

¶1116 BANKING AND SOURCES OF FINANCE

The Central Bank is the federal regulatory authority that is responsible for promoting monetary and financial stability, regulating the operation of the financial system, and controlling and monitoring the supply of money.

Most banks in Argentina are privately-owned commercial, cooperative, investment or mortgage and loan institutions. Buenos Aires is Argentina's financial centre. Foreign banks must register with the Central Bank, obtain appropriate authorization, and comply with minimum capital requirements in order to conduct banking activities in Argentina.

A foreigner may open a bank account in Argentina. Procedures and formalities vary between banks, but most require documentation including proof of Argentine residence and a valid passport. Some may also require additional items, such as an employment contract, a taxpayer identification number, and often a minimum deposit.

The various stock exchanges in Argentina, which include the Buenos Aires Stock Exchange, provide a marketplace for listing and exchanging securities.

¶1117 INVESTMENT INCENTIVES AND RESTRICTIONS

There are generally no restrictions on foreign business investment in Argentina; however, restrictions may apply in certain circumstances, such as in relation to acquisitions of rural land and to investments in the media sector, among others.

EMPLOYMENT REGULATIONS

¶1118 GENERAL EMPLOYMENT MATTERS

¶1118.1 National employment standards

In Argentina, an employment relationship exists when a person voluntarily performs tasks for another individual or entity, subject to that party's authority, and receives compensation in return. The Labor Contract Law No 20,744, the most prominent of regulations governing labor relations in Argentina, presumes that if those conditions are met, there will be a working relationship that gives rise to certain rights and obligations for both parties with respect to the performance of work, compensation, benefits, and the termination of the relationship. Formalization of the employment relationship in a written contract is not generally required, but depends upon the type of contract concerned.

The legal framework governing labor relations in Argentina is not unified in a single Act, but rather addressed in a wide variety of laws and

regulations. As a result, labor contracts are regulated in the Argentine Constitution, concepts drawn from international treaties on human rights incorporated in the Argentine Constitution, various labor laws of general or specific application (e.g., Professional statutes), collective bargaining agreements and arbitral awards, the parties' agreement memorialized in written labor contracts, and custom and labor practice.

In general, national employment standards address work hours, annual bonus (*aguinaldo*), holidays, maternity leave, mandatory insurance coverage, terminations, and severance issues, among others. There are certain exceptions that apply to hours, regions, and industries, for example. The Argentine Constitution guarantees employee participation in enterprise profits, entitling them to mandatory profit-sharing.

The minimum wage is set by the government and adjusted periodically (exception: wages for workers subject to a trade union agreement are generally set by collective bargaining agreements). The minimum wage for full-time employees in Argentina is ARS12,500.

¶1118.2 Pensions and other benefits

In Argentina, the social security system covers a number of areas, including retirement, pensions, unemployment, and disability benefits. Employers and employees are required to make contributions. The employer is responsible for withholding and paying the mandatory contribution required of the employee.

The pension system is run by the federal government. Law No 26,425 created the Integrated Social Security System which is managed by ANSES, the official social security agency.

¶1119 VISAS

Generally, no visa is required for stays of up to 90 days (which may be extended by application before the original term expires) for citizens from many different jurisdictions, including, for example, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, the EU, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, the United States of America, and Venezuela, among others.

In general, a work visa and a residence permit are required to begin remunerated employment in Argentina.

For further information on visa requirements, visit www.migraciones.gob.ar.

There are generally no restrictions on foreigners purchasing, owning, or selling real estate in Argentina. Certain types of ownership, including rural land, and cases involving national security, the national interest, public health or preservation of the environment, for example, may be subject to regulation, caps and/or restrictions.

¶104 VALUE ADDED TAX (VAT)

VAT is charged on supplies of goods and services and on the importation of goods and services.

The general VAT rate is 21%. There are reduced and increased VAT rates for certain goods and services. A reduced rate of 10.5% applies to certain items and transactions, including certain long distance passenger transportation, while a higher 27% rate applies to other items, including certain telecommunications services. Some transactions and services are designated as exempt and others as zero-rated for VAT purposes.

Exports are designated as VAT exempt; however, given that exporters are generally allowed to recover VAT input credits in connection with export processes, VAT treatment of exports is similar to that applied to zero-rated items.

Generally, input VAT may be deducted from output VAT, with some exceptions.

¶105 OTHER TAXES

¶105.1 Real estate tax

The provinces charge a local real estate tax on the value (as defined) of owned real estate. The rates vary depending upon the jurisdiction.

¶105.2 Stamp tax

Stamp tax is charged on the value (as defined) of a number of specific transactions, including transfers of real estate, written contracts and deeds. Rates vary depending upon the jurisdiction.

