21 December 2007). It means that customs checks of goods/persons have been moved across international borders. Because the Czech Republic has no external EU border, most checks are conducted at the international airports only.
- In May 2014, the law regulating permanent residency of foreign nationals (not citizens of the EU/EEA Member States and Switzerland and their family members) seeking work in the Czech Republic was simplified in line with the EU law. The Green Card has been replaced by the Employee's card. This Employee's card is issued by the Ministry of Interior in relation to job vacancy inserted in the central register of job vacancies that can be filled by holders of employee cards. The employee who receives such card does not need to apply individually for residence permit anymore.
- Foreign nationals, as defined above, may also apply for a Blue Card, which is also an integrated residency and work permit. The Blue Card is issued to workers with higher professional or university education who have an employment contract for at least one year, for the statutory weekly working hours, and who have an agreed gross monthly or annual salary amounting to at least a 1.5 multiple of the gross annual/monthly salary in the Czech Republic.





## GERMANY

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- Federal Republic of Germany - a democratic federal parliamentary republic located in Central Europe, consisting of 16 federal states ("Länder") with Berlin as federal capital
- About 83 million inhabitants, most populous member state of the European Union
- 25% of the population have a migration background
- Language: German
- Currency: Euro (€)
- Useful internet site: [www.deutschland.de](http://www.deutschland.de) (published in cooperation with the Federal Foreign Office)
- Strong and growing economy
- World's fourth largest national economy (by GDP) after U.S., China and Japan, the largest in the EU
- By 2022 Germany will phase out nuclear power and by 2038 coal-fired electricity which constitutes a real challenge for the future
- Corporate and trade tax rate amount to approx. 31,5%
- Total of foreign direct investments (FDI) in Germany amount to € 534 billion (2017)
- Highly qualified workforces
- "Made in Germany" is a hallmark of quality
- Business English is customary

## INCENTIVES TO INVEST

- Numerous subsidy programs available, granted by the European Union, the Federal Republic and the 16 federal states
- Local administration offers all kinds of assistance to different programs
- Interest rates are at a historical low

## INVESTMENT GROWTH AREAS

- Automotive industry
- Electrical Engineering
- Mechanical Engineering
- Metal Industry
- Chemical Industry
- Pharmaceutical Industry
- Medical Engineering
- Renewable Energies (solar, on- and offshore wind energy)
- Logistics
- IT
- R&D

## BUSINESS PRESENCE

- There are three types of limited liability companies under German law, the “Unternehmergeellschaft” (haftungsbeschränkt) (short: UG [haftungsbeschränkt] – entrepreneurial company (limited liability)); the “Gesellschaft mit beschränkter Haftung” (short: GmbH – private limited company); and the “Aktiengesellschaft” (short: AG – public limited company or joint stock company).
- Incorporation requires the involvement of a Civil Law Notary; minimum contributions to the share capital are required.
- Other structures/legal forms are also in use, e.g. branches, commercial partnerships (“Personengesellschaften”) and private limited partnerships (“Kommanditgesellschaften” – short: KG). Private limited partnerships can have corporate members.
- Companies are registered with the (de-centralized) commercial registers. Access to the registers is easily available via [www.handelsregister.de](http://www.handelsregister.de)

## FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

### General

- Germany traditionally has an open foreign investment policy with very few limitations, e.g., undertakings that manufacture certain armaments and weapons or cryptographic systems for conveying national classified matters, as well as undertakings that operate high grade remote earth sensing systems (see the Satellite Data Security Act 2007 – Satellitendatensicherheitsgesetz). The acquisition by a foreigner of a domestic company producing or developing war weapons can be prohibited by the Federal Ministry of Economics and Technology. The same applies if the foreigner intends to acquire shares in such company granting more than 25 percent of the voting rights. The acquisition has to be reported to the Federal Ministry of Economics and Technology and can be prohibited within one month after the receipt of the complete documents to be submitted together with the notification.
- In 2009, however, certain amendments to the Foreign Trade and Payments Act and the Foreign Trade and Payments Regulation (Außenwirtschaftsverordnung – short: AWW) came into force, expanding the possibilities of monitoring and also potentially prohibiting foreign investments in Germany. Therefore, it is at least possible to prohibit non-EU-resident investors to acquire directly or indirectly a German enterprise, or to acquire directly or indirectly more than 25% of the voting rights in a German company if the acquisition could “endanger the public policy or security of the Federal Republic of Germany” (see Sections 55 to 59 AWW). The emphasis is on investments in the area of energy supply and strategic telecommunications. However, the Act does not contain any explicit limitations with regard to particular business sectors. Nevertheless, according to the European Court of Justice (ECJ), this concept calls for a narrow interpretation and likewise the German government stated that it is by no means intended to isolate Germany from foreign investments. In September 2013, several amendments concerning foreign trade registration came into effect.

### Procedure

- If a non-EU-resident investor purchases a German enterprise or a relevant participation (other than entities producing or developing war weapons), within three months of the conclusion of the purchase agreement the Federal Ministry of Economics and Technology (Bundesministerium für Wirtschaft und Technologie – short: BMWi) can begin an examination on whether the acquisition infringes upon public policy and security in Germany.
- Notification to the investor of its decision to begin the examination is necessary. The BMWi can only render a decision to prohibit the acquisition within two months from the date notification on the beginning of the examination was given to the investor.
- After expiry of that time period the acquisition is deemed to be cleared.
- Investors do not have to register the acquisition with the BMWi. The BMWi receives its information from public sources and through notifications from the Federal Cartel Office – FCO – (Bundeskartellamt – short: BKartA) in merger control proceedings (see below). In addition the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – short: BaFin) informs the BMWi of any knowledge it gains through reviewing public takeover bids.
- Finally, decisions made by the BMWi can be contested before German courts.

### Merger Control

- Although the merger control is not a restriction specifically applying to foreign investments, it should be taken into consideration whenever a major investment in Germany is at issue.

### German Merger Control

#### 1. Concentration

A concentration shall be deemed to exist in the following cases:

- acquisition of all or of a substantial part of the assets of another undertaking; this shall also apply where assets are acquired from an undertaking operating in Germany that has not yet achieved any turnover;
- acquisition of direct or indirect control by one or several undertakings of the whole or parts of one or more other undertakings. Control shall be constituted by rights, contracts or any other means which, either separately or in combination and having regard to all factual and legal circumstances, confer the possibility of exercising decisive influence on an undertaking, in particular through:
  - ownership or the right to use all or part of the assets of the undertaking;
  - rights or contracts which confer decisive influence on the composition, voting or decisions of the organs of the undertaking; this shall also apply where an undertaking operating in Germany has not yet achieved any turnover;

- acquisition of shares in another undertaking if the shares, either separately or in combination with other shares already held by the undertaking, reach
  - 50 percent or
  - 25 percent
  - of the capital or the voting rights of the other undertaking. The shares held by the undertaking shall also include the shares held by another for the account of this undertaking and, if the owner of the undertaking is a sole proprietor, also any other shares held by him. If several undertakings simultaneously or successively acquire shares in another undertaking to the extent mentioned above, this shall also be deemed to constitute a concentration between the undertakings concerned with respect to those markets on which the other undertaking operates;
- any other combination of undertakings enabling one or several undertakings to exercise directly or indirectly a material competitive influence on another undertaking.
- A concentration shall also be deemed to exist if the undertakings concerned had already merged previously, unless the concentration does not result in a substantial strengthening of the existing affiliation between the undertakings. If credit institutions, financial institutions or insurance undertakings acquire shares in another undertaking for the purpose of resale, this shall not be deemed to constitute a concentration as long as they do not exercise the voting rights attached to the shares and provided the resale occurs within one year. This time limit may, upon application, be extended by the German Federal Cartel Office (Bundeskartellamt) if it is substantiated that the resale was not reasonably possible within this period.

## 2. Notification

The provisions on the control of concentrations as stipulated in the Act against Restraints on Competition (GWB) shall apply and a concentration needs to be notified if in the last business year preceding the concentration

- the combined aggregate worldwide turnover of all the undertakings concerned was more than EUR 500 million, and
- the domestic turnover of at least one undertaking concerned was more than EUR 25 million and that of another undertaking concerned was more than EUR 5 million.

The provisions on the control of concentrations shall also apply if

- the requirements of paragraph 1 no. 1 are fulfilled,
- in the last business year preceding the concentration
  - the domestic turnover of one undertaking concerned was more than EUR 25 million and
  - neither the target undertaking nor any other undertaking concerned achieved a domestic turnover of more than EUR 5 million,
- the consideration for the acquisition exceeds EUR 400 million and
- the target undertaking pursuant to no. 2 has substantial operations in Germany.

- The provisions on the control of concentrations shall not apply to certain cases, e. g. where an undertaking which is not dependent within the meaning of § 36(2) of the Act against Restraints on Competition (GWB) and had a worldwide turnover of less than EUR 10 million in the business year preceding the concentration merges with another undertaking. Also, the provisions shall not apply to certain concentrations of public entities and banking associations as further detailed in the GWB
- Most important, the provisions of the GWB shall not apply where the European Commission has exclusive jurisdiction pursuant to Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings, as amended.

## European Merger Control

- Any merger project with a community dimension is examined by the European Commission in Brussels. A merger has a community dimension if certain turnover thresholds are exceeded that lie well above those of the German Restraints of Competition Act. These are specified in the European Merger Control Regulation, i. e. Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings.

## EXCHANGE CONTROL

- Pursuant to Article 63 of the Treaty on the Functioning of the European Union ("TFEU") all restrictions on the movement of capital are prohibited. Only in exceptional circumstances the Council may take safeguard measures with regard to third countries for a period not exceeding six months (Article 66 TFEU).
- Anti-money laundering legislation includes the control of cash entering or leaving the Union. Any person carrying cash of a value of €10,000 or more has to declare that sum when entering or leaving the European Union. Further, Germany has implemented EU Directive 2005/60 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing in particular.
- In order to prevent money laundering, representatives of legal persons under private law must register in an electronic transparency register unless their data is already available in the register for another reason (e.g. because their data is electronically accessible in the trade register, partnership register, register of cooperatives or register of associations).

## TAXATION

- The tax administration deals with all tax matters, such as (corporate) income tax, dividend (withholding) tax, (local) trade tax, VAT, import and excise duties, inheritance and gift tax, real estate tax and real estate transfer tax.
- A German resident company is subject to corporation tax on all of its profits, wherever realized. Foreign withholding taxes can (as a rule) be credited, while the general method of the avoidance of double taxation is the exemption (with progression) method.

- A non-resident company that has a branch or dependent agency in Germany is taxed on income arising in Germany if such income is attributable to such branch or agency.
- Germany has concluded around 100 tax treaties (in the areas of income and capital tax) that mitigate, e.g., withholding tax on dividends and provision for attribution rules, mutual agreement procedures and exchange of information rules.
- The taxable profits of a company can be reduced by capital allowances, losses (carry back of one year and indefinitely carry forward for corporation income tax) and fiscal consolidation.
- The tax treatment of certain arrangements can be confirmed in advance with the tax administration by way of an advance tax ruling.
- There are rules relating to thin capitalization.
- Small income is exempted from income tax. Above the exemption limit (€ 9,408 p.a. for singles and € 18,816 p.a. for married couples) the personal income tax rate increases from 14%–42% (45% for taxable income exceeding € 270,500 p.a.).
- Since 1995 a solidarity surcharge of 5.5% was charged on the income tax. The German parliament (Bundestag) decided in 2019 that the solidarity surcharge (5.5% surcharge on the income tax to finance the German reunification) will be abolished for about 90 percent of the tax payers. A further 6.5 percent will still pay it partially - the higher the income, the more has to be paid. Only the richest 3.5 percent will continue to pay it in full. As of 2021 the solidarity surcharge has been abolished for smaller income and will only be levied if the income tax is more than € 16,956.00 per year or, in the case of a joint assessment (e.g. for married couples) more than € 33,912.00 per year.
- Since 2008 the combined corporation and (local) trade tax is just below 30% of companies' profit.
- Real estate tax is defined by the municipalities and is usually between 1% and 3% of the defined real property value (usually below market value). In 2018 the Federal Constitutional Court declared unconstitutional the determination of the standard values for the purpose of the real estate tax. As a consequence the German legislator is in the process of enacting new rules for the real estate tax which most probably will become effective as of 1 January 2025.
- When real estate is sold or changes owner, a real estate acquisition tax between 4.5% and 6.5% (depending on the location) of the purchase price is levied as of a consideration of over €2,500.
- The normal VAT rate is 19% (since 1 January 2007). A lower rate of 7% is charged for goods and services needed on a day-to-day basis, such as food, newspapers, public transport or overnight stays at hotels.
- Goods imported from non-EU states are liable to VAT. The rates of the import turnover tax are also 19% and 7% (see above) and are paid to the customs authority.

## EMPLOYMENT LAW

- No visas or work permits are needed for workers from the EEA. No work permit is required for managing directors of companies.
- Written employment contracts reflecting the key aspects of the employment relationship are required.
- All weekdays, excluding Sundays and public holidays, are considered to be working days. However, German employees normally work from Monday to Friday (five-day week).
- The average working time is between 35 and 40 hours per five-day working week. The daily productive working time generally may not exceed eight hours. A daily working time of up to 10 hours productive working time is possible if, over a period of six months, the average daily working time does not exceed eight hours.
- A claim for 24 working days vacation per calendar year for a six-day working week for employees is granted by statute.
- However, it is more typical for an employee to receive between 25 and 30 vacation days per calendar year for a five-day working week, depending on seniority and the type of business.
- German labour and employment law requires the continuation of full salary payments for a period of six weeks in case of sickness of an employee (under certain circumstances the employer has to continue payments for up to 12 weeks).
- The mandatory Social Security System in Germany consists of health insurance, home care and nursing insurance, pension insurance and unemployment insurance. Generally, it is mandatory that all employees are insured by the German Social Security System. Health, home care and nursing, unemployment and pension insurance premiums are paid by the employer and by the employee (50% each). Premiums amount to approximately 22% of the employees' gross salary for each the employer and the employee.
- In companies with more than five employees, the employees may elect a works council.
- The German Employment Protection Act (Kündigungsschutzgesetz) establishes certain rules for dismissals. A distinction is made between dismissals for personal reasons, for conduct related reasons and for business reasons.
- The Employment Protection Act only applies to companies employing more than 10 employees and only to employees being continuously employed for a period of more than six months. In practice employees to be dismissed are often offered severance packages in order to avoid litigation on the legal effectiveness of the dismissal.

## INTELLECTUAL PROPERTY

- Intellectual property (IP) in Germany includes patents, trademarks (first to file jurisdiction), designs, utility models, copyright, trade secrets and unfair completion law.
- German patents, trademarks, designs or utility models are filed with the German Patent and Trade Mark Office (GPTO).
- EU trademarks and EU design rights are valid in Germany.
- Germany is a member state of World Intellectual Property Organization (e.g. PCT, MMA).
- Munich is the seat of the European Patent Office (EPO).
- No specialized governmental authority monitoring the market for IP right infringements
- Civil remedies include very effective preliminary injunctions against the infringer to cease the infringement; intentional or negligent infringement may lead to damage payment
- Damage is calculated - at the choice of the right holder - either a) by actual loss of the right holder, b) a license fee he would have agreed to or c) the full profit the infringer made with the infringing goods/services.
- Upon request of the right holder (EU or German), German custom authorities seize counterfeit goods suspected of infringing an IP right when imported or exported or - under certain conditions - while in transit. If seizure will be objected, court proceedings must be initiated by the right holder

## DISPUTE RESOLUTION

- The courts of first instance and the appellate courts are state courts. Only the courts of last resort are federal.
- The Federal courts assure the uniform application of national law by the state courts.
- In addition to the courts of general jurisdiction for civil and criminal cases, the highest of which is the Federal Supreme Court, there are four court systems with specialized jurisdictions in administrative, labour, social security and tax matters.
- Only the Federal Constitutional Court may ultimately declare legislation unconstitutional. Other courts must suspend proceedings if they find a statute unconstitutional and must submit the question of constitutionality to the Federal Constitutional Court for decision.
- Monetary claims may also be subject to arbitration, provided the parties have agreed on arbitration in writing.
- Arbitration awards are enforced, upon application, by the courts of general jurisdiction.

## IMMIGRATION PROCEDURES

### General

- EU nationals do not require a visa to enter the Federal Republic of Germany. However, principally all other foreigners, i.e. non-EU Nationals, require a visa for stays in Germany. A visa is not required for semi-annual visits of up to three months for nationals of those countries for which the European Union has abolished the visa requirement.

- No visas or work permits are needed for workers from the European Economic Area or Switzerland.
- As Germany does not allow immigration without cause, it is necessary to be either enrolled with a school or university, have a specific job offer that fits the requirements of one of the work permit categories or intend to reunify with close family (spouse or minors) already within Germany (family reunification visa).
- For an overview on visa requirements, see: <https://www.auswaertiges-amt.de/en/einreiseundaufenthalt/visabestimmungen-node>
- **Requirements for Short-Term Stay Visas**
  - Regulation (EC) No. 810/2009 forms the statutory basis under European law in all Schengen states for the issuing of visas for transit through the Schengen area or for short-term stays in the Schengen area not exceeding 90 days in any six-month period.
- **Requirements for Long-Term Stay Visas and/or Stays Entitling to Take Up Gainful Employment**
  - As a rule all foreigners require visas residence permits for stays of more than three months or stays leading to gainful employment. Exemptions apply to EU and EEA (European Economic Area) citizens and Swiss nationals.
  - Furthermore, citizens of Australia, Canada, Israel, Japan, New Zealand, the Republic of Korea and the USA may obtain any residence permit that may be required after entering Germany.
  - Citizens of all other countries planning a longer stay in Germany must apply for visas or residence permits at the competent mission before arriving in the country.
  - Visa applications must be approved by the relevant foreigners' authority in Germany, i.e., the alien's authority in the place where the applicant intends to take up residence. The approval procedure usually takes up to three months, in some cases longer, as it can include consultation of other government agencies.





## GHANA

- Ghana had independence from the Great Britain on 6 March 1957.
- Currency: Ghana Cedi (GHS).
- Located in West Africa.
- Population of Ghana has of 27,670,174<sup>1</sup>
- Unitary presidential constitutional republic.
- Common law legal system.
- GDP \$2,266
- Official language: English
- Internationally recognised for export of Cocoa, Gold, Bauxites and Oil. Ghana is an average natural resource

### BUSINESS PRESENCE

- The legal structure or form usually adopted by a foreign person seeking to investment or carry out business in Ghana are private limited company (Subsidiary) or an external company (a branch). A external company shall be used as the legal form where restricted by legislation or local content and local participation requirements. An external company cannot be used in sectors such as upstream petroleum operation, downstream petroleum, gaming, payment system and payment services and power sector.
- A foreign investor is required to comply with minimum capital requirement. A foreign person that enters a joint enterprise with a Ghanaian is required to bring US\$ 200,000 into the enterprise<sup>2</sup>. The Ghanaian must have at least a minimum of 10% equity capital in the joint venture. Where the business will be wholly owned by the foreign investor, it shall be required to invest at least USD 500,000 as equity participation<sup>3</sup>. A foreign person that engages in a trading enterprise shall be required to invest USD 1,000,000 or more as equity capital in the enterprise.<sup>4</sup>

### FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- There are no restrictions for foreign investments in Ghana. Foreign investors may hold 100% of a company except where there is restriction to have a joint venture with a Ghanaian or an Indigenous Ghanaian company by reason of local content and local participation requirements<sup>5</sup>. An investment by foreign are guaranteed against being nationalised or expropriated by the Government of Ghana.

### FOREIGN EXCHANGE CONTROL

- There are no restrictions on foreign exchange control. It is required that all transfer of foreign exchange to or from Ghana should be made through a person licensed to carry out the business of money transfers or any other authorised dealer.

### TAXATION

#### Direct Taxes

#### Personal Taxation

- Personal Income Tax (PIT) in Ghana is based on the initial category of residency. Non-resident individuals are taxed at a flat rate of 25%. Resident individuals are taxed at a graduated scale from 0% to the highest tax band of 30%. The individual tax scale is below:

Year 2020	Chargeable income Monthly	Chargeable income Annual	Tax rate %
First	319.00	3,828.00	0
Next	100.00	1,200.00	5%
Next	120.00	1,440.00	10%
Next	3,000.00	36,000.00	17.5%
Next	16,461.00	197,532.00	25.0%
Exceeding	20,000.00	240,000.00	30.0%

For an individual who is provided with accommodation his employer, the effective tax band (ETB) can rise to 37%. This does not cover accommodation provided on site by an employer carrying on a timber, mining building, construction, farming business or petroleum operations. Redundancy pay is exempt from tax in Ghana. Individuals are required to file Personal Income Tax (PIT) returns by 30 April after the end of the tax year. Gifts received in respect of employment must be included in the income from employment and subject to tax.

#### Corporate Income taxation

The general Company Income Tax (CIT) rate in Ghana is 25%. There are other entities that are subject to CIT at a reduced rate. Companies in the mining and extractive industries are taxed at 35%. A company is subject to tax on its chargeable income after all allowable expenses have considered. There is locational incentive in term reduced tax rate for manufacturing companies which set up outside Accra and Tema. They may

1. <http://countrystat.org/home.aspx?c=GHA&p=ke>

2. Section 28(1)(a) of the Ghana Investment Promotion Centre Act, 2013, Act 865.

3. Section 28(1)(b) of the Ghana Investment Promotion Centre Act, 2013, Act 865.

4. Section 28(2) of the Ghana Investment Promotion Centre Act, 2013, Act 865.

5. For example Petroleum (Local Content and Local Participation) Regulations, 2013, L.I. 2204.

There are specified industries which legislation requires that Ghanaian companies hold at least a percentage in the joint enterprise.

enjoy a reduced CIT rate ranging from 12.5% to 18.75% (other holidays and rates are detailed under tax incentives). Unrelieved tax losses can be carried forward. Companies in priority industries can carry over losses for five (5) year whilst non-priority industries carry over unrelieved losses for 3 years. Capital gains made on the realisation of a capital asset must be include in a business income subject to CIT rate of the company. Dividend payment by a resident company to another resident company who holds at least 25% of interest either directly or indirectly in the company payment the dividend, is exempt from tax. Ghana has thin capitalisation ratio which is 3:1 debt to equity ratio.

### Withholding Taxes

A person is required to withhold from payments made for goods, works or services except exempt. The withholding tax rate applicable depends on the nature of supply and whether it is supplied is by a local transaction or international transaction. In respect of local supplies, withholding tax will not apply where the aggregate of payments to the supplier during the year of assessment does not exceed GHS 2,000.

- Royalties: general rate is 15%. Mining and extractive industries can negotiate for a rate which is generally 5%.
- Interest: 8%.
  - Rent: residential and non-residential premises are 8% and 15% respectively.
  - Dividend: Rate is 8%. For non-resident, where tax treat rate is less than the 8%, that rate prevails.
  - Goods: rate of 3%
  - Services to resident persons; 7.5%
  - Provision of works: 5%
  - Director fees, management fees, Trustees etc: 20%
  - Technical services: 20%
  - Commission and endorsement fees: 10%
  - Unprocessed precious mineral: 10%
  - Repatriated branch profit is taxed at 8%
  - Non-resident petroleum subcontractor is taxed at 15%
  - Non-resident telecommunication, shipping and air transport is also 15%

Supplies made by a non-resident person to a resident person may be subject to a withholding tax rate of 20% on the gross payment

### VAT

Ghana runs concurrently VAT and Levy (NHIL & GETGL) system on supplies. The standard-rated supplies attract VAT rate is 12.5%. Where VAT applies, GETFund and NHIL levies must be charged on the supply at 2.5% each. Vat Flat Rate Scheme 3% applies to only retailers and wholesalers.

Threshold for registration for VAT is GHS200,000. Group of persons can also register for VAT as a singly taxable person/entity. VAT is accounted for one month in arrears.

There is exemption of some goods and service from VAT. Withholding VAT is applicable for selected persons gazetted by the Commissioner-General.

### Stamp duty

In Ghana, stamp duty is not a tax on transactions, but rather a tax on documents or specific in-struments which have legal effect. Where an instrument is required to be stamped and it is not stamped, the instrument may not be admissible as evidence in a Court of law. The stamp duty rate depends on the type of instrument. Generally, the stamp duty rate may range from 0.25% to 1%.

Custom duty: Custom duty in Ghana ranges from 0% to 175% depending on the category and restrictions of item being imported. Customs duty on spirits, cigarette and tobacco products are in the ends of 25% and 175%. Custom Tarif Duties is on the Harmonised System on goods imported into the country.

Tax Treaties: Ghana has 11 Double Tax Treaties which are in force. These include France, the Netherland, United Kingdom, South Africa, Denmark, Belgium, Germany, Italy, Switzerland, Mauritius. and Singapore. Treaties with Czech Republic, Morocco and Qatar have been approved by parliament but not yet in force. Tax Treaty with the Republic of Ireland is yet to be ratified by the Parliament of Ghana

Selected products: excise duties on alcohol, tobacco, fuel, and energy apply at various tax rates.

## TAX AND INVESTMENT INCENTIVES

### Tax exemptions and holidays

Free-zone enterprise: Companies registered to operate as free-zone developer/enterprises enjoy tax holiday for the first ten years. After the ten-year holiday, a reduced tax rate of 15% on income from their core mandate.

Young entrepreneurs: Business income of young entrepreneurs is exempted from tax for five (5) years. Depending on the location where the company is set up, they may enjoy a reduced rate of 15% for another five years.

Private universities: private universities enjoy tax exemption provided that 100% of profit is ploughed back into the business.

Agriculture incentives: Entities in the agriculture sector enjoy low tax rate of 1% for five (5) to ten (10) years depending on the nature of agriculture business.

Location incentives: Manufacturing businesses located elsewhere in Ghana apart from Tema and Accra) enjoys a 50% reduction on corporate income tax rate (resulting 12.5% as CIT rate) and 25% reduction of corporate income tax rate (18.75%) depending where the business is sited.

Tax rate after the concession period: After the initial temporal concession, farming business, agro-processing and/or production business using coco by-products is taxed as follows; Accra and Tema, 20%; other regional capitals apart from Northern savannah Ecological zone, 15%, outside regional capital, 10% and Northern Savannah Ecological Zone, 5% for the next five years.

**Non-traditional goods:** Export of non-traditional goods is taxed at 8%.

**Construction of low-cost residential premises:** A company that is into construction of affordable houses shall enjoy a CIT rate of 1% for a period of five years. The Ministry of Housing must approve that the project is certified low cost housing business before the company can benefit from the 1% CIT rate.

**Venture Capital financing Company:** Relief from stamp duty on subscription of new equity shares by Venture Capital Fund. The chargeable income of an approved Venture Capital Company is subject to tax at the rate of 1% for a period of ten years. Tax losses can be carried forward for five years after the year of disposal.

#### **Unit Trust Scheme and Mutual Funds**

A unit trust scheme and mutual funds approved by Securities and Exchange Commission are subject to corporate income tax at the rate of 1% for a period of 10 years.

Distributions (interest and dividends) made by an approved unit trust scheme or mutual fund is exempt from tax.

#### **Waste Processing**

The chargeable income of a company which is in the business of waste processing is subject to tax at 1% for a period of seven years.

**Ghana investment promotion Centre:** Under the Ghana Investment Promotion Centre, various incentives on major and strategic investment in Ghana including various exemptions from custom duties, favourable capital allowance, reduced Corporate tax rates, guarantees on free transfer of dividend and profit, retention of foreign exchange earnings, fees and charges on technology transfer etc.

**Capital Allowance on Operating lease:** now the lessor who lease out asset on operating lease may be granted capital allowance with respect to the asset in accordance with the relevant provisions of the Act in respect of capital allowance. This is same for finance lease.

**Interest on bonds:** interest paid to a non-resident person on bonds issued by the Government of Ghana (GoG) and gains from the realisation of bonds issued by GoG by non-resident persons is exempt from Tax

**Carry forward of losses:** In Ghana, companies in priority industry such as Agriculture, Mining, Tourism, Venture Capital financing, Petroleum operations and Energy and Power etc can carry over losses for five years. Other non-priority industries can carry over losses for three years.

## **DISPUTE RESOLUTION**

The Judicial System is structured into Superior Courts and Lower Courts. The Superior Courts are the Supreme Court, Court of Appeal, and the High Court. The Lower Court consist of the Circuit Courts and the District (Magistrate Courts). Commercial cases must be commenced in the Commercial Division of High Court. Case that can be brought before the Commercial Courts

are oil and gas, banking and financial services, insurance and reinsurance, banking, business agency, intellectual property rights, tax matters, commercial fraud, applications under the Companies Act, 2019, Act 992, insolvency and any other claims of a commercial nature.

Land, employment, and finance matters must be brought before specialised courts designated to handle these matters.

#### **Foreign Proceedings in Ghana**

- Service of a foreign process

Any court process required in connection with civil or commercial proceedings pending before a court or tribunal of a foreign country may be served on a relevant party in Ghana. The foreign court or judicial tribunal may, by a letter of request addressed to the Minister for Foreign Affairs in Ghana, request service of a court process in Ghana.

However, where there exists a Civil Procedure Convention between the foreign country and Ghana, the consular or other authority of that country may send a letter of request together with the process to be served to the Judicial Secretary in Ghana.

#### **Enforcing foreign judgments in Ghana**

A judgment of a foreign court may be enforced in a Ghanaian court where substantial reciprocity of treatment will be assured in respect of the enforcement of judgments of the Superior Courts of Ghana in that foreign country. Pursuant to the First Schedule of Foreign Judgments and Maintenance Orders (Reciprocal Enforcement) Instrument 1993 (L.I. 1575), judgments of the superior courts of the following countries can be enforced in Ghana: Brazil, France, Israel, Italy, Japan, Lebanon, Senegal, Spain, United Arab Republic, Scotland.

A foreign judgment from a country which does not have reciprocal agreement with Ghana, cannot be enforced in Ghana. It may be enforced by commencing a fresh action in the Ghanaian court.

#### **Arbitration**

Ghana's legal system promotes reconciliation among the parties and facilitates the amicable settlement of disputes between parties. There is Ghana Arbitration Centre where parties may refer arbitration issues to.

## **EMPLOYMENT LAW**

The relevant statutes and regulations in Ghana that govern employment and labour relations in Ghana are the Labour Act, 2003 (Act 651), the Labour Regulations, 2007 (L.I.1833), the National Labour Commission Regulations, 2006 (L.I.1822) among other regulations.

The employment of a worker by an employer for a period of six months or more or for a number of working days equivalent to six months or more within a year must be secured by a written contract of employment.

**Trade unions**

Every worker in Ghana has the right to form or join a trade union of his or her choice for the promotion and protection of the worker's economic and social interests. However, employees whose functions are normally considered as policy making, decision making, managerial, holding a position of trust, performing duties that are of a highly confidential nature or an agent of a shareholder of an undertaking may not form or join trade unions.

**Collective agreements**

In Ghana, a collective agreement relating to the terms and conditions of employment of workers may be concluded between one or more trade unions on one hand and representatives of one or more employers or employers' organizations on the other hand.

**Terminations**

- Fixed-term contract automatically ends upon expiration of the terms specified in the contract. Depending on the contract, the occurrence of a specific or earlier if either party has committed a serious fault may bring the contract to an end.
- Indefinite-term employment contract- The employment relationship may be severed by given the required notice in the contract of employment. The notice period required to be given depends on how long a person has worked with an establishment. In practice, the minimum notice found in most employment contract is a month's notice. However, depending on both the employee's seniority and who initiates the termination, more than a month's notice may be required to be given. There is no requirement to give a reason for terminating an employment relationship.

An employer may terminate fairly on any of the following grounds incompetency and lack of qualification, proven misconduct, redundancy legal restriction imposed on the worker prohibiting the worker being able to work.

**Social Security and National Insurance Trust (SSNIT)**

It is mandatory for all employers and employees to be registered with SSNIT and contribute to approved pension schemes for the benefit of their employees. A foreign person in Ghana for a short assignment may be exempt from contributing to pension in Ghana where there is evidence that he is contributing to a similar pension in his home country. A short assignment is anything below 3 years.

**INTELLECTUAL PROPERTY**

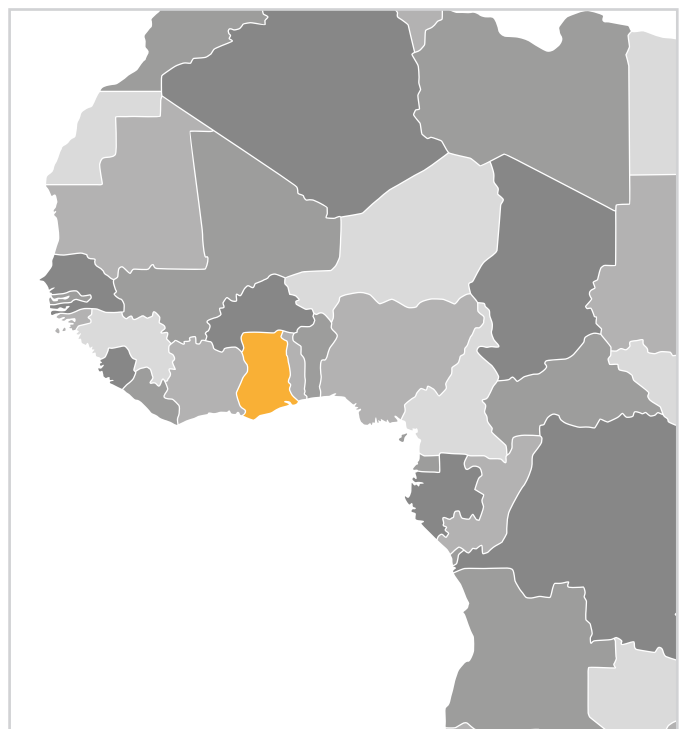
Ghana offers a safe IP environment for protection and registration of intellectual property

Intellectual property law of Ghana covers copyright, patent, trademark, industrial design rights, and unfair competition.

A special division has been created out of the Companies Registry to handle various forms of intellectual property matters.

**IMMIGRATION PROCEDURES****Entrance Requirements**

- In Ghana, persons other than citizens of Ghana entering Ghana must be in possession of a valid passport or other travel document and a valid visa to enter Ghana. Where a person who appears before an immigration officer and does not have a visa or an emergency entry visa, may be granted a visa subject to such conditions as may be prescribed by regulations, and to such other conditions that the immigration officer may impose.
- Ecowas Citizens and some other countries in Africa are exempted from obtaining visa before entering Ghana. Ecowas citizens can be in Ghana for up to six months without a visa. If an Eco-was citizen wants to work, he must obtain work and residence permits from the Ghana Immigration Services
- There are two main categories of Ghana visa; Those issued outside Ghana and those issued in Ghana. Visas issued in any of Ghana's 56 Diplomatic Missions abroad cover single or multiple journeys for a period of 6 months. Visa's issued in Ghana on the other hand, include Transit Vi-sas, Visa on Arrival, Emergency Entry Visas, Re-Entry Visas, Business Visas, Study Visas and Employment Visas for a period of 6 months.
- Foreigners are not permitted to employ or to accept employment in Ghana unless they have been granted work and residence permits by Ghana by Ghana Immigration Service. Work and residence permit have a validity period of 1 year with an option to renew.
- Foreigner who has been issued with a work and permit will be able to obtain a residence permits for spouse and dependents below the age of 18 years.





## GIBRALTAR

- Premier Finance Centre regulated to EU and UK standards and located on the eye-catching Rock at the Southernmost tip of the EU.
- Distinct from other competitors such as Jersey, Guernsey or Isle of Man by virtue of its unique single market access to the UK.
- Population of approximately 35,000 with a total land area of approximately 7 km<sup>2</sup> although this is subject to ongoing land reclamation.
- Official currency is Sterling alongside the Gibraltar pound. Euros are also widely accepted.
- Official language is English (although Spanish is also widely spoken).
- Attractive jurisdiction for high net worth individuals, companies, financial services and funds given the unique single market access to the UK, high-regulatory standards, a competitive low tax environment and an enviable climate, lifestyle and location.
- Investment growth areas include Financial Services (including insurance and funds), technology including e-gaming, blockchain, distributed ledger technology, tourism, relocation of high net worth individuals and businesses seeking to offer financial services through the EU

### BUSINESS PRESENCE

- Gibraltar is an excellent hub for the establishment of international business. The leading activities in Gibraltar are Gaming, Financial Services and E-Commerce, Insurance, Bunkering, Property, Tourism and Transport, as well as maritime related services given Gibraltar's location.

### FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- Appropriate approvals and licenses are required for the operation of business activities subject to the requirements of local legislation.
- Financial services are regulated by the Gibraltar Financial Services Commission.
- Gaming firms operating from in Gibraltar are regulated by the Gambling Commissioner.

### EXCHANGE CONTROL

- There are no exchange controls in Gibraltar.

#### *Legal System*

- Gibraltar is a common law jurisdiction and its legal system is widely based on that of England and Wales. Gibraltar's statute law consists of Acts passed by the Gibraltar Parliament and very few English Acts of Parliament made applicable by Orders in Council.

### TAXATION

- Tax efficient environment:

#### *Corporate Tax*

- The standard rate of taxation is 10%. Companies are taxed on profits accrued in or derived from Gibraltar (i.e. a territorial basis of taxation).
- Expenses wholly and exclusively incurred in the production of income constitute allowed deductions.

#### *Capital Gains Tax*

- There is no capital gains tax in Gibraltar. However, it should be noted that in appropriate trading circumstances, gains which are deemed as trading gains may be liable to income tax subject to the provisions of the Income Tax Act.

#### *Inheritance Tax*

- No inheritance tax.

#### *Parent-Subsidiary Rules/Dividends*

- No charge to tax on the receipt of dividends by a Gibraltar company from any other company, regardless of where it is incorporated.
- No tax payable on dividends paid by one Gibraltar company to another Gibraltar company.
- No withholding tax on dividends paid, although if a dividend is declared in respect of a Gibraltar resident individual or company it must submit a return of dividends.

#### *Interest*

- Interest, except in cases where it is an integral part of the company's revenue stream (e.g. banks or money lending companies), is not taxable in Gibraltar.
- No withholding taxes.
- No tax on income from royalties.