¶105.3 Debits and credits in bank accounts tax

The Debits and Credits in Bank Accounts Tax is a national level tax that is withheld by Argentine banks and other savings institutions. Debits and credits from bank accounts are subject to this tax with limited exceptions. It applies, generally, on deposited funds that are either withdrawn or transferred from checking or savings accounts. The taxable base is the amount withdrawn or transferred. The general tax rate is 0.6% on the amount of the transaction but other rates may apply, for example, where it is deemed collection mechanisms are being used to avoid the use of bank accounts. Part of this tax may be credited against other national taxes.

¶105.4 Excise taxes

Excise tax is levied on a number of items, including tobacco, wines, and luxury items.

¶106 TAX INCENTIVES FOR BUSINESSES

¶106.1 Research and development (R&D) expenditure

Tax benefits are granted to encourage expenditures on scientific research and development in targeted industries like the software industry. The types of benefits for qualifying businesses can cover a wide range. Examples include profits tax relief and reductions in social security contributions.

¶106.2 Free trade zones (FTZs)

Argentine law authorises the federal government to create one FTZ in each province. Businesses located in an FTZ benefit from incentives, including import tax exemptions, and national tax exemptions in respect of the provision of basic services (such as telecommunications, electricity, gas and water).

¶106.3 Renewable energy investment

Companies investing in generation of electricity from renewable sources may benefit from tax incentives such as accelerated depreciation, early reimbursement of VAT, 10-year carry forward of losses, exemption from minimum presumptive income tax for the first eight years, and exemption from taxes on income or dividends on profits or dividends reinvested in new infrastructure projects. These incentives apply to projects implemented by December 31, 2017.

¶106.4 Micro, small and medium enterprises (MSMEs)

Qualifying MSMEs carrying out productive investment (as defined) between July 1, 2016 and December 31, 2018 may benefit from tax incentives, including a 10% tax credit on the value of the investment (subject to caps), deferred payment of income tax, and early reimbursement of VAT.

¶106.5 Other tax incentives

Many provinces also offer incentives to attract industries to invest, build and expand within their jurisdiction, and to encourage job creation, for example. Incentives may include exemptions from certain provincial and municipal taxes, reduced public utility charges, and infrastructure support.

FORMS OF DOING BUSINESS

Companies in Argentina are most commonly organized as corporations, limited liability companies, or branches of foreign companies. Most legal entities, including companies and branches of foreign

¶1706 TAX INCENTIVES FOR BUSINESSES

¶1706.1 Research and development (R&D) expenditure

The federal Scientific Research and Experimental Development (SR&ED) programme provides tax incentives to Canadian businesses that conduct SR&ED in Canada. It allows for the deduction of SR&ED expenditures and provides an investment tax credit (ITC) that can be used to reduce payable taxes.

CCPCs can earn a refundable ITC of 35% that is fully refundable on qualified SR&ED current expenditures up to CA\$3m of qualified expenditures. The CCPC can also earn a 15% non-refundable ITC on any amount that exceeds the CA\$3m threshold.

For other corporations, the ITC is 15% of qualifying SR&ED expenditures. The 15% ITC rate also applies to individuals and trusts, although it is only 40% refundable.

Some provinces/territories also grant R&D tax credits.

¶1706.2 Accelerated capital allowances

Businesses investing in eligible machinery and equipment in 2016 - 2025 may benefit from a 50% accelerated capital cost allowance on a declining balance basis.

¶1706.3 Other incentives

There are tax incentives in some of the provinces/territories for specified business activities such as film production, digital media, mining and large investment projects (as defined).

FORMS OF DOING BUSINESS

¶1707 CORPORATIONS

A corporation is a distinct legal entity that has rights and obligations. It can acquire assets, enter into contracts and carry on business.

Corporations may be formed under the federal Canada Business Corporations Act (CBCA) or provincial statutes. The jurisdiction of incorporation does not ordinarily prevent the corporation from carrying on business throughout Canada. The corporation may, however, be required to obtain additional provincial registration to operate in provinces other than that of incorporation. There are notable distinctions between the CBCA and provincial statutes, such as the number of directors required.

Pursuant to the CBCA, generally at least 25% of a corporation's directors must be Canadian residents; if there are fewer than four directors, at least one must be a Canadian resident. Some provinces have

less onerous residency requirements, including British Columbia, New Brunswick, Nova Scotia, Quebec and Prince Edward Island, where it may be more convenient to incorporate and then register extra-provincially in the province where the business of the corporation is to be conducted.

There are several types of corporate forms: public corporations, private corporations, and Canadian-controlled private corporations (CCPCs). Public corporations issue shares or securities that are listed on prescribed Canadian stock exchanges. The shares are typically widely held by the general public. Private corporations, on the other hand, are not publicly traded or controlled. CCPCs must not be controlled, directly or indirectly, by public corporations, non-residents or a combination of the two.

¶1708 UNLIMITED LIABILITY CORPORATIONS (ULCS)

Three provinces recognise the ULC as a business structure: Nova Scotia, Alberta and British Columbia. The ULC is a type of corporation that provides shareholders with unlimited liability. For Canadian income tax purposes, the ULC is treated as a corporation but its principal advantage is that it can be treated as a flow-through entity for United States income tax purposes, as either a partnership or disregarded entity. Its closest counterpart under US law is the limited liability company (LLC).

Although the ULC legislation in each province is similar, there are certain differences in corporate registration costs, and subtle differences in the liability of members in certain circumstances.

¶1709 PARTNERSHIPS

A partnership is formed when two or more persons carry on a business for profit. Unlike corporations, partnerships are not separate legal entities for tax and legal purposes. Partnership income is allocated to the partners who then report their share of the income for tax purposes. Partnerships can take several forms.

In a general partnership, the partners are jointly and severally liable for the debts and obligations of the partnership. In a limited partnership, one or more general partners have unlimited liability and the limited partners, who are generally not directly engaged in carrying on the partnership business, have liability only to the extent of their investment in the partnership.

A limited liability partnership (LLP) is typically available only to professionals and the partnership agreements are governed by provincial legislation. LLPs provide partners with personal liability protection from negligent acts of other partners or employees who work for those partners, but do not exonerate the partners from liability caused by their

own actions or the actions of those they directly supervise or control. Partnership assets remain exposed, generally, to actions in respect of the negligence of partners, associates and employees.

A "Canadian partnership" is defined under the federal Income Tax Act as one where all the partners are resident in Canada. In a Canadian partnership, partners are eligible to transfer property to the partnership on a tax-deferred basis. If a partnership is not considered to be a Canadian partnership (i.e. it has a non-resident partner), it is treated as a separate non-resident person for the purposes of the non-resident withholding tax regime.

¶1710 SOLE PROPRIETORSHIPS

A sole proprietorship is an unincorporated business entity owned by an individual. The sole proprietor is generally personally liable for the debts and obligations of the business. The profits and losses of the business are included in the sole proprietor's annual tax return; therefore, most proprietorships have a calendar fiscal year, but fiscal years other than the calendar year may be elected, in which case special adjustments must be made for tax reporting purposes to bring the proprietorship's income and expenses in line with the calendar year. Unless the business uses the name of the sole proprietor alone, the business name must typically be registered.

¶1711 TRUSTS

Certain businesses choose to operate in Canada through commercial trusts. Trusts operating in Canada are governed by the applicable provincial Trustee Act. Trusts are generally created by a trust indenture that identifies trust assets, the settlor, trustees, and beneficiaries. Since trusts are not subject to entity taxation on distributions to beneficiaries, they are commonly used for investment purposes. "Specified investment flow-through" (SIFTs) entities are publicly traded trusts and limited partnerships which are subject to entity-level taxation; before these were introduced, such entities flowed taxable income entirely to unit-holders or partners.

¶1712 CO-OPERATIVES

A co-operative is a structure jointly owned by an association of members who pool their resources to satisfy their common needs and interests. Typical members are consumers, producers, workers, or a combination of the three. Co-operatives are governed under the Canada Co-operatives Act and may need to be incorporated or registered in the province in which they operate.

¶1713 JOINT VENTURES

A joint venture is a business arrangement between two or more parties that is not strictly defined in law and is usually considered a co-ownership of property, and/or sharing of revenues and expenses from a business undertaking that does not meet the definition of a partnership in law. Typically, the duration of the project distinguishes the partnership form from that of a joint venture, in that a joint venture is usually formed for a particular project and then disbanded once that project is complete.

A joint venture is not a separate entity for tax purposes. Revenues and expenses of the joint venture are shared directly by participants who individually report their proportionate share. The joint venture participants generally remain liable for their proportionate share of the venture's debts and obligations.

¶1714 BRANCHES

A foreign corporation may choose to carry on business directly in Canada through a branch, rather than a subsidiary. Branch income is subject to tax in Canada and may be subject to tax in the foreign corporation's home country. A branch is an extension of the foreign parent corporation, which remains liable for debts and obligations arising from the business.

A foreign entity operating a Canadian branch must generally obtain provincial registration or a licence from the province where it will operate. The branch may involve a permanent establishment, which under most of Canada's tax treaties will result in taxation of business profits connected with the branch operations.

¶1715 AUDIT AND ACCOUNTING REQUIREMENTS

Under the Federal Income Tax Act, all businesses must maintain proper books of accounts that must be kept for a minimum of six years from the day the tax return for the year to which the records relate is filed. However, some documentation related to events such as liquidation or winding-up must be kept indefinitely.

A public corporation must have audited financial statements, file annual reports and advise of any changes in business location or directors.

A private corporation may generally waive the statutory requirement for a financial statement audit with the unanimous consent of the shareholders. There are two other levels of financial statements available to private corporations: review engagements and compilation engagements. External parties (i.e. banks) may require the entity to have audited or review engagement financial statements because they offer more disclosure than compilation engagement statements.