**VAT**

- There is no VAT payable in Gibraltar

**Transparency**

- Gibraltar has exchange of information relationships to OECD standard with 121 countries and territories.
- Gibraltar has entered into a FATCA intergovernmental agreement with United States
- Gibraltar has enacted the provisions of Directive 2014/107/EU (CRS)
- Gibraltar forms part of the early adopters group of the OECD's standard for automatic exchange of information in tax matters.
- Gibraltar has joined the OECD framework on Base Erosion of Profit Sharing.
- On 24 June 2013 it was announced that the European Council of Economic and Finance Ministers of the 27 EU Members States (ECOFIN) endorsed Gibraltar's Income Tax Act as being compliant with the EU Code of Conduct for business taxation.

**Personal Income Tax**

- Individuals ordinarily resident in Gibraltar are liable to tax in Gibraltar on their worldwide income. An individual is deemed to be ordinarily resident in Gibraltar if they are present in Gibraltar for either 183 days or more in a tax year or they are present in Gibraltar for more than 300 days in any three consecutive tax years.
- Individuals can opt to be taxed under an Allowance Based System or Gross Income Based System and will pay in accordance with whichever system results in lower tax.
- Individuals are subject to graduated tax rates at the applicable rates of 17% to 40% and 6% to 28% under the Allowance Based System and the Gross Income Based system respectively. The maximum effective tax rate is 24.99%.

**Double Tax Arrangement**

- Gibraltar has entered into a double taxation agreement with the United Kingdom. This DTA will come into force shortly.
- Furthermore, UK and Spain have entered into a tax treaty in respect of Gibraltar. It should be noted that the Spanish/UK/Gibraltar agreement has not yet come into force.
- A Gibraltar resident who is in receipt of income which is liable to tax in Gibraltar that is derived from and has already suffered tax in any other jurisdiction, shall be entitled to double taxation relief in Gibraltar in respect of that income of an amount equal to the tax already deducted or the Gibraltar tax, whichever is the less.

**Double Tax Arrangement**Category 2

- An individual who has applied to the Finance Director and obtained a Category 2 certificate under the Qualifying (category 2) Individuals Rules are only subject to a minimum tax payable of £22,000 and a maximum of approximately £30,000. To qualify for Category 2 status an individual must fulfil the following conditions:

- o Has available to him for his exclusive use approved residential accommodation in Gibraltar for the whole of the year of assessment.
- o Has not been resident in Gibraltar for the previous five years.
- o Has not been engaged for the previous five years, and will not be engaged in the future whilst a Category 2 Individual, in a trade, business or employment in Gibraltar (other than, in general, duties which are incidental to any trade, business or employments based outside Gibraltar or providing consultancy services from Gibraltar in certain circumstances).
- o Has applied to the Finance Centre Director and has been issued with a certificate qualifying him as a Category 2 individual.
- o In practice, an individual must also demonstrate a financial standing in excess of £2 million.

**High Executive Possessing Specialist Skills (HEPSS)**

- Individuals possessing skills or experience that are not available in Gibraltar and that are deemed to be necessary to promote and sustain economic activity of particular economic value to Gibraltar, can apply for HEPSS status, provided s/he will earn more than £120,000. Under this status the individual shall be charged to tax limited to the first £120,000 of his/her assessable income under the Gross Income Based System (i.e. a maximum charge to tax of approx £30,000 p.a.).

**Deposit Guarantee Scheme**

- Gibraltar has implemented the European Union Directive on Deposit Guarantee Schemes. This ensures that there is a level of deposit protection for depositors with credit institutions in Gibraltar, and covers 100% of a bank's total liability to a depositor in respect of qualifying deposits subject to a maximum payment of €100,000.

**Investor Compensation Scheme**

- The European Union Directive on Investor Compensation schemes has also been implemented in Gibraltar. This scheme covers 90% of all eligible investments held by the claimant with the investment firm subject to a maximum payment to any one individual of €20,000.

**EMPLOYMENT LAW****Working Conditions**

- The maximum amount of working hours in Gibraltar is 48 hours per week, unless otherwise agreed with an employer in writing.
- There is a policy of equal pay for women and a minimum wage protection for certain industries. The statutory minimum wage is currently £7.00 per hour.

**Trade Unions**

- Whilst trade unions are recognised in Gibraltar, it is not compulsory for workers to join a trade union. All trade unions in Gibraltar must be registered.

**Insolvency Fund Claims**

- This fund provides for claims of employees of insolvent

employers that may have found themselves being owed wages or salaries, accrued holiday pay, notice periods, etc., on their termination of employment.

## INTELLECTUAL PROPERTY

- Applications to register a trade mark or patent cannot originate in Gibraltar.
- The Patents Act 1924 provides that patents duly granted and registered in the UK will be extended to Gibraltar upon application, production of the appropriate documents and the payment of the requisite fee.
- Such certificate of registration shall confer on the applicant privileges and rights subject to all conditions established by the law of Gibraltar as though the patent had been issued in the United Kingdom with an extension to Gibraltar

### Trademarks

- The Trademarks Act 1948 provides that any person being the registered proprietor of a trade mark in the United Kingdom may apply at any time during the existence of the registration in the United Kingdom to have such trade mark registered in Gibraltar in respect of some or all of the goods comprised in the United Kingdom registration.
- Upon the registration of such a trademark a registered proprietor in Gibraltar shall have the privileges and rights in the use of the trade mark in respect of the goods entered in the register as would be conferred on him by the law for the time being in force in the United Kingdom.

## DISPUTE RESOLUTION

- The legal system in Gibraltar is largely based and derived from English law principles of equity and common law as well as applicable European law.
- The Courts of Gibraltar are as follows:
  - The Magistrates' Court: The Magistrates' Court's Jurisdiction is broadly comparable to that of the Magistrates' Court of England and Wales.
  - The Supreme Court: The Supreme Court of Gibraltar deals with the vast majority of civil matters in Gibraltar and as such is broadly comparable to the High Court of England and Wales. The Supreme Court of Gibraltar also deals with criminal matters with the equivalent jurisdiction of the Crown Court in England and Wales.
  - The Court of Appeal: Appeals in Gibraltar are heard by a local Court of Appeal, which normally has around three sittings each year and is comprised of recently retired leading judges from the UK as well as the local Chief Justice who sits in an ex-officio capacity.
  - The Judicial Committee of the Privy Council: The right of final appeal is to the Judicial Committee of the Privy Council which is the highest Court and final court of appeal. The Privy Council usually sits in London.
- Alternative dispute resolution (ADR) is available and includes mediation and arbitration.

## IMMIGRATION PROCEDURES

### Passport and Visa Requirements

- Passports are required by all visitors to Gibraltar, except EU nationals who are in possession of a valid national identity card.
- Only citizens of countries that appear on the EU Common Visa List require visas to enter Gibraltar.

### Residency

- Subject to possible changes following Brexit, EEA nationals are entitled to enter or remain in Gibraltar in any case where they are entitled to do so by virtue of an enforceable European Community right.
- Other nationals require both residency permits and work permits.

### Work Permits

- Subject to possible changes following Brexit, a national of an EU state may work in Gibraltar and enjoy all the benefits and protections of the European legislation relating to the free movement of workers.
- Subject to possible changes following Brexit, non-EU nationals may also be able to obtain employment in Gibraltar, but they are required to obtain a work permit.
- In the case of non-EEA nationals, a work permit will only be granted if there are no workers in Gibraltar who are able and willing to take up the particular employment.





## ICELAND

- Strategically located in north Europe with an area of 103,001 km<sup>2</sup>.
- Iceland is a representative democracy and a parliamentary republic.
- Population comprises Icelanders (93%), Scandinavians (2%), others (5%).
- Religious composition of the country consists of 81% the National Church of Iceland (a Lutheran church). The rest of the population are mostly members of other Christian organisations (free Lutheran Churches and Roman Catholic).
- Icelandic is the national language; English is widely written and spoken. Danish is also mandatory in school and is also widely understood and spoken.
- Currency: Icelandic Króna (ISK).
- Investment growth areas include fisheries, aluminum, ferrosilicon, as well as tourism, shipping, transportation industry, software production, biotechnology and financial services.

### BUSINESS PRESENCE

- The main types of business models in Iceland: locally incorporated companies (may be limited by shares or by guarantee), sole proprietorships; partnerships; and registered branches of foreign companies.
- Use of locally incorporated companies is by far the most prevalent. These may be incorporated or purchased "off the shelf".
- Quick and simple procedure for incorporating companies – forms to be submitted to the Icelandic Company Registry.

### FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

#### *Restrictions In Equity Participation*

- Restrictions on foreign investments are worded in the Act on Investment by Non-resident in Business Enterprises. According to the act, restrictions can especially be found in certain sectors, for example in fisheries, energy industry and aviation.

#### *Restrictions In Real Property Acquisition*

- For residents of the European Economic Area, there are no restrictions on buying property in Iceland.
- For other foreign nationals, permission from the Ministry of the Justice is required. There is no formal application. Real estate agents handle the process by writing a letter to the department and providing information, such as a signed contract, regarding the deal.

#### *Approvals and Licensing*

- Appropriate approvals and licenses are required for the operation of any business activity. These may be obtained from the relevant ministry, government agencies and/or local councils.
- Application process and prescribed fees payable vary depending on the prescribed condition for the application and geographical location where the activity is proposed.

### TAXATION

- An Icelandic resident company is subject to corporation tax on all its profits, income and gain wherever realized. This exemption is based on a double taxation treaty.
- The present tax rate on corporation is 20%. Foreign withholding taxes can generally be credited against the Icelandic tax. The method of avoidance of double taxation depends on the various tax treaties.
- Iceland has concluded several agreements on tax matters with other countries for the avoidance of double taxation.
- Parties with a permanent residence, with full and unlimited tax liability in either one of the contracting countries may be entitled to exemption from taxation or reduced tax rate according to provisions of the respective agreement, in absence of which the income would otherwise be subject to double taxation.
- Each agreement is different, and it is therefore necessary to check the respective agreement to ascertain where the tax liability lies and which taxes the agreement stipulates. Provisions of tax agreements with other countries may restrict Iceland's right to tax.
- The standard rate of value added tax is 24%, with a reduced rate of 11%.

### TAX AND INVESTMENT INCENTIVES

#### *Application, Limitation and Ceiling*

- The Ministry of Industries and Innovation accepts applications for regional incentives and makes an offer for an incentives package, in the form of an investment agreement, based on the recommendation of a reviewing committee. Incentives are for specific projects that fulfill the criteria outlined in the legislation. The annual turnover of the investment project shall be at least 300 million ISK / or the investment shall create 20 permanent jobs during the first two years. Examples of other criteria are: The establishment of a specific company in Iceland

for the project; that the project shall not have started before the signing of the investment contract; 20% minimum own equity finance of the investment cost of the project; a minimum operational period in Iceland of 10 years and information on whether the investment project is subject to environmental impact assessment (EIA) by law.

#### **Tax incentives for foreign experts**

- Foreign experts, hired to work in Iceland, do enjoy personal tax incentives. A special tax deduction allows that only 75% of the income is considered taxable for the first three years of employment, if the foreign expert is hired with a legal person, which has domicile or a fixed place of business in Iceland and that legal person is the actual salary-payer; the foreign expert has not been domiciled in Iceland the previous 5 years before his recruitment; and the foreign expert has knowledge that is limited in Iceland.

#### **General incentives allowed under European legislation**

- Commission Regulation (EC) No 651/2014, on General Block Exemptions, declares certain categories of state aid compatible with the common EEA market, which Iceland is part of. These include:
  - Incentives as Training aid of up to a maximum of 2 million Euros
  - Incentives as aid to SMEs investment, up to 10% of investment cost in Medium Sized Enterprises or 20% of investment cost in Small Enterprises , with a ceiling of 7.5 million Euros
  - Incentives as aid to environmental protection investment projects up to a maximum of 15 million Euros.
  - The Regulation falls under the Agreement on the European Economic Area and will be implemented accordingly into Icelandic legislation. This work is underway.
  - Certain incentives have been implemented into Icelandic tax legislation. These incentives include new investments, research and development, and filmmaking.
- Special incentives are in place to promote Initial Investments in Iceland, with Act 41/2015 on Incentives for Initial Investments in Iceland. The purpose of the Act on Incentives for Initial Investments in Iceland is to enhance initial investment, regional development and the competitiveness of Iceland by stipulating which incentives can be granted to initial investment projects in Iceland and how they should be used. However, the Act does not apply to investments in companies which provide services on the basis of legislation on financial undertakings, insurance operation or securities. The government authorities are permitted to grant both general and regional incentives for new investments in Iceland up to a defined ceiling, in line with EU legislation. The regional incentives apply to areas outside the capital area. Committee on new investment incentive examines applications for incentives and submit recommendations to the Minister of Industries and Innovation in accordance with Article 4 of the Act.

- Iceland offers incentives for research and development in the form of tax credits for innovation companies as outlined in Act No 152/2009, approved by the EFTA Surveillance Authority. The aid is granted as a reimbursement of the companies' paid income tax. The tax credit is 20% of the actual R&D cost with an annual ceiling of a total actual cost of ISK 600 million for internal R&D or ISK 900 million for R&D cooperation between two independent innovation companies. Under the scheme companies that carry out research and development projects can apply for a tax credit to the Icelandic Centre for Research (Rannís).
- Act No. 43/1999 on Temporary Reimbursements in Respect of Film Making in Iceland was originally adopted in 1999 but has since been amended. The objective is to enhance domestic culture and promote Iceland by temporarily supporting motion pictures and television programmes produced in Iceland by granting reimbursements of a portion of the production costs. The Act has been extended since implemented. The Act is now in force until 21 December 2021.

## **EMPLOYMENT LAW**

- Working time shall be arranged so that during every 24 hours, counting from the beginning of the working day, workers shall receive at least 11 hours' continuous rest.
- Workers (blue collar as well as white collar and part time as well as full time) are entitled to a minimum of two working days' holiday for each month in employment during the past holiday allowance year. The minimum paid holiday for each year is therefore 24 working days plus additional public holidays.
- Collective agreements stipulate mandatory contributions to pension funds. Law and collective agreements provide for a framework of supplementary pensions contributions. However, the final contributions are stipulated in the employment contract for each employer.
- No mandatory contribution to healthcare insurance.
- The Employment Law is fairly employee friendly: for example, employee favorable rights with respect to maternity, paternity and adoption leave, specific protection of employee in case of dismissal during maternity, paternity or adoption leave, clear rights for employees in cases of unfair dismissal, unlawful dismissal or constructive dismissal and special rules applying in case of large-scaled dismissal.

## **INTELLECTUAL PROPERTY**

- Intellectual Property protection in Iceland comprises patents, trademarks, industrial design and copyright.
- Trademark protection can be established by use or registration.
- Registered patents, trademarks/service marks, industrial design and geographical marks enjoy monopoly rights/protection for specific periods of time.

- Copyright protection for literary, musical or artistic works, sound recordings, broadcast, films, etc.
- The legal framework of Intellectual Property Rights in Iceland is in all respects equivalent to that of other industrialized countries in Europe.
- As a member of the WTO, Icelandic legislation must comply with the requirements under the TRIPS agreement. As an EFTA state and member of the European Economic Area, Iceland has to implement all relevant EU regulations and directives in the field of IPRs.
- Iceland is a member of the European Patent Organization.
- Iceland is a member of the World Intellectual Property Organization (WIPO) and a signatory to a number of international treaties administered by WIPO, including the Paris Convention, Berne Convention, WIPO Convention, Rome Convention, Nice Agreement, Locarno Agreement, Patent Cooperation Treaty, Budapest Treaty and the Madrid Protocol.

## DISPUTE RESOLUTION

- All court actions in Iceland commence in the District Courts (Icel. Héraðsdómstólar). There are eight districts courts in Iceland, of which the Reykjavík District Court is by far the largest. A new court level was introduced in Iceland on 1 January 2018, replacing the former two tiers with a three-tier system. The new court is called the Court of Appeal (Icel. Landsréttur) and is a court of second instance, situated between the District Court and the Supreme Court. The conclusion of a District Court can be appealed to the Court of Appeal, provided specific conditions for appeal are satisfied. In special cases, and after receiving the permission of the Supreme Court, it will be possible to refer the conclusion of the Court of Appeal to the Supreme Court, which will continue to be the country's court of highest instance. In most instances, the judgement of the Court of Appeal will be the final resolution in the case.
- Additionally there are two special courts:
  - The Labour Court (is. Félagsdómur); which deals with trade union matters and industrial disputes according to the Act on Trade Unions and Industrial Disputes.
  - The Court of Impeachment (is. Landsdómur); which has competence if ministers, in pursuance of their official tasks, are impeached.

## IMMIGRATION PROCEDURES

### Passport and Visa Requirements

- All persons entering Iceland must possess valid national passports or other internationally recognized travel documents. These passports or travel documents must be valid for at least three months beyond the date of entry into Iceland.
- All persons requiring visas, not holding a valid Schengen visa in their travel documents, must apply for a visa at the applicable embassy/consulate before travelling to Iceland. Embassies/consulates representing Iceland handle applications.

- A foreigner whose entry into Iceland is dependent on a visa may not remain in Iceland any longer than stated in the visa, unless this is specially permitted. Other foreigners may not, in the absence of special permission, stay in Iceland for more than three months. A stay in the territory of a state taking part in the Schengen cooperation shall have the same effect as a stay in Iceland.

### Residence and Work Permits

- An employer who intends to hire a foreign national who is a national of a state outside of the European Economic Area, of an EFTA-state or the Faeroe Islands, shall apply for and already have received a work permit prior to the foreign national beginning work. Applications for work permits must be submitted, including the necessary supporting documentation, to the Directorate of Immigration who then forwards the application to the Directorate of Labour if the conditions for the issuing of a residence permit for the relevant foreign national are met. If a foreigner is a national of a state from within the European Economic Area, an EFTA-state or the Faeroe Islands then it is not necessary to apply for a work permit concerning the foreigner's work for the employer.
- A temporary work permit may be granted for a particular job in Iceland when personnel is neither found in the domestic labour market nor in the EEA labour market, in the EFTA states or in the Faeroe Islands, i.e. because of shortage of labour (labour shortage permit). The conditions for granting a work permit according to this provision are: That the assistance of the Directorate of Labour has been called upon to find staff in Iceland and within the EEA, the EFTA- states or the Faeroe Islands, That the foreign national has entered into a contract of employment with the employer, That a statement from the relevant union has been obtained, and That the employer provides specific reasoning for the necessity to hire foreign employees from states outside the EEA, the EFTA states or the Faeroe Islands, and i.a. in what way this is important for the employer's business.

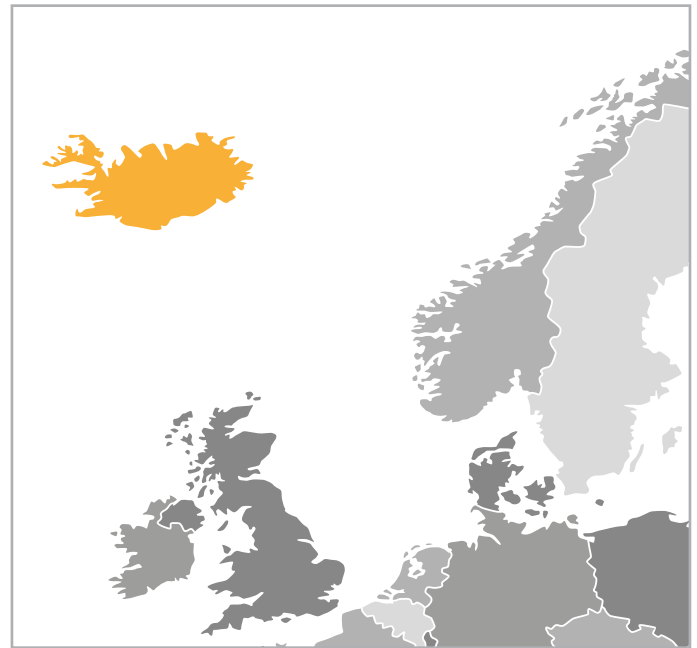
A temporary work permit may be issued for a specific position in Iceland when the job requires specialist knowledge (specialist license). The conditions for granting a work permit according to this provision are: That the assistance of the Directorate of Labour has been called upon to find an employee in Iceland and within the EEA, the EFTA- states or in the Faeroe Islands, That the foreign national has entered into a contract of employment with the employer to fill a specific position that requires expert knowledge provided that this is not a temporary work project, That the expert knowledge of the foreign national is essential for the relevant company, and that the expert knowledge of the foreign national connotes an education from a university, trade school, an art school, or a technical education that is recognised in Iceland, or in exceptional circumstances that the foreigner possesses a long work experience that can be equated to expert knowledge.

A temporary work permit may, under certain circumstances, be granted for specialised employees based on a service contract. The conditions for granting a work permit according to this

provision are i.a.: That the foreign company that will provide the service in Iceland does not have a place of business here in Iceland, That a service agreement has been made between the foreign service company and the domestic user company, and That the service agreement, or a certified annex to it, indicates that it is necessary that the foreign national for whom the work permit is being applied performs the intended service.

A temporary work permit may be granted exceptionally for special reasons if the following conditions are met: That the foreign national has previously been granted one of the following residence permits: temporary residence permit, a residence permit based on humanitarian grounds, or residence permit under paragraph of Article 11 of Act No. 96/2002 on Foreigners, That the foreign national has entered into a contract of employment with the employer, and That a statement from the relevant Union has been obtained.

- A foreign national may be granted a temporary residence permit if he meets the following basic requirements:
  - o His support, health insurance and accommodation are secure in accordance with further rules set by the Minister.
  - o He meets the requirements for a temporary residence permit as set forth in the Act on Foreigners.
  - o He gives his consent to undergo a medical examination within two weeks of his arrival in Iceland in accordance with current legislation and the instructions of the health authorities.
  - o No circumstances obtain which could result in his being refused entry into Iceland or residence in the country under other articles of the Act on Foreigners.
- Foreign nationals may be granted permanent residence permits if they have lived in Iceland continuously for the previous four years on the basis of temporary residence permits.
- The Immigration Office may revoke a permit to stay in Iceland or a residence permit if the foreigner in question has willfully provided incorrect information or concealed facts that may have been of material significance for the issue of the permit, if the conditions set for such permits are no longer fulfilled, or if this otherwise follows from the general principles of administrative law.





## IRAN

- Iran, also known as Persia, is home to one of the world's oldest civilizations, beginning with the formation of the Elamite kingdoms in the fourth millennium BC, following numerous Government changes in its history, in 1979 after the Islamic revolution Iran became an Islamic Republic under a theocratic Constitution.
- Iran's political system has elements of a presidential democracy with a theocracy governed by an autocratic "Supreme Leader", who is the highest state authority, although the administration is run daily by the president.
- Located in Western Asia with an area of 1,648,195 km<sup>2</sup>, it is the second largest territory in the Middle East.
- Population of 83 million inhabitants. Tehran, its capital is the most inhabited city.
- Civil law legal system with specificities of Islamic law.
- Currency: Iranian Rial (IRR).
- World's fourth-largest proven deposit of crude oil and the world's second-largest deposit of natural gas. Iran has developed multiple areas of its economy that goes from cars and armament manufacture to agriculture and construction.
- The official language is Farsi or Persian, Azeri is the next most widely spoken language, and other minority languages include Kurdish, Arabic, Luri and Baluchi. In addition to Farsi, basic Arabic and English are taught at schools.

## BUSINESS PRESENCE

- Joint ventures and subsidiaries of foreign companies can operate in Iran after a sole registration, at any rate, it is advisable to be on site or well represented in the country to undertake these steps.
- Setting up a business is relatively easy in Iran compared to other countries in the region, the law allows for eight different forms to create a business, (i) private limited liability company ("LLC"), (ii) public joint stock company, (iii) private joint stock company, (iv) limited partnership, (v) general partnership, (vi) mixed joint stock company, (vii) proportional liability company, and (viii) production and consumption cooperatives.
- The most common company forms are the LLCs and private joint stock companies, those that count shares must have at least three shareholders and a minimum capital of one million Iranian Rials, a public joint stock company must count 5 shareholders and a minimum of five million IRR. It is important to highlight that after a strong devaluation of the IRR, nowadays (2020) one million IRR equal about 5 Euros.
- The constitution of the company is simple but translation of all documents in languages other than Farsi by an official translator will be required, as well as legalization of all foreign documents in order to prove its authenticity. It is highly recommended to employ professional advisors in the country.
- Domestic market, but the gains would be transferred abroad in foreign currency (currently subject to obstacles).
- There is no limitation on the shareholders' nationality.

- Since 2002 it is not necessary to have an Iranian partner to set up a company in the country, but in certain activities deemed important to the nation's development programs, the Government can impose the presence of Iranian shareholders.
- If a foreign investor decides to establish an Iranian company, the company will be allowed to own a piece of land under the authorization of the relevant organization and in proportion with its plan. This will not be applicable in case of establishing a branch of a foreign company in Iran as it would not be considered an Iranian company due to legal limitations for ownership to foreigners.

## FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- This rule applies to almost all economic sectors as agriculture, mining, industry, transportation, communications, and services as well as in fields related to water, power, gas and energy supply.
- This law provides advantages such as: foreign investors receive the same treatment as local investors, in order to import cash it is only necessary to have an investment license, the volume of foreign investment is not subject to limitations, foreign capital is guaranteed against nationalization and expropriation, and in such cases the foreign investor will be entitled to compensation, it guarantees a freedom to export and in the case of limitation the goods may be sold in the domestic market
- Some bilateral treaties may also be applicable and provide additional protections for foreign investors.

## LABOUR LAW AND RELATIONS

- There are some important aspects about Iranian immigration to be highlighted including that the necessary paperwork needed to get a working permit in Iran can be long and complicated - working permits are extended for a maximum of one year and that cohabitation, same-sex relationships and same-sex marriage are not accepted.
- In general, Iranian labour law is highly favorable to employees, the amount of compensation for resignation or dismissal is the same in both cases and corresponds to one month of payment for every year worked (without maximums or limitations), the employee has the right to receive this compensation even in the case of a proven fault. However, definite term employment contract is the most commonly used type of contract, usually for one year, which enables termination at the end of said contract without compulsory renewal.
- Working hours per day must not exceed 8 hours on a limit of 44 weekly hours or 36 hours in cases of hazardous. Overtime hours have to be accepted by the employee and paid at a higher rate. The period between 10 p.m. and 6 a.m. are considered night working hours and must imply a wage increase of 35% of the normal wage price.
- Iran's weekly holiday is on Friday, which would create a weekend-difference in relation to worldwide Companies. Workers have the right to one month's paid leave, being underlined that Iran has, in addition, numerous public holidays.
- Foreign nationals need to hold a work permit. When the working relationship of a foreigner employed in Iran terminates, the employer must notify the authorities within fifteen days, then, the employee must surrender his/her work permit to the competent ministry and exit the country within the provided deadline.

## U.S. SANCTIONS EFFECTS

- From announcement in May 2018, the United States ("U.S.") re-imposed and imposed new economic sanctions to Iran under Executive Order ("E.O.") 13846 after its withdrawal from the Joint Comprehensive Plan of Action ("JCPOA"). After the sanctions re-imposition, and in addition to other existing sanctions applicable to U.S. persons, non-U.S. persons can face sanctions by the U.S. administration if practicing certain activities or working in certain areas and industries as well as because of the involvement of determined persons.
- The main activities that are sanctioned by E.O. 13846 are: purchase/acquisition of U.S. banknotes by the Government of Iran; Iran's trade in gold or precious metals; trade in certain graphite, raw, or semi-finished metals (extended to certain construction metals on Oct. 31st 2019); significant transactions related to the purchase or sale of Iranian Rials; issuance of Iranian sovereign debt; Iran's automotive sector; Iran's port, shipping, shipbuilding sectors; petroleum-related transactions; Iran's energy sector; transactions with the Central Bank of Iran and designated Iranian financial institutions; specialized financial messaging services to the CBI and Iranian financial institutions; and underwriting services, insurance, reinsurance. The applicable sanctions to each case will depend on the activity and can target the person/company or the Financial Institution involved, but all imply a U.S. nexus.
- The U.S. continued issuing E.Os imposing new sanctions, in May 2019 under E.O. 13871 sanctions were imposed in Iron, Steel, Aluminum, and Copper Sectors of Iran, it seems

to broaden previous dispositions and targets: third-country importers of Iranian metal products; foreign exporters that provide raw materials and other inputs, along with industrial machinery and other capital goods used in the production of Iranian metals; as well as Banks, insurers, shippers, traders, investors and other intermediaries and stakeholders involved in these industries.

- More recently, E.O. 13902 (January, 2020) authorizes the imposition of sanctions against additional sectors of the Iranian economy, including construction, mining, manufacturing, and textiles, as the previously mentioned E.Os affect U.S. persons, non-U.S. persons, including Financial Institutions.
- The re-imposition of sanctions significantly impairs international trade with Iran, and banking transactions involving Iran are almost inexistent to date. It is highly advisable to seek advice from specialized compliance lawyers in order to individualize and mitigate all the potential risks as not every activity that involves Iran is sanctioned.

## FINANCIAL ACTION TASK FORCE (FATF)

- Since February 2020, countries have to apply the strongest countermeasures to Iran's banking transactions, this means that non-Iranian banks have to impose more controls on monetary transactions when Iran is involved. This listing added to the U.S. limitations by the exposed economic sanctions can worsen Iran's international banking situation

## TAXATION

### Income Tax

- Personal Taxation: applies to residents and non-residents, (i) for Iranian residents and legal persons, taxes apply for their incomes earned in Iran or abroad, for Iranian non-residents taxes apply for their incomes from Iran. For non-Iranian natural and legal persons taxes apply respect of the income earned in Iran as well as in respect of the income collected from Iran. There is also regulated real state income and inheritance taxes.
- Exemptions for a limited period of time and amount are regulated for conducting business in less-developed regions as well as certain tax incentives to businesses that operate in free trade zones or carry activities in the fields of agriculture, manufacturing, industry, and mining.
- Salaries, wages and allowances paid to individuals (i.e., residents and non-residents working with a work permit in Iran) are subject to a personal income tax (usually deducted from the salary by the employer). For the employment income tax, the authorities establish the minimum under which income taxes are not applicable and sets scale percentages on a year basis, for which above certain year-salary corresponds to pay 10, 15, 20, 25 or 35 percent of the salary.

### Corporate Tax

- This tax is a 25% for the aggregate income earned by companies, and the income earned from various sources in Iran or abroad, through profit-making activities by other legal entities, after levying the losses resulting from non-exempt sources and after having deducted the exemptions, if any, excluding the cases subject to different rates.

- Foreign legal persons and entities residing abroad shall be taxed at the flat rate of 25% in respect of the aggregate taxable income derived from the operation of their investment in Iran or from the activities performed by them. A foreign company registered in Iran will be taxed in Iran only on the profits derived from the work that has been done in the country.

## VAT

- Applies to the supply of goods and provision of services within Iran as well as their Importation and Exportation, some exemptions for the supply, provision and importation are regulated, as the case may warrant (i.e. Unprocessed Agricultural products, fertilizers, pesticides, seeds and seedlings, books, livestock cattle, among others).
- The VAT rate is updated periodically, and now it is set on 9% of the total price. Exemptions: Cigarettes and tobacco 12%, gasoline and aircraft fuels 20%.

## Free Trade Zones

- Iran includes the following free trade zones inside its territory: Arvand Free Zone, Aras Free Zone, Chabahar Free Trade-Industrial Zone, Maku, Qeshm Island, Kish Island and Anzali and Salafchegan Free Zone.
- Benefits of the free trade zones are: 20-year tax exemption, foreign investments up to any ratio (of capital investment), freedom of entry and exit of capital and profits, protection and guarantees for foreign investments, abolition of entry visas and easily issue of residence permits for foreigners, facilitated regulation on labor relations, employment and social security, transfer of part manufactured goods to the mainland without paying customs duties, elimination of pay customs duties on imports from outside to the region and vice versa, among others.

## Special Economic Zones

- There are 14 Special Economic Zones in Iran that provide the following incentives for investment like, export from these areas will be carried out without any formalities, import of goods from abroad or free trade zones or industrial area-would be carried out with minimal customs formalities and good internal transit cases would be performed in accordance with the relevant regulations, costumes formalities limitations, goods imported from outside or industrial areas or other commercial zones can be exported without any formalities, all the goods imported to the region for the required production or services are exempted from the general import-export laws, goods manufactured in special economic zones, as well as raw materials and imported CKD parts into the country are not subject to prices regulation due to unutilized resources and allocated currency, among others.

## INTELLECTUAL PROPERTY

- Iran is a member of the World Intellectual Property Organization since 2001 and has joined several intellectual property treaties and conventions.
- Internally, Iran ratified in 1970 the Law for the Protection of Authors, Composers and Artists Rights, but these rights are not protected outside Iran given that the main international

conventions and treaties on these matters were not subscribed by the country.

- In 1931 Iran ruled the registration of marks and patents, and in 2008 the registration of patents, industrial designs and trademarks, this law sets administrative and judicial procedures for enforcement of this law.
- In practice, protection of Intellectual Property is still not well known, nor implemented in Iran, which makes it difficult to protect patent and trademarks, compared to other legal systems. Copies of international trademarks are unfortunately very common in Iran.

## DISPUTE RESOLUTION

- Courts are based on an inquisitorial system, where the judges have absolute power, nevertheless, depending on the seriousness of the matter, the Judge can be assisted by two or four additional judges.
- Iranian Courts are divided in Public Courts, Dispute Resolution Council, Revolutionary Courts, Special Courts (divided in Family, labour, military and clerical) and Supreme Court for Cassation. Public courts consist of Civil, Special Civil, First-Class criminal and Second-Class Criminal. Public Tribunals are subject to the principle of a sole judge. All procedures and investigations are either carried out personally or under the supervision of this judge who also declares the closure of the proceedings and renders judgment.
- The case will be sent to the Public Court or to the Dispute Resolution Council depending on the matter or the amount of the claim, above a limit fixed by the authorities the case goes to the Public Court, if not, would be jurisdiction of the Dispute Resolution Council.
- Rules of the Dispute Resolution Council can be appealed in front of the Public Court. Public Tribunal's rules can be appealed in Courts of Appeal, which are integrated by three experienced judges.
- A second revision of the Judges' acts is on the hands of the Supreme Court, but it only reviews the cases from a formal point of view and the correct application of the law not entering into the merits. The Supreme Court is divided into various civil and criminal chambers, each composed by three experienced judges (for commercial and civil matters need to have a minimum value).
- There are as well Clerical Courts, which handles crimes allegedly committed by clerics, although it has also taken on cases involving non-clerics. This courts work independently from the regular judicial system, in this area, they work with an internal appeal mechanism, under which the Judge has to accept it.
- Revolutionary Courts work in parallel in cases that involve certain offenses as crimes against national security, narcotics smuggling, and acts that are said to undermine the Islamic Republic.
- Since the 1979 Islamic Revolution, the Iranian Law is more linked to the Islamic law or "sharia", being part of its legal system provisions as Qanon-e Ta'zir "declaring war on God"

applicable to cases of treason or terrorism, and Qanon-e Qisas, known as Retribution Law can apply on a case of a personal injury as eye for eye or life for life in the case of murder, a singularity is that the injured or the dead's family can forgive the perpetrator. Diyyeh or blood money in another provision in which the injured or deceased's family can receive money as a crime's compensation.

## IMMIGRATION PROCEDURES

### Entrance Requirements

- Iran extends tourist visas, student visas and working visas. Depending on the passport held, entering Iran can be visa-free, in some cases it could be possible to obtain the visa on arrival (i.e. European Union) and others require application in advance. Even in those cases in which it is possible to obtain the visa on arrival it is recommended to apply for it in advance. Other nationalities will always be required to arrange a visa in advance (i.e. Canada and the United States). People holding an Israeli passport will not be allowed to enter the territory and having the stamp of Israel can be an issue.
- Tourist visas are normally issued for a maximum of 30 days and can be rarely extended for 60 days and it is advised to apply for it with an invitation letter.
- Foreign nationals are prohibited from working in Iran unless they receive work and employment permits (even if they are supposed to receive wage and salary outside the Iranian territory). The permit is issued by the "Department General for Employment of Foreign Nationals" of the Ministry of Cooperatives, Labor and Social Welfare upon a request by Iranian employers, in provincial capitals it is issued by the Foreign Citizens Divisions of the Department General of Cooperatives, Labor and Social Welfare.





## ISRAEL

Israel is a country in the Middle East, strategically located between Asia, Europe and Africa. Israel was established in the Land of Israel, its national home and the homeland of the Jewish people. The country covers an area of 22,145 square kilometers, and it is diverse in terms of geographical characteristics relative to its area. Its population in 2020 is 9,228,000 people. Demographically, most Israelis are Jews, it also has a large Arab minority (about 20.9%, mostly Muslim) and other minority groups (4.8%). The capital of Israel is Jerusalem. The official languages in the State of Israel are Hebrew and Arabic. Alongside them, the English language has a special status and can be used regularly in daily conduct, in business and with many authorities. The currency of Israel is New Shekel (₪) (ILS) which trades at approx. ILS 4 per Euro 1. The achievements of Israeli scientists in the fields of science and technology are significant and of worldwide importance. Medical research in Israel is one of the most advanced in the world. High-tech industries have captured an important place in the Israeli economy. In the last two decades, Israel has, inter alia through a series of incentives and grants, encouraged high-tech industries and start-ups. As a result of the large number of start-up companies, many refer to Israel as the “start-up nation” and the second Silicon Valley (sometimes referred to as “Silicon Wadi”).

Israel has a strong economy, has seen consecutive years of significant GDP growth, and its 5% unemployment rate is among the world’s lowest. Despite the regional geopolitical challenges, the Israeli economy has been identified as one of the healthiest and most secure in the world.

### BUSINESS PRESENCE

- The limited private company is the most common entity used for the purposes of profit in Israel. It may be incorporated by a single individual, there is no requirement for a capital investment, and it can trade and engage in any legal activity subject to relevant specific legislation. Most private companies include the following limitations aimed to exempt them from the obligation to file an annual balance sheet to the registrar of companies: maximum 50 shareholders, company may not make a general offer to the public to buy securities and transferability of its shares must be restricted (e.g. – requires approval of the board of directors)
- A public company may offer securities to the public by issuing a prospectus in accordance with the requirements of the securities law. A recent exemption from filing a prospectus allows start-ups to raise funds by crowdfunding through certified coordinators limited amounts (up to ~Euro 1-1.5m).
- A company incorporated overseas may establish a branch office in Israel by registering as a foreign company with the Registrar of Companies.
- Other forms of entities in Israel are partnerships (with unlimited liability of all members), limited partnerships (A registered partnership which has general and limited liability partners. A limited liability company may be the general partner), foundations ‘amuta’ (for non-profit activity), cooperatives (mainly in agriculture, transportation and in certain types of

marketing operations associated with agricultural products) and special entities incorporated by specific laws.

- Lawyers may act through a private company, provided however that the liability of its members is not limited. Trust is not a legal entity as such, and it is unclear whether under Israeli law unregistered partnerships are legal entities.

### FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- Generally, there are no restrictions on foreigners in owning equity in Israeli corporations and there is no specific governmental authority in Israel which examine sale of equity to foreigners. However, in certain fields a regulatory approval may be required, and the fact that the purchaser is a foreigner may be considered. Such approvals and their relevant regulation are divided between several government or ministry bodies including the Capital Market, Insurance and Savings Authority, the Securities Authority and the Bank of Israel, including the Supervisor of Banks, the Ministry of Defense - Defense Export Control Division, and - with respect of governmental companies – the Israeli government and the Israeli Governmental Companies authority. Each regulator has its own procedures and regulations, determined according to its needs and in accordance with the nature of the bodies it oversees.
- Certain restrictions may apply in purchasing real estate which is owned or has been owned by the state of Israel or its bodies.

## EXCHANGE CONTROL

- In Israel, foreign currency supervision has been formally revoked since 2003.

## TAXATION

- Businesses in Israel must register for VAT and income tax purposes as soon as they commence trading. Tax reporting is monthly or bi-monthly as well as annually. Accounting records and invoices to customers must conform to detailed rules.
- Corporate Tax rate in 2020 is 23%.
- The law in Israel stipulates different tax rates for companies and individuals who receive dividends:
- A company, resident of Israel, is liable to tax on dividends received from another Israeli company at a rate of 0%, except in the case in which the Israeli company that distributes the dividend is entitled to tax incentives.
- An individual resident of Israel is liable to tax on a dividend of 25% taxed at source. If such individual is a 'substantial shareholder' who holds 10% or more of the company's share capital, he is liable to tax at a rate of 30%.
- Worldwide income and capital gains of individuals and entities resident in Israel are subject to Israeli tax. An individual is considered a resident of Israel if the center of his/her life is located in Israel. A company is considered a resident in Israel if it is incorporated in or is managed and controlled from Israel.
- Trusts whose beneficiaries are Israeli-resident are taxable under specific rules.
- Israel has tax treaties with more than 50 countries. Israel Signed the MLI (MULTILATERAL CONVENTION TO IMPLEMENT TAX TREATY RELATED MEASURES TO PREVENT BASE EROSION AND PROFIT SHIFTING).
- Capital gains of companies are subject to tax at the rate of corporate tax (see above). Individuals pay 25%, or - in case of a sale of securities by a substantial shareholder (see definition above) – 30%. Such rates may vary according to the applicable past tax rates depending on the date of the purchase of the asset which was sold (from ~20% up to 50% before 2003), calculated linearly proportionally to the relevant holding periods of the sold asset. Gains are calculated realistically (by disapplication of the inflationary increase of the value of the sold asset according to the consumer prices index), however the portion of the inflationary value increase of the sold asset accrued prior to 1994 is taxed at a rate of 10%.
- Similar tax applies under a separate specific act to capital gains from sale of real estate located in Israel. Dispositions of real estate might be subject to additional taxes, such as betterment tax to the zoning committee of the local authority (50%), purchase tax (5-10%), consent fees (one third - for state owned real estate). In some cases tax might be extremely high and appropriate advance tax planning may reduce it significantly.
- Withholding Tax, usually at a rate of 25%, may apply on wire

transfers to foreign residents. The collection of the tax is managed by the Israeli banks. The bank withhold the tax unless provided by a certificate of the tax authority which exempt or discount (e.g. – under a treaty) the payment to the foreign resident.

## TAX AND INVESTMENT INCENTIVES

- Israel offers a variety of incentives for investments in Israel, such as tax benefits (including tax rate reductions of companies' tax and distribution of dividend, exemptions, accelerated depreciation and expense recognition), grants for capital investment and employment aid programs.
- Grants for capital investments - The Law for the Encouragement of Capital Investments is aimed to encourage quality investments in Israel. The law addresses, inter-alia, industrial, software and high-tech companies. Companies that meet the criteria will be entitled to receive grants of up to 20% of the investment in fixed assets. In the Negev (south Israel) the grants may be increased by an additional 10%.
- Taxation Benefits – 'Priority Enterprise' (industrial company that export 25% of its turnover that meet the criteria) enjoys a reduced company tax rate of 7.5%-16% (instead of 23%), a dividend tax rate of 20% (rather than 25-30%), and accelerated depreciation.
- Technological Enterprise (that invests in R&D and meets the criteria) enjoys companies' tax rate of 7.5%-12%, dividend tax rate of 20%, and Distribution of Dividends to foreign parent company: 4%].
- Large enterprises (technological -income of at least ~\$3 billion; industrial - ~\$300 million) that meet the criteria enjoys higher tax reductions.
- Taxation benefits for Single Investors in Early Stage Israeli Companies –according to a law known as "the Angels law", under certain conditions investments in early stage ("seed") companies are recognized as an expense for tax propose spread over a three year period.
- Research and development programs - The Innovation Authority (IA) at the Ministry of Economy is responsible for encouraging and supporting industrial research and development in Israel through the Encouragement of Industrial Research and Development Law, 1984. The IA provides a large variety of support programs for early stage companies, growth companies, technological infrastructure projects, international companies and projects, social impact projects, renewable-energy, life sciences, space technologies, agriculture.
- Entities supported by the IA are obliged to pay royalties from sales, normally 3%. Large entities may be required to pay 5% and entities which principally manufacture in Israel pay 1.3%. In addition, transfer of know-how abroad by a supported entity requires IA approval and might be subject to a payment to the IA. In order to avoid the aforesaid commitments, some entrepreneurs prefer to raise funds at early stages from private investors ("angels"). On the other hand - the support by

the IA does not dilute the shareholders of the company and the recognition of the project by the IA may be used as an evidence of its quality and a marketing tool for raising funds.

- Employment Aid Programs - Several programs intended to encourage the employment of ethnic minorities' populations with low labor participation and national priority regions. The support is granted by subsidizing the salary of new employees for a limited time.

## EMPLOYMENT LAW

- A large part of labor laws are cogentive and can be amended only in favor of the employee. Employee-employer relationships apply according to the true underlying nature of the relationship, regardless of the title that the parties has chosen for the connection.
- The minimum wage (2020) is NIS 5,300 (~Euro 1,325) per month for a full-time job and NIS 29.12 (Euro 7.30) per hour.
- Pension and National insurance funds - Employers are obliged to pay pension of 18.5% of the wage, of which 6% are at the expense of the employee and set-off from their wage.
- National insurance contributions are between 7.05% (employer – 3.55%, employee – 3.5%) for a wage of up to ~Euro 1,580 and 19.6% (employer – 7.6%, employee - 12%) form any portion of the wage that exceeds ~Euro 1,580. The portion of wage above ~Euro 11,000 is exempted.
- The length of a working week in Israel is 42 hours. The length of a working day is between 8-9 hours depending on the number of weekly working days (5 or 6 days). Work beyond the above hours entitles the employee to overtime pay (125% for first 2 hours and 150% for each additional hour).
- Additional employees rights: weekend wages – work on the weekly rest day entitles the employee to a wage of 150% of their normal wage; vacation days (determined by the employee's seniority and the number of weekly working days and ranging from 10 to 28 days per year); sick leave (one and a half days for each month of work up to maximum accumulation of 90 days , paid from the second sick day at a rate of 50 % and from the fourth sick day in full); travel expenses (up to NIS 22.60 per day); recreation pay (between NIS 1,890 to NIS 3,780 (~Euro 470-950) per annum depending on seniority); Maternity leave (between 15 to 26 weeks depends on seniority, men are allowed to share maternity leave with their spouses. Maternity allowance is paid by the Social Security but employers has to pay pension. Employer may not prevent an employee from taking maternity leave, or dismiss an employee during the leave and for 60 days thereafter).
- Legal proceedings concerning labor matters are heard before the labor courts (district labor courts and national labor court).
- Restrictive covenants on competition post-termination in employment agreements are subject to severe restrictions by the judiciary and in a growing body of case law are usually found to be invalid. Relevant considerations are: special

compensation been paid for the restriction of employment, exposure by employee to trade secrets that are likely to be used and damage the employer, training of employee in exchange of a minimum working period.

- Employees may be entitled to various benefits under collective agreements signed between a representative employees' organization (usually the trade union for the relevant profession or sector) and an employers' organization. The collective agreement may apply to employers and employees who did not sign it, by virtue of membership in an organization. Collective agreements may have wider application (sometimes to the entire state) through an order of the minister of labor.

## INTELLECTUAL PROPERTY (IP)

- No visas or work permits are required if the employee is a citizen of any EU member state.
- A foreign worker who is not a citizen of the EU and lives outside of Italy, may only be hired after the submission of an application for a work visa before entering Italy.
- Before the employee applies for a work visa, the future employer must request a formal hiring clearance declaration (nulla osta) before the Sportello Unico dell'Immigrazione.
- Registered intellectual property rights in Israel include patent (valid for 20 years from the date of filing the patent application), design patents (valid for 25 years from the date of filing the application), trademarks (valid for 10 years from the date of submission of the registration application, after which the validity of the registration can be extended), appellations of origin and geographical indication (term of validity - same as trademarks), Plant breeders' rights (valid for 20 years from the date of registration; vines, fruit trees, forest trees and any other perennial plant - 25 years (.
- Israeli law recognizes certain unregistered IP rights: Copyright (valid for the lifetime of the author and 70 years thereafter - Software and all stages of its development may be protected by copyrights); trade secrets (may be protected either by contract or to certain extent by law), well-known trademarks (enjoy protection which is equivalent to registered trademarks and a wider protection, if registered) , unregistered design (partial protection - 3 years from the date the design was first made public); performing and broadcasting rights (Performing rights are protected for 70 years from the end of the year in which the original performance. Broadcasting rights are valid for twenty-five years from the end of the year of original broadcast); integrated circuit Topography (Valid for 10 years from the date on which it was first commercially sold or distributed, or fifteen years from the date of creation of the topography, whichever earlier.)
- Passing off is recognized by Israeli law and being used to protect unregistered trademarks and goodwill.
- Israeli Supreme Court recognized unjust enrichment as a possible cause of action which may protect unregistered IP rights in special circumstances. Although the scope of this ruling is limited, it may produce some uncertainty.

- Israel is a member of WIPO and signatory to all significant intellectual property treaties including: Paris Convention, PCT, Madrid Protocol, Nice Agreement, Berne Convention, TRIPS.

## DISPUTE RESOLUTION

- Instances and authorities. The Magistrates' Court handles, inter alia, civilian cases of up to NIS 2.5 million (~Euro 625,000) and non-severe criminal offenses; the District Courts handle civilian claims above NIS 2.5 million (~Euro 625,000), severe criminal offenses, has residual authority and serve as an appeal instance on Magistrates' Court judgments.
- The Supreme Court serves both as the High Court of Justice for constitutional matters and petitions against governmental authorities as well as the High Court of Appeals on the ruling of the District Court.
- There are some other special instances that deal with special matters, such as Administrative Courts (dispute with governmental authorities), religious courts (for certain family matters), labor court, military courts, traffic court, appeal committees (tax matters), the supervisor of land registry (dispute between owner of apartments in a condominium) and Maritime Court.
- The legal system in Israel is the adversarial method. Cross-examinations are conducted by the litigants' counsel.
- Main stages of a typical civil case: Filing and serving of a statement of claim by plaintiff (normally, limitation period is seven years); within 60 days - filing by the defendant of a statement of defense (along with a counter claim or third party notice, if relevant); within 15 days – optional filing by claimant of a response to the defense; (and within 60 days from the service of the counter claim - filing by the claimant a defense to the counter claim). Thereafter, the parties may conduct preliminary proceedings (mainly - document disclosure and questioners). Court will conduct a one or more pre-trials to determine the relevant procedure and determine in any interim applications. Urgent applications for provisional reliefs will be dealt earlier, shortly after their filing. Prior to the trial the parties usually file witness statements (instead of oral examination in chief) and during the trial the counter litigant cross examines the witnesses. After the trial summations are filed or argued orally. Thereafter court renders the judgment.
- Normally, an appeal on a judgment may be file within 45 days. In most cases first appeal is filed by right. Second appeals (appeals on a judgment in an appeal) may be filed if a permission is granted (such permission need to be filed within 30 days and is not easily granted).
- Trial costs - Although the general rule is that the losing litigant pays the expenses of the winner, in many cases courts rule relatively low amounts as trial costs which do not cover the actual costs.
- Arbitration. Subject to the arbitration agreement, an arbitrator may deviate from both procedural and substantive law. Enforcement of an arbitration award requires court confirmation, however intervention by courts in narrow, and generally a mistake in the award does is not a cause for

intervention by court. If the arbitration agreement oblige the arbitrator to render the award in accordance with law, the parties may agree that the award could be appealed. Such appeals require court permission and intervention by courts is limited to fundamental mistakes.

- Israel is a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention)
- International jurisdiction. Israeli court may deal with a claim against a foreign resident in accordance with a jurisdiction clause in the relevant agreement or under certain conditions concerning the ties of the case to Israel, which allows court to issue a leave to serve court documents out of the jurisdiction. The defendant may argue against such a leave and court jurisdiction, based, inter-alia, on forum-non-conveniens doctrine. Service in Israel upon the defendant if he arrives in Israel, or to certain related person, may also suffice.
- Israel is a party to the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters.
- Enforcement of foreign judgments - Foreign final judgments that are not subject to an appeal may be enforced in Israel under certain conditions, if the foreign court was authorized to give the judgment under the foreign law and under the private international rules applicable in Israel. An enforcement application is subject to limitation of five years from the date of the foreign judgment.

## IMMIGRATION PROCEDURES

- Visits of up to 90 days in Israel may be exempted from visa under agreements between Israel and many countries -.
- Classes of visas:
- Immigration visa - Every Jew is entitled to immigrate to the State of Israel, the Jewish homeland. Under the Law of Return, 1950, a Jew is an individual born to a Jewish mother, or converted to Judaism, and is not a member of another religion.
- A/1 Temporary Resident visa - is granted to a person who is eligible for immigration in order to examine a possible immigration to Israel.
- A/2 Student visa - This visa is granted to those who want to study in Israel in a recognized institution in Israel. The visa is valid for up to one year and for multiple entrances and exits. This visa does not allow to work in Israel.
- A/3 Clergy visa is granted to clergymen for the purpose of fulfilling their clerical duties among their religious communities in Israel, pursuant to the invitation of a recognized religious institution in Israel.
- A/4 visa - is granted to the spouses and minor children of recipients of A/2 or A/3 visas.
- B/1 Work visa - is for a person whose stay in Israel is approved for a limited period of time for the purpose of work.
- B/2 Visitor's visa - is granted to someone who wishes to stay in Israel for only a short time (for a visit, tourism, a business meeting or study the Hebrew language). It does not allow to work in Israel.





## JORDAN

- Jordan is a young country created by the British government from the remains of the Ottoman Empire in the aftermath of World War I. Jordan, initially named Transjordan, became an emirate and protectorate of the United Kingdom in 1921 and fully independent in 1946. The nation was renamed the Hashemite Kingdom of Jordan in 1950.
- Jordan is located in the Middle East with Israel and the West Bank to the west, Syria to the north, Iraq to the northeast, and Saudi Arabia to the east and south. Jordan is slightly smaller than Indiana and encompasses a total land area of 92,300 square kilometers (91,971 square kilometers of land and 329 square kilometers of water).
- Approximately 98 percent of Jordanians are Arabs; the remaining 2 percent of the population is split among Circassian, Chechen, and Armenian minority groups. There are about 500,000 Iraqis, and over 500,000 Syrian refugees that have moved to Jordan to escape violence.
- Arabic is the official and most used language. English is widely understood by the educated middle and upper classes.
- The Jordanian government is an authoritarian monarchy advised by a strong cabinet with a parliament that swings between extremes of total acquiescence to the monarchy and partial openness. The king exercises executive authority through the appointment of his cabinet, or Council of Ministers, headed by the prime minister.
- The Jordanian legal code has evolved from historical precedents based primarily on Islamic law (sharia), French law adopted under Ottoman rule, and British common law adopted more informally (through case law and statute) during the mandate period.
- The Jordanian Dinar ( . ) is the currency of Jordan.

## BUSINESS PRESENCE

- Jordan lies at the intersection of three continents - Asia, Africa, and Europe - functioning as a transportation hub due to its favorable location. Jordan shares borders with Syria, Iraq, Saudi Arabia, Israel, and Palestine, to which it is connected by a network of roads as well as a world class international airport and airline flying to 59 destinations worldwide. Jordan provides you access to 161 world markets with over 350 million consumers in the MENA region and to over 1 billion consumers worldwide through WTO membership and regional and bilateral trade agreements.
- Jordan offers significant opportunities to foreign investors such as:
  - 20 Development Zones and 42 Free Zones distributed throughout the kingdom. These zones are designated for various types of businesses and industries and are equipped to serve your needs with quality infrastructure and support services. Investments in these zones can be wholly owned by foreign investors. The aim of the Development Zones is to distribute gains of economic development to all regions within the Kingdom and to create jobs by stimulating competitive advantage within these zones based on specialization.
  - Free Zones help facilitate the transit of goods, stimulate economic activity, and play an important role in contributing to Jordan's position as a center for trade. x
  - Exemption from custom duties, general sales tax and in some cases reduction on income tax.
  - No restrictions on foreign ownership, except for a limited number of economic activities.
  - To enjoy special privileges and guarantees like the free movement of capital, protection against expropriation, options to resort to alternative dispute settlement mechanisms and support in obtaining visas and residency permits.
  - A healthy banking sector. During the 2008 financial crisis, Jordanian banks remained largely unaffected. This is the result of a conservative banking strategy that seeks to minimize risky investments and tries to invest domestically as much as possible.
  - The opportunity to tap into a wealth of highly educated and qualified human capital that is highly proficient in English. Jordan ranks as one of the countries in the world with the highest number of engineers, physicians, and nurses per

capital. Education is one of the biggest expenditures of the government, constituting 9.7% of total government expenditures.

- Jordan has a number of promising sectors with high potential and competitive advantage. The most important of these which include: Tourism, Agriculture, ICT, Renewable Energy (due to having 340 days of sunlight per year), Chemicals and pharmaceuticals, and Textiles and garment.

## FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- The Investment Law in Jordan provides for equal treatment to be granted to foreign and local investors alike, unless otherwise provided for under applicable laws. This means that there are no additional restrictions on foreign investment other than those stated in the applicable regulations, and unless expressly prohibited, foreign investors may hold up to 100% of any intended investment in Jordan.
- Regulation No.5 of 2000 in connection with regulating non-Jordanian Investments provides an exhaustive list of activities which may only be undertaken by Jordanians, including passenger and freight road transportation services, quarries for certain stones, security services, and certain clearance services. In addition, the said Regulation further stipulates that certain activities and services require a local partner (50-51%), including most retail activities, engineering and construction services, certain maritime and transport activities, certain brokerage, and money exchange services, among others.
- Special rules were issued specifying the sectors in which foreign investors are allowed to invest and the proportion of ownership foreign investors may maintain in addition to the minimum capital requirement for foreign investors. Until recently, such minimum capital requirements were set at a minimum of JD 100,000 with the exception of investments in the stock market, where such minimum was set at JD 1,000. On February 22, 1997, the Council of Ministers resolved to remove the minimum investment requirement of JD 100,000. Pursuant to said resolution, Jordanian and non-Jordanian investors are now afforded equal treatment with regard to their investment in Jordanian companies.

## JORDAN EXCHANGE CONTROL

- The Central Bank of Jordan (CBJ) supervises and licenses all currency exchange businesses. These entities are exempt from paying commissions on exchange transactions and therefore enjoy a competitive edge over banks.
- The Jordanian Dinar (JD or JOD) is fully convertible for all commercial and capital transactions. Since 1995, the JD has been pegged to the U.S. dollar at an exchange rate of JD 1 to USD 1.41.
- Other notable foreign exchange regulations include:
  - o Non-residents are allowed to open bank accounts in foreign currencies. These accounts are exempted from all transfer-related commission fees charged by the CBJ.

- o Banks are permitted to purchase unlimited amounts of foreign currency from their clients in exchange for JODs on a forward basis. Banks are permitted to sell foreign currencies in exchange for JODs on a forward basis for the purpose of covering the value of imports.
- o There is no restriction on the amount of foreign currency that residents may hold in bank accounts, and there is no ceiling on the amount residents may transfer abroad. Banks do not require prior CBJ approval for a transfer of funds, including investment-related transfers.

## TAXATION

- The Jordanian tax law is the Income Tax Law No. 57 of 1985. Several amendments have been issued since the law's inception. In a major development, the Income Tax Law was amended in 2001 to help bridge the gap between male and female wage earners.
- Article 13 of the new Income Tax Law grants equal exemptions to women and men by raising the nontaxable income applicable to women to JD 1000, similar to that for men. According to law, income arising or deemed to be arising in Jordan (Jordanian source income) shall be subject to tax. In order to determine a taxpayer's taxable income, all expenses wholly and exclusively incurred in the production of such income during the year may be deducted. Company expenditures on training, marketing, and research and development are considered tax exempt. Moreover, profits from the export of goods and services are totally exempt, with the exception of exports of phosphate, potash, fertilizers, and other exports that are governed by prevailing trade protocols.
- Taxpayers may determine their own fiscal year. Tax returns are to be filed with the Tax Department within four months after the end of the fiscal year. Taxpayers who pay their tax liability within the first month following the close of their fiscal year are entitled to a 6 percent discount on their taxes due. Similarly, a 4 percent discount and 2 percent discount are available to taxpayers who pay their taxes during the second or third month, respectively, after the close of their fiscal year. In case of late filing of a tax return, a fine of 2 percent per month, but not exceeding 24 percent overall, will be imposed. A fine of 1.5 percent per month is imposed on taxpayers who fail to pay their taxes.

### Income Taxes

- The primary types of income taxes levied are corporate income tax, individual income tax, withholding tax and distribution tax. The Income Tax Law of 1985 was recently amended to include provisions of particular benefit for investors. This amendment, which came into effect in 1996, allows higher allowances for individual taxpayers and lower tax rates for individuals.
- Salaries, wages, and other income paid to Jordanian and foreign employees are taxable. The Income Tax Law gives a 50 percent exemption from tax on private sector employees' annual salaries up to JD 12,000 and a 25 percent exemption on amounts above JD 12,000. Foreign employees working for non-Jordanian companies are exempt from paying all income tax.

In addition, there are personal and family exemptions given by the Income Tax Law. In the public sector, 50 percent of the salaries and wages of employees are tax exempt.

### Corporate Tax

- The corporate tax rate for incorporated businesses in 2020 is 20%, except for entities that work in the telecommunications, electricity generation and distribution, mining, insurance and reinsurance, and brokerage sectors, which have a corporate tax rate of 24%. The corporate tax rate for banks is 35%. In addition to those corporate tax rates, certain sectors are required to provide a contribution to the National Fund as follows based on taxable income: 3% for banks, and electricity generation and distribution; 7% for mining companies; 4% for brokerage and leasing companies; 2% for telecommunications, and insurance and reinsurance companies; and 1% for all other corporate entities.

### Other Taxes

- Jordan charges VAT/sales Tax on transactions in Jordan and on the importation of goods and services into Jordan, the standard rate of which is currently 16%. The taxpayers as defined by the Sales Tax Law are the manufacturers, merchants, or service providers whose sales amount to JD 100,000 per annum and importers of any goods or services irrespective of the volume of their imports. The sales tax rate ranges from 0 percent up to 20 percent of the value of goods, and for services, the sales tax is fixed at a rate of 10 percent.
- A social service tax is due from each individual and equals 10 percent of the taxpayer's income.
- A Universities tax is payable by shareholding and foreign companies at a rate of 1 percent of net income before taxes and distributions.

### Taxation Treaties

- Jordan has signed bilateral investment treaties with 57 countries including the United States, European Union, Singapore, and Canada. Jordan's bilateral investment treaty with the United States entered into effect in 2003 and provides reciprocal protection of Jordanian and U.S. individual and corporate investments.
- While the United States remains one of Jordan's top trading partners and largest export market, Jordan maintains an active trade relationship with neighboring countries and has been actively pursuing enhanced trade arrangements globally. Jordan is a member of the Greater Arab Free Trade Area (GAFTA), which has been in force since 1998. The GAFTA reached full trade liberalization of goods in 2005 through full exemption of customs duties and charges for all 17 Arab member states, with the exception of gradual reductions for Sudan and Yemen. Jordan has also signed trade preference agreements and bilateral free trade agreements with various Arab neighbors, including Egypt, Syria, Morocco, Tunisia, the UAE, Algeria, Lebanon, the Palestinian Authority, Kuwait, Sudan, and Bahrain.
- An economic association agreement between Jordan and the European Union (EU) entered into force in 2002 to establish

free trade over a twelve-year period. This agreement calls for the free movement of capital as well as cooperation on development and political issues. Jordan also signed a Free Trade Area Agreement in 2001 with the European Free Trade Association (EFTA) states (Iceland, Liechtenstein, Norway, and Switzerland); this agreement completed the transitional period in 2014. In 2016, Jordan and the European Union agreed on new rules of origin designed to facilitate Jordanian exports to the EU manufactured with set percentages of Syrian labor content. Jordan and the EU are discussing potential revisions to this agreement.

- With respect to other agreements, Jordan signed a Free Trade Agreement with Singapore in 2004. In addition to enhancing bilateral trade ties, the agreement aimed to create new export opportunities for Jordanian products worldwide through the possibility of diagonal accumulation of origin with countries that have concluded free trade agreements with both Jordan and Singapore. That same year, Jordan completed the Agadir trade agreement with Egypt, Morocco, and Tunisia, and upgraded its trade agreement with Israel to take advantage of accumulation of content provisions in the European Union's Pan Euro-Mediterranean trade rules of origin. Jordan signed a Free Trade Agreement with Canada in 2009 which came into effect in October 2012. The FTA with Canada eliminates all non-agricultural tariffs and most agricultural tariffs. A similar agreement with Turkey was also signed in November 2009 and entered into effect on March 1, 2011; in early 2018 Jordan announced its intention to suspend this agreement within six months. Jordan has also signed with Iraq a number of Memoranda of Understanding for bilateral cooperation in various sectors such as education, health, energy, transportation, and trade.
- Jordan concluded double taxation avoidance agreements with 31 countries including the United Arab Emirates, Qatar, Bahrain, Egypt, Algeria, Tunisia, in addition to Canada, the United Kingdom, France, Turkey, UAE, and others. Jordan signed its first double taxation agreement in 1981 with Romania, and the latest with Saudi Arabia in 2018. The terms of each agreement vary to match the priorities of each signatory, but often include income tax, corporate tax, capital gain, social service tax, and gains generated by the alienation of movable and immovable property.

## TAX AND INVESTMENT INCENTIVES

- Under Investment Law No. 30/2014, the Council of Ministers, upon the recommendation of the Investment Council, may offer investment incentives in accordance with the law and governing regulations for projects outside the Development and Free Zones. The Investment Council and Investment Commission can also offer certain exemptions for projects in the following sectors:
  - o Agriculture and Livestock
  - o Hospitals and specialized medical centers
  - o Hotel and touristic facilities
  - o Tourism-related entertainment and recreation

- o Contact and communication centers
  - o Scientific research centers and medical laboratories
  - o Technical and media production
  - Such incentives include customs exemptions, refunding of the general tax for production inputs, and no sales tax. JIC can provide investors with further information on these exemptions. Automatic exemptions are also granted for specific services whether purchased locally or imported. The Income and Sales Tax Department will refund the general tax levied within 30 days from submitting a written request in accordance with the terms and conditions determined by the Regulations Governing Investment Incentives (Number 33 of 2015).
  - A number of non-automatic exemptions are granted for production requirements and assets of economic, industrial, or handicrafts activities of dual use. Such exemptions are subject to administrative procedures and approvals obtained from the Jordan Investment Commission Technical Committee and are governed by the previously referenced regulation.
  - Article 8-A of the 2014 Investment Law allows the cabinet to grant additional advantages, exemptions, or incentives to any economic activities in the Kingdom. Under this article, the cabinet granted additional incentives to the ICT, tourism, and transport sectors in 2016, as published in the Official Gazette.
  - Net profits generated from most exports were exempt from income tax until December 2018. The new Income Tax Law No. 38 (2018) imposed taxes on income generated from exports, in accordance with WTO agreements.
  - Investors, either foreign or domestic, face specific requirements in trade, services, and industrial projects in free zones. Industrial projects must be related to one of the following industries:
    - o New industries that depend on advanced technology;
    - o Industries that require locally available raw material and/or locally manufactured parts;
    - o Industries that complement domestic industries;
    - o Industries that enhance labor skills and promote technical know-how; or,
    - o Industries that provide consumer goods and that contribute to reducing market dependency on imported goods.
  - Foreign Trade Zones/Free Ports/Trade Facilitation
  - Investments in special economic zones and development zones receive a minimum 30 percent income tax waiver depending on the zone. Additional incentives are also provided for projects under the Industrial Estate Corporation and the Aqaba Special Economic Zone.
  - The country is divided into three development areas: Zones A, B, and C. Investments in Zone C, the least developed areas of Jordan, receive the highest level of incentives while those in Zone A receive the lowest level. All agricultural, maritime, transport and railway investments are classified as Zone C, irrespective of location. Hotel and tourism-related projects along the Dead Sea, leisure and recreational compounds, and convention and exhibition centers receive Zone A designations.
- Qualifying Industrial Zones (QIZs) are zoned according to their geographical location unless granted an exemption. The three-zone classification scheme does not apply to nature reserves and environmental protection areas.
- Jordan's 2014 investment law merged the Development and Free Zones Commission (DFZC) into the newly formed Jordan Investment Commission, an independent governmental body responsible for creating, regulating, and monitoring Jordan's free trade zones, industrial estates, and development zones. The development areas are the King Hussein Bin Talal Development Area (KHBTDA) in Mafrq, the Ma'an Development Area, the Irbid Development Area (IDA), the Dead Sea Development Zone, the Jabal Ajloun Development Zone, and the King Hussein Business Park Development Zone. The Investment Law assigns the Jordan Industrial Estates Corporation (JIEC) and the Development and Free Zones Corporation (DFZC) as main developers of industrial estates and development and free zones, under the supervision of the Investment Commission.
  - As part of Jordan's efforts to foster economic development and enhance its investment climate, the government has created four industrial estates in Amman, Irbid, Karak, and Aqaba, in addition to several privately-run industrial parks, including al-Mushatta, al-Tajamouat, al-Dulayl, Cyber City, al-Qastal, Jordan Gateway, and al-Hallabat. These estates provide basic infrastructure for a wide variety of manufacturing activities, reducing the cost of utilities, and providing cost-effective land and buildings. Investors in the estates continue to receive incentives until their contracts expire, and receive various additional exemptions, such as a two-year exemption on income and social services taxes, complete exemptions from building and land taxes, and exemptions or reductions on most municipalities' fees.
  - Besides the six public free zones in Zarqa, Sahab, Karak, Karama, Mowaqaar, and Queen Alia Airport, Jordan has over 37 designated private free zones administered by private companies under the DFZC's supervision. The free zones are outside of the jurisdiction of Jordan Customs and provide a duty and tax-free environment for the storage of goods transiting Jordan.
  - The Aqaba Special Economic Zone (ASEZ) is an independent economic zone not governed by the Investment Commission or the articles in the Investment Law governing investments in free zones or development zones. It offers special tax exemptions, a flat five percent income tax, and facilitates customs handling at Aqaba Port. In recent years, ASEZ has attracted projects, mainly in hotel and property development sectors, valued at over USD 8 billion. The government continues to implement development projects aimed at attracting commerce and tourism through the Port of Aqaba. The Aqaba New Port project, initiated in 2010, became operational November 2018 at 40 percent of its design capacity, and is expected to reach 60 percent of operational capacity by June 2019. The new port, 20 km south of the previous port, added four new terminals and expanded general ship berthing and marine services, in addition to adding dedicated terminals for liquefied natural gas, phosphates, and propane.

- Investors, either foreign or domestic, face specific requirements in trade, services, and industrial projects in free zones. Industrial projects must be related to one of the following industries:
  - o New industries that depend on advanced technology;
  - o Industries that require locally available raw material and/or locally manufactured parts;
  - o Industries that complement domestic industries;
  - o Industries that enhance labor skills and promote technical know-how; or,
  - o Industries that provide consumer goods and that contribute to reducing market dependency on imported goods.

## EMPLOYMENT LAW

- Labour contracts under the Labour Law are defined as explicit or implicit verbal or written agreements, under which an employee undertakes to work for an employer under his/her supervision and management in return for wages. It should be drawn in Arabic and in two copies at least. If no such contract is made, the worker may establish his rights by all legal means of evidence. A contract may be for a limited or unlimited period, for specific or nonspecific work.
- According to Article 28 of the Labour Law, an employer has the right to terminate the employment contract and dismiss an employee without warning in certain circumstances, e.g. when the employee is not complying with the commitments mandated by his/her work contract.
- Under Article 29, an employee also has the right to terminate the contract without notification in certain circumstances, including the following: 1) In the event of being employed in work that is significantly different from that agreed upon; 2) When employed in a way that entails changing the employee's permanent place of residence (unless the contract has stipulated the permissibility of this); 3) If he/she is transferred to perform work of a lower degree than that which has been agreed upon, thus reducing his/her wage; 4) For medical reasons; 5) In the event that he/she is assaulted through beating, degradation or physical harassment by the employer; and/or 6) If the employer has defaulted in executing any of the provisions of the law.
- The legal working time is forty-eight during a six-day week (excluding meal breaks and rest periods) with the exception being hotel, restaurant and cinema workers whom are limited to 54 hours per week. The seventh day is a paid weekly holiday. A worker may be employed, with his consent, in excess of normal working hours, provided that he is paid overtime at a minimum rate of 125% of his regular remuneration. If a worker works on his weekly rest day or on religious or official holidays, he shall be paid overtime at a minimum rate of 150% of his regular remuneration. Most private businesses observe Friday as the weekend holiday, while banks and government offices close on Fridays and Saturdays.
- Every worker is entitled to annual leave with full pay for a period of fourteen days for every year of employment. This leave is extended to twenty-one days where the worker has been in the

employment of the same employer for five consecutive years. Official and religious holidays and weekly rest days shall not be counted as part of a worker's annual leave unless they fall in its course.

- Women workers are entitled to maternity leave with full pay for ten weeks including rest before and after delivery. Leave after delivery shall be no less than six weeks long and employment before the expiry of such a period shall be prohibited.
- Priority in the labour market under Article 12 of the Labour Law is given to Jordanian experts, technicians, and workers. Some types of work are given only to Jordanians, as stated in the closed professions list issued by the ministry of labour, e.g. in the medical and engineering professions. By way of exception to the rule just mentioned, any employer in Jordan may employ a non-Jordanian worker if the work requires experience and qualifications not available in Jordanian workers, or is such that the number of the qualified Jordanian workers does not meet the need. The exception of employing non-Jordanian workers also depends on the type of company and recommendations from the ministry of industry and trade.

## INTELLECTUAL PROPERTY

- In Jordan, intellectual property is protected through an array of different legislative acts, including copyright law, trademark law, patent law, law of industrial designs, law of trade secrets and unfair competition law; as well as the related ministerial regulations and instructions. Together they help to establish a complete system of intellectual property rights.
- Jordan's experience in the field of trademark protection began as early as 1952, with the establishment of the first Trademark Law in Jordan. However, the first law which came to deal with modern intellectual property issues as we know them today, was the 1992 Copyright Law. The law requires registration of copyrights, patents, and trademarks. Copyrights must be registered with the National Library, a subsidiary body of the Ministry of Culture. Patents must be registered with the Registrar of Patents and Trademarks at the Ministry of Industry, Trade and Supply.
- Following Jordan's accession to the Berne Convention in 1998, the Copyright Law has been amended on several occasions to ensure better compliance with international standards of protection. As for the full package of legislation, it began in 1999 coincided with Jordan's accession to the World Trade Organization (WTO) in 2000 to become 136th member of WTO. In response to the Intellectual Property Organization IPO Convention, Jordan has issued all laws relating to intellectual property including the law of industrial designs, industrial designs, and unfair competition.
- Copyright, however, remained at the forefront of intellectual property protection in the Hashemite Kingdom of Jordan for several years. In particular, the National Library has continued the efforts in the development of laws, regulations, instructions, and in line with international conventions, to create an environment which is managerially and technically able to keep pace with global developments. One which is able to focus

on the implementation of the law and respond to complaints, and the application of sanctions contained in the Copyright Protection Law of 1992, as amended, which is a modern law. Along with this, Jordan is a member of the "Berne" Convention, since 1999 and a member of the Paris Convention.

- It is worth mentioning that Jordan is a member of the World Intellectual Property Organization (WIPO), which has managed intellectual property conventions since 1984. Jordan also joined the World Trade Organization (WTO) after the completion of all requirements. The Jordanian government has issued a number of laws, regulations and instructions relating to intellectual property and passed through the constitutional stages and published in the Official Gazette.
- Jordan's record on IPR enforcement has improved to the point where intellectual property (IP) violations in Jordan are among the lowest in the Middle East North Africa (MENA) region, according to the World Economic Forum's 2013 Global Information Technology Report. The report ranked Jordan 47th in overall environment on an international scale of 144 countries. MENA neighbors Saudi Arabia and Oman ranked 31st and 40th respectively, while Egypt ranked 80th, and Algeria ranked 131st.
- Jordan's Customs Department and the Public Security Department have created specialized IPR units to enforce violations. Pending amendments to Jordan Standards and Metrology Organization (JSMO) authorizing law aim to enhance the agency's role in seizing counterfeit products that have entered the Jordanian market. However (JSMO) currently seizes counterfeit products under its mandate of protecting consumers from cheating. The government estimates that USD 28 million worth of pirated software; games, DVDs and books are sold annually in Jordan at a cost of USD 4.2 million in forgone taxes.
- The government routinely conducts coordinated sweeps, and in 2014 referred 460 cases of intellectual property rights violations to the Jordanian judicial system. The Jordanian government continues to examine means to provide more comprehensive protection of IPR, including through more stringent enforcement of existing laws, introduction of new regulations based on existing laws, and the creation of an independent IP body.