Financial statements of publicly accountable enterprises, and certain financial services, such as investment companies and segregated accounts of life insurance enterprises, must generally be prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements of other entities may be prepared in accordance with IFRS, or the Standards for Private Enterprises.

¶1716 FILING REQUIREMENTS

Public corporations listed on the Toronto Stock Exchange (TSX) must file their annual report and financial statements with the exchange within 90 days of the financial year-end. The filings are made via SEDAR or by mail or electronic delivery. Quarterly financial statements must be filed within 45 days of the first, second, and third financial quarter.

Public corporations listed on the TSX Venture Exchange (TSXV) must file their annual financial statement within 120 days of the financial year-end. Listed issuers on TSXV are not subject to deadlines with respect to filing an annual report, but typically file it with their annual financial statement. Quarterly financial statements must be filed within 60 days of the end of the first, second, and third quarter, except with respect to investment funds.

All corporations must file an annual return containing up-to-date information with Corporations Canada, within 60 days of the anniversary of the company's incorporation or amalgamation. Provinces and territories also have annual reporting requirements for companies registered in their region.

FINANCE AND INVESTMENT

¶1717 EXCHANGE CONTROL

Canada has no exchange controls and Canadian currency is freely convertible to other currencies. However, single cash transfers of CA\$10,000 or more, or two or more cash transfers of less than CA\$10,000 that total CA\$10,000 or more within 24 hours relating to the same client, must be reported to FINTRAC, the Financial Transactions and Reports Analysis Centre of Canada.

¶1718 BANKING AND SOURCES OF FINANCE

The Bank of Canada is responsible for (amongst others) monetary policy, financial stability, Canadian currency, and funds management. Canada's banking and financial system includes national banks, international banks, various provincial credit unions and other loan companies, and a variety of merchant banks.

Businesses may obtain financing in a variety of other ways including private equity and venture capital investment and through various lending products such as subordinated and mezzanine debt, factoring, and leasing.

The Business Development Bank of Canada (BDC) is a financial institution owned by the Government of Canada which helps create and develop Canadian businesses through financing, venture capital and consulting services, and has a focus on small and medium sized businesses.

The Canadian Deposit Insurance Corporation (CDIC) is a federal corporation that insures up to CA\$100,000 of Canadians' savings in case a bank or other CDIC member institution fails or goes bankrupt.

There are a number of securities exchanges in Canada, including:

- The Toronto Stock Exchange (TSX) for medium to large cap stocks
- The TSX Venture Exchange (TSXV) for small to medium cap stocks
- The TSX Montreal Exchange (MX) for financial derivatives
- ICE Futures Canada for futures and options on agricultural commodities.

¶1719 INVESTMENT INCENTIVES AND RESTRICTIONS

For business related incentives, see ¶1706.

The Investment Canada Act regulates significant business investments in Canada by non-Canadians. Unless specifically exempted, foreign investments in Canada are subject to either a notification requirement or an application and review process. The process used is determined by the size and type of transaction and whether the non-Canadian investor is a member of the World Trade Organisation (WTO). For the purposes of the Act, non-Canadian includes any entity that is not controlled or beneficially owned by Canadians.

EMPLOYMENT REGULATIONS

For employment tax considerations, see ¶1702.

¶1720 GENERAL EMPLOYMENT MATTERS

¶1720.1 Employment law

Businesses operating in Canada must adhere to labour laws which are legislated both federally (under the Canada Labour Code) and provincially, depending on the provinces in which the business operates. The Code applies to federally regulated employers in sectors such as banking, transport, telecommunications and national infrastructure.

There are a number of labour standards which employers must follow, some of which include dealing with:

to calendar years. If a company's financial year differs from the calendar year, its return must be based on its financial year ending within the calendar year. Tax returns must generally be filed by the following July 31, although the filing due date can be extended.

Resident companies must make quarterly payments on account of their tax liabilities, in March, June, September and December. Any balance of tax due is payable one month after it is assessed.

¶3301 PERSONAL TAXES

Resident individuals are subject to tax on their worldwide income.

Non-resident individuals are subject to tax on their income from sources in Germany.

Married couples and civil partners living together are taxed jointly unless they elect to be taxed separately.

Income tax is charged at progressive rates. Taxpayers filing singly are exempt from tax on their first €9,168 of income. Tax rates then range from 14% to 45%, with the top rate applying to taxable income of €265,327 or more. Married couples and civil partners filing jointly are exempt from tax on their first €18,336 of income. Tax rates then range from 14% to 45%, with the top rate applying to taxable income of €530,654 or more. In all cases the amount payable is increased by a solidarity surcharge of 5.5% of the tax due.

Non-residents earning more than 90% of their income in Germany, or less than €9,168 outside Germany, can opt to be treated as residents for tax purposes. If they are citizens of a member state of the European Economic Region, joint filing and family tax relief is also available.