## DISPUTE RESOLUTION

- Jordan has a mixed legal system based on civil law, Sharia Law (Islamic Law), and customary law. The Constitution establishes the judiciary as one of three separate and independent branches of government. Jordanian commercial laws do not make a distinction between Jordanian and non-Jordanian investors. However, plaintiffs complain of judicial backlogs and subsequent delays in legal proceedings. Jordan has introduced economic judicial chambers, established under the Amman First Instance Court and Amman Appeal Court under the provisions of the Law of Formation of the amended Courts No. 30 of 2017. These chambers specialize in the adjudication of certain commercial and investment disputes mentioned in Article 4 of the Courts Formation Law.

- The Jordanian constitution specifically states that the role and functions of the judiciary must be completely independent of influence from the executive and legislative branches; the courts are subjected to no other authority than that of the law. Judges are appointed by the Higher Judiciary Council upon a recommendation of the Minister of Justice but require endorsement by a royal decree. They are normally graduates of recognized universities who have served as clerks and officers of the court. The Ministry of Justice, with approval of the King, assigns judges to serve in courts, and has the ability to transfer, promote and dismiss them. There are three types of courts in Jordan: the civil, religious, and special courts, made up of one or more judges, but no juries.

### Civil Courts

- The civil judiciary is a two-level system with a supreme court. The first level consists of the magistrates' courts and the courts of first instance while the second level is the court of appeal. The court of cassation (the supreme court of the kingdom) sits in review of these two levels. The jurisdiction of the magistrates' courts consists of hearing civil and criminal cases regarding issues involving small fines with a maximum prison term of two years. The courts of first instance have general jurisdiction over all criminal and civil matters not granted to other courts' jurisdiction, and also hear appeals for some judgments of the magistrates' courts. The next judicial tier, the court of appeal, is presided over by a tribunal of three judges. It hears appeals of the decisions of the magistrates' courts and decides appeals from decisions of the courts of first instance.
- The court of cassation, the highest judiciary, is presided over by a judge appointed by the King and who serves as the country's Chief Justice. The court holds its sessions with five judges to hear appeals from the court of appeal. In some cases, the court sits in full panel of nine or even fifteen judges to decide on important cases or in certain legal circumstances.

### Religious Courts

- The religious courts are divided into the Sharia (Islamic law) courts for Muslims, the tribunals of religious communities for non-Muslims and the ecclesiastical courts for the minority Christian communities. These courts have jurisdiction over cases of personal status such as marriage, divorce, and communal endowment. Rulings of religious courts may be appealed at the religious court of appeal in Amman.
- Individuals not of the same religion who do not agree to the jurisdiction of a religious court are allowed to bring their case to a specialized civil court. If there is a conflict of jurisdiction between two religious courts, or between a religious and civil court, the president of the court of cassation forms a three-judge tribunal to decide jurisdiction or to hear the case. One judge sits in each Sharia court and rules on cases according to Islamic law, and sometimes based on the civil status law if divorce, for example, is involved.
- Each Christian court is made up of three judges, usually members of the clergy, who base their rulings on different aspects of canon law interpreted by the Greek Orthodox, Roman Catholic and Anglican traditions. Islamic law is applied in inheritance cases.

### Special Courts

- The term specialized court is used to describe any court, other than civil and religious, that has been granted a jurisdiction to rule in specified issues. These mainly involve the state security court, which hears cases related to drug trafficking, illegal smuggling, economic crimes, and security related cases. The state security court, which replaced the military courts of the martial law period in Jordan between 1956 and 1990, comprises two military judges and one civilian judge who try both military personnel and civilians. Its verdicts are not final and may be appealed at the court of cassation.
- Special courts also include the Customs Court, Income Tax Court of Appeal, and the High Court of Justice. The jurisdiction of the High Court of Justice is public administration. This includes hearing petitions, issuing injunctions involving public servants charged with wrongdoing, election issues, as well as many other issues specified by the law establishing the High Court of Justice. The Customs Court consists of the Customs Court of the First Instance and the Customs Court of Appeal. It has jurisdiction over civil and Criminal Cases related to customs and smuggling. The Income tax Court of Appeal has jurisdiction to investigate the appeals made by individuals and companies against the income tax imposed by the income tax department.
- There are other types of specialized courts and that there is a debate between lawyers regarding the importance of having specialized courts. Specialized courts can play a major role in both legal and economic development and their establishment can be of great value though it should be studied carefully. The table below delineates the different types of courts in Jordan along with their level in the judicial hierarchy.



### IMMIGRATION PROCEDURES

- A passport is required to enter Jordan. Visitors to Jordan must obtain a visa from a Jordanian diplomatic mission unless they come from one of the 10 visa-exempt countries and territories or one of the 120 countries and territories whose citizens are eligible for a visa on arrival.
- The visa currently costs 40 JD for a single entry, 60 JD for two entries, and 120 JD for a multiple entry visa. Visas may be extended to a maximum of six months by registering with a police station in Jordan. Travelers who fail to register properly subject themselves to a fine of 1.5 JD per day of overstay.
- Citizens of member nations of the Gulf Cooperation Council, Lebanon, and Turkey may travel to Jordan without visa limits for a maximum stay of 3 months in a 6 month period. However, citizens of Egypt and residents of the Palestinian Authority have visa free access for one month in a 6 month period, while citizens of Israel have visa free access for one month with unlimited times in a 6 month period. All visitors must hold a passport valid for 6 months beyond the period of intended stay and with two blank pages. Visitors to Jordan must hold a non-refundable return or circle trip tickets except for Government workers continuing to Iraq.



## LUXEMBOURG

- Luxembourg was founded in 963 AD, and became fully independent in 1867. Luxembourg was one of the six founding countries of the European Economic Community in 1957.
- Currency: Euro (€).
- Located in the heart of Western Europe with an area of almost 2,600km<sup>2</sup>.
- Population of just over 600,000 people, of which 47% are foreign citizens.
- Parliamentary democracy with a constitutional monarch (Grand Duke).
- Civil law legal system.
- GDP per capita ranks third in the world and second highest in the EU.
- Three official languages: Luxembourgish, French and German. English is widely spoken and written and is accepted by the main Luxembourg administrations.
- Internationally recognised financial centre including banking, investment funds, insurance, holding companies, finance, leasing, securitisation and intellectual property companies.

### BUSINESS PRESENCE

- The main company structures are the public limited company (société anonyme or SA), the private limited company (société à responsabilité limitée or SARL), which may qualify for the
- US “check-the-box” elections and the S.C.A. – partnership limited by shares (société en commandite par actions), which is commonly used for funds structuring.
- It is also possible to establish two kinds of tax transparent partnerships in Luxembourg, including the common limited partnership (société en commandite simple or SCS) and the special limited partnership (société en commandite spéciale or SCSp), which are commonly used as investment vehicles.
- In 2016, the law of 10 August 1915 on commercial companies was substantially reformed and modernised. Among others, there are two new types of commercial companies:
  - o a simplified private limited company (société à responsabilité limitée simplifiée or S.à r.l.-S): this new type of company
  - is reserved to physical persons and intended to ease the commencement and development of new commercial business activities requiring a business license (with a starting share capital ranging between EUR 1 and EUR 12,000);
  - o a simplified joint stock companies (société par actions simplifiée): inspired from the French SAS, which is a company form similar to an SA but with much more contractual flexibility. One of the main features of an SAS is that it can be managed and be represented by one president (président, i.e. a kind of CEO) instead of a board of directors.

#### **Regulated undertakings for collective investment (UCIs)**

- Regulated UCIs are subject to the supervision of the Luxembourg supervisory authority of the financial centre, the Commission de Surveillance du Secteur Financier (the “CSSF”).

- The different kinds of funds are:
  - o The UCITS (undertakings for collective investment in transferrable securities), which benefit from the UCITS EU marketing passport to retail investors. They are subject to diversification and concentration rules and need to be invested in transferrable securities. They can be funds for equity funds, debt securities funds, money market funds, index tracking funds, ETF, funds of funds, etc.;
  - o The so-called part II funds, which are also regulated funds, can be distributed to retail investors but do not benefit from the UCITS EU marketing passport to retail investors. However, under certain conditions, part II funds will benefit from the AIFMD passport. They are subject to less stricter diversification rules than UCITS and do not necessarily need to be invested in transferrable securities and in this respect can also be used as real estate funds (i.e., directly invested in real estate assets);
  - o The specialised investment funds, or SIF, are UCIs reserved to qualified investors and more softly regulated. Like part II funds, the AIFMD passport will be available to SIFs under certain conditions. While SIFs are still subject to diversification rules, these are even less stricter than those applicable to part II funds. The SIF can be used for hedge funds, real estate and infrastructure funds, debt funds, private equity and venture capital funds and other types of alternative asset classes (for wine, works of arts, etc.). They can be close-ended or open-ended.
- A Luxembourg regulated UCI can be structured as a fonds commun de placement (FCP), which is a civil law unit trust managed by a management company or as investment companies.

- Luxembourg UCIs can be structured as stand-alone funds or as umbrella funds (i.e. one fund legal structure with one or several segregated compartments/sub-funds).

## Other Investment Vehicles

- Luxembourg has created a specific private equity/venture capital company, the investment company in risk capital, traditionally referred to as SICAR (société d'investissement en capital risque), which can be set up as a company or as a limited partnership. The SICAR is supervised by the CSSF. It can be established as an umbrella structure. The SICAR is reserved to qualified investors and will also benefit under certain conditions of the AIFMD passport.
- In July 2016, a new type of unregulated investment fund was introduced, the reserved alternative investment fund (RAIF). An RAIF must be managed by an authorised AIFM and therefore benefits from the EU marketing passport for professional investors. An RAIF can be set up as an FCP or as an investment company (with fixed or variable share capital) or partnerships. It can be set up as a stand-alone fund or as an umbrella fund with one or several segregated compartments. RAIFs are reserved to qualified investors.
- Securitization vehicles: securitization vehicles can be established as an FCP or under a corporate form, and can be regulated or not. Since 1 January 2019, Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation came into effect.

## AIFMD

- The alternative investment fund directive was transposed into Luxembourg law in July 2013 and applies to managers. Luxembourg investment vehicles qualifying as alternative investment funds within the meaning of the AIFMD which are managed by an authorised alternative investment fund manager established in the European Economic Area (EEA) benefit from a marketing passport to professional investors in the EEA.

## FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- There are no restrictions for foreign investments in Luxembourg. Foreign investors may hold 100% of Luxembourg companies.

## TAXATION

### Direct Taxes

- o Personal income is taxed following a progressive tax scale. The rates vary from 0% to 42% and a 7% surcharge for the Employment Fund applies on the income tax due. This surcharge is increased to 9% for tax payers in class 1 and 1a whose taxable income exceeds EUR 150,000 and EUR 300,000 for tax payers in class 2, resulting in a maximum overall rate of 45.78%.
- o Interest paid by Luxembourg paying agents to resident taxpayers are subject to a 20% final flat withholding tax.

- o Capital gains on movable property are only taxable on so-called speculative gains (i.e. short-term gains with disposal within 6 months of the acquisition) and on disposal of a substantial shareholding (representing more than 10% of the share capital of a company).
- o Capital gains on immovable property are taxable whereby non-speculative gains (minimum holding period of 2 years) benefit from a preferential taxation.
- o Progressive tax rates also apply to employment income.
- o There is no net wealth tax for individuals.

### Corporate taxation:

- o Luxembourg taxation of corporate income is based on a composite tax, including the corporate income tax per se (rate of 17% applicable to income exceeding EUR 200,000), the contribution to the employment fund (being 7% of the corporate income tax due) and the municipal business tax which rate varies from one municipality to the other. In Luxembourg-city the municipal business tax rate is 6.75% resulting in an overall corporate tax rate of 24.94%.
- o 15% reduced corporate income tax rate is applicable to income below EUR 175,000 resulting in an overall reduced corporate tax rate of 22.8% (including 7% contribution to the employment fund and 6.75 municipal business tax).
- o Capital gains are normally fully subject to tax with notable exception of capital gains on substantial shareholdings being eligible to the Luxembourg participation exemption regime (please refer to below developments under "Tax and Investment Incentives").
- o Companies are subject to tax on their taxable net wealth (corresponding to the reprocessed net asset value as at January 1st) at a rate of 0.5% (reduced to 0.05% as from total net asset value of EUR 500 million) on a yearly basis. It is possible to neutralise all or part of the amount of net wealth tax due by creating a special reserve account blocked for five years in the amount corresponding to five times the amount of tax to be neutralized. Some assets are excluded from the taxable basis (e.g. shareholdings qualifying for the Luxembourg participation exemption regime).
- o A minimum net wealth tax of EUR 4,815 applies to companies with financial assets (e.g. cash at bank, fixed assets and transferable securities) exceeding 90% of the total gross assets and with balance sheet total exceeding EUR 350,000. When one of these requirements is not met, the minimum net wealth tax range between EUR 535 and EUR 32,100, depending on the balance sheet total.
- o Existence of specific anti-abuse, anti-hybrid, CFC, interest limitation rules following to the transposition of ATAD 1 and ATAD 2 directives.

### Withholding Taxes

- Dividends paid by a fully taxable Luxembourg company are subject to a withholding tax of 15%. No withholding tax applies to the payment of dividends in the context of the participation exemption regime.
- Royalties: there is no withholding tax on royalties.

- Interest is subject to withholding tax in following situations:
  - Payment of interest to a Luxembourg resident individual taxpayer by a Luxembourg paying agent is subject to a final flat withholding tax of 20% (10% before January 1st 2017);
  - Interest being re-characterised as a hidden distribution is subject to the 15% dividend withholding tax.
- Cross-border payment of interest to an individual residing in another EU member state is not subject any to withholding tax, but is subject to an automatic exchange of information.

## Indirect Taxes

- VAT: the EU VAT system applies. The general VAT tax rate is 17%. There are reduced rates, the lowest being 3%.
- Registration duties apply on real estate transactions at the rate of 7% of the purchase price (10% in Luxembourg-city), except for the rental contract subject to VAT (fixed fee of EUR 12).
- No capital duty applies to the capital of companies nor to the transfer of shares of a Luxembourg company.

## Tax Treaties

- Luxembourg has an extensive treaty network with 83 treaties in force on 1 January 2020 with various countries, including the USA, the five BRICS countries and several Asian countries. It is one of the very few countries to have a treaty in force with Hong Kong.

## Other Taxes

- Selected products: excise duties on alcohol, tobacco, fuel and energy apply at various tax rates.
- Municipal taxes list: road and street closure tax, motor vehicle tax, animal tax, entertainment tax, parking charge may be imposed. Each municipality has a right to decide to levy such taxes. Tax rates vary
- Customs duty: EU common customs tariff duties apply to all goods imported into the EU.
- Gambling tax: tax rates depend on the type of gambling

## TAX AND INVESTMENT INCENTIVES

### Participation Exemption Regime

- Under the participation exemption regime, dividend income and capital gains realized by a fully taxable Luxembourg resident company and derived from qualifying shareholdings are 100% exempt from corporate income taxation, subject among others to conditions relative to minimum holding threshold and holding period.
- Qualifying shareholdings are further not subject to net wealth tax.

### The Preferred Tax Regime for Intellectual Property Rights

- The former IP box regime has been replaced in 2018 by a new regime being compatible with the "modified nexus" approach agreed under Action 5 of the OECD's base erosion and profit shifting project.

- The new regime retains the 80% exemption on qualifying IP income, as under the previous regime, resulting in an effective corporate tax rate of more or less 5% on such income.
- The scope of the eligible assets and the eligible income have been restricted (trademark and design being excluded).
- Eligible income under the new rules is determined by the ratio of eligible (R&D) expenditure to total expenditure copyrights on software, design or model, and domain name.

### The SICAR

- The SICAR is fully subject to tax, but it benefits from an objective exemption on all its income and gains deriving from risk capital investments. No withholding tax applies on distributions made by a SICAR. SICARs are exempt from net wealth tax.

### UCI

- Luxembourg UCIs are not subject to tax on their income or gains. However, they are generally subject to annual subscription tax (taxe d'abonnement) of 0.05% of their net asset value (UCITS) and 0.01% (SIF). Under certain conditions, a reduced tax rate equal to 0.01%, or exemptions, applies.

### RAIF

- RAIF are not subject to tax on their income or gains. They are generally subject to an annual subscription tax (taxe d'abonnement) of 0.01%. Under certain conditions, exemptions apply. RAIF investing exclusively in risk capital can choose to be subject to a tax regime similar to that of the SICAR.

### The Private Wealth Economy

- Family wealth management companies (société de gestion patrimoine familiale) are Luxembourg companies whose sole object is to invest in financial assets (acquisition, holding and sale) and which can only be held in the context of private wealth management. These companies are not subject to tax on either gains or income and are not subject to net wealth tax. As a counterpart family wealth management companies are excluded from the benefit of most double tax treaties.
- These companies are subject to a subscription tax equal to 0.25% of their equity per annum. No withholding tax applies on their distributions.

## EMPLOYMENT LAW

- The relevant statutes and regulations in Luxembourg are contained in the Labour Code and certain other specific laws.
- Employment Contract: An employment contract is valid on the informal consent of capable parties on the main aspects of the contract (nature of job, hours of work, and salary), but the law requires a written form for at least both the employee and the employer (as a matter of proof).
- Collective Bargaining Agreements: These are contracts mainly used in the banking, insurance, building, hotel and catering industries sectors between trade unions, one representing the employees, the others representing the employer and companies operating in the same or a similar field.

**Termination**

- Fixed-term employment contract: This expires on the date stated in the contract or when a specific event occurs. It can be terminated earlier by either party only if the other party has committed a serious misconduct justifying an immediate termination (i.e. without notice).
- Indefinite-term employment contract: The notice period for terminating an indefinite-term employment contract depends on both the employee's seniority and who initiates the termination.
- Termination without notice: Both the employer and the employee may terminate their relationship without notice by a registered letter in the event of a serious misconduct by the other party.
- Dismissal: An employee can challenge the reasons for the dismissal and file a lawsuit against the employer to claim material and moral damages for wrongful or unfair dismissal. In addition, special rules cover collective dismissals (requiring the negotiation of a social plan) and the transfer of employees.
- Social security contributions: All employees must be registered with the Luxembourg Social Security Administration

**INTELLECTUAL PROPERTY**

- Luxembourg offers a safe IP environment and can be regarded as an attractive IP destination.
- Luxembourg is prompt to implement EU directives and is party to all the major IP treaties and conventions, including the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), the Bern Convention, the Patent Cooperation Treaty (PCT), the Paris Convention, the Patent Law Treaty (PLT), and the Madrid Agreement and Protocol.
- Patents, trademarks, industrial design, copyright, related rights and databases are protected under Luxembourg law for specific periods of time during which IP owners enjoy monopoly rights entitling them to prevent unauthorized use by third parties.
- Unregistered patents and trademarks as well as domain names and company names may also be protected in practice, under specific circumstances, through unfair competition or passing-off actions.
- Luxembourg developed a very rewarding tax environment in the field of IP since 2008. The applicable tax regime consisted mainly of an exemption of 80% of the income and gains realised yearly by the Luxembourg taxpayers for the use of any software copyright, any patent, trademark, design, model or domain name (see above under Tax and Investment Incentives). In accordance with the OECD's actions to prevent harmful tax practices, the Luxembourg preferential tax regime was repealed on 1st July 2016 with a transitional period. This transitional period allows taxpayers to benefit from the former Luxembourg IP Tax regime until 30 June 2021 for IP rights created or acquired before 1st July 2016. The application of the transitional period ended on 31 December 2016, if the

IP rights were acquired after 31st December 2015 directly or indirectly from a related company. With the new IP box regime introduced in 2018 in line with "the modified nexus" approach agreed at OECD level, Luxembourg remains attractive for IP rights.

**Data Protection**

- The main source of data protection in Luxembourg is the GDPR. At national level, Luxembourg has implemented several laws completing the GDPR such as the Law of 1 August 2018 on the organisation of the National Data Protection Commission and the general data framework and the Act of 1 August 2018 on the protection of individuals with regard to the processing of personal data in criminal and national security matters.
- The GDPR requires Member States to establish a supervisory authority which is the National Data Protection Commission ("CNPD") in Luxembourg. The CNPD is responsible for monitoring and verifying that personal data are processed in compliance with data protection laws and the GDPR. The CNPD can (i) carry out investigations, (ii) obtain, from the controller and the processor, access to all personal data and to all information necessary for the performance of its tasks, (iii) issue warnings, (iv) impose a temporary or definitive limitation, including a ban, on processing; and (v) advise the controller in accordance with the prior consultation procedure

**DISPUTE RESOLUTION**

- Luxembourg's legal system is separated into three jurisdictions: judicial, administrative and social.
- In first instance, depending on the value and the type of dispute, civil cases are brought before the Magistrates Court or the District Court (civil chambers) while criminal cases are handled by either the Police Court or the District Court (criminal chamber) and commercial disputes are heard by the District Court (commercial chamber).
- Disputes concerning employment law are always settled in first instance by the Labour Court.
- There are three Magistrates Courts in Luxembourg (Diekirch, Luxembourg-City and Esch-sur-Alzette). Magistrates Courts house the Labour and Police Courts, though the three Courts are separate entities with different internal organisations.
- There are two District Courts (Diekirch and Luxembourg-City), which also house Youth and Guardianship Courts. Each District Court has chambers sitting in civil, commercial, divorce and criminal matters.
- Luxembourg-City hosts the single Court of Appeal and Supreme Court (similar to the French « Cour de Cassation »). Together, the Court of Appeal and the Supreme Court form the Superior Court of Justice.
- Appeals of decisions from the District Court are introduced before the chamber of the Court of Appeal relevant to the nature of the dispute (civil, criminal or commercial).
- Decisions rendered by the Magistrates and Police Courts are appealed before the District Court while decisions handed

down by the Labour Court are directly handled by the Court of Appeal. Once decided by the District Court, Magistrates and Police Court decisions can be referred to the Supreme Court for a final verdict, but not to the Court of Appeal.

- Cases may finally go to the Supreme Court, which may only make an interpretation of a rule of law, rather than a judgment on the facts.
- Summary proceedings exist for every type of dispute before all of the courts of the judicial jurisdiction, save for the Supreme Court.
- Luxembourg also has a separate social jurisdiction (Social Security Arbitration Board in first instance, Social Security Superior Council in appeal, then Supreme Court).
- There is also a separate administrative jurisdiction (Administrative Tribunal in first instance and Administrative Court in appeal), over which the Supreme Court has no authority.
- All Courts in Luxembourg are supervised by the Constitutional Court. down by the Labour Court are directly handled by the Court of Appeal. Once decided by the District Court, Magistrates and Police Court decisions can be referred to the Supreme Court for a final verdict, but not to the Court of Appeal.
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- All Courts in Luxembourg are supervised by the Constitutional Court.

## IMMIGRATION PROCEDURES

### Entrance Requirements

- EU, EEA and Swiss citizens only need an ID or passport identification in order to be authorised to enter Luxembourg territory and to stay in Luxembourg for less than three months. For more than three months, those citizens must apply for a residence certificate ("attestation d'enregistrement").
- All other third-country nationals who want to stay longer than three months in Luxembourg must apply for a temporary residence authorisation ("autorisation de séjour temporaire") before entering Luxembourg. A request for the authorisation of residence must be filed with the minister in charge of immigration issues before entering Luxembourg territory. A

temporary residence permit can be granted by the minister in charge of immigration issues for seven different categories of persons (employee, independent, sportsperson, student, researcher, family member, investor or for personal reasons). Within three months (90 days) following entry into the country, the person must apply for a definitive residence permit ("autorisation de séjour").

- Highly-skilled workers (i.e. third-country nationals with highly qualified skills) can benefit from a facilitating process in Luxembourg to carry out a professional activity, under certain conditions. This residence permit is called a "European blue card". Luxembourg also passed a law in 2017 to facilitate temporary intra-group transfers of third-country national employees who can qualify as an expert or executive.
- Luxembourg adopted a law in 2017 under which a residence permit for "investor" or "entrepreneur" (also called golden visa) was created. A third-country national may apply for a residence permit for investors if he or she invests a certain amount of money in certain sectors of the Luxembourg economy (ranging from 500,000 to 20 million euros, at least, depending on the type of investment). Such residence permit is valid for a maximum period of three years and is renewable for a similar period provided the conditions are still met.





## MAURITIUS

- Mauritius is a sovereign and democratic state found in the Indian Ocean, some 2000 km off the south east coast of Africa.
- Its territory includes the islands of Mauritius, Rodrigues, Agalega, Tromelin, Cargados Carajos and the Chagos Archipelago. The main island is Mauritius, with an area of approximately 1865km<sup>2</sup>. The capital is Port-Louis.
- Mauritius has a strategic geographical location in the Indian Ocean, along the trade routes. It has one of the largest exclusive economic zones with about 1.2 million km<sup>2</sup> of the Indian Ocean, including 4 fishing banks.
- Resident population: approximately 1.3 million
- English is the official language. French, Creole, Bhojpuri, Hindi (amongst others) are commonly spoken.
- Currency: Mauritian Rupee (MUR).
- Mauritius is a multicultural country.
- Current Investment growth areas include tourism, financial services, Information and Communication Technology and real estate

### DOING BUSINESS IN MAURITIUS

#### *Political Stability*

- Mauritius gained independence from England in 1968 and became a republic in 1992.
- It is a parliamentary democracy based on the Westminster Model. It has known a continuous and uninterrupted period of political stability since independence and has also shown continued economic growth and progress. It has consistently ranked first on the continent on the Mo Ibrahim Africa Governance Index for good governance, safety and rule of law, sustainable economic opportunity and on the overall index.
- The economy has continued to grow notwithstanding changes in the global financial sector.

#### *The legal system*

- Mauritius has a hybrid legal system with the substantive civil and criminal law being of French origin and public law and laws relating to procedure being of English origin.
- The Mauritian judiciary is known for its independence. The highest court of appeal in Mauritius remains the Judicial Committee of the Privy Council (with substantially the same judges as the English Supreme Court).
- Mauritius enacted the International Arbitration Act in 2008, a state of the art piece of legislation in order to promote international arbitration. It is a party to the New York Convention and the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ('CSID').

### BUSINESS PRESENCE

- Mauritius has a strong and growing economy and attracts investments from leading global companies. Mauritius is also an excellent hub for establishment of global businesses.
- The main types of investment vehicles in Mauritius are companies, companies holding a Global Business Licence, Civil Law sociétés, Protected Cell Companies, Trusts, Limited Partnerships, Limited Liability Partnerships and Foundations.

#### *Fintech and ICT*

- Mauritius has also positioned itself on the African continent to become a fintech hub.
- Mauritius currently has a Regulatory Sandbox Licencing scheme, which has been used with success by a number of start-ups.

#### *Exchange Control*

- There are no restrictions on currency exchange in Mauritius.
- There is free repatriation of capital. No approval is required for the repatriation of profits, dividends, and capital gains. There are no legal obstacles when transferring profits from, or divesting assets in, Mauritius.

### TAX REGIME

- Mauritius is well-known for its low tax regime.

#### *Corporate Income Tax*

- Corporation Tax is at 15%.
- A corporation resident in Mauritius is subject to tax on its worldwide income. A non-resident corporation is liable to tax on any Mauritius-source income, subject to any applicable tax treaty provisions.

- If a company holds a Global Business Licence ('GBL'), the headline tax is 15%, but GBL can qualify for an 80% partial exemption in relation to certain specific foreign-source income.
- Unit trust schemes, collective investment schemes, trusts and Foundations are taxable as companies at the rate of 15%. Any dividends paid or distributions made by all these bodies which are resident in Mauritius are exempt from tax.
- Income derived by local partnerships (resident sociétés) is shared and taxed in the hands of the partners.
- There is no capital gains tax, no withholding tax, no capital duty on issued capital and free repatriation of capital and profits.
- Although each specific tax treaty will need to be considered individually, generally Mauritius tax treaties provide for capital gains tax to be taxed in the country of the seller of an asset.

#### Individual Income Tax

- Individuals, irrespective of nationality, deriving income from sources within Mauritius are subject to Mauritian income tax on all such income, whether or not they are resident.
- Resident individuals are subject to Mauritian income tax on their worldwide income from all sources. However, income derived from outside Mauritius is taxable only to the extent that it is received in Mauritius.
- For an annual net income derived by an individual of up to 650,000 Mauritian rupees (MUR) (approximately USD 20,000), the rate of income tax 10%. Net income derived above MUR 650,000 will be taxed at between 15% to 18%.

#### Value Added Tax (VAT)

- VAT is chargeable on all taxable supplies of goods and services made in Mauritius by a taxable person in the course or furtherance of any business carried on by him.
- VAT is also payable on the importation of taxable goods into Mauritius, irrespective of whether the importer is a taxable person or not.
- The rate of VAT is 15%. Exports are in the main zero rated.

#### Double Taxation Avoidance Agreement treaty network

- Mauritius is a party to 46 international double taxation avoidance agreements, with: Australia (Partial), Barbados, Belgium, Botswana, Cabo Verde, Congo, Croatia, Cyprus, Egypt, France, Germany, Ghana, Guernsey, India, Italy, Jersey, Kuwait, Lesotho, Luxembourg, Madagascar, Malaysia, Malta, Monaco, Mozambique, Namibia, Nepal, Oman, Pakistan, People's Republic of Bangladesh, People's Republic of China, Rwanda, Senegal, Seychelles, Singapore, Sri Lanka, South Africa, State of Qatar, Swaziland, Sweden, Thailand, Tunisia, Uganda, United Arab Emirates, United Kingdom, Zambia, Zimbabwe.
- 6 treaties await ratification : Gabon, Comoros Islands, Kenya, Morocco, Nigeria and Russia.
- 5 treaties await signature : Cote D'Ivoire, Estonia, Gibraltar, Malawi and The Gambia.
- 20 treaties are being negotiated : Algeria, Burkina Faso,

Canada, Czech Republic, Greece, Hong Kong, Lesotho (New), Montenegro, North Sudan, Portugal, Republic of Iran, Saudi Arabia, Senegal (New), Spain, St. Kitts & Nevis, Tanzania, Vietnam, Yemen, Zambia (New) and Mali.

#### Investment Protection and Promotion Agreements (IPPAs)

Mauritius is a party to 28 IPPAs and an additional 16 treaties await ratification.

### INTELLECTUAL PROPERTY RIGHTS

- Intellectual Property Rights (IPR) are protected in Mauritius. They are governed by the Patents, Industrial Designs and Trade Marks Act 2002 and the Copyrights Act 2014.
- Mauritius is also in the process of adhering to the Patent Cooperation Treaty, The Hague Convention and the Madrid Protocol to facilitate the registration of patents, trademarks and industrial designs.

### EMPLOYMENT LAW

- The maximum working hours are 40 hours per week, i.e., five working days, eight hours per day, for employees earning less than USD 17,000 annually. An employee may be requested to work overtime subject to additional remuneration.
- Employees are also entitled to several benefits in the form of paid leave, subject to local legislation.
- There is a national minimum wage in force in Mauritius (of Rs 10,200 per month, approximately 260 USD).

#### Employment of foreigners

- Foreign citizens wishing to work and reside in Mauritius must apply for a work permit or an occupational permit from the Economic Development Board.
- Foreigners can also obtain a residence permit when acquiring property within certain approved real estate schemes.

#### Mauritius as a gateway to Africa

Mauritius established strong historical ties with the continent which predates the country's independence. Mauritius, being a small island economy, has relied heavily on foreign relationships and advocated regional integration as a key component to its economic strategy. By adhering to the African Union (AU) in 1968, the country reinforced its links with Africa. Subsequently, through its membership of the African Caribbean Pacific (ACP) group of countries, the country accessed benefits such as the Lomé Convention and the Sugar Protocol respectively. These trade preferences conveyed windfall gains for the sugar industry which in turn empowered the country to diversify its economy into export-oriented manufacturing, tourism, financial services and ICT sectors respectively. Today, Mauritius has developed a well-diversified and resilient economy with a GDP per capita of over USD 12,000 and envisions to graduate from an upper-middle to a high-income country by 2023. It is a member of the African Union, SADC and COMESA.

Mauritius has forged a reputation as a safe, trusted and

competitive financial centre supported by strong institutional arrangements and good governance. This is evident with the growing relevance of the Mauritius International Financial Centre (MIFC). More than 450 private equity funds are domiciled in the Mauritius, investing in Africa. As at December 2018, nearly USD 36 billion worth of investments have been directed into Africa through Mauritius.

The country is on the OECD “white list” of jurisdictions as having substantially implemented internationally agreed tax standards and as adhering to relevant compliance regulations. Mauritius has recently signed the Multilateral Instrument (MLI) developed by the OECD to implement tax treaty related measures aimed at tax avoidance mechanisms and transparency. Mauritius is among the few African States classified as investment grade country according to Moody’s rating (Baa1).

Mauritius is seen as a model of stability and economic prosperity in the region and envisions to consolidate its position as a regional platform. The consolidation of the Mauritius International Financial Centre (MIFC), as advanced logistics network and ensuring adherence to global best practices in doing business remain key objectives for the country.

Over the years successive Governments have adopted bold policies to diversify the economy and develop new economic pillars, foster a conducive business environment and establish good governance practices, thus laying the foundations for attracting higher levels of foreign investment. These measures have contributed in positioning the country as the leading destination for doing business in Africa. Mauritius currently ranks 13th globally for ease of doing business according to the World Bank Doing Business Report 2020. Mauritius also fares well on a number of international indices such as the Global Competitiveness Report 2017-2018, Mo Ibrahim Index of African Governance 2017 and Economic Freedom 2016, to name a few.

Mauritius is seen as a model of stability and economic prosperity in the region and plays a strategic role on the premise of its geopolitical situation as it serves as a hinge between the Southern and Eastern part of Africa and Asia.

### The Current Africa Strategy

Many African States are going through a phase of economic transition with an unprecedented opportunity for sustained growth, structural change, and accelerated development. The Government is implementing a pro-African policy to improve the investment climate and market access conditions, thereby making Mauritius an even more relevant platform for Africa.

Current initiatives in this respect include:

- Setting up of Permanent Joint Commissions with selected countries such as South Africa, Ethiopia, Kenya & Ghana to explore avenues of cooperation and enhance economic diplomacy. Joint Commissions are mutually beneficial to both countries and provide the mechanism for promoting trade and investment through the removal of trade barriers, sharing of technology, improving the business environment and formulating necessary structures for common projects.

- Development of Special Economic Zones in Senegal, Ghana, Madagascar, Cote d’Ivoire and Kenya to create a conducive environment for local operators to tap into business opportunities in these countries and develop business corridors.
- Signature of bilateral agreements (Double Taxation Treaties & Investment Promotion & Protection Agreements), sectoral agreements in targeted countries (e.g. tourism, energy, agriculture etc.) and Bilateral Air Services Agreements and Maritime Agreements to enhance both air and sea connectivity with the continent.
- Promoting Mauritius as a trusted international financial jurisdiction. The emergence of FinTech represents an opportunity for Mauritius and the setting up of the Mauritius Africa FinTech Association will give the impetus to position Mauritius as a Regional Hub in the industry.
- Promoting Mauritius as a regional hub for professional services: financial services, arbitration, education, healthcare, ICT and business services.
- Mauritius is also positioning itself a peer learning platform promoting reforms across the Continent, guiding and supporting other African nations in promoting Good Governance and policy drafting towards the diversification of their respective economies.





## MOROCCO

- Morocco is located in the north west of Africa. It has a coast by the Atlantic Ocean that reaches past the Strait of Gibraltar into the Mediterranean Sea. It is bordered by Algeria in the east and by Mauretania in the south.
- Morocco's capital city is Rabat; its largest city and main business center, Casablanca. Other cities recording a population over 500,000 are Fes, Marrakech, Meknes, Salé and Tangiers.
- Morocco is a Constitutional Monarchy that enjoys stability.
- The country is divided into 12 regions, each of them having an Investment Regional Center that is a one-stop-shop for local or foreign investors when they want to invest in Morocco.
- Morocco has established various investment plans such as the Plan Maroc Vert that subsidies and provides a frame to the agriculture industry and the Plan Halieutis for the fishing industry.
- Morocco has also developed the aeronautics and automotive industries due to its favorable investment schemes in its tax free zones.
- Morocco has a large tourism industry that represents 14% of its GDP.

## TAXATION

### *Personal Income Tax*

- Personal income tax is charged on individuals that are resident in Morocco on their worldwide income or, subject to non-double taxation treaties, on individuals that are not resident in Morocco on their Moroccan income.
- Personal income tax is a progressive tax and tax rates vary from 0% to 38%.
- A flat-rate of 20% is applicable to employees that are employed in Morocco's tax free zones

### *Corporate Tax*

- Standard corporate tax is set at 31%. For companies that have an income of less than MAD 100,000,000.00 (i.e. about USD 10,000,000.00), however, the applicable corporate tax is reduced to 28%.
- Exporting companies also benefit of a reduced corporate tax of 20%.
- Agricultural companies with a turnover of up to MAD 5,000,000.00 benefit from a free corporate tax. Above that threshold, companies pay a reduced 20% corporate tax.
- All new industrial companies benefit from an exemption of corporate tax for a period 5 years.
- Companies that are established in tax free zones benefit from a 5 years free corporate tax, then pay a corporate tax at the reduced rate of 15%.

### *VAT*

- Value Added Tax ("VAT") is a consumption tax applied, subject to specific exemptions, on all goods and services.

- Standard VAT rate is set at 20% and there are also 3 reduced VAT rates, of 14%, 10% and 7%.

- Capital Gains Tax – applicable to real property (CGT)
- CGT is set at 20%.

### *Withholding Tax*

- Subject to applicable non-double taxation treaties, a 10% withholding tax is applicable on imports of goods and services.

### *Foreign exchange regulations*

- The Moroccan currency is not freely convertible. Moroccan dirhams may be converted at a bank branch or a foreign exchange office, according to applicable regulations. Foreign investors, however, may export dividends on their investments with no limitation of time or limit.

### *Tax and Investment incentives*

- Foreign investments of MAD 100,000,000.00 (about USD 10,000,000.00) and above may enter into investment conventions with the Moroccan Government that are negotiated on a case by case basis. Such conventions typically grant reduced tax rates and social security contributions.

### *Tax free zones*

- Companies established in tax free zones benefit of reduced tax rates and social contributions. Morocco has established specialized tax free zones all over the country. For instance, the Tanger Free Zone and Atlantic Free Zone welcome industrial companies, with priority to the automotive industry. Logistics is also promoted in the Tangiers area with the large port of Tanger Med. On the other hand, next to Casablanca's airport is an established aeronautics free zone and in Casablanca, Casablanca's Finance City that is Africa orientated.

## EMPLOYMENT REGULATIONS

- Labor contracts can be concluded for a definite or an indefinite period. Non-Moroccan nationals need a work permit to work in Morocco.

## TRAINING PROGRAMS

- Training programs are established by Morocco on numerous industrial sectors. Investors may also establish customized training programs, that are subsidized by the Moroccan Government, to train unskilled employees.

## INTELLECTUAL PROPERTY

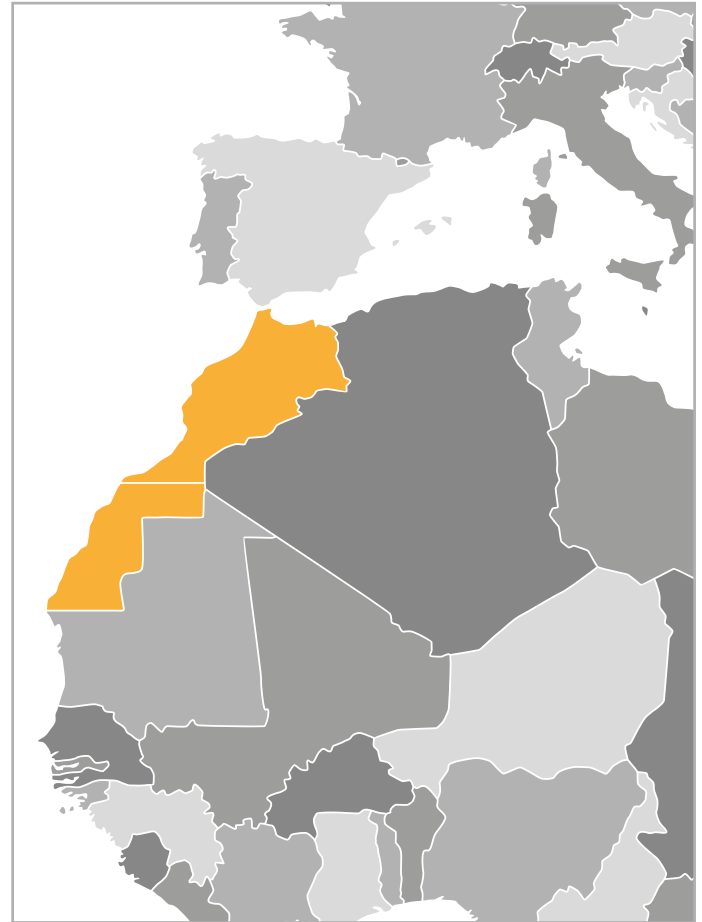
- Morocco is a member of the World Intellectual Property Organization (WIPO). Its intellectual property laws comply with international standards and provide adequate protection to both local and foreign investors.

## DISPUTE RESOLUTIONS

- Morocco is a Civil law country. As such, disputes are heard at Courts of First Instance, appealed at the Courts of Appeal and then filed at the Supreme Court.
- Alternative dispute resolutions are available in Morocco. Indeed, the use of arbitration is promoted.

## IMMIGRATION PROCEDURES

- Passport And Visa Requirements: Morocco establishes lists of countries, that includes the USA, Canada, the UK and EU countries, the nationals of which, are exempted from visas to enter into Morocco. In such a case, those nationals may enter and stay in the country up to 90 days.
- Nationalities that do not appear in that list, should apply for a visa at their local Moroccan Embassy.
- To enter the country, passports must be valid for at least six months before the entry date.





## NIGERIA

Nigeria gained independence from Britain on 1st October, 1960. Nigeria is a democratic country operating the presidential system of government with a federal structure having Federal, State and Local Governments. There are seven hundred and seventy four (774) local governments areas, thirty six (36) states and a federal capital territory located in Abuja. Basic information about Nigeria are as follows:

- Geographic location: West Africa
- Population: 200 Million (2019, Knoema.com)
- Language: Official language is English.
- Legal System: Mixed legal system of English Common Law, Islamic and Native Law and Customs
- Currency: Nigerian Naira (NGN or N)
- Religion: Christianity, Islam and Traditional religion.
- Ethnic Groups: There are over 400 ethnic nationalities in Nigeria.
- USD Exchange Rate: N365: US\$1
- Investment Growth Sector: Agriculture, Manufacturing, Information and Tele-Communications Services, Aviation, Minerals and Mining, Energy Sector.

### CURRENT BUSINESS ENVIRONMENT:

- Africa's single largest domestic aviation sector with 4 international airports and 30 domestic airports connecting all the major cities and most of the capitals of the federating states to minimize road travel.
- Largest single African market;
- Largest economy in Africa;
- Plays a leading role in ECOWAS (Economic Community of West African States) and the AU (African Union);
- Largest gross domestic product (GDP) and investment market in Africa;
- Safe haven for foreign capital and offers investors fiscal incentives, investment guarantees, stable political and legal environment;
- Flexible labor market conditions;
- Simple conditions for establishing a business;
- The Free Trade Zone regime is a set of incentives and benefits granted by the Nigerian government to companies making investments in the country;
- Nigeria is the top recipient of Foreign Direct Investment in Africa with a gross Domestic product rate that averaged over 6% in the last decade;
- Excellent Capital markets;
- Presence of the Nigerian Stock Exchange;

- Attractive Environment for private equity, manufacturing, information and technology growing sector, venture capital;
- The Nigerian business environment offers foreign companies a unique combinations of:
  - o Favorable tax incentives and investment guarantees;
  - o Accessibility from the key locations abroad via transportation, internet and telecommunications networks;
  - o Access to land and commercial farmlands;
  - o Affordable office and land space;
  - o Low cost of living

### BUSINESS PRESENCE

Main types of business for profit structure in Nigeria are: Sole Proprietorship, Joint Ventures, Limited Liability Company (Private or Public), Limited Liability Partnerships and General Law Partnerships), foreign investments, agriculture, mining, solid minerals and manufacturing sectors (which enjoy Pioneer status with attendant tax exemptions).

Different legal frameworks apply depending on the sector some of which includes: Companies and Allied Matters Act (CAMA) Laws of the Federation of Nigeria (LFN) 2004; The Nigerian Investment Promotion Commission (NIPC) Act LFN 2004; Foreign Exchange Monitoring & Miscellaneous Provision Act LFN 2004. Other legislation on foreign participation in the Nigerian business environment include:

- Central Bank Act LFN 2004 – Central Bank of Nigeria
- Immigration Act, LFN 2004 – Nigerian Immigration Service
- Investment and Securities Act, 2007 – Securities and Exchange Commission
- Industrial Inspectorate Act LFN 2004
- National Office for Technology Acquisition and Promotion Act LFN 2004 – National Office for Technology Acquisition and Promotion
- Standard Organisation of Nigerian Act LFN 2004 – Standard Organisation of Nigeria
- National Agency for Food and Drug Administration and Control Act LFN, 2004 - National Agency for Food and Drug Administration.

Nigeria has also developed a legal framework for promoting intellectual property rights. Intellectual property rights give businesses an incentive to invest in research, development and ultimately lead to the creation of innovative products. Some legislations governing Intellectual Property Rights include Copy Right Act, LFN, 2004; Patents & Designs Act, LFN, 2004; Trade Mark Act, LFN, 2004.

## PROXIMITY AND CENTRALITY

Nigeria has about Twenty (20) local airports with about Eleven (11) major international airports. Nigeria also has about Five (5) seaports: Apapa, Calabar, Port- Harcourt, Tin- Can Island, Warri. Additionally, two seaports with free trade zones under construction at Ibaka and Lekki.

## DOING BUSINESS IN NIGERIA

The Presidential Enabling Business Environment Council (PEBEC) was established in July 2016 by President Muhammadu Buhari, to remove bureaucratic constraints to doing business in Nigeria and make the country a progressively easier place to start and grow a business. The council is an inter-governmental and inter-ministerial one chaired by His Excellency Vice President Yemi Osinbajo, SAN and comprises of 13 ministers, the Head of Civil Service of the Federation, Governor of the Central Bank of Nigeria, representatives of State Government, the National Assembly, the Judiciary and the private sector.

The mandate of PEBEC is:

- To remove critical bottlenecks and constraints to doing business in Nigeria and make the country a progressively easier place to do business and thrive.
- To move Nigeria upwards in the Doing Business Rankings to 70th position by 2023. Nigeria currently ranks 131 out of 190 economies in the 2020 World Bank Doing Business Rankings released in 2019.

The mission of PEBEC is to make businesses work in Nigeria and the main barometer for measuring success of the initiative is empirical impact and the testimonials by Nigerians across the country.

The Executive Order 001 (E01) on the Promotion of Transparency and Efficiency in the Business Environment of May 2017 was the very first Order of the current administration. The Order provides the full executive backing for reforms aimed at creating an enabling environment for businesses entrenching measures and strategies aimed at promoting transparency and efficiency in public service delivery. It has been widely acknowledged as one of the Federal Government of Nigeria (FGN)'s most innovative strategic initiatives to deliver quick and pragmatic positive changes in business services.

## SECTORS/TOPICAL AREAS FOR ATTENTION:

### 1. FOREIGN DIRECT INVESTMENT

There is significant foreign direct investment flow into all major sectors of the economy. New sources of FDI are usually from the United States of America, the United Kingdom, the Republic of South Africa, India, China, Canada and France. There has been an increase in trade between India and Nigeria netting US\$19.5 Billion in 2013 with a Double Taxation Treaty arrangement being considered to promote bilateral trade. For capital investments, United States, Canada, France and China are the principal sources with China contributing actively to infrastructure and capital projects.

The Nigerian Investment Promotion Act (NIPC) was established in 1995 to promote foreign direct investment in Nigeria. The NIPC as well as the Securities and Exchange Commission (SEC) Rules permit 100% foreign ownership of businesses except in the oil & gas industry which is restricted by the Nigerian Oil and Gas Industry Content Development Act (NOGICDA), 2010. There is also a restriction on foreign investments in items on the negative list such as production of arms, ammunition, production of and dealing in narcotic drugs and psychotropic substances, and production of military and parliamentary clothing and accoutrements including those of police and the customs, immigration and prison services. The items on the negative list are crucial to national security and as such are prohibited.

### 2. TELECOMMUNICATION

Nigeria has the largest telecommunications market in Africa, which for many years was ranked as the fastest growing in the world. There are four major Global System for Mobile Communication (GSM) networks in Nigeria. They include Airtel, MTN, Globacom and 9mobile. Other operators providing code division multiple access (CDMA) include Smile, Spectranet etc. The Nigerian Communications Commission (NCC) sets standards on the minimum quality of service expected of each operator monitors through quarterly reporting by the operators. Due to the increasing penetration, there is huge potential for expansion of data services.

### 3. ENERGY: OIL & GAS

The volatility of oil prices and the pollution risks of hydrocarbon energy sources add complexity to a competitive global and domestic industry. With a maximum of 2.5 million barrels per day, Nigeria is the largest producer of oil in Africa and has the 2nd largest reserves. The sector is a major contributor to Nigeria's revenue and GDP.

Majority of Nigeria's 200million strong population still lack access to regular electricity supply. The electricity sector is therefore a large market still waiting to be tapped into. Nigeria privatized its electricity sector and opened up the market for small electricity producers to plug the supply gaps. There is also a huge market for renewable energy especially in residential settlements.

#### 4. SECURITIES & CAPITAL MARKETS

The Nigerian Capital market is principally a market for long term investments where corporate equities and long-term securities are issued and traded. It is a market that is regulated by the Securities and Exchange Commission.

The Nigerian capital market is reputed to be amongst the most profitable in the world, which explains why foreign portfolio investment in the capital market is around 50% of investment in the market. The capital market has for the past several decades remained the most effective mechanism for Nigerian entrepreneurs, governments and businesses to raise medium and long-term capital for growth expansion.

#### 5. INFRASTRUCTURE DEVELOPMENT

Public Private Partnership (PPP) initiatives are receiving more attention and seen as the fastest way of resolving social and infrastructure deficit. The Federal and State Government are calling for PPP collaboration in developing the country.

Today's demand for roads, bridges, energy, water and other infrastructure goods is growing exponentially. The recent model of private participation in provision of infrastructure that traditionally was the government's sole responsibility has now raised the stakes considerably.

#### 6. DISPUTE RESOLUTION

Disputes are inevitable in virtually all interactive spaces around the world, whether they are economic, political or social in nature. Traditionally, litigation and Alternative Dispute Resolution mechanisms have been identified as the major means of resolving disputes. The success of Alternative Dispute Resolution in Nigeria cannot be overemphasized in the past few years. This success started in Lagos and has been replicated across the country.

When the Lagos Multi-Door Courthouse (LMDC) opened in 2002, it was Africa's first court-connected Alternative Dispute Resolution Centre. Adapted from a concept first articulated by a Harvard law professor, but embracing indigenous dispute resolution practices, the LMDC was both innovative and rooted in Nigeria's past. It offered an appealing alternative to litigation. Cases are consistently resolved more quickly, cheaply and amicably than those heard in Nigeria's congested courts.

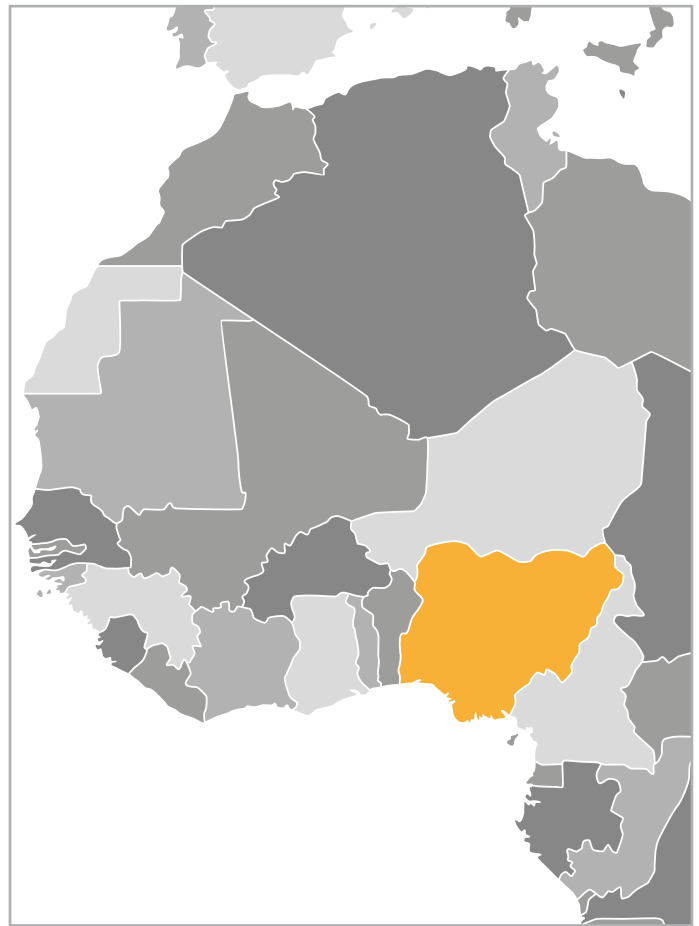
By diversifying the dispute resolution options available to Nigerians, the LMDC has eroded a long-standing national bias towards litigation. Fourteen Nigerian states and the Federal Capital Territory (Abuja) in October 2003 established its own Multi-Door Court, have replicated the model showcasing the efficacy of dispute resolution mechanisms that resonate with local culture and practice.<sup>1</sup>

There are other private-sector driven arbitration and ADR institutions in Nigeria, which includes the Lagos Court of Arbitration (LCA) and the Lagos Chamber of Commerce

International Arbitration Centre (LACIAC).

The LCA is an independent, private-sector driven, International Centre for the resolution of Commercial disputes through arbitration and other forms of alternative dispute resolution (ADR). Ideally located within the International Centre for Arbitration and ADR (ICAA), Lagos, Nigeria, the LCA's use of internationally recognized neutrals, modern facilities and the adoption of innovative technology, make the LCA an efficient and best-in-class arbitration institution.<sup>2</sup>

The Lagos Chamber of Commerce International Arbitration Centre or LACIAC, is an independent full-service alternative dispute resolution centre, affiliated with the Lagos Chamber of Commerce and Industry. LACIAC focuses on the provision of tailored dispute management solutions, assisting businesses not only in the resolution but in the management of disputes.<sup>3</sup>



1. Alternative Dispute Resolution in Nigeria (<https://oal.law/alternative-dispute-resolution-in-nigeria/>)

2. <https://www.lca.org.ng/about/>

3. <http://www.laciag.org/>



## POLAND

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- Poland's 38 million strong consumer market is one of the biggest in Europe. The country's favourable localisation in the centre of Europe, where the main communication routes intersect, allows it to export goods to all European countries and thus reach over 500 million consumers.

Here are some facts:

- Location and economic fundamentals:
- Strategic location in continental Europe with an area of 322 719 km<sup>2</sup>
- Part of trans-European transportation corridor
- 38.383 million consumers

*Labour force:*

- Young, well-educated work force
- Increasing number of foreign students in Poland. Faculties that are most often chosen by foreign students are: management, medicine, international relations and IT
- Increasing labour productivity

*Investment incentives:*

- 14 Special Economic Zones
- Grants co-financed from the EU (€87 billion in 2014-2020 budget, which will extend over time)

*Stable economic situation:*

- Estimated GDP in 1Q of 2020 was 1.9% higher year-on-year in real terms, compared to 4.8% in the same period of 2019.
- Inflation rate 1Q 2020 : 2.0% increase in comparison to the 4Q of 2019.

Inflation is affecting certain areas of Polish business, especially foodstuffs, while lower oil prices and white good prices have been lower.

## BUSINESS PRESENCE

- Poland is a great place for investment and business expansion. It is one of the top potential investment destinations for foreign direct investment projects in Europe. Against the backdrop of other West European countries, Poland has been developing rapidly both in terms of job creation and foreign investment.
- Tourists, in turn, are enchanted by Polish hospitality and friendliness, Poland's cultural heritage and the country's natural landscape.
- The country offers a wide range of investment incentives. Investors are invited to locate their projects in 14 Special Economic Zones (SEZ), i.e., special zones where economic activity may be run in favourable conditions. Polish SEZs offer attractive tax exemptions, employment incentives and well-prepared investment lots.
- Poland offers a variety of models for conducting business. There are six main types of business entities for local incorporation, including partnerships: general partnership; professional partnership (for individual professionals such as attorneys, accountants, doctors of medicine); limited partnership; limited joint-stock partnership; and corporations: limited liability companies; and joint-stock companies. Specific provisions apply to companies listed on the stock market. Polish law allows incorporation of EU specific European companies and European economic interest grouping. Companies can have natural persons and corporate entities as members.
- Apart from the above-mentioned models for conducting business, since March 2020 there will be a possibility to conduct business under a new form of a corporation, which is a simple joint-stock company. This new entity model will be characterised by informalisation and flexibility for entrepreneurs.

The legal structure allowing for the creation of a simple joint-stock company was formulated with a view for start-ups. Thanks to new regulations coming into force next year, start-ups and other entrepreneurs will be able to conduct their business without so many formal requirements.

- On 1st January 2020 a new obligation was imposed on all joint-stock companies and limited joint-stock partnerships, which are now obliged to have their own websites where they must publish announcements required by law and their statutes in the place used in communication with shareholders. The websites of those companies shall be notified to the national Court Register.
- Starting from 7 st march 2027 mandatory dematerialization of shares enters into force. mandatory dematerialisation of shares will apply to joint-stock companies and limited joint-stock partnerships.
- To validly establish majority of the companies, the assistance of a notary and registration in the relevant District Court are mandatory. However, starting from 2022 a limited liability company can be established with a standard template of articles of association and electronic procedure, which takes no more than a day. Furthermore, starting from 2025 general partnerships and limited partnerships are established in the same way.
- As of march 2021, simple joint-stock companies may be established via electronic procedure. Foreigners, who want to establish any of the above-mentioned companies via Internet need to register the account on the "S24" system, provided by the Polish ministry of Justice (online: <https://ekrs.ms.gov.pl/s24>) and authorize it via Electronic Platform of Public Administration Services (ePURP) (online: <https://epuap.gov.pl/wps/portal/english>) or via qualified electronic signature. Please note that in order to register such entities via ePURP foreigners should obtain PESEL (11-digit identification and residential number). If they choose to register company via qualified electronic signature, PESEL is not required if they prove their identity based on their IDs issued by their country of origin or passport.
- A limited liability company cannot be established just by another limited liability company with one shareholder only. A joint-stock company may not be established solely by a limited liability company with just one shareholder. This restriction does not apply to acquisition of 100% shares in an existing limited liability company or an existing joint stock company.
- Since march 2018 the companies entered in the national Court Register are obliged to submit their financial statements into the Repository of the Financial Documents maintained by the ministry of Justice via electronic system.
- Foreign companies may also establish local branches in Poland and agency offices. These require registration in the companies register of the national Court Register (for branches) or in agencies register maintained by the minister of Economic Development (for agencies). The objects of agencies may cover only advertising and promotion of a foreign company establishing the agency.
- The Business Constitution has entered into force on 30 April 2018. The Business Constitution consists of laws designed to reform and simplify the rules governing business conduct. The changes introduced by the Business Constitution concern such areas as: relations between the entrepreneur and authorities and handling official matters, starting a business, suspension of activity, principles of creating economic law, duties related to the performance of activity. The most important act forming part of the Business Constitution is the new Entrepreneurs' Law, which defines the most important rights of the entrepreneur and the rules of conducting business activity.
- There is a ban on trade on Sundays. In 2020, trade will be allowed only on the last Sunday of January, April, June and August, and on the Sunday before Easter and the two consecutive Sundays right before Christmas. most stores will be closed on all public and church holidays. On Sundays, stores such as: bakeries, ice-cream parlours, florists, post offices as well as stores on the railway stations, gas stations and airports can be open

## FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

### Equity Restrictions

- Foreigners can freely acquire equity shares in Polish companies. Certain restrictions may exist when companies own real property. Permission is required to buy a company which owns real property for foreigners (in this case, non-EU citizens) who are not yet shareholders of the company or when a company in question will become a foreign capital controlled company. The permit is issued, by way of an administrative decision, by the minister of the Interior and Administration if no objection is raised by the minister of national Defence. As regards agricultural property, it is necessary that the minister of Agriculture and Rural Development not object to the acquisition of agricultural property by anyone (Polish or not Polish citizen, unless they are a farmer with adjacent land). However, those restrictions do not apply to companies listed on the regulated market.
- Further restrictions apply in respect of the purchase of the shares of the company which owns agricultural property with a minimum area of 5 ha. In such cases the State's Authority i.e., the national Agricultural Support Centre (hereinafter referred to as the "nRSC") is vested with the pre-emptive right in respect of such shares. Pre-emptive right may be exercised by the nRSC within two months of receiving an effective notification of the concluded conditional share purchase agreement. The nRSC exercises its pre-emptive rights by sending a statement in the form of a notarial deed to the obligor concerning the said performance. Afterwards, the nRSC publishes the above-mentioned statement in the Public Information Bulletin of nRSC (in Polish: Biuletyn Informacji Publicznej HOWR). If the price of the said shares is blatantly different than their regular market price, the nRSC is entitled to ask the relevant court to ascertain the said price to be correct within 14 days after the day of filing a statement concerning performance of the pre-emptive right.

- The restriction regarding the pre-emptive rights and concerning the purchase of the shares of the company which owns agricultural property does not apply to shares admitted to stock exchange trading, disposal of shares for the benefit of relatives of the seller (i.e. parents, spouse, children, grandchildren and siblings), disposal of shares by the Treasury of the Republic of Poland, disposal of shares for the benefit of a commercial company whose sole shareholder is the State Treasury, being a transmission system operator or holding a concession for the transmission of liquid fuels, based on the Energy Law Rct dated 10 April 1997 or a commercial company which is a gas distribution system operator within the meaning of the Energy Law Rct, in the case of acquisition of agricultural real estate for the purposes related to the construction, modernization or development of a gas distribution system, and disposal of shares for a company or capital group conducting activity in the following sectors: electricity, oil, gaseous fuel, according to the relevant act. However, the right to purchase shares is not vested in nRSC, if the shares are purchased by : the State Treasury, the seller's relative , as a result of a statutory or individual farmer's inheritance, by an individual farmer as a result of enforcement and bankruptcy court proceedings, by a commercial company whose sole shareholder is the State Treasury being a transmission system operator or holding a concession for the transmission of liquid fuels, based on the Energy Law Rct dated 10 April 1997 or commercial company which is a gas distribution system operator within the meaning of Energy Law Rct, in the case of acquisition of agricultural real estate for the purposes related to construction, modernization or development of a gas distribution system, by a company or a capital group conducting activity in the following sectors: electricity, oil, gaseous fuel, according to the relevant act by an SPV referred to in the Act on the Central Communication Port of 10 May 2018.

#### Restrictions In Real Property Acquisition

- Requiring real property by foreigners (non-EU citizens) requires permission issued by the minister of Internal Affairs. This general rule is not applied to the acquisition of premises, citizens or entrepreneurs of members of EER or Switzerland, nor foreigners living in Poland with a residence permit for at least five years; nor foreigners married to a Polish citizen and living in Poland at least two years after the day of obtaining a residence permit; nor foreigners who are owners of real estate by way of a contract with the seller, if on the day of acquisition the foreigner is entitled to statutory inheritance from the seller of real estate and the seller of the real estate is its owner or perpetual usufructuary for at least 5 years, nor acquisition by a legal person or a commercial company without legal personality having its registered office in Poland and controlled by foreigners, for statutory purposes, of non-developed real estate the total area of which in the entire country does not exceed 0.4 ha in urban areas. However, since 2016 restrictions in respect of acquiring agricultural real estate have been applicable regardless whether the person acquiring such real estate is a Polish citizen or a foreigner. The purchase of an agricultural property requires permission issued by the ministry of Agriculture and Rural Development.

#### Approvals and Licensing

- Any business activity requires registration request addressed to proper authorities. Register of entrepreneurs is maintained within an ICT system by the minister of Economic Development (individuals) and District Courts (corporate bodies recorded in the national Court Register).
- Establishing a company requires obtaining a tax identity number (NIP), a statistical number (REGON), national court registration number (KRS) and a bank account.
- Conducting business in some key areas is subject to licensing (e.g. fuel production, weaponry, energy production, etc.).
- In some cases (e.g. restaurateurs, food production plants, hospitals) sanitary or other approvals from relevant authorities concerning work or production conditions may be required.
- However, in order to conduct business activity, which has specific object of economic activity, the concession, licence, authorization or the entry in the Regulated Activity Register is required.
- The business activities which are required to get concession are, i.a.: casino games, search or recognition of mineral debts concession, air services, electricity trading; to get authorization: wholesale and retail of alcoholic beverages, conducting insurance activity by a foreign company insurance, conducting brokerage activity by bank; to get licence: taxi transportation, rail services persons or things or for making vehicles available traction network; to get the entry in the Regulated Activity Register: collection of municipal waste from owners real estate.
- For more information on the number of business activities that are covered by the above
- requirements, please see the list in Polish: <https://media.biznes.gov.pl/v1/files/leaflets/437/Lista-uprawnien%C5%84.pdf>

#### EXCHANGE CONTROL

- There are no restrictions on the exchange of the Polish zloty.

#### STOCK EXCHANGE

- The Polish stock exchange is supervised by the Financial Supervision Authority.
- The main stock exchange is the Warsaw Stock Exchange, a local leader in the equity exchange listing companies located in the CEE countries as well as many international companies from the USA, Canada, Germany, the Netherlands, Italy, United Kingdom, Sweden and Cyprus. Other regulated security markets are NewConnect and Catalyst (bonds).
- Foreign investors are not restricted as regards the exercising of corporate rights attached to the shares. However, acquisition of control of a public company is subject to public disclosure, tender and formal requirements.
- In March 2020 the possibility to perform a downstream merger was introduced to the Polish legal system. During this procedure all assets of a parent company (the company being acquired) are transferred to a subsidiary company (the acquiring company).

- new regulations were also introduced (march 2020) to the company transformation procedure. new regulations were introduced to facilitate the transformation of the commercial law companies.
- Rules and regulations related to confidential information exist and Poland has implemented with slight delay most mFID rules.

## COMPETITION LAW/ ANTI-MONOPOLY LAW ISSUES

### Corporate Income Tax

- In case of mergers or acquisitions of companies with significant position on the local or European market, the consent of Polish Office for Competition and Consumer Protection or a procedure conducted by the European Commission (in case of "concentrations with a Community dimension") may be necessary.
- The consent of the Polish Office for Competition and Consumer Protection is required when the total worldwide turnover of the entrepreneurs participating in the concentration in the financial year preceding the year of notification exceeds the equivalent of EUR 1,000,000,000.00 or the total turnover on the territory of Republic of Poland of the entrepreneurs participating in the concentration in the financial year preceding the year of notification exceeds the equivalent of EUR 50,000,000.00.
- The concentration shall be understood as: merger of two or more independent entrepreneurs; acquisition - by purchasing or taking over shares, other securities or any other way - of direct or indirect control over one or more entrepreneurs by one or more entrepreneurs; the establishment by entrepreneurs a joint venture; acquisition by the entrepreneur of a part of the property of another entrepreneur (the whole or part of the enterprise), if the turnover realized by this property in any of the two financial years preceding the notification exceeded in the territory of the Republic of Poland the equivalent of EUR 10,000,000.00.
- If the concentration has a Community dimension, then the procedure shall be conducted by the European Commission.
- A concentration has a Community dimension where the combined aggregate worldwide turnover of all the undertakings concerned is more than EUR 5 000 million; and the aggregate Community-wide turnover of each of at least two of the undertakings concerned is more than EUR 250 million, unless each of the undertakings concerned achieves more than two-thirds of its aggregate Community-wide turnover within one and the same member State.
- A concentration that does not meet the thresholds laid down before mentioned has a Community dimension where: the combined aggregate worldwide turnover of all the undertakings concerned is more than EUR 2 500 million; in each of at least three member States, the combined aggregate turnover of all the undertakings concerned is more than EUR 100 million; in each of at least three member States included for the purpose of before mentioned point, the aggregate turnover of each of at least two of the undertakings concerned is more

than EUR 25 million; and the aggregate Community-wide turnover of each of at least two of the undertakings concerned is more than EUR 100 million, unless each of the undertakings concerned achieves more than two-thirds of its aggregate Community-wide turnover within one and the same member State.

## TAXATION

### Corporate Income Tax

- Corporations (not applicable to partnerships, save for joint-stock partnership), tax capital groups having their registered office or having their managing bodies in Poland are subject to corporate income tax (CIT) on total income at a 19% rate and 9% for income (revenues) other than from capital gains (with the appropriate exemptions from the application of the preferential rate).
- The 9% rate mentioned above applies to taxpayers whose income generated in a tax year does not exceed the amount in PLN, corresponding to EUR 1,200,000 converted according to an average exchange rate of EUR published by the national Bank of Poland on the first business day of the tax year, rounded up to the nearest PLN 1,000. moreover, a preferential IP Box relief was introduced at the beginning of 2019 for companies that have generated income from the created or improved qualified intellectual property rights. The tax rate is 5 %.
- Companies located outside of Poland that conduct business activity in Poland (i.e., registered branches) are taxed at a 19% or at a 9% (under specific criteria) rate on income derived in Poland, unless a respective treaty concerning the avoidance of double taxation stipulates otherwise. R&D expenses incurred in order to earn income, and which are not listed as non-deductible costs and are properly documented, can be deducted. The same applies to depreciation write-offs made in accordance with tax regulations.
- This year "the tax relief for bad debts" has been introduced. R taxpayer acquires the right to reduce the tax base or increase the loss by the value of the receivables that have not been settled or sold. The settlement shall be made in the annual tax return submitted for the tax year in which 90 days have passed from the date of expiry of the payment deadline specified in the invoice or agreement.
- From 1 July 2020 (the deadline will most likely be changed to 31 December 2020) a withholding tax will be introduced (WHT). WHT will cover cross-border payments, the payment titles of which include e.g. copyright or neighbouring rights, rights to invention projects or dividends. For the abovementioned transactions, if their value exceeds PLN 2,000,000 in a given year, a taxpayer will be obliged to pay WHT at an appropriate rate i.e., 19%.
- An Exit Tax has been introduced into the Polish legal system. This kind of tax is subjected to transfer of an asset outside of the territory of the Republic of Poland, or change of tax residence by a taxpayer who is subject to the tax obligation in the Republic of Poland, on its entire income. Corporate Income

Tax Rct mentions situations when a taxpayer is obliged to pay exit tax. The exit tax rate is 19%. nevertheless, this provision contains certain exclusions and exemptions.

#### Personal Income Tax

- Individuals considered residents are taxed at a progressive rate 17% or 32% on total income, regardless of whether it is earned in Poland or elsewhere.
- A person is a resident if he/she has his/her personal or economic interests in Poland or stays in Poland for more than 183 days in total during a fiscal year.
- Individual entrepreneurs may choose a flat tax rate of 19% on income derived from business activity.
- There are specific provisions for particular categories of income, e.g., dividends are taxed at a 19% rate regardless of the magnitude of the income. moreover, a preferential IP tax relief was introduced at the beginning of 2019 for individual entrepreneurs that have obtained property rights from the created or improved qualified intellectual property. The tax rate is 5 %.
- Exit tax also refers to the Personal Income Tax. However, the rate is 19% of the tax base - when the tax value of an asset is determined and 3% of the tax base - when the tax value of an asset is not determined. This kind of tax is subjected to transfer of an asset outside of the territory of the Republic of Poland, or change of tax residence by a taxpayer who is subject to the tax obligation in the Republic of Poland, on its entire income. Exit Tax shall not apply if the total market value of the transferred assets does not exceed PLN 4,000,000.

#### VAT

- Sale of goods and performance of services are taxed with VAT. Every purchaser of a product who is not an end-consumer can deduct input VAT. Therefore, economically, the total fiscal burden is on the end-consumers.
- Basic VAT rate is 23%. Preferential rate applied to supplies of certain food items, medical products, hospitality services and community housing is set at 8%. The 5% rate is applied to supplies of certain food items, such as bread, dairy products, meats, and selected publications.
- Taxpayers selling goods to buyers in EU states may apply the 0% VAT rate as part of the intra-Community acquisitions of goods.
- The 0% VAT rate also applies to export of goods defined as the export of goods from Poland outside of the European Union in the performance of taxable activities. To apply the 0% rate, the taxpayer must have appropriate customs forms stating that the goods have left the territory of the European Union.
- From 1 July 2020, entrepreneurs who are VAT payers are obliged to provide the tax office with the updated version of the Standard Audit File-Tax concerning purchase and sale records. new SRF-T will be submitted only in the electronic form. The purpose of introducing the SR F-T is to allow taxpayers to provide information to tax authorities in electronic form, that allows shortening the time of performed activities, reducing their nuisance and, as a result, reducing their costs.

This solution will also help Polish government with sealing tax system in Poland.

- At the beginning of September 2019, a new VAT taxable base has been introduced. This database is called the "White List", which is run by the head of the national Treasury Administration. The purpose of introducing the White List is to allow taxpayers to check the potential associates, in particular their current status as VAT taxpayers and their bank account numbers related to the conducted business activity. This solution will also help Polish government to tighten up the tax system in Poland.
- The Polish government has implemented the split payment procedures to the Polish tax system. This is because of the gaps in the Polish VAT system. Split payment is a procedure concerning divided payment for VAT payers. Payment for purchased goods or services will be made in such a way that the payment corresponding to the net sales value will be transferred to the supplier's bank account. The remaining payment, in turn corresponding to the amount of VAT, would go to the supplier's special account - VAT account. Such a VAT account would be provided free of charge by banks.

#### Civil Law Transactions Tax

- If not subject to VAT, sale transactions of movables valued over PLN 1,000, as well as other legal actions (e.g. conclusion of a partnership / corporation or executing a loan agreement) are subject to Civil Law Transactions Tax (CTT).
- Conclusion of a company agreement is subject to 0.5% CTT based on the amount of the share capital (or contribution value, in case of partnerships).
- Sale of shares in the Polish companies is subject to 1% CTT. Taxation base is the share price.
- The sale of shares in a joint-stock company via brokerage houses or on stock exchange are exempt from CTT.

#### Other Taxes

- Import duty (from outside of the EU): ad valorem duty at various rates.
- Selected products manufactured in Poland (e.g., alcohol, cigarettes): excise duty at various rates.
- Real estate tax: various rates depending on the area and usage of the premises.

### INVESTMENT INCENTIVES

- Government incentives and guarantees for foreign investors include the following:
  - o Full profit and dividend repatriation (after taxation).
  - o Funds from the liquidation of a company or from the sale of stock or shares may be repatriated.
  - o In certain situations, delivery of goods and performance of services to the benefit of entrepreneurs residing in the EU may be taxed in Poland at a 0% rate. In this case, VRT is imposed against the purchaser of the goods or services at a rate applicable in its country.

- o Treaties for avoidance of double taxation have been signed between Poland and many
- o countries e.g., USSR, United Kingdom, Cyprus, etc.
- o A full list of such treaties can be found here <https://www.podatki.gov.pl/podatkowa-wspolpraca-miedzynarodowa/wskaz-umowy-o-unikaniu-podwojnego-opodatkowania/>.
- o Certain additional guarantees and incentives may be obtained through negotiations with local authorities or by investing in certain areas of the country like investments in the designated Special Economic Zones (SEZ) as well as in the Industrial and Technology Parks.
- o Regulation of the Council of ministers on public aid granted to certain entrepreneurs for the implementation of new investments dated 28 August 2008 (Regulation) sets guidelines for companies to receive a decision on support for the new investment. Please note that this Regulation includes types of business activity on which the decision on support for the new investment is not entitled.
- o The definition of a new investment shall mean the establishment of a new company, increasing the production capacity of the existing undertaking, introduction of new products i.e., diversification of the company and change in the production process.
- o The amount of public aid depends on the region in which the company decides to implement a new investment under the SEZ.
- o In order to get the decision on the support, the company shall meet certain quantitative and qualitative criteria, which are set in the Regulation.
- o Moreover, in order to obtain a decision on support, the company shall incur the eligible costs of the new investment, which are defined in the Regulation.
- o The business conducted through SEZ is to increase the dynamics of the economic development of Poland and its individual regions, create new jobs, develop new technologies and increase the competitiveness in product and services sectors.
- o EU funds are available for regional development, infrastructure and human capital.
- o Poland offers one of the best protection measures for the rights of investors and is ranked as one of the best places to trade in the CEE countries based on the across border procedures and regulations.