Capital gains on the sale of business assets are taxed as income. Gains on the sale of other assets are generally exempt from tax. Gains from the sale of a shareholding in a company in which the seller owned less than 1% of the share capital is taxed at 25% plus 5.5% solidarity surcharge (effective rate: 26.375%). Sixty per cent of gains on the sale of a shareholding in a company in which the seller owned 1% or more of the share capital, and gains on the sale of real estate owned for less than 10 years and not used as a private residence, are (subject to various conditions) taxable at the progressive individual tax rates (see above).

Inheritance and gift taxes are charged on the recipients of bequests and gifts. There are reliefs for business property. Recipients are entitled to personal allowances against the value of bequests and gifts; the amount varies according to the relationship between the deceased or the donor and the recipient. Net taxable amounts are then taxed

at different rates, again depending on the degree of relationship. For example, the top rate for the spouse or children of the donor is 30%. The top rate otherwise is 50%.

There is no wealth tax.

¶3302 EMPLOYMENT RELATED COSTS AND TAXES

¶3302.1 Fringe benefits

Fringe benefits, whether in cash form, assets made available to the employee or private costs met by the employer, are generally brought into the employee's income taxation at their financial valuation. The financial valuation is added to the employee's gross salary and taxed at the progressive personal income tax rates.

¶3302.2 Payroll taxes

Apart from social security costs (see below), there are no payroll taxes.

¶3302.3 Social security costs

Employers' contributions are divided between four classes of social insurance and are expressed as a percentage of the employee's monthly salary up to prescribed limits:

	Monthly Salary Limit	Contribution Rate
Pension insurance	€6,700 in western states; €6,150 in eastern states	9.3%
Health insurance	€4,537.50	7.3%
Unemployment insurance	€6,700 in western states; €6,150 in eastern states	1.25%
Nursing care insurance	€4,537.50	1.525%

Employees are liable to pay the same contributions as employers except that the nursing care insurance element for a person without children is generally charged at 1.775%.

¶3303 WITHHOLDING TAXES

¶3303.1 Domestic payments

Generally, withholding tax of 25%, plus 5.5% solidarity surcharge (giving an effective rate of 26.375%), is applied to dividend and interest payments. Companies that own 10% or more of the paying company

from the acquisition costs. Additionally, the taxpayer is allowed to depreciate up to 20% of the regular depreciation of the asset within five years.

If the investment is not concluded within three years, the past deduction is recaptured.

¶3306.2 Renovation of listed buildings

Accelerated annual depreciation allowances are available in respect of the renovation of listed buildings. An allowance of up to 9% of the cost may be claimed in the year in which the expenditure is incurred and in each of the following seven years, and then up to 7% of the cost in each of the next four years.

FORMS OF DOING BUSINESS

¶3307 COMPANIES

The common types of companies are:

- The private limited liability company (*Gesellschaft mit beschränkter Haftung* – GmbH)
- The public limited liability company (*Aktiengesellschaft* – AG).

Shareholders are liable for a company's debt only to the amount of their capital share. Both types of corporation can be founded by one or more persons, either individuals or companies, domestic or foreign.

A foreign company which establishes a German corporation must prove its existence in the foreign country through a certificate of incorporation and certified extracts from the home country's commercial register.

¶3307.1 Private limited liability company

The GmbH is the most common form of corporation in Germany since it offers flexibility to its shareholders. The shareholders can exert their influence in the shareholders' meeting.

The minimum share capital requirement is €25,000. The articles of association (*Gesellschaftsvertrag*) must be certified by a public notary, and registration with the commercial registry is required. The shareholders elect the managing directors (*Geschäftsführer*).

Transfer of shares is permitted only by assignment or upon inheritance.

¶3307.2 Business company with limited liability

As a sub-form of a GmbH, a business company with limited liability is a legal entity with equity capital assigned to the shareholders. Each shareholder's liability is limited to its nominal equity. A shareholder may transfer shares only if the share purchase agreement is notarised.

A business company with limited liability is formed by one or more legal or natural persons making a cash capital contribution. The minimum share capital is €1. One quarter of net annual income cannot be used for dividend payments and must be allocated to reserves. The set-up costs can be reduced compared to a GmbH if a standard form of by-laws is used. A business company with limited liability comes into legal existence on entry in the commercial register.

A business company with limited liability has two layers of governance: the shareholders' meeting (*Gesellschafterversammlung*) and the managing director (*Geschäftsführer*). The shareholders' meeting appoints the managing director who manages the company's operations.

¶3307.3 Public limited liability company

The AG is the form widely adopted by large companies and requires a minimum share capital of €50,000. An AG may be listed on the stock exchange and has easily transferrable shares. The articles of incorporation (*Satzung*) must be certified by a public notary. The AG has three layers of governance: the annual shareholder meeting (*Hauptversammlung*) appoints the supervisory board (*Aufsichtsrat*). The supervisory board appoints the board of management (*Vorstand*). Individuals are not permitted to sit on both boards. The AG must register with the German commercial registry and file a statutory report (*Gründungsbericht*). Shareholders' decisions are made by way of shareholders' resolutions taken at a general meeting of the AG.