- The employment relationship is established by three different types of contract:
  - A) Indefinite term;
  - B) Fixed term;
  - C) Probationary period.

There is also a possibility of self-employment.

- A general rule of Polish labour code states that after the conclusion of a fourth subsequent fixed-term contract or when the fixed term contract exceeds the period of 33 months, it is deemed to have become an indefinite term contract.
- Any employment contract can be terminated with the agreement of both parties (possibility of severance pay) or following a notice of intention (an employer has to give specific, genuine reasons for the termination). The notice period will vary in function with the type and the duration of the contract:
  - A) Between three working days and two weeks for a probation contract (depending on the length of the contract);
  - B) Between two weeks and three months (depending on the employment period) for a contract with an indefinite term and fixed term;
- According to the Central Statistical Office (GUS) a monthly gross minimal wage is PLN 2,100.00 (approx. US \$611). An average monthly gross wage in the private sector reached PLN 4,530.00 (approx. US \$1,319) before tax.
- Normal working hours cannot exceed eight hours in a 24-hour period and an average of 40 hours in an average five-day working week. Overtime refers to hours which the employee works over and above normal working hours and cannot exceed an average of 48 hours per week. Overtime cannot exceed 150 hours in a calendar year, unless stated otherwise by contract. Overtime pay, on top of the regular pay is:
  - A) an additional 100% of the salary (i.e., double time) for working nights, Sundays and bank holidays, non-working day given to an employee in return for work on a Sunday or a public holiday, according to the employee's working schedule;
  - B) an additional 50% of pay (i.e., time and a half) in any other working overtime.
- Established Capital Plans (ECP) have been established for employees. Starting from 1 July 2019 they must be established by all employers employing a minimum 250 employees, who may sign up voluntarily.

## EMPLOYMENT LAW

- In order to work in Poland foreigners need to obtain a permit, unless an interested person is:
  - A) A citizen of an EU member state or EEA;
  - B) A member of the family of a citizen of an EU member state;
  - C) A foreigner with a settlement permit;
  - D) A foreigner who has long-term EU resident status in Poland; or
  - E) A refugee or a person granted with status of tolerated stay in Poland.

## INTELLECTUAL PROPERTY

- The Industrial Property Law Act of 30 June 2000 combined with the Act on Patent Agents of 11 April 2001 and are the legal corpus of the intellectual property rights. Their provisions cover inventions, usage formulas, industrial formulas, designs and trademarks, down to the geographical and topographical markings of chips.
- Registered patents are valid for 20 years from the date of filing. The protection right of a utility model is valid for 10 years. Supplementary Protection Certificates can be obtained for patented medical inventions and pesticides.

- A registered trademark is valid for 10 years from the date of filing, unless it is proved that for five consecutive years the mark has not been used. The registration may be renewed for subsequent 10-year periods.
- The scope of Copyright and Neighbouring Rights Act of 4 February 1994 covers author's copyrights, as well as related rights of performers and producers of audio and video recordings.
- Intellectual property related to individuals is protected upon its creation. No filing or copyright reservation is necessary. Health, freedom, secrecy of correspondence, artistic and scientific performance are protected by the Polish Civil Code.
- Intellectual property cases can be brought before the Civil Court or the Patent Office of the Republic of Poland (Polish Patent Office).
- Along with the national system of intellectual property protection, EU protection for community trademarks and community designs is executed by the European Union Intellectual Property Office (Alicante).



## DISPUTE RESOLUTION

- Recording to general rules, first instance cases may be heard before District Courts (Sąd Rejonowy). more complex cases or cases with higher subject matter value (PLn 75,000) are heard in Regional Courts (Sąd Okręgowy). Cases may go on appeal to the Regional Courts or Courts of Appeal, depending on the court of first instance.
- The Supreme Court supervises adjudication by hearing cassation appeals and passing resolutions concerning disputable matters.
- Civil procedure provides also alternative dispute resolution procedures such as mediation and arbitration. The arbitration award, after being recognised by a common court of law, has the same power and effect of the award of such court.
- The most important arbitration institutions in Poland are the Court of Arbitration at the Polish Chamber of Commerce in Warsaw and the Court of Arbitration at the "Lewiatan" Polish Confederation of Private Employers.
- Administrative procedure generally provides for two instances. moreover, administrative decisions, as well as many other actions or omissions of administrative entities, may be challenged in a court's administrative procedure.
- The court administrative judiciary is conducted by 16 Voivodeship Administrative Courts (one for each Voivodeship) and the Supreme Administrative Court.

- Foreigners may apply for a Schengen Visa in any embassy of a member of the Schengen Area.
- Apart from a Schengen visa, foreigners may be granted a national visa. A national visa allows its holder to stay in Poland for a maximum period of one year. Application for a national visa may be made at the Polish Embassy. Foreigners applying for a national visa must define the purpose of his/her visit and provide further documents.
- Additionally, a working stay visa may be issued if a foreigner presents a work permit in the territory of the Republic of Poland or a written statement of the employer about the intention to employ the foreigner, if the employment permit is not required.

### **Business Passes and Work Permits**

- In order to work in Poland foreigners needs to obtain a permit, unless the person is a citizen of an EU member state or a member of the family of a citizen of an EU member state.
- Businessmen applying for a visa pursuant to a written invitation issued by a Polish citizen must present that invitation.
- Foreigners taking up employment must present a promise for work permit in order to receive a visa. The application for work permit must be submitted by the employer inviting the foreigner.

## IMMIGRATION PROCEDURES

### **Passport and Visa Requirements**

- Poland is a member of the Schengen Area; therefore, each foreigner must comply with general rules similar for other members. All individuals from non-parties of Schengen Agreement must hold valid travel documents and a visa, if required. A standard Schengen visa is required for most Asian and African countries and allows its holders to enter the Schengen Area for 90 days in a 180-day period.



## PORTUGAL

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- Portugal is located in Southwest Europe on the Iberian Peninsula. Portugal is the westernmost country of Europe, and is bordered by the Atlantic Ocean to the west and south and by Spain to the north and east. The Atlantic archipelagos of the Azores and Madeira are part of Portugal.
- Portugal has an area of 92,142 km<sup>2</sup>.
- Practices a parliamentary democracy.
- Constitutional System: a republic ruled by a constitution with a president as head of state and a government headed by a prime minister and a unicameral parliament.
- Population comprises Portuguese (95%) and other nationalities like Brazilians, Angolans and Cape Verdeans (5%).
- Christianity is the most practiced religion, however there are Islamic, Hindu and Jewish communities.
- Portuguese is the national language, although English is widely written and spoken, especially in urban areas and for business.
- Currency: Euro (€).
- Investment growth areas include tourism and entertainment, energy, R&D, real estate and construction.

### BUSINESS PRESENCE

- Corporations in Portugal generally assume one of the two most common forms: public limited corporation or joint-stock corporation ("SA" or "Sociedade Anónima") and private limited corporation ("Limitada" or "Lda" or "Sociedade por Quotas").  
These forms basically correspond to the German figures of the AG (Aktiengesellschaft) and the GmbH (Gesellschaft mit beschränkter Haftung).
- There is a quick and simple procedure for incorporating companies and branches of foreign companies. The "Spot Firm" and the "Spot Branch" services (in Portuguese "Serviço Empresa na Hora") are available in most of the Commercial Register Offices and allow a company to be fully operational within 24 hours. There is also the online method for incorporating companies, which is cheaper than the previous one.
- Other structures: joint venture, agency, etc.
- A venture capital market is already well established in Portugal and may be a good vehicle for financing corporations operating in emerging sectors that are at a high risk stage of their development or do not have direct access to capital markets.

### FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- Foreign corporations, just like Portuguese corporations, may invest in any sectors they wish. Specific restrictions may appear when applying for concession contracts for private investors who want to operate in sectors under public administration or regulated sectors.
- There is no legal restriction to the entry of foreign capitals and foreign investors are not required to have a Portuguese partner. However, foreign investment projects have to comply with special legal requirements if there is a chance that these projects may affect public order, safety or public health. Projects of this nature require an assessment of their compliance with the legal conditions and requirements set out in Portuguese Law.
- It should be added that there is legislation in force in Portugal on the fight against money laundering and terrorist financing that applies to any company or person doing business in Portugal.

## TAXATION

- The most important taxes in Portugal are corporate income tax, with a 17% tax rate applicable to the first €25,000 of the taxable income of the small and medium-size enterprises and 21% tax rate applicable to the remaining income and companies, personal income tax with rates from 14.5% to 48% plus a solidarity levy up to 5% and VAT with rates from 6% to 23%, real estate transfer tax, with rates up to 7.5%, real estate municipal tax with rates from 0.3% to 7.5%, stamp duty, with rates from 0.0025% to 35%, state surcharge on corporate income, with a rate up to 7% and the municipal surcharge on corporate income, with a rate up to 1.5%.
- In Portugal, there is no inheritance tax and no wealth tax. This feature makes Portugal a very appealing jurisdiction to settle in for anyone with high personal wealth.
- Madeira free trade zone is not an offshore jurisdiction. Companies located and duly licensed there are deemed as Portuguese entities, being subject to all rights and obligations effective in Portugal. These companies are liable to income tax and VAT. However, they benefit from several tax exemptions, subject to certain requirements, which shall be in force until 2027.
- The acquisition of real estate assets used in the activity of the entities duly incorporated in the Madeira free trade zone is, in principle, exempt from real estate municipal tax. Entities duly incorporated are also stamp duty exempt concerning documents, contracts and public acts foreseen in the stamp duty code, as long as the parties are A) Non-resident entities; and/or B) Other entities duly incorporated in the respective free trade zone. Compared to mainland Portugal, Madeira and Santa Maria (Azores) free trade zones also benefit from lower rates of VAT: a reduced rate of 4%, an intermediate rate of 9% and a standard rate of 18% in Azores and a reduced rate of 5%, 12% and 22% in Madeira (instead of 6%, 13% and 23% respectively, on the mainland). Regarding withholding taxes, the general rule is that no withholding taxes are deducted on remittances made by a company licensed to operate under free trade zone legislation, unless the income remitted by way of dividends, loan interest or royalties relates to either income earned in mainland Portugal or alternatively where the recipient is a Portuguese resident. If the income is earned in mainland Portugal by a Madeira subsidiary, but the recipient of the dividends is an EU resident parent corporation to whom the Parent-Subsidiary directive applies, then no withholding taxes are levied on remittances. If the income is earned in mainland Portugal, but the recipient of the dividends is resident in a country with which Portugal has a double taxation treaty, reduced withholding taxes are levied on remittances in accordance with the terms of the double taxation treaty.
- Madeira free trade zone benefits from a special tax regime. In this way companies duly incorporated in this area benefit from a reduced corporate income tax. This regime is applicable to the following sectors: industry; commerce; sea transport; and service to companies whose licensing took place from 1 January 2007 to 30 June 2014, shall be liable to a corporate income tax rate of 3% between 2007 and 2009, 4% between

2010 and 2012, and 5% from the year 2013 onwards (until 2027). The regime described above also applies to capital gains tax, with a possible total exemption or a main reduction of the rate. No death duties are payable in Madeira on the transfer of a shareholding in a company licensed to operate under free trade zone legislation provided the shareholder was not a resident of Portugal.

## TAX AND INVESTMENT INCENTIVES

- Holding participation exemption regime — one of the world's most competitive holding regime. According to this new regime, dividends and capital gains that a Portuguese holding receives from its affiliates will be fully exempt from taxation for as long as it holds at least 10% of the share capital or voting rights and if some requirements are met.
- The patent box new regime – income arising from the disposal or temporary use of patents and industrial designs, registered after 1 January 2014, is only taxed at half of its value.
- In 2009 a new and more favorable tax regime was approved, named non-habitual Resident Tax Regime.
- In order to be applied it is necessary that the taxpayer is considered as resident for tax purposes and has not been taxed as a tax resident in Portugal in the five preceding years.
- According to this regime, the income of employment or business and professional income considered as obtained in Portugal arising from high added value activities is taxable at a flat tax rate of 20% over its net amount.
- In what concerns to the income obtained abroad, the exemption method shall apply if some requirements are met.

## EMPLOYMENT LAW

- A normal workday is eight hours and the maximum allowed for a week is 40 hours excluding supplementary work due to unforeseeable reasons. However, individual employment contracts or collective trade unions agreements may raise these limits up to 12 and 60 hours per day and week as long as in average within a determined period, the maximum of 40 hours per week are completed, the period of more hours of work may be compensated with fewer hours of work.
- For any employment contract, the law establishes an initial probation period during which either party can terminate the contract without prior notice and without requiring any justification. The usual probation period is 90 days but, in some cases, it can be extended to 180 days or more.
- Every employee has the constitutional right to strike.
- Employees have the right to at least one day rest per week and, as a general rule, to a minimum of eleven hours of uninterrupted rest between two successive daily work periods.
- Employees have the right to holidays, that is, the right to a certain period of paid leave. This period may last at least 22 workdays per year. If the employment contract is less

than six months the worker has the right to a holiday period equivalent to two workdays for every completed month of the contract.

- The Portuguese contribution system consists of a general contribution scheme for employers and employees, as well as special contributions schemes. Under the general contribution scheme, social security contributions are payable on all wages, regular bonuses and other regular income. The rates are: A) 11% of an employee's wages is deducted at source by the employer—the employee's social security contribution; and B) The employer pays a further 23.75% of the employee's gross salary—the employer's social security contribution.
- Social security contributions of Members of the Board Directors ("Administradores"), Registered Managers ("Gerentes") and other members of corporate bodies are based on their respective monthly salaries, with a maximum limit of 12 times the national minimum monthly wage as follows: A) Members of the Board Directors, Registered Managers and other members of corporate bodies contribute 11% of their salary (deducted at source by the employer); and B) The employer contributes 23.75% of the Directors', Managers' (etc.) gross salary.
- Foreigners who are non-salaried statutory body members working temporarily in Portugal and contributing to a compulsory social security scheme in their home countries are exempt from Portuguese social security systems if some requirements are met.
- The Portuguese Labour Legislation has undergone several changes. Mainly to facilitate regarding dismissal and to reduce severance packages given to employees.
- The duration of unemployment insurance depends on the beneficiary age and on the number of months of contributions for the social security since the last unemployment situation.

## INTELLECTUAL PROPERTY

- Trademarks, patents, designs and industrial models may be registered with the Industrial Property National Institute (INPI).
- Copyright: Continental European system.
- Portugal is a member of the most important conventions and international agreements in intellectual property, such as the Bern Convention for the protection of literary and artistic works, the Universal Convention about Copyright Law, Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, Paris Convention for the Protection of Industrial Property and the Agreement about the aspects of the intellectual property law related with commerce (ADPIC/TRIPS), regulated by World Trade Organization (WTO).
- A specific court for intellectual property matters has been established in Lisbon.

- Arbitration of patent disputes and other disputes associated to IP rights is well developed.
- In 2018 a new Portuguese Industrial Property Code was published with improvements in the area of patents, utility models and also in the area of infringements to industrial property rights, with a view to simplifying and clarifying administrative procedures, in favour of greater transparency and efficiency in the response of INPI's services, so that companies can successfully innovate and differentiate their products and services in the national and European market

## DISPUTE RESOLUTION

- In Portugal, courts have been preferred over other means (among others arbitration, mediation) of solving disputes and enforcing property and contractual rights. Many foreign companies and investors routinely seek assistance from lawyers and include arbitration clauses in their contracts. They also draft contracts aimed at preventing disputes, whenever possible.
- The resolution of commercial disputes is often solved through arbitration. In these cases, arbitration court is set up to solve a specific case. It is usually composed of by a minimum of three arbitrators, although the parties can agree differently. The current arbitration law was published in December 2011.
- There are certain sectors of activity where arbitration is mandatory in the effort to promote ADR.
- Unless the Parties expressly agree otherwise, the decision issued by the arbitration court is not subject to appeal.
- Portugal is a well-known hub for arbitrations in the Portuguese speaking world.
- Other alternative means for dispute resolution are being implemented, especially in what concerns the project for the optimization of the Judges of Peace regime, in order to increase its capacity to handle small claims cases so citizens and companies have access to a quick and less bureaucratic solution for their matters.

## IMMIGRATION PROCEDURES

- No visas or work permits are needed if the employee is a citizen of any part of the EU.
- A foreign worker who is not a citizen of the EU and lives outside of Portugal shall only be hired after the submission of an application for a work visa before entering Portugal, although they are exceptional procedures.
- Before the employee applies for a work visa, the future employer must request a formal declaration before the Portuguese Employment and Professional Training Institute (Instituto de Emprego e Formação Profissional) for that purpose.
- Visa applications must be made at a Portuguese Embassy, Portuguese Consulate or consular representative, with a copy of the signed formal work offer in Portugal.

- Recent changes to the legal rules on entry and residence of foreign nationals in Portugal - especially interesting for USA, South Americans, Chinese, Arabian and African citizens - have introduced a new mechanism that allows foreigners to obtain residency in Portugal without requesting a prior visa at the Portuguese Embassy or Consulate through investment in Portugal for a minimum duration of five years ("Golden Visa Programme").
- For this purpose, and amongst others, the law considers as an investment:
  - o Capital transfer in the amount of 1,000,000.00€ or more; or
  - o Creation of at least 10 job positions; or
  - o Acquisition of real estate with a value equal to or higher than 500,000.00€; or
  - o Acquisition of participation units in Portuguese investment funds with a value equal to or higher than 350,000.00€; or
  - o Acquisition of old real estates for rehabilitation works with a global value equal to or higher than 350,000.00€.





## ROMANIA

- Romania is located at the crossroads of Central and South Eastern Europe, on the Lower Danube, within and outside the Carpathian arch, bordering on the Black Sea, with an area of 238,391 km<sup>2</sup>. Romania has been a member of the European Union since 1 January 2007 and is the 9th largest country of the European Union by area.
- Romania is a Presidential Republic with a president and a bi-camera Parliament.
- Administratively, Romania is divided into 41 counties plus the municipality of Bucharest (the capital).
- Official language: Romanian, a romance language.
- Population according to the last calculation: 19,266,000 million
- Romania's economy is a mixture of agriculture and industry. The main exports are automotive based (including cars), software and IT, clothing and textiles, industrial machinery, electrical and electronic equipment, metallurgic products, raw materials, military equipment, pharmaceuticals, and agricultural products (fruits, vegetables and food in general).
- Romania is an Emerging Market Economy.
- Currency: LEU. There are proposals to introduce the Euro as the currency of Romania after 2024.

## BUSINESS PRESENCE

- Romania offers significant opportunities to international businesses for infrastructure projects, production, services, for technologies that meet the growing private demand and contribute to the country's development priorities. All investors irrespective of whether they are Romanian or foreign citizens, resident or non-resident, enjoy the same rights (other than rights in relation to ownership of land) and incur the same obligations.
- The first step in developing a business in Romania is normally to incorporate a company. Investors only need to file all the company formation documents with one institution, the Office of the Trade Registry in the area where the headquarters of company will be located. Certain types of companies, such as banks and insurance companies, must obtain additional consents and licenses.
- The normal business organizations are:
  - A Sole trader.
  - Limited liability company – whose obligations are guaranteed with its assets. Social part holders are liable only for the payment of their contribution to the share capital.
  - Joint-stock company – whose obligations are guaranteed with the company's assets. Shareholders are liable only up to the value of their shares.
- According to Law no. 31/1990 on Trading Companies, a limited liability company (S.R.L.) may be set up by one or more persons known as social part holders.

The number cannot exceed fifty. An individual and or a legal entity cannot be a sole social part holder in more than one S.R.L. A S.R.L. with one social part holder, cannot be the sole social part holder in another S.R.L. Under Romanian law, unanimity of social part holders is required for certain decisions in a S.R.L. If there is a dispute in a SRL the minority social part holder can obtain a ransom or blackmail position against the majority. Choose your minority sole social part holder with care. The minimum share capital of a S.R.L. is RON 200 with each social part being at least RON 10. There is no maximum capital requirement.
- A joint-stock company must be set up by at least two persons. The share capital cannot be less than RON 90,000, (equivalent to approximately €22,000) divided into shares. The minimum value of each share cannot be less than RON 0.1.
- All companies require at least one administrator. The administrator of a company may be a Romanian or a foreign citizen, resident or non-resident. An administrator cannot be the administrator in more than one company without the prior consent of the shareholders of the company. All companies have to comply with reporting requirements to the Trade Registry. These include annual and bi-annual financial statements, details of the ultimate beneficial owner, details of the directors, financial auditors and internal auditors. The articles of incorporation after any amendment must be lodged at the Trade Registry.

## FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- Shares in Romanian companies can be owned by non-resident persons. There are no specific restrictions in the legislation regarding trading companies. The exception is for land ownership by foreigners in Romania.
- Foreign natural persons or companies cannot directly own land in Romania. If an investor owns a Romanian legal person, that company being a Romanian legal entity, can own land. There are no restrictions as to the ownership of the capital or the management of such a company.
- The most common method to own agriculture land in Romania is to own or incorporate a Romanian company, or to open a subsidiary. In Romania, a subsidiary is considered a Romanian company.
- All contracts concerning the buying or selling of land must be executed in front of a notary public. Failure to do so causes the nullity of the contract. Since 1 October 2011, the registration of the sale/purchase agreement with the local cadastral office is now the proof of ownership of land but not a guarantee of title. The taxes for owning agricultural land depend upon its location. Land can be designated by the local authority as either outside the town boundaries or inside the town boundaries, and this will affect the tax payable and the ability to develop the land.
- According Law No. 17/2014, Romanian citizens, EU citizens, citizens of EEA states and Switzerland can own agricultural land in Romania on the basis that the rules concerning the acquisition of agricultural land applicable to all persons have been fulfilled.

## EXCHANGE CONTROL

- There are no exchange control regulations. Regulations are issued by the Romanian National Bank, which takes measures related to the monetary capital operations. In certain circumstances, there is an obligation to notify the Romanian National Bank before the conclusion of capital operations.
- All payments between resident companies and businesses that concern the trading of goods and services, must be performed only in RON. According to Regulation no. 4/2005 regarding foreign exchange, several approved operations can also be performed in foreign currency by Romanians inside Romania.
- According article 7, paragraph 1 of Law no. 129/2019 regarding the prevention and control of money laundry as well as on measures to prevent and combat terrorism financing, cash operations, in lei or other currency, which exceed the equivalent of 10,000 euro must be notified to the National Office for Prevention and Control of Money Laundering within 10 working days of such operation. Romania has adopted in full the EU regulation concerning money laundering.

## TAXATION

- The main taxes applied in Romania are as follows: profit tax; income tax; tax on micro-enterprises; dividend tax; income in Romania of non-residents; tax on representative offices; VAT; custom duties and excise; and local taxes.
- Corporate income tax is payable by Romanian companies, companies using a permanent establishment in Romania, companies and non-resident individuals who are parties to a joint venture. Tax is also payable on profit from real estate transactions or from transactions with shares arising in Romania as well as on profit from joint ventures derived in/ or outside Romania. The standard corporate income tax rate is 16%. Nightclubs and gambling operations are liable to a corporate income tax rate no lower than 5% of the revenues obtained from such activities. Companies with an annual turnover of less than the lei equivalent of €1,000,000 are taxed at the reduced rate of 3% on their annual turnover if they have no employees, and 1% if they have at least one full time employee. Voluntary registration for VAT is in certain cases permitted. If the turnover exceeds €63,000 VAT registration is mandatory.
- Any foreign legal person who obtains an income from real estate located in Romania or from the sale of land and securities has the obligation to pay profit tax of 10% on the realized profit and to submit a profit tax statement.
- There is a flat rate tax for individuals of 10% on all their income. Income includes salaries and profit from professions; the use of goods; investment income (i.e. dividends, and interest) and other income from sale/purchases of property and securities, pensions, agricultural activities, prizes and gambling, sale of properties, and from intellectual property rights. In certain circumstances, the payer of sums of money is required to retain and pay the tax to the relevant authorities.
- An individual is considered resident in Romania for tax purposes if they stay in Romania for at least 183 days total during a fiscal year (1st January to 31st December). Romania has adopted rules regarding worldwide taxation of income on all persons resident in Romania. Non-Romanians are required to formally register with the Romanian tax authorities.
- The VAT regime in Romania is generally in line with the EU VAT Directive 2006/112/EC. VAT applies to the import, domestic supply of goods and services and transfer of real estate properties. As of January 1st, 2017, the standard VAT rate is 19%. There are two reduced rates of VAT, 9% for tourism and drugs and 5% for constructions, but certain conditions apply. Romanian companies must register as VAT payers if their annual turnover exceeds €85,000. Registration as a VAT payer where turnover is under this threshold is optional.

## TAX AND INVESTMENT INCENTIVES

- The general framework was established by Government Ordinance no. 85/2008 regulating stimulation of investments, types of incentives and subsidies available, and general eligibility conditions. State aid can be granted to large, small and medium sized enterprises, depending on the type of investment, and the provisions of the applicable state aid scheme.
- To benefit from the incentives, the investments must fulfil conditions concerning the amount, duration, objectives and eligibility criteria stipulated in the investment law. Incentives are not granted for investments made in the fields expressly excluded from the regulations issued by the Competition Council, irrespective of their value.
- The facility of tax exemption on reinvested profits in technological equipment and other eligible assets including computers, peripheral equipment, tax registers and software was extended through 2017.
- As of January 2017, another key investment incentive was introduced by way of exempting the companies currently engaged exclusively in innovation, research and development activities from paying corporate profit tax during the first 10 years of their operation.
- Other incentives are provided by the Romanian Government through Government Decision no. 718/2008 approving horizontal state aid scheme for regional sustainable development and reduction of emissions; Order no. 479/2008 issued by the Minister of Economy and Finance approving state aid granting support for the consolidation and development of the Romanian productive sector through investments of big enterprises; Government Decision no. 1165/2007 on stimulating economic growth by supporting investments and Government Decision no. 1680/2008 implementing a state aid scheme for ensuring sustainable economic development as well as Government Decision no. 753/2008 regulating a state aid scheme on supporting regional development by stimulating investment.

## EMPLOYMENT LAW

- Foreign individuals working in Romania can conclude local employment contracts with Romanian companies, or they can work in Romania on the basis of foreign employment contract concluded with foreign employers (i.e. as a secondeo).
- The conditions of employment are regulated by the Romanian labour law. The labour legislation as comprised in the Labour Code is quite strict with limitations on working hours and overtime. The relationship between the employee and employer is governed by an Individual labour contract, which includes the rules of the Code.
- Any contract must be concluded in a written form and can be for a limited or unlimited period. A working week is normally of eight hours per day/five days per week with two free days, normally Saturdays and Sundays. The working time may be varied but the maximum number of hours cannot exceed 48 hours per week, including overtime. Employees have the right

to legal holidays as follows: 1st and 2nd January; 1st and 2nd day of Easter; 1st May; 1st and 2nd day of Whitsun; 15th August (Assumption of Mary); 30 November; 1st December and 1st and 2nd days of Christmas. The minimum number of paid days for vacation is 20 days per year. Employees are also entitled to receive, upon request vacation time for training.

- There is a minimum wage guaranteed by the law. Employers are to calculate and withhold salary contributions and income tax of employees when paying salaries. The obligation to pay income tax on salaries is on the employees. The state budget contributions are payable by the 25th of the following month. Their payment. Withholding and non-payment of the social contributions retained by the employers is a criminal offence and are sanctioned accordingly.
- Employers' are also required to make contributions towards the social security fund, unemployment fund, redundancy fund contribution, health fund, work accidents insurance, and labour office commission

## INTELLECTUAL PROPERTY

- The Romanian State Office for Inventions and Trademarks is the authority that ensures that intellectual property protection is complied with according to the legislation and international conventions and treaties to which Romania is a party.
- Intellectual property is protected in Romania by Law 8 /1996 and regulates two main components: A) Industrial property and B) Copyright and related rights.

## DISPUTE RESOLUTION

- Romania has a developed court system as well as arbitration and mediation procedures. As well as through the normal Courts the parties can resolve their business conflicts through the Court of International Commercial Arbitration attached to the Chamber of Commerce and Industry of Romania.
- The normal procedure to the tribunal courts and then to the judicature. Appeals from both courts are then to the court of appeal, and then as mentioned below to the Supreme Court.
- Disputes can also be resolved in a mediation procedure. The parties reach a consensus upon the object of the claim through mutual concessions. This is recorded through a written agreement or written decision.
- If the mediation procedure is carried out during a trial, the mediation agreement is made a part of the court decision and the case is closed. The mediation procedure can also be used in the criminal trial. This procedure is used for minor offenses and gives the possibility to reach a consent and either not go to trial or end the criminal trial.
- All decisions of the court of first instance are appealable to the next higher court which acts as a court of appeal. This decision can then itself be appealed to the next higher court. Thus, there are two appeals allowed on any court decision. Appeals are often appeals on both fact and law. Appeals are from the Court of Appeal to the Supreme Court on a point of law. Disputes in relation to the constitution are to the Constitutional Court whose decisions are final and binding.





## SCOTLAND

- Scotland has a strong and growing economy, and attracts investment from leading global companies.
- Key sectors include aerospace and defence, oil and gas, chemical sciences, creative industries, business process outsourcing (BPO), education, renewable energy, financial services, food and drink, ICT and electronic technologies, textiles and tourism.
- A useful website on investment in Scotland is [www.sdi.co.uk](http://www.sdi.co.uk) (Scottish Development International).
- Scotland is one of Europe's leading financial centres and the Capital city, Edinburgh, is the second largest financial hub in the UK next to London.
- Edinburgh is ranked as one of the largest financial centres in Europe in terms of the management of equity assets.
- Scotland has a business friendly tax system, including low corporate tax rates.
- Scotland has a pool of relatively inexpensive skilled labour.
- English is the main language of the business speaking world.
- Investment growth areas include technology, life sciences, retail and renewable energy.
- Generous incentives to encourage inward investment.

### BUSINESS PRESENCE

- The main types of business structure in Scotland are sole trader, partnership, limited liability company and limited liability partnership (LLP).
- Other possible options for doing business in Scotland are joint venture, agency arrangement, limited partnership (LP), distribution arrangement, franchise agreement, setting up a branch.
- Quick, simple and inexpensive procedure for incorporating limited companies.

### FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- Generally, no restrictions imposed on foreign investment or foreign ownership.
- All investors with a connection to the UK must comply with the Bribery Act 2010.

### EXCHANGE CONTROL

- There are no restrictions on the repatriation of capital, profits, dividends, interest and rental income by foreign investors.

### TAXATION

- The Commissioners for Her Majesty's Revenue and Customs ("HMRC") deal with administering income tax, corporation tax, petroleum revenue tax, capital gains tax, inheritance tax, land and buildings transaction tax and stamp duties.

- The Commissioners for HMRC also administer VAT, car tax, customs duties and excise taxes on oil, tobacco, alcohol and gaming.
- A UK resident limited company is subject to corporation tax on all its profits, and chargeable gains that accrue to it.
- If a non-resident limited company has a permanent establishment in the UK it is taxed on income arising in the UK.
- Any tax payable may be mitigated by the provisions of any relevant double tax treaty between the UK and the relevant overseas country.
- The taxable profits of a limited company can be reduced by capital allowances, trading losses and group reliefs.

### TAX AND INVESTMENT INCENTIVES

- There are various grants and incentives provided by the Scottish Executive, Scottish Development International, local government and the EU.
- Scottish Development International is the key agency responsible for administering numerous business grant schemes that are available to assist businesses in locating in Scotland.
- Some of the special business grants available in Scotland cover research and development assistance and financial incentive schemes.
- R&D Tax Credits (administered by HMRC) offer very generous tax breaks to UK limited companies engaged in eligible research and development activities.
- European Community aid is often targeted at specific industries, but is available more generally through the European

Investment Bank in the form of low interest loans. The funding must be used within the EU, but it does not matter what country the borrower comes from.

## EMPLOYMENT LAW

- No visas or work permits needed if employees are from within the European Economic Area during the transition period relating to the UK's exit from the European Union.
- UK operates national minimum wage for workers aged under 25 years – from April 2019 the minimum wage is £7.70 per hour (less for employees under 21).
- UK operates national living wage for workers aged 25 years or more - from April 2019 this is £8.21 per hour.
- Maximum 48-hour working week limit in place although employees can contract out.
- Employees are entitled to a minimum 28 days paid annual holidays (pro-rata for part-time workers).
- Employees are taxed on their income and also pay National Insurance (NI) contributions, a levy based on their salary which, amongst other things, pays employees their State Pension on retirement.
- An employer's contribution to NI varies according to bands based on the employee's salary up to a maximum of 13.8%.
- Employees are entitled to a statutory minimum period of notice of dismissal (essentially a week for every year worked up to a maximum of 12 weeks after 12 or more years of employment) except in cases of gross misconduct. Contracts of employment often impose greater notice periods.
- All employees starting a new job on or after 6 April 2012 have statutory protection against unfair dismissal after two years of employment.
- There are strict employment laws prohibiting discrimination on various grounds, including age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including ethnic or national origin, nationality and colour), religion or belief, sex and sexual orientation.

## INTELLECTUAL PROPERTY

- Copyright is an automatic right, which does not need to be registered, and is a right that protects creative or artistic works such as literature, art and music.
- Trademarks can be registered both in the UK or EU to protect a logo or mark that can distinguish the goods and services of one trader from another and provides protection against third parties using the logo. The common law of "passing off" also protects the goodwill associated with a logo, mark or brand name.
- Design rights cover the outward appearance of a product. Design rights can be protected through a combination of unregistered design rights (which arise automatically), registered design rights (rights registered with the UK Intellectual Property Office) and copyright. It is possible to register a Registered Community Design, which protects a design in the EU.

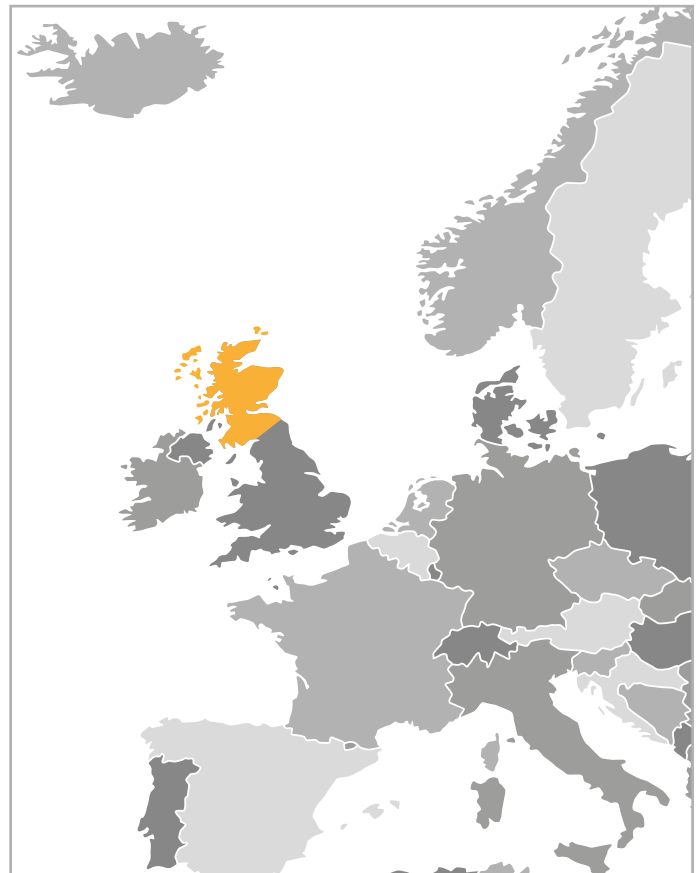
- Patents can be used to protect inventions that are new, inventive and capable of industrial application. Patents can be applied for in the UK, the EU or in individual countries worldwide. Once a patent is granted, it protects an invention from being used by others for a specific period of time.
- Confidentiality agreements or non-disclosure agreements should be considered prior to entering into any agreements with third parties or disclosing any IP rights.
- A combination of patents, trademarks, copyright and design rights may be required to provide methods of protection to intellectual property rights under Scottish law.

## DISPUTE RESOLUTION

- When commercial rights are to be protected or enforced, there are a number of options to achieve the required outcome and businesses can rely on Scotland's internationally respected court system and legal profession to resolve matters. Dispute resolution options include litigation, arbitration and mediation

## IMMIGRATION PROCEDURES

- Certain immigration procedures are in place for non-European nationals.
- Useful website: [ukba.homeoffice.gov.uk](http://ukba.homeoffice.gov.uk).





## SERBIA

- Republic of Serbia is located in Southeast Europe (Balkan peninsula) with an area of 88,361 km<sup>2</sup>.
- The climate is temperate continental, with gradual transition between the four seasons of the year, warm summers and snowy winters
- Considered the crossroads of Europe it is located on the most important routes linking Europe and Asia, the intersection of Pan-European Corridors 7 (river Danube) and 10 (the international highway and railroad).
- Parliamentary Republic. The National Assembly is a unicameral assembly of 250 members chosen in general elections for a period of four years. The president is elected via popular vote for a five-year term.
- The population of Serbia is approximately 7.12 million (excl. Kosovo).
- The ethnic structure is diverse – while the majority of the population is Serbian, approximately 1.1 million people belongs to 37 different ethnicities.
- The majority religion (more than 90%) is Christian Orthodox; there are also Roman Catholic, Protestant, Islamic and Jewish populations.
- The official language is Serbian. The official alphabet is Cyrillic, although the Latin alphabet is also commonly used. English is widely used, especially among younger

### SERBIAN COUNTRY PROFILE

- Serbia has a long and turbulent history wrought with conflict and struggle for independence. The most recent example was the war-torn 1990's which saw the collapse of communist Yugoslavia. The conflicts ended in 1999 NATO led air strikes that resulted to the introduction of UN administration in Kosovo and Metohija province, governed by the UN Security Council Resolution 1244. In 2008, Kosovo unilaterally declared independence from Serbia, which Serbia vehemently opposes to this day.
- Government prioritizes economic and social progress, focusing on modernization and transformation of public sector, digitalization, education and human rights, while accession to the European Union remains a top priority in foreign policy of Serbia, who has been official EU candidate as of 2012.
- To this day, Serbia entered into a Stabilization and Association Agreement with EU and opened a total of 14 negotiation chapters, with two chapters being opened only temporarily. The two most significant commitments that our country has taken over with the signing of this Agreement are to establish a free trade zone and align domestic legislation with the EU
- The Parliament is the supreme legislator. Certain bodies with executive powers, such as the government and ministries, are competent to pass decrees and by-laws in specific areas. Decrees and by-laws must be in compliance with parliamentary legislation. Legislative acts, decrees and by-laws change frequently and come into force after publication in the Official Gazette of Republic of Serbia in fairly short period of time (vacation legis usually 8 days) unless it is necessary to leave additional time for implementation.
- The court system consists of the Constitutional Court, courts of general jurisdiction and courts of special jurisdiction. The courts of general jurisdiction are: basic courts, higher courts, appeal courts, and the Supreme Cassation Court. The courts of specific jurisdiction are: commercial courts, Commercial Appeal Court, misdemeanor courts, Higher Misdemeanor Court and Administrative Court.
- Constitutional Court decides on constitutionality and legality of laws and bylaws, and protects human and minority rights and freedoms.
- Basic courts are courts of first instance and are established to cover one or more municipalities. Higher courts are established to cover the territory of one or more basic courts and are also courts of first instance, while in limited numbers of cases they act as courts of second instance to basic courts.

### LEGAL FRAMEWORK

- Serbia has a civil law system, meaning the courts interpret legislation rather than being bound by preceding rulings on the issue
- Commercial courts adjudicate commercial matters, with the Commercial Appeal Court being the second instance court for these matters. Appeal courts are second instance courts

to both basic and higher courts (except in limited number of cases when higher courts act as second instance courts to basic courts), Supreme Cassation Court is the highest court in Serbia and is competent to decide on extraordinary judiciary remedies and conflicts of jurisdiction.

- Misdemeanor courts are second instance courts for misdemeanors ruled by state authorities in first instance, as well as first instance courts for misdemeanors for which state authorities are not competent in the first instance. Administrative Court is competent for adjudicating in administrative disputes. Since in certain cases it may take several years to receive a final judgement, many business entities opt for arbitration, providing for it in their contracts.
- There are Permanent Arbitration at the Serbian Chamber of Commerce in Belgrade and Belgrade Arbitration Centre which judgements are final. Specific rules of procedure can be agreed between the parties and specialist arbitrators can be chosen. The United Nations Commission on International Trade Law (UNCITRAL) book of rules may be applied. If the parties agree, labor disputes can be administered by arbitrator determined by Republic Agency for Peaceful Settlement of Labor Disputes

## BUSINESS ENVIRONMENT

- Serbia is considered an upper-middle income economy by the International Monetary Fund, with estimate of GDP for 2018 at USD 50.14bn (USD 7.2 thousand per capita). GDP growth rate in fourth quarter of 2018 was 3.4% compared to the same period last year. Since the political reforms of 2000, the country has experienced good economic growth that was somewhat interrupted by economic crisis in 2008, and it is currently in the process of accession to the European Union.
- Serbian official currency is Dinar (RSD). Average exchange rates in 2019 were 1 EUR = RSD117.5972 and 1 USD = RSD 104.1052, according to the National Bank of Serbia (NBS).
- In Serbia all means of transportation are present. The total length of roads is 45,013 km. Railway network enables cost effective transportation thanks to good connections with all major European destinations through the Pan European Corridor 10. There are two major commercial airports in Serbia: Belgrade Nikola Tesla Airport and Nis Constantine the Great Airport. Serbian rivers belong to the basins of the Black, Adriatic and Aegean Seas. Three of them, the Danube, Sava and Tisa, are navigable. The longest river is the Danube, which flows for 588 of its 2,857 km course through Serbia. Serbia does not have access to sea.
- Serbia's application for the WTO accession has been accepted. There is no information when Serbia will officially access the WTO.
- The Stabilization and Association Agreement and Interim Trade Agreement with the EU was signed in April 2008. Status of candidate was granted in March 2012. Serbia has opened 14 out of 35 chapters of the *acquis Communautaire*,
- Regional free trade agreement (CEFTA) was ratified by Serbia in 2007 thus creating a possibility for companies to place their goods customs free to a market of close to 30 million people.

- Serbia is the only European country that has signed free trade agreements with the EU, Russia, Belarus and Turkey Trade with US is pursued under Generalized System of Preferences (GSP). The GSP program provides preferential duty-free entry for more than 4,650 products,
- Serbia is a member of the Black Sea Economic Cooperation (BSEC).

## REGULATION FOR BUSINESS

- Since 2014 the Competition Commission has been gradually stepping up the enforcement effort, targeting both public as well as public enterprises. In terms of subjects of investigations, the Competition Commission has taken a varied approach, targeting both large enterprises (e.g. Serbian Railways, major international tobacco companies, the national electrical energy company) as well as groups of relatively smaller undertakings (e.g. distributors of electronic cigarettes, car dealers and distributors of products for babies and infants), for both alleged cartels and abuse of dominance.
- The important new trend in the Competition Commission's approach to implementation of national laws is the growing adherence to case law of the European Commission in competition protection matters. This also stems from the progress of the accession negotiations between Serbia and the EU, due to Serbia's obligation to harmonize its competition laws as well as enforcement practices with the approach of EU bodies.
- The Law on Consumer Protection (the LCP) is harmonized with European standards implementing 15 key European consumer protection directives with the aim to provide adequate consumer protection in Serbia.
- Most of the existing IP laws were enacted during the 2009 and are generally in compliance with the international conventions and EU standards. The set of IP laws regulates legal relations pertaining to the literary, scientific and artistic works, symbols, names and images used in commerce, computer programs, inventions and topographies of integrated circuits

## REAL ESTATE

- Construction—Law on Planning and Construction allows for private ownership over any type of construction land and for further transfer of ownership rights. It provides for automatic conversion of the right of use on state-owned developed construction land into ownership at no fee, with exception to the land currently or formerly held by companies that were subject to privatization, bankruptcy or enforcement laws. Law on Planning and Construction now allows building permit transfer together with a transfer of property rights over building/land. In order to build on the city construction land the one should acquire the right of use or the right of ownership (conversions from one to another is allowed). For the acquiring of the ownership there must be a contract signed (certified before competent public notary) with *Clausula Intabulandi*. In general, the legislation in Serbia recognizes three (3) types of land: (i) construction land, (ii) agricultural land and (iii) forest land. Converting of the agricultural land into construction land

is possible and has several phases that require the fulfilment of certain legal requirements.

- Construction licenses –Law on Planning and Construction prescribes that the construction may be performed by the one who is inscribed in relevant registry and who obtained a decree by which it has been confirmed that the one fulfils the conditions for performance of those types of construction works (i.e. license which is issued on 2 years period). A foreign company, which intends to enter into a works contract with the investor, has to incorporate a local presence in Serbia (at least in form of a branch office) and to obtain such license or to engage a subcontractor which has such license. Crucial conditions for the license obtaining are (i) engagement via labour agreement two engineers with their own personal licences and (ii) credentials/references for similar project in the country or Abroad.
- Law on Public Property –Law on Public Property regulates publicly-owned property (property owned by the state, the autonomous province and municipalities) i.e. how it is obtained, used and disposed. Foreign investor should take into account this special regime when targets a real estate to acquire.
- Legislation on denationalization–Law on Property Restitution and Compensation regulates terms, method and procedure for the restitution of and compensation for the property which was confiscated on the basis of nationalization acts.

## FOREIGN INVESTMENT

- Since January 2001, Serbia has shown a strong commitment to establishing a modern market economy and re-entering European and global markets. Serbia became a candidate country for EU accession in 2012, and it went through legal and economic reforms in all areas, aimed at ensuring legal security and harmonization with EU legislation and economic policies. The process of legal and economic reformation is ongoing until the full harmonization with EU *acquis Communautaire* is reached.
- The key institutions responsible for foreign investment regulations are the following: (i) Ministry of Foreign Affairs ([www.mfa.gov.rs](http://www.mfa.gov.rs)), (ii) Ministry of Finance ([www.mfin.gov.rs](http://www.mfin.gov.rs)), (iii) Ministry of Economy and Local Self-government ([www.privreda.gov.rs](http://www.privreda.gov.rs)), (iv) Ministry of Public Administration and Local Self-government ([www.mduls.gov.rs](http://www.mduls.gov.rs)), (v) Ministry of Trade, Tourism and Telecommunications ([www.mtt.gov.rs](http://www.mtt.gov.rs)), (vi) Serbian Development Agency ([www.ras.gov.rs](http://www.ras.gov.rs)), (vii) Serbian Chamber of Commerce and Industry ([www.pks.rs](http://www.pks.rs)), (viii) Commission for State Aid Control ([www.kkdp.gov.rs](http://www.kkdp.gov.rs)) and (ix) Commission for Protection of Competition ([www.kzk.org.rs](http://www.kzk.org.rs)).

## BANKING; FINANCE AND INSURANCE

- The Serbian banking system consists of the central bank i.e. the National Bank of Serbia (NBS), commercial banks and other financial organizations. The Law on Banks, and the corresponding by-laws of the NBS, regulate the founding process, organization, business activities and governing of commercial banks.

- Significant characteristics of the Law on Banks are: (i) strictly defined incorporation procedures, (ii) decisive role of the NBS, as a regulatory and supervising authority, (iii) corporate governance, (iv) supervision on consolidated basis, (v) merger control and (vi) risk management.
- At the mid-2017, by-laws related to the Law on Banks were adjusted to Basel III regulations. Said regulations should increase resilience of the banking sector by enhancing the quality of capital and increasing the efficiency in monitoring and controlling banks' exposure to liquidity risk.
- Following the global financial crisis, a major challenge for the banking sector in Serbia was a high-rate of Non-Performing Loans (NPLs). At the beginning of 2016, the NPL rates reached 22% of all loans provided on the market. Still, after adoption of NPL resolution strategy, the authorities had made important progress in resolving NPLs with the aggregate percentage of NPLs in total gross loans falling to 9.2%. Nevertheless, NPL market in Serbia is still dynamic and additional regulation easements related to the disposal on NPLs are expected in future.
- According to the data of the Statistical Office of the Republic of Serbia, y-o-y inflation remained stable and equaled 0.7% in May, in line with NBS expectations and close to the April level. In monthly terms, consumer prices in May edged down 0.2%, mostly due to the lower prices of petroleum products and transit procedure.
- Seasonally lower vegetable prices. Core inflation (CPI excluding the prices of food, energy, alcohol and cigarettes) was slightly lower than in April, measuring 1.3% y-o-y in May 2020. Under the NBS central projection, in the coming period y-o-y inflation will remain low and stable (<https://www.nbs.rs/internet/english/scripts/showContent.html?id=15579&konverzija=yes>)
- The Serbian insurance market remains relatively underdeveloped with undeveloped products such as life, health and real estate insurance. The total premium in the Serbian insurance market has reached over EUR 594 million in 2017. The predominant share i.e. 77.5% percent of total premium is held by non-life insurance. Premiums from life insurance have decreased from 23.2% percent in 2016 to 22.5% percent in 2017 reaching EUR 133.6 million.
- There are 16 registered leasing companies operating in the Serbian market, with total assets amounting to EUR 626 million. Foreign investors own seven financial lease companies directly or indirectly, while local owners own nine companies wholly or predominantly (of which eight companies are owned by domestic banks with foreign capital). Four major leasing companies comprised 60.6% percent of the total market at the end of Q1 2018.

## IMPORTING AND EXPORTING

- Serbian customs legislation is to the great extent harmonized with the EU customs legislation. The nomenclature of the customs tariff of Serbia is harmonized with the World Customs Organization's Harmonized System and the EU's Combined Nomenclature. Further, Serbia applies provisions of Article VII of

the General Agreement on Tariffs and Trade (GATT) and of the Agreement on the implementation of Article VII GATT related to determination of customs valuation.

- Serbia opened the Chapter 29-Customs Union in EU accession negotiations in June 2017. The main aim of the negotiation on Chapter 29 is full alignment of Serbian customs policy with EU customs policy in order to enter into the European customs union.

Following custom procedures are available in Serbia:

- **Release of goods for free circulation:** Release of goods for free circulation, foreign good et the status of domestic goods. Release of goods for free circulation triggers payment of important duties (VAT, customs duty, excise duty, etc) and application of trade policy measures.
- Custom duty is determined based on the following elements origin of goods, customs value of goods and customs tariff classification.
- **Transit-** This procedure include both, outwardand inward
- Outward transit procedure is movement of foreign goods between two point located in the same customs territory without payment of customs duties (or movement of domestic goods if it so necessary or the purpose of refund or release of customs debt).
- **Customs warehousing-** Customs warehousing procedure is used for placing the goods in the customs warehouse. The following goods can be placed in the customs warehouse:
- **Foreign goods-** while the goods are stored in the customs warehouse, import duties are not assessed and trade policy measures are not applied,
- **Domestic goods** that are intended for export, which, by being placed in the customs warehouse are subject to measures that are applicant on exportation of goods.
- **Inward processing relief-** Inward processing allows importation of foreign goods (raw materials or other goods) that will be processed within the Country and then re-exported with final effect of non-payment of customs duties and VAT.

## BUSINESS ENTITIES

- The legal status of business entities in Serbia is regulated by the Company Law which sets out detail provisions on legal forms of business entities, its corporate governance structure, minimum capital requirements, status changes (mergers, spin-offs), management, liquidation of companies etc.
- Foreign investors may establish a company in the form of: (i) associations of capital: Joint-Stock Company (a.d.), Limited Liability Company (d.o.o.) and (ii) Partnerships: General Partnerships (o.d.), Limited Partnerships (k.d)
- In addition to the above, a foreign company may set up a branch or representative office of a foreign company. In practice, foreign investors usually prefer to incorporate a limited liability company due to its simple form and easy incorporation

requirements. Its advantages include the capital increase, which may be made without supervision of the regulators, and minimum share capital which is less then EUR 1 (opposed to approx. EUR 27,000 for joint-stock company).

- General partnership may have two or more partners -legal entities or natural persons. There are no requirements for minimum/maximum contribution. Contribution can be made in money, assets and right, as well as in labor or services. All partners bears unlimited liability for partnership debts and obligations
- A limited Partnership may be founded by two or more legal entities and/or natural persons, out of which at least one (the general partner) bears unlimited liability for the obligations of the partnership, and at least one (the limited partner) bears liability for the obligations of the Partnership limited to the value of his/her equity. There are no requirements for minimum/maximum contribution. Contributions of a limited partner may be made in money, assets or rights, as well as in labour services.
- Serbian legal system recognizes no major restrictions as to the rights of foreign investors to form/enter into joint ventures or strategic partnerships. Namely, a foreign investor may freely establish a company together with a local entity or invest in a local company, without any limitations. The choice depends on the terms established by the contractual parties. Amount of investment and the percentage of share ownership should be set out in an Articles of Association.

## LABOUR RELATIONS AND SOCIAL SECURITY

- The Serbian labour force is skilled and well trained, particularly those under years of age. It is also still relatively inexpensive, although this is likely to change as salary expectations rise, especially with employers who are foreign investors.
- Labour Law regulates main rights, obligations and liabilities of employers and employees, prescribing minimum terms and conditions with this respect, It applies on all employment relations, except those in state institutions. Serbian legal framework in this field complies with EU standards and recommendation s of the International Labour Organization.
- Employment relations- employment is established by conducting the employment agreement which sets the rights and obligations of the employee and must be concluded in writing, before commencement of work. An employment agreement may be concluded either for indefinite period of time or for definite period of time (up to 24 months, except in specific cases prescribed by the Labor Law when employment for definite time last longer).
- Compulsory social insurance in Serbia covers pension and disability insurance, health insurance, and insurance for case of unemployment.

## ACCOUNTING AND AUDIT REQUIREMENTS

- In 2013 the Serbian Government adopted the Law on accounting and Law on auditing which replaced the earlier common Law on Accounting and Auditing. The Law on accounting is amended in 2018. Adopted amendment is related to the prohibition for criminal convicted legal entities and persons to be founders and owners of companies that are registered for providing accounting services.
- According to the Law, legal entities are obliged to apply the International Financial Reporting Standards (IFRS) and International Financial Reporting Standards for Small and Medium-sized entities (IFRS for SMEs) in preparing their financial statements. The application of these standards and accounting framework are prescribed by Decrees of the Minister of Finance and the Governor of the National Bank of Serbia for banks. The Decrees and the Law differ in some aspects from IFRS, resulting in some deviations of local accounting standards actually applied from IFRS as explained in section entitled Significant accounting differences between Serbian standards and IFRS below. This Law is applicable to: all legal entities, companies, NBS, banks and other financial institutions, pension funds, asset management companies for pension funds, investment fund, management companies for investment funds and leasing companies, entrepreneurs who keep accounting records, subsidiaries of Serbian companies abroad if the host country does not require them to keep accounting records, branches and representative offices of foreign legal entities in Serbia (unless stipulated otherwise in other regulation).
- Entities are obliged to perform inventory of assets and liabilities at the end of each financial year and to send a list of open invoices to its customers and reconcile balances with them. Any unreconciled balances should be disclosed in the notes to financial statements. The financial year for all entities ends 31 December.
- Serbian subsidiaries of foreign entities with a different financial year end may, with the permission of the Minister of Finance or the Governor of the National Bank of Serbia (for financial institutions), have a financial year end the same as to the year-end of the parent company

## TAX SYSTEM AND ADMINISTRATION

- Serbia's tax environment is competitive compared to other Central and Eastern European countries.
- Investors seeking room to reduce their overhead costs can take advantage of the numerous benefits, the following being the major ones:
- Favorable corporate income tax regime:
- 15% flat tax rate,
- 10 year tax holiday for qualifying investments,
- Double deduction of R&D expenses for tax purposes (excluding extractive industry),
- 80% of qualifying royalty income excluded from the tax base,

- 30% tax credit for the investments into newly established companies performing innovative activities,
- VAT and personal income tax among the lowest in Central and Eastern Europe,
- State subsidies for new employment (currently available up to the end of 2019).
- A legal entity (including branches and representative offices of foreign legal entities etc.) applies for a Tax Identification Number (TIN) at the moment of registration with the Serbian Business Register Agency. The application is forwarded by the Agency to the Tax Administration who is also in charge of issuing a TIN to individuals.
- Taxation of corporations in Serbia is regulated by the Corporate Income Tax ("CIT") Law (last amended December 2018) and by subordinate by-laws issued by the Ministry of Finance.
- A taxable entity includes a company, an enterprise or other legal entity established for the purposes of acquiring profit, a cooperative generating profit by selling goods or providing services, or other form of legal entity which generates income by sale of goods and services on the market.
- Serbian tax legislation does not recognize the concept of tax transparent entities.
- Serbian tax resident entities are taxed on their income
- generated on the territory of the Republic of Serbia, as well as on their worldwide income.
- An entity is considered a resident of Serbia if it is established or has its place of effective management and control in the territory of the Republic of Serbia.
- Non-residents are taxed only on their income sourced through a permanent establishment on the Serbian territory.
- A permanent establishment is any permanent place of business in Serbia through which a non-resident conducts its business. Profits attributable to the permanent establishment are subject to CIT. The CIT rate is 15%.
- The following types of income are exempt from CIT:
  - 1) Dividends and shares in profit of Serbian resident subsidiaries,
  - 2) Interest on bonds and other securities issued by Serbian Government, municipalities and National Bank of Serbia,
  - 3) Release of long-term provisions which were not tax deductible in previous tax periods.
- The following other expenses are recognized for CIT purposes only up to a certain limit:
  - Expenses for cultural purposes are tax-deductible up to 5% of total revenue,
  - Business entertainment expenses, up to 0.5% of total revenues,
  - Membership fees paid to chambers of commerce and other associations (except political parties), up to 0.1% of gross revenue.
- According to the CIT Law, if there is a possibility of control or influence over business decisions between two parties, such parties will be considered as related parties. It is considered that

there is a control in case of direct or indirect ownership of at least 25% of shares. Business decisions are subject to influence where an associated party holds at least 25% voting rights in the taxpayers' management bodies. If the same persons participate in management or control of both companies, a connection between the companies will be deemed to exist. Finally, close family members and legal entities which are residents of preferential jurisdiction (i.e. tax heavens) are also regarded as related parties of resident entities.

- The amount of tax payable should be computed in the tax return and CIT assessment form by adjusting accounting profit in accordance with CIT Law rules. Tax liability is computed by applying 15% CIT rate on the taxable profits calculated in the previously described way.
- Tax returns and CIT assessment forms including all necessary documents (e.g. tax depreciation, tax credit, thin cap and other forms) must be filed with the tax authorities within 180 days from end of the tax period. Transfer pricing documentation has to be filed together with the tax return.
- Corporate income tax is payable in advance in monthly instalments (based on previous year's tax return) by the 15th of the following month. The difference between monthly advance instalments paid during the year and final tax liability as determined in the tax return is payable on submission of the tax return.

## TAXATION OF INDIVIDUALS

- According to Serbian Personal Income Tax (PIT) Law, individuals are regarded as Serbian tax residents if they:
  - Have a domicile in Serbia, or have the center of their business and vital interests in Serbia, or
  - Have their habitual place of abode in Serbia (i.e. if they stay in Serbia at least 183 days, whether or not consecutively, within a period of 12 months beginning or ending in the respective taxation year), or
  - Are seconded abroad to carry on business there for diplomatic or consular departments of Serbia, international organizations, during the assignment period.
- Residents are taxable on their worldwide income, whereas non-residents are only liable to tax on Serbian sourced income.
- Types of taxable income and applicable PIT rates are as follows:
  - o Income from employment (10%),
  - o Income from agriculture and forestry (10%),
  - o Income from independent activity (10%),
  - o Income from copyright, rights related to copyright and industrial rights (20% rate with actual/standard costs deduction),
  - o Income from capital –interest, dividends (15 %);
  - o Income from immovable property (20% with actual/standard costs deduction),

- o Capital gains (15%),
- o Other income –sportsmen, games of chance, leasing of moveable property, etc. (20% with actual/standard costs deduction) with exception of revenue from personal insurance (tax rate is 15%).

## VALUE ADDED TAX

- Currently Serbia is undergoing process of harmonization of its VAT legislation with the EU rules. With this respect, number of changes have been recently adopted.
- VAT is a tax levied on supply of goods and services in Serbia and on importation of goods.
- Standard VAT rate is 20%.
- Reduced VAT rate of 10% applies on supply of certain goods and services that include, but are not limited, to the following: basic foods, supply of drinking water, natural gas, first-time transfer of residential property, teaching aids, tickets to cultural venue.
- VAT at the rate of 8% applies on acquisition of goods and services supplied by agricultural producers that are not registered for VAT.
- VAT Law prescribes that certain transactions are exempted from VAT (without right to deduct input VAT), as well as transactions that are zero-rated (exempt with right to deduct input VAT).
- Transaction that are exempt from VAT include, inter alia, financial and insurance transactions, transfer of land and buildings (except the first-time transfer of the right to use new buildings), healthcare services, etc.
- Supply of goods and services between the grantor of concession and concessionaire are not subject to VAT, under specific prescribed conditions.
- Under the general rule, the place of supply for services will depend on the tax status of the service recipient, i.e. whether it is considered as taxable person or non-taxable person from a VAT point of view.
- If the input tax amount is higher than the tax liability amount, the taxpayer is entitled to a refund of the difference. The taxpayer can choose to either receive the refund in cash or to have it offset against future liability.
- The tax authorities must pay the refund no later than 45 days (15 days for those who have the status of predominant exporter), starting from the day when VAT refund is claimed. In practice it happens that this deadline for refund is postponed and often VAT refund request triggers tax audit.
- Foreign taxpayer who does not supply any goods or services in Serbia (except in case of transportation services) has the right to VAT refund on purchases of goods and services in Serbia under certain conditions (inter alia VAT is stated on the invoice and paid, the amount requested for refund is greater than EUR 200).

- Starting from 1 January 2019, the foreign taxpayer will have the right to VAT refund even if it performs taxable supply of goods and services in the Republic to the Serbian VAT payer who assess VAT under reverse charge mechanism.





## SLOVAKIA

- One of the fastest-growing economies in the region, Slovakia earned nickname of “Tiger” of Central and Eastern Europe due to far-reaching economic reforms and considerable amount of foreign investments.
- High-income advanced economy with large selection of industrial land and offices for purchase or lease, harmonized investment incentives and high innovation potential for R&D projects.
- EU, Schengen area, UN, OECD, WTO Member with good access to both Western and Eastern markets.
- English is widely written and spoken for business. Proficiency in Russian is re-emerging.
- Currency: Euro
- Main industry sectors include car manufacturing and electrical engineering; Slovakia is the world’s largest producer of cars per capita since 2007.
- Best investment opportunities are currently observed in R&D, Design & Innovation, Technology centres, ICT & SW development, BPO - Regional headquarters, High-tech sectors and Tourism centres.

### BUSINESS PRESENCE

- Persons may do business as natural persons, on the basis of a trade license or via a branch office located in the Slovak Republic, or may participate in founding of a Slovak legal entity or become a shareholder or member of already existing Slovak legal entity.
- The most common vehicles for business activities are still Limited Liability Company and Joint Stock Company. The Slovak Commercial Code also enables to establish a corporate form called as “simple (or simplified) joint-stock company” which is usually used in the Slovak Republic for small /medium investment purposes. Moreover, the Slovak Commercial Code explicitly acknowledges standard legal concepts in corporate law such as (i) drag-along right, (ii) tag-along right and (iii) deadlock mechanism.
- Incorporation of companies is straightforward and may be completed within five (5) working days.
- The several significant changes of the Slovak Commercial Code and the Act on Commercial Register came into effect on October 1, 2020:
  - (i) petitions to the Commercial Register can be filed only electronically,
  - (ii) substantial changes in the liquidation procedure in order to make the liquidation more effective and transparent,
  - (iii) extension of scope of data registered with the Slovak Commercial Register: birth number and date of birth (or other identity number if birth number is not granted) of natural person (they will not be publicly available) at the position of shareholders, directors, liquidators, supervisory board members, proxies, or heads of foreign or domestic branches in Slovakia and entity

ID number of legal entity which is shareholder of LLC or sole stakeholder of Joint Stock Company must be registered (these additional data must be provided on the earlier of (i) September 30, 2022 or (ii) with the first filing of any changes with the Commercial Register made after September 30, 2021,

(iv) the respective court in cooperation with the Ministry of Justice shall delete from the Commercial Register:

- o natural persons,
- o enterprises and organizational units of enterprises of foreign natural persons,
- o persons who entered into liquidation before October 1, 2016 and are presumed to be insolvent,
- o entities who have not fulfilled the obligation to convert the nominal value of deposits and the nominal value of the registered capital from the Slovak currency to the euro according to special regulations until December 1, 2020,
- o enterprises of foreign legal entities, organizational units of enterprises of foreign legal entities, organizational units of enterprises of Slovak legal entities, which do not confirm data entered in the Commercial Register pursuant to a special legal regulation or propose a change in data entered in the Commercial Register pursuant to a special law until September 30, 2021;
- o it is not possible to register a restriction on the director’s authority to act on behalf of a company (a restricting a director’s ability to execute a transaction below certain value) and company which has such restriction registered will have to change it when filing the next application with the Commercial Register; however, not later than by September 30, 2021.

(v) a court will dissolve a company if a company fails to deposit its financial statement within six months after period provided by the law (within 9 months as of date of preparation of the financial statement).

## FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- Foreigners may acquire almost any real estate in Slovakia, also the agricultural and forest land the acquisition of which was restricted until 1 May 2014 (exceptions apply); nevertheless, legal persons incorporated in Slovakia are considered as Slovak entities irrespective of the nationality of effective owner.

## EXCHANGE CONTROL

- Being EU and WTO Member, Slovakia maintains as high degree of trade freedom as possible.
- No restrictions are imposed on import or export of capital; it should be however noted that as of 2013, the cash payments between entrepreneurs exceeding EUR 5,000.00 are not permitted (exceptions apply).
- Import and export of limited number of products (e.g. arms and other military materials) is subject to license.

## TAXATION

### Corporate Income Tax

- Income of legal entities with unlimited tax liability (those with registered office/place of effective management in Slovakia) and of legal entities with limited tax liability which have a permanent establishment in Slovakia is subject to a corporate income tax amounting to 21% of the entity's tax base less any tax losses incurred within four years preceding the tax period.
- The reduced corporate income tax rate amounting 15% applies for corporate taxpayers that achieve income (revenues) up to EUR 100,000.00 for the relevant tax period.
- Besides the tax losses, the amount of the tax base may be reduced by amounts of various deductible items and tax allowances

### Personal Income Tax

- Tax base not exceeding 176,8 times of applicable subsistence minimum (generally EUR 37,163.36) is subject to 19% tax rate; the exceeding part of the tax base is taxed at 25%.
- The tax rate 15 % shall apply in case of taxation of income from individual business activity (if the annual revenue does not exceed EUR 100,000.00)
- Tax base is reduced by amounts of various deductible items and tax allowances.

### Withholding Tax

- Income from sources originating in Slovakia, accrued by legal entities with limited tax liability, which have no permanent

establishment in Slovakia, is subject to withholding tax amounting to 19% of taxable income. The withholding tax is 35% provided the company is seated in country with no double tax treaty with Slovakia.

- Withholding tax of 19% is applicable to further categories of income of both taxpayers with unlimited and limited tax liability (e.g. interest and other income from funds on current accounts and deposit accounts), unless double tax treaty stipulates otherwise.
- The increased rate of withholding tax (35 %) shall apply to non-cooperating taxpayer. Non-cooperating taxpayer is a natural person who has not a permanent resident or a legal person who is not domiciled in the list of countries published on the website of the Ministry of Finance of the Slovak Republic ("the Ministry"). The Ministry shall include in this list a state with which the Slovak Republic has concluded an international agreement for the avoidance of double taxation or an international agreement on the exchange of information concerning taxes or a state which is a party to an international agreement containing provisions on the exchange of information for tax purposes.

### VAT

- All taxable persons with a registered office, place of business or a permanent establishment in Slovakia shall register for VAT purposes if their aggregate turnover for 12 preceding consecutive calendar months reached EUR 49,790.00. Registration of taxable persons with lower turnover is voluntary.
- Foreign entity supplying the goods into Slovakia by mailorder shall register for VAT purposes if the aggregate value of supplied goods prior to taxes reaches within a calendar year EUR 35,000.00.
- VAT applies to most items and services. Basic rate is 20% of the tax base, reduced rate amounting to 10% of the tax base applies to certain selected goods (e.g. pharmaceutical products, health-care products, books, food products, milk, butter, bread, meat).
- If a taxable person is required to apply for VAT registration due to turnover during the pandemic period (COVID-19) and do not submit the application by the 20th day of the calendar month following the month in which the turnover is achieved, the deadline for submission of VAT registration application will be waived under the condition that an application for registration is filed no later than the end of the calendar month following the end of the pandemic period.

### Local Taxes

- Real property tax, consisting of tax on plots and on buildings and apartments; the rates and the tax base of these taxes vary depending on municipalities' regulations.
- Charge for municipal waste is payable by persons that use a real property located in Slovakia; charge varies depending on municipalities' regulations.
- Road tax applies to all motor vehicles and trailers registered in Slovakia and used for the purpose of business activity; the rates vary depending on regulations of the self-governed regions.

### Consumption Taxes

- Consumption taxes apply on selected products (e.g. spirits, tobacco products, electricity, natural gas).
- In general, several measures in the area of tax have been adopted to help business to overcome to COVID-19 crisis, among others, prolongation of the deadlines for filing tax returns, possibility to offset certain tax losses carried, prolongation of deadline for tax registration, etc.

### TAX AND INVESTMENT AID

- Investment aid is provided to support the implementation of the investment plan in a) industrial production, b) technology centre, c) business services centre.
- Investment aid is provided in the form of subsidies for tangible fixed assets and intangible fixed assets, income tax relief, contribution to the new jobs or the transfer of immovable assets or the lease of immovable assets for lower price than value of immovable assets or value of rent for immovable assets stated by an expert opinion.
- Further, the Slovak government provides the support of investments also on the basis of Act No. 175/1999 Coll. on certain measures concerning the preparation of significant investments and on the amendment of certain laws.

### TEMPORARY PROTECTION OF ENTREPRENEURS

- The new regulation on temporary protection of entrepreneurs has been adopted due to COVID-19 crisis.
- The temporary protection of entrepreneurs creates a legal framework for providing protection to entrepreneurs operating the business that have their registered office or place of business in the Slovak Republic and are affected by the negative economic effects of the spread of disease COVID-19; however, it is not granted automatically and it should last until December 31, 2020.
- The entrepreneur applying for temporary protection must meet several legal conditions.
- Temporary protection measures include the following:
  - (i) protection against bankruptcy petitions,
  - (ii) possibility of postponing the obligation to file for bankruptcy,
  - (iii) suspension of executions started after March 12, 2020 (under certain conditions),
  - (iv) ban on: (a) commencing the exercise a pledge relating to the enterprise, property (assets), right or other assets belonging to the enterprise, (b) the set-off of a claim of related receivables, and (c) the termination of contracts by contractors due to a delay in performance by the entrepreneur under temporary protection related to COVID-19 and non-threatening contractors,
  - (v) prolongation of time limits for claims from contradictory legal actions and for the exercise of the rights against an entrepreneur under temporary protection, etc.

### EMPLOYMENT LAW

- Employment relationship is established by a written employment contract; other employment-like relations that are allowed, i.e. an agreement on performance of work (up to 350 hours per year), agreement on work (up to 10 hours per week), and agreement on student's work (only with student up to 20 hours per week).
  - Probationary period up to three months (six months for senior employees), during which the employment may be terminated with immediate effect and without any reason (exceptions apply, e.g. pregnant woman), may be agreed upon.
  - Employment for definitive time may be agreed upon only up to two years (may be extended or repeatedly agreed no more than twice within a period of two years).
  - Termination of employment by the employer must be reasoned; only specified reasons are legally feasible.
  - If the employment is terminated due to dissolution or transfer of employer or employee's redundancy, the employee is entitled to severance payment amounting to one to five times of average salary depending on duration of employment and way of termination of employment.
  - Employees are entitled to four weeks of paid vacation per calendar year (five weeks from 33 years of age).
  - Regular working hours may not exceed 40 hours per week, for employee working in two-shift operation the working hours may not exceed 38 ¾ hours and for employee working in three shift operation 37 ½ hours per week.
  - Average weekly working hours, including overtime work may not exceed 48 hours during four months.
  - Employee may not perform overtime work exceeding 400 hours per calendar year.
  - Minimum wage as of 1 January 2020 is EUR 580.00 per month or EUR 3.333 per hour.
  - Due to COVID-19, the amendment to the Labour Code has been adopted which bring several changes, inter alia:
    - (i) performance of work from the employee's home should be possible if the nature of the work allows it;
    - (ii) employer is obliged to inform employee on the distribution of working time at least two days in advance, unless they agree on a shorter period, with the validity for at least one week,
    - (iii) employer is obliged to excuse absence of employee at the work during a serious personal obstacle to work, such as quarantine and isolation.
- The government of the Slovak Republic has adopted certain measures in so - called the "First Aid" project to support the maintenance of employment at the time of the declaration of an emergency, state of emergency or emergency and the elimination of its consequences.

## INTELLECTUAL PROPERTY RIGHTS

- Protection of trademarks, patents, utility models and/or industrial designs requires registration with the Industrial Property Office.
- Registration of trademarks is valid for 10 years and is renewable upon request to be submitted within the last year of the duration of registration.
- Literary, musical and other artistic works are protected by copyright.
- Trade secret and trade name is protected under the Commercial Code and does not require special registration.

## DISPUTE RESOLUTION

- The judicial system in the Slovak Republic consists of three levels of courts: District courts, Regional Courts and Supreme Court. Generally, District courts serve as first instance courts and Regional courts as appellate courts. Supreme Court has jurisdiction in third instance if such review is admissible.
- Above all, Constitutional Court addresses violations of human rights and freedoms as well as violations of the Constitution.
- Arbitration is used mainly to resolve commercial disputes provided that the arbitration clause has been agreed upon by parties to the contract. Arbitration is also available for civil disputes, but is rarely used due to higher costs.
- Mediation is available and supported by legislation; however, not commonly used.

## IMMIGRATION PROCEDURES

- Slovakia is EU Member State and part of the Schengen area thus the EU rules on free movement of workers and EU visa policy apply.
- There are no restrictions or particular requirements on entry and residency of EU citizens not exceeding three months (besides notification duty); in case of longer residency, residency registration duty applies and competent authorities might verify the purpose of residency (e.g. employment, business activities, education, etc.).
- Citizens of third countries with visa-free regime may stay in Slovakia without visa for a maximum period of 90 days within a half year. Citizens of third countries with visa regime must obtain either Schengen or National visa for entry and short-term stay for a maximum period of 90 days.
- For a stay longer than 90 days within a six-month period, a temporary residence permit is required. Workers with higher professional or university education might apply for EU Blue Card which integrates temporary residency and working permit.





## SPAIN

- Spain is a strategically located country in Southwestern Europe.
- The Canary Islands and autonomous cities of Ceuta and Melilla are part of the Kingdom of Spain.
- The main cities are Madrid (the capital) and Barcelona.
- Spanish is the official language while English is the most common business language for international affairs.
- Currency: Euro (€)
- New investment growth areas like International Trade and Research & Development industry have been added to the traditional leading sectors such as the Tourism and food industry.

### BUSINESS PRESENCE

#### Main Types of Companies

- Companies with a share capital. The regulation for capital companies is the Royal Decree Act 1/2010, of July 2nd, on capital companies.
  - Public limited company ("Sociedad Anónima" or "S.A."). This is the most common type of company, used for investments in major projects. Its characteristics are:
    - The capital is divided into shares ("acciones").
    - The liability of the shareholders is limited to their share capital contribution.
    - The minimum share capital is €60,000.
  - Private limited liability company ("Sociedad de Responsabilidad Limitada" or "S.L.") is the most advisable form for a small or medium sized business:
    - The minimum share capital is €3,000.
    - The liability of the shareholders is limited to the share capital contribution.
    - The incorporation of a private limited liability company is possible within 24–48 hours, if certain requirements are met.
  - Employee-owned companies. These include Labour Companies, that can be either S.A. or S.L., both of which are governed by Act 44/2015 of October 14th, and Co-operatives, governed by Act 27/1999, of July 16th. Depending on their geographical area of business, Cooperatives might be subject to specific regional regulations.

#### Formation of Branches

- Non-resident entities in Spain may carry out transactions through a branch (i.e., an organisation, without separate legal personality, dependant on its parent company located abroad).
- As a rule, the requirements, procedural formalities, accounting and initial costs for a branch are very similar

to those for the incorporation of a subsidiary, and the tax position of a branch is analogous to that of a Spanish company.