¶3308 PARTNERSHIPS

There are several kinds of partnerships in Germany, of which the most important are:

- General partnership (*offene Handelsgesellschaft* – OHG) – joint liability of all partners for all partnership debts without restrictions
- Limited partnership (*Kommanditgesellschaft* – KG) – full liability of the general partner(s) (*Komplementär*) and limited liability of limited partners (*Kommanditisten*) to the amount of their subscribed capital contribution.

Both types of partnership can be established with a minimum of two partners who may be German or foreign, individuals, corporations, or partnerships. There is no prescribed format for a partnership agreement. However, both types of partnership are obliged to apply for registration at the German commercial registry. A partnership is managed and represented by the general partners; the rights and duties of limited partners are restricted.

The GmbH & Co. KG is a special type of limited partnership, in which a corporation is the general partner of a KG. This form combines

a partnership with the advantages of the liability limitations of a corporation to a certain degree.

A silent partnership is the participation in the trade or business of another person (whether an individual or a legal entity) whose association with the partnership is not outwardly apparent to the public.

¶3309 SOLE PROPRIETORSHIP

In a sole proprietorship the owner is engaged in commercial business. The owner must register the business at the commercial registry and is liable for their professional actions without limit. They must be a German resident or be of European nationality. Individuals from a country outside Europe require a residence permit before they can form a sole proprietorship (see ¶3317).

¶3310 BRANCHES

A non-German company can set up a place of business in Germany without forming a German subsidiary company. Even though a branch may conclude contracts in its name, it does not represent a separate independent legal entity but is considered an extension of the foreign company in Germany. Thus, all responsibilities for liabilities of a German branch lie with the foreign company.

There are only a few formalities to establish a branch in Germany, including registration at the commercial registry and notification to the local municipality on commencement. Thus, a branch is the easiest way for a foreign company to execute its activities in Germany.

¶3311 AUDIT AND ACCOUNTING REQUIREMENTS

Provisions concerning accounting requirements are contained in the German Commercial Code accompanied by the German General Tax Code. For incorporated companies and partnerships where no individual is a personally liable partner, there are three sets of criteria that determine the entity's size:

- Annual balance sheet total
 - Micro – €350,000
 - Small – €6m
 - Medium – €20m
 - Large – over €20m
- Annual turnover
 - Micro – €700,000
 - Small – €12m
 - Medium – €40m
 - Large – over €40m

- Average number of employees per year:
 - Micro – 10 employees
 - Small – 50 employees
 - Medium – 250 employees
 - Large – over 250

A company must satisfy at least two of the above criteria to be allocated to one of the classes. Publicly quoted companies are always treated as large companies.

The German Commercial Code requires the annual financial statements of medium-sized and large companies to be audited. The audit must be carried out by a certified public accountant.

All companies must prepare proper books and accounting records that comply with German regulations. At each financial year-end a company must prepare financial statements consisting of a balance sheet and a profit and loss statement.

The consolidated financial statements of companies whose securities trade in a regulated market must be prepared using International Financial Reporting Standards (IFRS), as adopted by the EU. Other companies are permitted to use IFRS or German generally accepted accounting principles (GAAP).

¶3312 FILING REQUIREMENTS

The scope of disclosures required by the German Commercial Code varies depending on the company's size (see ¶3311). All documents must be submitted electronically no later than one year after the end of the relevant financial year.

Large companies must file financial statements comprising a balance sheet, a profit and loss statement, notes and a management report, and an audit certificate at the German commercial registry. Financial statements must also be published in the German Federal Gazette.

Medium-sized companies are only obliged to file their financial statements at the German commercial registry and to announce in the German Federal Gazette that the documents have been filed.

Small and micro companies need file only the balance sheet and notes at the German commercial registry. They also have to announce the filing of their documents in the German Federal Gazette.

¶4204 VALUE ADDED TAX (VAT)

VAT is levied on the selling price of goods and services and on the value of goods imported into Ireland. Resident businesses must register for VAT if their annual sales turnover exceeds €75,000 for supplies of goods or €37,500 for supplies of services; non-resident businesses must register regardless of level of turnover.

The standard VAT rate is 23%, with reduced rates of 13.5%, 9% and 4.8% applying in some cases. Exports are zero-rated. Some supplies are designated as exempt, including banking and insurance services.

Businesses, other than those making exempt supplies, can generally recover the VAT with which they themselves are charged.

¶4205 OTHER TAXES

¶4205.1 Property taxes

Local authorities tax occupiers of commercial property based on the property's rateable value. The rateable value is as determined by the Valuation Office.