#### Steps for the Establishment of A Company

- Obtaining a tax identification number for foreigners (N.I.F./N.I.E.), for each of the shareholders and administrators of the company (either if they are companies or individuals).
- Obtaining a certificate issued by the Central Commercial Registry confirming that there is no other company with a name identical or similar to the one intended to be used.
- Prior declaration of the projected investment to the General Directorate of Trade and Investment for those cases in which it is necessary by virtue of the legislation on direct investment.
- Execution of a notarised public incorporation deed.
- Declaration of the foreign investment to the General Directorate mentioned above within one month following the execution of the notarised public incorporation deed.
- Obtaining a tax identification number (N.I.F.) for the newly incorporated company.
- Declaration of the incorporation before the municipal tax authority. Registration with the Commercial Registry.
- Compliance with labour and tax law formalities

### FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

#### Regulations and Systems Applicable to Foreign Investment

- Foreign investment in Spain is currently regulated by Royal Decree 664/1999, of April 23rd, on foreign investments, by Act 19/2003, of July 4th, on economic transactions with foreign countries and by Act 10/2010, of April 28th, on money laundering prevention.

#### Foreign Investments In Spain May Be Carried Out Through:

- Holding companies.
- The setting up of a branch and the increase of its capital contribution, if any.

- The subscription to, and the acquisition of, trading securities in representation of debenture bonds issued by residents.
- The participation in investment funds.
- The acquisition of real estate in Spain.
- The incorporation, formalization, or participation in silent partnerships, foundations and economic interest groupings, cooperatives, and joint ownerships.

## Restriction On Foreign Investment

- Foreign investment in Spain is deregulated. However deregulation may be suspended under the following circumstances:
  - In the event that the investments affect or may affect activities related to the exercise of public power, public order, security, and public health. In this case, it is necessary to request prior administrative authorization.
  - Activities directly related to national defense require prior administrative authorization. In addition, they are subject to special conditions.
  - There are also special conditions that affect foreign investment in Spain in, among others, matters of air transport, radio, minerals, mineral raw materials of strategic interest and mining rights, television, gambling, and media.

## Investment Incentives, Approvals and Licensing

- Foreign investments in Spain have regional incentives and EU incentives that need to be considered.
- Licenses are required for the running of some business activities.

## EXCHANGE CONTROL

- Act 40/1979, of December 10th, on Exchange Control, as amended by Act 19/2003, of July 4th.
- As a rule, there is no restriction on repatriation of capital, profits, dividends, interest, and rental income by foreign investors.
- Spanish exchange control legislation has been progressively liberalized, and exchange control is not an obstacle to doing business in Spain

## TAXATION

### Corporate Tax

- Resident entities are liable to tax on the total income and capital gains obtained, irrespective of the place where they were earned.
- Resident companies are generally taxed at a rate of 25%. Companies with certain type of business are taxed with other rates (30%, 20%, 10%, 1%, and 0%).
- Certain capital movements must be reported.
- Newly created companies which perform an economic activity will benefit of 15% tax rate during the first year with profits and the following year.
- Spain has in force many agreements on tax matters with other countries in order to avoid double taxation.

### Personal Income Tax

- Personal income tax distinguishes two kinds of income: general income and savings income. Saving income includes, amongst others, dividends, interest and capital gains arising on transmission. The tax rates are the following:
  - General income: 19% to 45%. In certain Spanish regions, the maximum tax rate will be close to 50%.
  - Savings income: 19% to 23%.
- Meeting certain requirements, employees transferred to Spain who acquire tax residence in Spain as a result of such transfer may opt to pay non-resident income tax for the year in which the change of residence occurs and the five following years.
- The tax rate applicable to earned income by virtue of said regime shall be 24% to the first €600,000 and 45% to the rest.

### Value Added Tax

- VAT is harmonized with the EU directive and consistent with the laws of EU countries. The VAT General Tax rate is 21%, although there exists reduced tax rates of 4% and 10% for specific supply of goods and rendering of services.
- Canary Islands are not considered EU territory for VAT purposes. A specific consumer tax applies to that territory known as IGIC (Impuesto General Indirecto Canario).

## TAX AND INVESTMENT INCENTIVES

- General: certain investment incentives are in force to stimulate activities such as, among others: Research and development activities; technological innovation; and film production.
- Tax regime for entities holding foreign securities (ETVE regime):
  - The main advantage of this regime, apart from the "participation exemption", is that there is an exemption for non-residents for the income derived from the shares of the ETVE.
  - In order to qualify as an ETVE, the entity's business purpose must include the supervision and management of securities issued by companies' non-resident in Spain, throughout the correspondent organization of human and material resources.
  - Combining these benefits with EU directives and the large number of double tax agreements in force makes Spain an excellent option for international investors
- Merger and Acquisition of business
  - A benefiting tax regime exists for those operations with valid economic reasons, under which income derived from such operations is not included in the base for Corporate Tax purposes, being the income deferred instead.
- Residence visa and authorization for investors
  - Non-EU residents who make a significant economic financial investment may apply for a residence visa and authorization for investors. Among others, the following events are treated as a significant economic capital investment:

- Investment in Spanish public debt for value of €2,000,000 or higher.
- Investment in real estate assets in Spain for value of €500,000 or higher for each applicant. – Purchase shares of Spanish companies with an actual business activity for value of €1,000,000 or higher.
- Investment of €1,000,000 or higher in investment funds incorporated in Spain.
- €1,000,000 or higher of bank deposits at Spanish bank institutions.
- Individuals can obtain a residence visa and authorization for investors if the significant economic capital investment is made by a company based in a territory which is not considered a tax haven according to Spanish legislation.

## EMPLOYMENT LAW/CONTRACTS OF EMPLOYMENT/SOCIAL SECURITY

- Labour relations in Spain are basically governed by the Employees' Statute ("Estatuto de los Trabajadores") and by the collective agreements. There are sectorial collective agreements, which are negotiated between Trade Associations and Trade Unions, and company collective agreements, which are negotiated between the company and the employees' representatives.
- According to the Employees' Statute, the maximum duration of an ordinary working week is 40 hours of effective work on average on a yearly basis. Likewise, the maximum working hours per ordinary day are 9. The employer can distribute irregularly the 10% of the annual working hours, though there must be a rest period of at least 12 hours between one working day and another.
- The minimum wage is fixed yearly by the government and for year 2020 amounts to €13,300 per year, €950 per month (in 14 instalments) and €31.66 per day.
- The employees are entitled to at least two months extra pay per year or they may divide the annual salary into 12 instalments provided that there is an individual or collective agreement.
- According to the Employees' Statute, the annual holiday entitlement is 30 calendar days per year.
- In the case of a dismissal that has been declared unfair, the employer must pay a compensation equivalent to the sum of 45 days of pay, per year of service till February 12th, 2012, and 33 days of pay, per year of service from February 12th, 2012 onwards. Though there are different limits, the standard one is 24 months' salary.
- In the contract termination by objective circumstances set out in the Employee's Statute, the compensation is equivalent to 20 days' pay per year of service, up to a maximum of 12 months' salary.
- Social security contributions are paid partly by the employer (approximately 30%) and partly by the employee approximately 6.35% of the employee's monthly wage). The monthly wage to be considered as a basis for the calculation of these percentages is limited to €4,070.10.

## INTELLECTUAL PROPERTY

- Spanish intellectual property legislation is consistent with the intellectual property laws of other EU member states and provides adequate protection to both local and foreign investors.
- Intellectual Property refers to creations of the mind: inventions; literary and artistic works; and symbols, names, and images used in commerce. Intellectual property is divided into two categories:
  - o Industrial Property includes patents and utility models for inventions, trademarks and trade names (distinctive signs), industrial designs, and topographies of semiconductor products.
  - o Copyright covers literary works, films, music, artistic works, computer software, and architectural design. Rights related to copyright include those of performing artists in their performances, producers of phonograms in their recordings, and broadcasters in their radio and television programs. So Spain also complies with copyright protection and other similar rights.
- Spain is a signatory to the Paris convention, the Berne Convention, and the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). Spain is a member

## DISPUTE RESOLUTION

- Act 6/1985, of July 1st, ("Ley Orgánica del Poder Judicial") regulates the constitution, functioning, and governance of courts and tribunals in Spain.
- The state is organized on a territorial basis into municipalities, judicial districts, provinces, and autonomous communities, in which the Justices of Peace, Lower Courts, Violence against Women Courts, Administrative Courts, Labor Courts, Criminal Courts, Appeal Courts, and Higher Courts of Justice have jurisdiction. The Supreme Court and the National High Court ("Audiencia Nacional") have jurisdiction over the entire national territory.
- Act 1/2000, of January 7th, of the Spanish Civil Procedure came into force on January 8th, 2001. This law (as amended from time to time) sets the predominance of the oral proceeding in the Civil Procedure, what, among other things, reduces the average length of proceeding from two and a half years to twelve to fifteen months.
- Settlement of disputes by means of arbitration is allowed under Act 60/2003, of December 23rd, on arbitration, as amended by Act 11/2011, of May 20th, as Spain is a party to the New York Convention on the Recognition and Enforcement on Foreign Arbitral Awards of June 10th, 1958. Finally, mediation is also available for civil and commercial law disputes, and is well developed under Act 5/2012, of July 6th.
- Commercial Courts have been established so that specialized Judges solve commercial disputes.
- Outcome of arbitration proceedings (the arbitral award —"Laudo Arbitral") is recognized and enforceable by the Courts.

- + Agreements entered into as a result of mediation proceedings are also enforceable by the Courts, provided that they are formalized on a notarized public deed, unless a judicial proceeding between the parties has already started.





## SWEDEN

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- Sweden is a Nordic country located on the Scandinavian Peninsula in Northern Europe. Sweden borders with Norway and Finland and is connected to Denmark by a bridge-tunnel across the Öresund.
- Sweden is a constitutional monarchy with a parliamentary democracy of government.
- Sweden's capital is Stockholm.
- Sweden is the third largest country in the European Union by area, with a total population of about 9.7 million.
- Member of the EU since 1995.
- Currency: Krona (SEK)
- The official language of Sweden is Swedish. English is widely spoken. There are also five official minority languages: Finnish, Sami, Romani, Yiddish, and Meänkieli (Tornedal Finnish).
- Religion: Lutheran 87%, other (includes Roman Catholic, Orthodox, Baptist, Muslim, Jewish and Buddhist) 13%.
- Sweden is a wealthy country by international standards. The primary sectors – agriculture, forestry and fishing – have declined during the last decade and now play a minor role in the economy. Manufacturing, mining, utilities, construction Telecom, IT and services are more important.

## BUSINESS PRESENCE

- Business can be started as sole trader (enskild närings-idkare), through a joint stock company (aktiebolag), trading partnership (handelsbolag) or an economic association (ekonomisk förening)
- The joint stock company (aktiebolag – AB), which can be public or private, is the organisational form recommended by local banks and government authorities. It is also possible to set up a European Company (Societas Europea – SE). An SE is subject to the laws of the country where it is registered.
- Forms to set up a company are available on the Companies Registration Office (Bolagsverket) website, and if you have a Swedish personal identity number, you can use an e-identification to make the registration over the internet.
- All new businesses must register with the Swedish Tax Agency to apply for F-tax approval and VAT registration if their products or services qualify, and/or as an employer for PAYE - social insurance registration. All ABs must issue annual reports, which they must file with the registration office no later than six months after the end of the fiscal year. Penalties may be imposed for late filings. When a company is formed, its share capital is checked closely to prevent tax evasion and complies with the Anti-Money laundering Act.
- Cash contributions to capital must be paid into a special bank account, and the attesting bank document is presented when the firm is registered. The minimum share capital for a private AB is 25.000 Swedish kronor.
- A document from an authorized accountant is required for shares or new issues paid for in property other than cash, so called capital contribution in kind. An authorized accountant must review the books of an AB. Exceptions apply for smaller firms which do not exceed two of the following criteria in both of the two most recent financial years (same both years):
  - o more than 3 employees (as an average)
  - o a balance sheet total of more than 1.5 million Swedish kronor
  - o a net turnover of more than 3 million Swedish kronor.
- Swedish statutes require that all business maintain books and retain accounting materials for 7 years. It is not necessary to follow the calendar year for accounting purposes.
- Large listed and unlisted entities (with more than 250 employees or a balance sheet of total 175 Swedish kronor or a turnover of net 350 million Swedish kronor have to issue sustainability reports in their annual reports according to the Swedish Annual Accounts Act.
- In all firms (AB) employing at least 25 persons, the employees by decision of a local union have a right to appoint two employee representatives and two substitutes to the board of directors (if the firm runs business in different areas and the amount of employees has been 1000, the appointment right increases to three) , the latter to be trained by the company if employees so demand. Where the committee fails to satisfy employees' requirements on information and control, they may appoint someone from their ranks to be an

employee consultant. The committee and the consultant have full access to accounts and company affairs, and they may require management to make investigations and forecasts. The information obtained may be passed on only to the works council and employee board representatives.

- Firms may go before the Labor Court to claim damages for any breach of confidence by employee representatives.
- As a foreign citizen and starting your own business in Sweden, the rules that apply vary depending on whether you are an EU/EEA citizen or a citizen of a non-EU/EEA country.
- Everyone in Sweden registered in the Swedish population register has been assigned a unique personal identity number, which indicates the person's date of birth and other information.
- If you are not or have not previously been registered in the Swedish population register you can instead obtain a coordination number from the Swedish Tax Agency. The coordination number is a temporary personal identity number that you will need, for example, when you apply for F-tax registration.
- Private individuals moving from abroad planned for living in Sweden for one year or more have to apply for registration in the Swedish Population Register at a Tax Office where the individual by identity-proving can obtain a Swedish identity card, which entitles the individual to get an e-identification.

## FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- Foreign investors are generally treated the same as Swedish investors. However, some restrictions apply to foreign ownership of companies involved in producing defense material and in other sensitive areas.
- Non-Swedish businesses are expected to adopt Swedish rules and practices, including the annual submission of company accounts, employee representation on the board of directors and local labor co-determination (i.e., participation by workers in company management).
- Sweden has open markets in sectors particularly attractive to foreign investors, including energy, telecommunications and public transport, and, to a degree, healthcare.
- Subject to certain reporting requirements, foreign companies are free to make direct investments in Sweden and in Swedish property without prior approval from the central bank. No approval is necessary from the Competition Authority to establish a subsidiary company in Sweden.
- Companies setting up in Sweden with foreign capital must notify the central bank for statistical purposes.
- Companies operating in Sweden have access to all EU investment incentives. There is no discrimination between Swedish and foreign-owned firms regarding access to Swedish incentive schemes. Investors must partially or wholly repay aid if grant conditions are not satisfied.
- Procedures for making a new investment in Sweden are straightforward. A local commercial bank, law or accounting

firm can handle the formalities. The bank will also require documentation regarding the origins of the capital in compliance with the Anti-Money Laundering Act.

- Establishing a new company can take a week to several months, depending on the type of company and its complexity. Although commercial banks may approve applications for capital transfers into Sweden, approval also must be obtained from the Swedish Companies Registration Office for listing a new corporation and from the Companies and Registration Office if more than half the board members or the company's managing director and deputy are not residents of the EEA.
- Changes in corporate management (board members, or their deputies or so called special company signatories) are generally effective upon receipt of notification by the registration office. Acquisitions of Swedish companies sometimes require the approval of the Swedish Competition Authority

## EXCHANGE CONTROL

- Sweden does not impose any exchange controls, although there are certain reporting requirements. For example, companies based in Sweden that remit or borrow cross-border funds must report their transactions to the local tax authorities, and occasionally to the central bank for tax and statistical purposes. The bank handling the transaction must file a statement of income document for currency transactions of SEK 150,000 or more. This statement is forwarded to the tax authorities.
- Foreigners may invest in Swedish bonds and krona-denominated money market instruments, and they may hold interest-bearing krona deposits in Swedish banks. Bonds and krona-denominated instruments must be deposited with an authorized bank or a central bank-approved stockbrokerage firm.
- Swedish companies and individuals may invest in foreign securities, bonds and Treasury bills (again, as long as these are deposited or registered with an authorized institution). They may acquire an unlimited amount of real property abroad. All payments and securities transactions for foreigners and Swedes must be handled through a securities firm that have been authorized according to the Securities Market Act to conduct securities business. Foreign companies with a branch in Sweden can also be authorized to conduct securities business in Sweden

## TAXATION

- Sweden imposes a broad range of taxes, including corporate income tax, VAT and social taxes paid by employers, along with a variety of environmental taxes aimed at companies. There is no branch tax, excess profits or alternative minimum tax.
- Advance rulings are available from the Swedish National Board on Advance Rulings on the tax consequences of proposed transactions.
- The corporate income tax rate is a flat 21,4% at present and 20,6% for fiscal years commencing after 31 December 2020, with no local or industry variations. However, companies in specific regions in Sweden, inter alia, the northern parts are to

a certain extent entitled to a reduction of the payroll tax base. Swedish companies are taxed on their worldwide income, subject to provisions of tax treaties.

- Companies are resident in Sweden if they have been incorporated in accordance with the Swedish Companies Act.
- Non-resident companies are taxed on Swedish-source income, e.g., income attributable to a Swedish permanent establishment and real estate.
- Tax is levied on the worldwide corporate income, less expenses related to the earning of income. Certain exceptions are domestic and foreign-source dividends and capital gains on business related shares under the Swedish participation exemption regime. If a Swedish company markets abroad directly or through a branch office, the foreign profits are subject to Swedish tax.
- Tax treaties generally eliminate double taxation. Where a treaty does not exist, however, a Swedish company may claim a credit against Swedish national income tax for comparable taxes paid abroad.
- Under the Swedish participation exemption, no withholding tax (kupongskatt) is imposed on dividend distributions to a resident or foreign company on business-related shares if A) The foreign company is taxed in its country of residence and the taxation is similar to the Swedish company taxation; or B) The foreign company is resident and liable to tax in a state with which Sweden has concluded a tax treaty.
- The participation exemption rules provide that the shares in the company paying the dividend must be unlisted or, if listed, the shares held by the company receiving the dividend must represent 10% or more of the total number of votes for the company and be held for at least 12 months at the time the distribution is made.
- Sweden has an extensive tax treaty network, with most treaties following the OECD model treaty. The treaties generally provide for relief from double taxation on all types of income, limit the taxation by one country of companies resident in the other and protect companies resident in one country from discriminatory taxation in the other. The treaties also generally contain OECD compliant exchange of information provisions.
- Sweden is also a signatory to the Nordic Income and Capital Tax Treaty (along with Denmark, the Faroe Islands, Finland, Iceland and Norway).

## TAX AND INVESTMENT INCENTIVES

- Residents are taxed on worldwide income, with some exceptions for foreign-source income covered by double taxation agreements.
- All earned and unearned income is taxed separately and not by married couple, although returns are correlated by cross referencing personal security numbers.
- Foreign experts, scientists and executives who work temporarily in Sweden and who are resident in Sweden for tax purposes may benefit from a special tax regime.

- An individual qualifying for such tax relief is entitled to a 25% reduction of taxable income for the first three years of employment. Accordingly, the employer will receive a 25% reduction in the basis for calculating social security contributions. Furthermore, the reimbursement of expenses related to the assignment in Sweden for moving to and from Sweden, travels to the home country (a maximum two per calendar year and person) and school fees for children are exempt from taxation.
- The legislation applies to foreign experts, scientists and other key personnel if the work involves expert assignments at a position or competence level that would be difficult to recruit within Sweden and for qualified research or development assignments for a position or competence level that would be difficult to recruit within Sweden

## EMPLOYMENT LAW

- Swedish law does not mandate a minimum wage.
- Voluntary fringe benefits, which are well developed in Swedish companies (and usually negotiated collectively), include subsidised canteen meals, work clothes, occupational health and medical services, recreational facilities, company cars and mobile phones. Most traditional fringe benefits are taxed, including loans, use of a company car (even when leased), housing, telephone, insurance, spouse's travel on overseas trips, holiday bonus, profit sharing and end-of-year gratuity or bonus (paid by one-third of major companies).
- There is no fixed retirement age in Sweden. Employees may decide to retire between the age of 61 and the age of 68. Employees can also delay their retirement after the age of 68 but only with the consent of the employer. From 2023 the retirement age is planned to be 69.
- All employees are entitled to 25 days of vacation per year, even in the first year of a new job or if working part-time. An agreement stipulating a shorter holiday is not valid.
- Collectively, parents are entitled to parental leave of 480 days per child, including 90 days specifically allocated to each parent. The remaining 300 days may be divided between the parents at their discretion. During the parental leave, the parent is entitled to a parent allowance from the Social Security Agency.
- There are two types of dismissal under Swedish labor law: ordinary dismissal with due notice and summary dismissal without notice. The differences concern the reasons/grounds for dismissal and dismissal protection.
- All dismissals must be in writing and meet certain other requirements.
- Unions have a strong position in Sweden. Employees are commonly unionized and collective agreements apply. A trade union that has concluded a collective agreement with an employer acquires a privileged position at the work place, including rights to negotiate and receive information in relation to redundancies and other issues that may arise.

- At workplaces where the employer is bound by a collective agreement with a trade union, the terms and conditions of the agreement apply directly to employees that are members of the relevant union.
- Before an employer makes a decision regarding important alterations of the business operations, it must negotiate with all trade unions to which it is bound by a collective agreement, provided the unions have at least one member employed by the employer

## INTELLECTUAL PROPERTY

- Swedish intellectual property legislation is consistent with the intellectual property laws of other EU member states and provides adequate protection to both local and foreign, investors.
- The different ways of protecting trademarks, patents, utility models, plant varieties, industrial designs, topographies of semiconductor products and computer software in Sweden, also focus on the legal remedies available against intellectual property infringements.
- Copyright protection.
- Sweden is a signatory to the Paris convention, the Berne Convention and the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). Sweden is a member of the World Intellectual Property Organization (WIPO).

## DISPUTE RESOLUTION

- Swedish law ensures an optimum framework for business, as legal certainty and pro-active structuring provide a solid base for the avoidance of disputes, thereby saving considerable expenses. Courts and private arbitration tribunals are thus able to focus on their core functions. Efficient rules of procedure enable relatively swift, but competent and predictable decision-making process. As far as commercial disputes are concerned, settlements by arbitration are usual to an extent that surpasses that of many other countries. It is possible to conduct arbitration in Sweden without the use of institutional rules. However arbitration conducted in accordance with the rules of a particular institution, generally offers certain advantages. The Arbitration Institute of the Stockholm Chamber of Commerce is the leading institution in Sweden. It has been and is in a unique position with respect to trade disputes between Western businesses and entities of Eastern Europe and Asia.
- There are also dispute resolution mechanisms that have extrajudicial features, but are purely a procedural part of the court's examination of a dispute (conciliation and mediation).
- Some extrajudicial procedures are statutory, whilst others are founded on agreements between two or more private-law bodies/persons.
- The most important statutory procedure takes place at the National Board for Consumer Complaints. The National Board only examines disputes between businesses and consumers at the request of the consumer. The procedure, which also covers cross-border disputes, is written and free of charge to the parties. Decisions by the National Board for Consumer

Complaints take the form of recommendations to the parties as to how their dispute should be resolved.

- For certain types of dispute there is a possibility of mediation. That is the case in employment disputes, tenancy disputes, disputes involving tenant-owners, rental disputes, copyright disputes and disagreements between spouses. See below for further information on these different cases of mediation.
- Disputes are resolved primarily through decisions that are of an advisory, non-binding nature (recommendations). In some cases, however, a business may give a prior undertaking to its trade organization to comply with the recommendations.
- Unlike court judgments or orders, decisions cannot be enforced compulsorily. The fact that a business gives an undertaking to its trade organization to comply with a decision does not therefore affect enforceability, because the business's undertaking applies only with regard to the trade organization. Even though the decisions cannot produce any particular legal consequences, a business that gives an undertaking to its trade organization to comply with decisions can be subject to penalties under civil law, such as exclusion from the organization.
- Because extrajudicial dispute resolution in Sweden is an alternative to normal judicial examination, appeals against the decisions cannot be made to courts. A decision by an extrajudicial dispute resolution body is not a procedural obstacle, and it is therefore possible to bring an action before an ordinary court on the same matter, both during and after an alternative dispute resolution procedure. If the action is brought after an extrajudicial dispute resolution body has delivered a decision on the matter, it is common for the pronouncement by the dispute resolution body to be introduced into the proceedings in some way

## IMMIGRATION PROCEDURES

- As an EU member state, Sweden is governed by EU rules. Citizens of the EEA may enter and work in Sweden without residence or work permits, or may enter Sweden and find employment within three months. Non-EEA nationals earning a living in Sweden must have work permits, which must be obtained before entering the country. Residence permits generally have to be obtained outside Sweden.
- The only significant exceptions for work permits are: A) Assembly personnel and technical instructors who can prove they have urgent work setting up machinery and who will leave within 14 days; B) Commercial travellers, drivers of tourist buses and others in certain service occupations, who may work in Sweden for up to three months without a permit, although they are advised to obtain one in advance if possible; and C) Foreigners married to Swedish residents. There are rules that make it easier for researchers to live and work in Sweden for a limited time.
- An application for a work permit is made through the local labour authority in OECD member countries and through the Swedish Embassy or Consulate elsewhere. The application must be accompanied by a job offer by an employer in

Sweden, stating the wages to be paid (which must not be less than current Swedish rates) and other conditions of employment, and by a brief statement of arrangements made for accommodation.

- If an employee will be working for a foreign company in Sweden, the employer must provide a letter specifying the terms of employment. Foreign companies may be asked to specify why a Swedish national cannot do the job.
- Processing by the Swedish Migration Board and the National Labor Market Board can take as long as a year. The first work permit is valid for six months and is not tied to a particular employer. A combined permanent residence and work permit can be obtained after one year of residence in Sweden and is valid as long as the foreign national's passport is valid.





## TURKEY

- Currency: Turkish Lira TL
- Location: Eurasian crossroads; global connectivity, geostrategic center for international business.
- Still one of the fastest growing economies in the world.
- 5.5% real GDP growth rate through 2018; whereby the overall economy of Turkey has been increased to 784 billion USD in 2018. Growth momentum is set to continue in the coming years.
- Although there was a high inflation in 2018, the annual inflation has been under control during 2019 and downgraded to %11.84.
- Total population of Turkey in 2018 is 82 million; while Istanbul is over 17 million people. 11th largest economy with population over 50 million (2018) in terms of GDP per capita.
- Competitive and well educated workforce. Turkey's overall labor force is around 32.7 million people (2018), which makes Turkey the third largest labor force in Europe.
- Developed public infrastructure with modern industries.
- Dynamic market economy due to the size of the country, a young population and growth rates.
- Intense economic relations with Turkey's main trading partners (EU, USA, Russia, China)

## BUSINESS PRESENCE

- Investment environment, banking, insurance, advanced manufacturing technologies and industrial production, transportation, telecommunications and aerospace. Opportunities in agriculture and food products, construction sector, engineering, mining/minerals/oil, tourism, information and communication technologies, energy and healthcare system

## FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

### *Restrictions on Equity Participation*

- Generally there are no restrictions imposed on non-Turkish investors owning equity in Turkish companies. However, certain sectors may be deemed of national interest and subject to foreign ownership restrictions, such as education or may require prior consent from the relevant regulatory authority (e.g. insurance companies, banks, etc.).
- Generally there are no restrictions imposed on non-Turkish investors attending to privatization matters, while certain specifications may restrict their involvement.

### *Restrictions on Real Property Acquisition*

- The provisions regarding acquisition of real estate or limited rights in rem by non-Turkish investors vary according to the following categories:

#### (i) Non-Turkish Real Persons

- o Foreign real persons from countries determined by the President in accordance with international bilateral relationships and interest of the country may acquire real estate or limited rights in rem. However, the total area of real estate and limited rights in rem (independent and continuous) that a foreign real person can acquire: :
  - May not exceed 30 hectares in the whole country (can be increased by the President up to twofolds), and
  - May not exceed 10% of the total surface area allocated to private ownership in a district.
- o The President announced the list of the countries that are allowed to purchase real estate however not to the public as it may subject to change any time. Therefore, when a foreign real person would like to purchase a real estate, it would be advisable to have further information from the land registry directorate or Ministry of Foreign Affairs on the recent updated list.

#### (ii) Non-Turkish Legal Entities

- o Non-Turkish legal entities can only acquire real estate and limited rights in rem provided that the acquisition relates to Petroleum Law No. 6491, Law on Incentive of Tourism No. 2634 or Law on Industrial Zones No. 4737. On the other hand, non-Turkish legal entities can establish a mortgage over a real property in Turkey.

#### (iii) Turkish Companies with Foreign Capital

- o Turkish companies (i) where non-Turkish shareholders directly or indirectly hold 50% or more of the shares, or (ii) in which non-Turkish shareholders directly or indirectly have the right to appoint the majority of the directors, are allowed to acquire real estate in Turkey in order to carry out the activities mentioned in their articles of association; provided that the necessary permit is obtained from the relevant governorship office before applying to the land registry directorate for the acquisition

All records related to the real estate are kept in an electronic centralized system. The parties should execute an agreed form of official deed, for the transfer of ownership, before the land registry officer. Until the end of 2019, the transfer of ownership must be executed in the land registry directorate where the real estate is registered in. However, following the legislative changes, as from January 1, 2020, the parties can execute the transfer of ownership documents in any land registry directorate or a representative of Turkey in a foreign country.

## Approvals and Licensing

- If the company in question is an ordinary company (i.e. not engaging in regulated market activities such as banks, capital markets, insurance, education, etc.) then it is not subject to any licensing process. However the companies must be registered with the respective Trade Registry Office in Turkey, depending on the location that the company is established. Following the registration, work place opening license must be obtained from the relevant Municipality and the tax account of the company must be activated.

## Regulated Markets

- Depending on the subject matter of the company and the business, further approvals and permits may be required. These may be obtained from the relevant ministry, government agencies (such as Capital Markets Board, General Directorate of Insurance, Banking Regulation and Supervision Agency) and/or local councils.

## Improvement of Investment Climate

- The Law Amending Certain Laws to Improve the Investment Climate ("Law") has been published in the Turkish Official Gazette dated 10 March 2018. The amendments are foreseen to focus on primary problems of business and investment environments in Turkey. In this scope, some of the improvements aimed to come into force by the Law are as follows:
  - o Reduction of costs and time required during incorporation process of legal entities,
  - o Reduction of certain costs with respect to foreign trade transactions,
  - o Facilitation of accessibility to financing for small and medium size entities.

## TAXATION

- Ministry of Finance Revenue Administration is responsible for the administration of taxes.
- A legal entity is a resident of Turkey if its corporate domicile or effective place of management is in Turkey. A resident legal

entity is subject to taxation on its worldwide income.

- A non-resident entity is subject to Turkish taxes through permanent establishment or on income otherwise sourced in Turkey. Permanent establishment ("PE") is constituted either by existence of a fixed place of business or appointment of a permanent representative.
- Income from capital investments (i.e. interest, dividends) is taxed through withholding tax ranging between 0% and 15% depending on the instrument. Withholding is the final taxation in Turkey for non-residents operating without a PE in Turkey and no further declaration is required.
- Capital gains derived from listed shares and bonds issued in Turkey are also taxed through withholding at 0%. Withholding is the final taxation in Turkey for non-residents operating without a PE in Turkey and no further declaration is required.
- Turkey has a vast double taxation agreement network to prevent double taxation.
- A resident company's income is classified as corporate income and all business related expenses are deductible.
- Turkey has Transfer Pricing regulations very much in line with OECD legislation.
- Regulations such as Controlled Foreign Company and Thin Capitalization are relatively well defined.
- Anti-tax haven legislation is also in place but is de facto not applicable due to lack of secondary legislation.
- Turkish VAT system is not integrated to EU VAT system.

## TAX AND INVESTMENT INCENTIVES

- The General Directorate of Foreign Investment provides various incentives that treat both domestic and foreign investors equally.
- Effective as of January 1, 2012, the new investment incentives system has been comprised of four different schemes. Local and foreign investors have equal access to:
  1. General Investment Incentives Scheme
  2. Regional Investment Incentives Scheme
  3. Large-Scale Investment Incentives Scheme
  4. Strategic Investment Incentives Scheme
- Depending on type of investment plan below some or all below incentives may be applicable:
  - o VAT exemption
  - o Customs Duty exemption
  - o Social Security Premium Support (Employer share)
  - o Social Security Premium Support (Employee share)
  - o Income Tax Withholding Allowance
  - o Interest Rate Support
  - o Land Allocation
  - o VAT refund
- The investment schemes are designed mainly taking into consideration the geographical locations for development, the sectors to be promoted and the size of the investment.

- The most comprehensive scheme in terms of incentives provided is the Strategic Investment Scheme which provides all the incentive possibilities mentioned above.

## EMPLOYMENT LAW

- Turkey implements a national gross minimum wage of 2,943.00 TL per month (approximately € 448.98) for the year 2020.
- Maximum working hours are 45 hours per week. Severance payment is calculated with a cap set by the government and is currently maximum 6,730.15 TL (approximately € 1,026.64) until Workers are entitled to annual paid leave from 14 to 26 days, depending on the employment term and additional public holidays (New Year's Day, religious and national days).

## INTELLECTUAL PROPERTY

- The core of the intellectual property system in Turkey is based on laws, regulations, trademark attorneys, specialized courts and the Turkish Patent and Trademark Office ("TPTO").
- The Code for Industrial Property numbered 6769 ("Code") aims to regulate and protect the rights related to trademarks, geographical signs, industrial designs, patents, utility models and conventional product names and by doing so, it envisages to technological, social and economic development.
- The TPTO provides effective protection and widespread usage of industrial property rights. It strives to be a leading institution in the world of industrial property.
- Turkey is a signatory to most of the international IP agreements and already absorbed most of the European acquis.
- Under TPTO patents and regulations, the following can be registered; trademark, useful model, industrial design, geographical signs, conventional product names. IP rights are under the protection of Turkish Commercial Code before they are registered.
- Lawsuit types in IP are: nullity suits against the TPTO verdicts, invalidity suits against the registered rights, civil and criminal lawsuits for trespassing the registered rights and determination suits.
- Some of the major provisions of the Code are: (i) the patent without investigation has been cancelled (ii) TPTO shall have the right to cancel some unused trademarks, provided that the conditions of the Code are met. However, this right of cancellation of trademarks shall be valid as of 2024 (iii) from now on, voices/colors can be registered as trademarks, provided that the necessary conditions of TPTO are met.

## DISPUTE RESOLUTION

- Court of First Instance and Peace Courts hear the disputes arising out of obligations and commercial relations. Jurisdiction of such courts is determined in conformity with provisions regarding competence subject matter and venue.
- Intermediate courts of appeal became effective as of 20 July 2016 and these courts examine the judgments of the first instance courts upon appeal, before the Supreme Court stage.

- The Supreme Court is entitled to review final awards of first instance courts and the intermediate courts of appeal. An appeal may be filed within a specified period of time starting from the date of the judgment. The limitation period to file an appeal may vary depending on the subject of the case.
- Under several circumstances, jurisdiction of foreign court may be acceptable, provided that existence of a foreign element is present.
- ADR, especially arbitration, is on the rise in Turkey. A special law on international arbitration was enacted in 2001. Turkey is also a signatory of the New York Convention dated 10 June 1958 related to the recognition and enforceability of foreign awards granted by an arbitrator. The code of mediation in legal disputes, which was published on 22 June 2012, became effective as of 22 June 2013. In addition, Istanbul Arbitration Centre has been established in order to make Istanbul a finance and arbitration centre.
- As of January 2018, obligatory mediation for labor lawsuits became effective. Therefore it is now obligatory for the plaintiff to apply to the mediator before filing lawsuit for both labor receivable lawsuits and reemployment lawsuits. As of January 2019, obligatory mediation became effective for commercial lawsuits as well. The plaintiff is now obliged to apply to the mediator before filing a commercial lawsuit. Due to these recent developments, obligatory mediation has significantly reduced the total lawsuit number per year in Turkey. The parties now are able to get a decision and amicable solution before the mediator and with this way the litigation expenses, work load of the courts and attorney fees have been reduced compare to previous years before the obligatory mediation.

## IMMIGRATION PROCEDURES

- For work and residence permits: individuals wishing to work in Turkey must secure an appropriate work permit (exceptions such as AMS visas apply). Once a work permit card is issued, a separate residence card is not necessary. A foreign national shall not engage in productive work in Turkey until the approval of the work permit and his/ her registration with the Turkish Social Security (exceptions apply) and entry on a work visa (exceptions apply). The work permit is workplace and employer specific and not transferable to another employer or worksite.
- The work permit application can be initiated from abroad (before the Turkish Consulate in the country of citizenship or country of legal residence) or domestically (by first obtaining a Short term residence permit valid for at least six months).
- Period of validity of employment authorization: a work permit for a definite period is initially granted for one year. After one year, an individual may apply for a two year and then a three year extension of the work permit with the same employer and the same worksite.
- Spouses of a foreigner holding a work permit in Turkey are technically restricted from obtaining a work permit for five years. However, in practice the Ministry of Labor is somewhat flexible. The regulation specifies some exceptions for which an exceptional work permit can be granted (for EU citizens or

their spouses, status of key personnel, etc.). Applying these exemptions is at the discretion of the Labor Ministry.

- For Business Visitors: allowable activities on business visit visas are not defined in Turkish regulations. Business visitors may attend meetings, conferences or training with colleagues, clients or customers, engage in data collection, etc.
- Tourist Visitor visa online: though foreign nationals of some countries are allowed entry into Turkey visa-free, as a general rule, foreign nationals require a visa to enter and remain in Turkey (either obtained from a Turkish Consulate or an electronic/e-visa as described below). The term and the fee for the visa depend on the nationality of the applicant. A more precise list of those nationalities that A) are visa free and B) require a visa is available on the website of the Ministry of Foreign Affairs of the Republic of Turkey: <http://www.mfa.gov.tr/visa-information-for-foreigners.en.mfa>. Those nationalities eligible for an e-visa must apply using the following website: [www.evisa.gov.tr](http://www.evisa.gov.tr).
- Those entering as a visitor (whether for tourism or business) may only be physically present in Turkey 90 days out of a 180-day period with the below mentioned considerations.
- The 90 out of 180 day rule will apply to foreign nationals, regardless if they hold a consular visitor visa, e-visa or are visa exempt.
- Foreign nationals in tourist visitor status who wish to remain longer than the duration of stay available to them, will need to obtain an appropriate residence permit from the Migration Directorate.





## DOING BUSINESS IN EUROPE

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