An annual local property tax applies to the market value of residential property. The tax is payable by the property owner, as follows (if not otherwise reduced by local authorities):

- For property valued at up to €100,000, the tax is €90
- For properties valued between €100,001 and €1 million, a 0.18% rate applies to the middle of the relevant threshold in €50,000 increments (e.g. a property worth between €250,000 and €300,000 would be taxed at 0.18% of €275,000)
- For property values exceeding €1m, the tax is €1,800 plus 0.25% on the excess over €1m.

¶4205.2 Stamp duty

Stamp duty is charged on the transfer of commercial property at 6%. For transfers of residential property, the rate is 1% on the value up to €1 million, and 2% on the excess over €1m.

Stamp duty is also payable on the transfer of shares in Irish incorporated companies, at a rate of 1% (subject to exemptions and reliefs).

¶4205.3 Environmental taxes

A €0.22 levy is charged on plastic bags supplied by a retailer. A tax of €75 is levied per ton of waste sent to landfill. Government policy requires local authorities to recover the cost of providing water services from commercial users, based on metered consumption.

Ireland also charges an excise duty on supplies of electricity. Charges are €1 per megawatt hour for non-business use and €0.50 per megawatt

hour for business use. Household use of electricity and electricity from renewable sources are exempt from the tax.

Carbon charges of €20 per tonne of carbon apply to mineral oil, aviation gasoline, heavy oil, petrol and auto diesel. Carbon tax at a rate of €4.10 per megawatt hour applies to natural gas. For solid fuels, the rate is €20 per tonne of CO₂ emitted.

¶4205.4 Excise taxes

Ireland imposes an excise tax on specialty consumer goods such as manufactured tobacco, alcohol, alcoholic beverages and mineral oils. The rates vary depending on the description and the quantity of the product.

¶4206 TAX INCENTIVES FOR BUSINESSES

¶4206.1 Research and development (R&D) expenditure

Companies can claim a 25% tax credit for qualifying R&D expenditure in addition to the normal tax deduction for the expenditure incurred.

The credit is available in respect of expenditure on:

- Royalties
- Revenue expenditure on R&D activities
- Plant and machinery, and
- Buildings.

Any unused credit can be carried forward indefinitely.

It is possible to carry back any unused R&D tax credits to reduce the corporate tax charge of the preceding year. Any excess still remaining can be paid to the company in three instalments. However, the refund is subject to certain limits.

¶4206.2 Knowledge development box

Companies deriving profits from qualifying R&D activity carried out in Ireland utilising certain intellectual property such as patents and copyrights may benefit from a 50% deduction, resulting in an effective corporate income tax rate of 6.25%.

¶4206.3 Film production

Qualifying production companies can claim a tax credit for eligible expenditure on productions (such as films, television dramas and animations) made in Ireland. The maximum credit per production is capped at 32% of the lower of (i) eligible expenditure, (ii) 80% of the total production cost, or (iii) €70 million. There are detailed rules concerning qualification.

¶4206.4 Special assignment relief program (SARP)

The SARP was introduced to encourage international investment in Ireland by reducing businesses' employment costs.

Certain non-domiciled individuals taking up residence in Ireland in tax years 2012-2020 are entitled to 30% relief on tax for earnings exceeding €75,000 to €1 million (the top limit applies from January 1, 2019 for new scheme entrants and from January 1, 2020 to all scheme users) for the first five years of residency, subject to conditions. The employee must:

- Have been employed outside Ireland for at least six months
- Be assigned to work in Ireland by that same company for at least 12 months, and
- Not have been resident in Ireland for the past five years.

¶4206.5 Foreign earnings deduction

Employees and directors doing business in "BRICS" countries (Brazil, Russia, India, China and South Africa), and Algeria, the Democratic Republic of Congo, Egypt, Ghana, Kenya, Nigeria, Senegal, Tanzania, Japan, Singapore, South Korea, Saudi Arabia, United Arab Emirates, Qatar, Bahrain, Indonesia, Vietnam, Thailand, Chile, Oman, Kuwait, Mexico, Colombia, Pakistan and Malaysia, are exempted from tax on up to €35,000 of income when they spend at least 30 days there (including days spent traveling there).

A period of fewer than three consecutive days in one country does not count towards the 40-day minimum.

¶4206.6 Investment in renewable energy

Companies can claim a deduction against total profits for investment in the ordinary share capital of an Irish incorporated and resident company that exists solely to undertake a qualifying energy project. The shares must be held for at least five years.

A qualifying energy project is one that has been certified by the relevant government department and uses one of the following technologies:

- Solar power
- Wind power
- Hydropower, or
- Biomass.

¶4206.7 Energy efficient equipment

Until December 31, 2020, a company is entitled to claim a 100% capital allowance in the first year where it purchases new (and not second-hand) energy efficient equipment, as specified by the Minister for Communications, Energy and Natural Resources, for the purposes of its trade.

¶4206.8 Start-up companies relief

Companies commencing to trade in the years 2009 to 2021 are exempt from corporate income tax for the first three years of trade, provided their corporate income tax liability for the year does not exceed €40,000. Companies can carry forward any unused tax exemptions under the start-up companies relief scheme after the first three years of trade to reduce future tax liability.

A marginal relief applies in any of the years in which the tax liability would otherwise fall between €40,000 and €60,000.

¶4206.9 Start-up refunds for entrepreneurs (SURE)

Individuals investing and working full-time in a new company engaging in qualifying trading activities may benefit from an income tax refund of up to 41% of the capital invested, as well as a refund of PAYE income tax paid for up to six years prior to the investment.

¶4206.10 Entrepreneur capital gains relief

Disposals of qualifying business assets by individual entrepreneurs and businesses may benefit from a reduced capital gains tax rate of 10% on the first €1m of gains.

¶4206.11 Employment & Investment Incentive (EII)

Income tax relief is available to individuals investing long-term in ordinary share capital of qualifying unquoted companies carrying out qualifying trades, as well as in associated research and development projects. The minimum investment in any one company is €250. The maximum amount of investment available for relief in any one year is €150,000.

FORMS OF DOING BUSINESS

¶4207 COMPANIES

¶4207.1 Private companies limited by shares

A private company limited by shares must have a minimum of one director and a secretary. The number of members must be limited to 149 (not including employees), and the company is prohibited to invite the public to subscribe for any shares or debentures of the company. The Companies Act 2014 provides specific circumstances in which the company may offer or allot debentures. The company members may transfer their shares subject to any restrictions in the company's constitution or legislation.

Single member private limited companies are popular for several reasons, including that a shareholder's liability is limited to what they have subscribed for their shares in the company.

A designated activity company (DAC) limited by shares is similar to a private company limited by shares. The main difference is that the activities of the company are limited to the company's objects as stated in the memorandum, and a minimum of two directors is required.

¶4207.2 Public limited companies

A public company (PLC) may be formed by one or more persons. Subject to the satisfaction of legislative requirements and the company's constitution, a PLC may offer, allot, and issue securities to the public. The Irish Stock Exchange operates three markets for securities:

- The Main Securities Market (MSM) for the securities of Irish and overseas companies,
- The Enterprise Securities Market (ESM) for small to mid-sized companies, and
- The Atlantic Securities Market (ASM) for European and United States listings.

The Irish Stock Exchange also offers listings to unit trusts and UCITS. These listings on the investment fund market are available to both Irish and foreign funds.

The authorised minimum share capital for a PLC is €25,000, or a greater sum as determined by Ministerial Order, of which at least 25% must be fully paid up. A PLC must have at least two directors and a secretary.

¶4207.3 Companies limited by guarantee

Companies limited by guarantee are usually charitable or non-profit-making organisations. They typically have a low commercial risk and are formed without share capital. This type of company may be formed by one or more persons who, in effect, are the guarantors. A guarantor agrees to contribute a nominal amount, which is typically quite small, on the winding-up of the company in the event of a shortfall of assets at that time.

A designated activity company (DAC) is a private company limited by guarantee that may be formed by one or more persons. The activities of the company are limited to the company's objects as stated in the memorandum, the maximum number of members is 149, and a minimum of two directors is required.

¶4207.4 Unlimited companies

There are three forms of unlimited company: the private unlimited company (ULC), the public unlimited company (PUC), and the public unlimited company with no share capital (PULC). An unlimited

company may be formed by one or more persons. The members of an unlimited company have unlimited liability.

¶4208 PARTNERSHIPS

Partnerships are defined by law as the existence of a relationship between two or more people to carry on a business with a view to profit. A partnership is not a separate legal entity. Partners are jointly and severally liable for any debts of the partnership and usually take an active part in the business.

It is possible to form partnerships with limited liability, in which there must be at least one general partner (which may be a company) that has unlimited liability. Limited partners are liable to the extent of their investment, and cannot take part in the running of the partnership nor have the power to enter into binding contracts on behalf of the partnership.

¶4209 SOLE PROPRIETORSHIP

A sole proprietor is an individual who owns and operates a business. A sole proprietorship is not a separate legal entity from its owner, and the costs of setting up the business are minimal. The proprietor is subject to unlimited liability.

¶4210 BRANCHES

A foreign company can set up a branch in Ireland instead of a limited company. A branch is not considered a separate legal entity and all legal responsibilities and liabilities are with the parent company. At least one person resident in Ireland must be nominated to act on behalf of the company and to sign Companies Registration Office (CRO) forms and other documentation.

¶4211 TRUSTS

¶4211.1 Unit trusts and UCITS

A unit trust is a collective investment undertaking where investors hold units in a trust; it is not deemed to be a company. The trustees can redeem the units of a unit holder in return for the investor's proportionate share of the assets held by the unit trust.

An Undertaking for Collective Investment in Transferable Securities (UCITS) can take one of three forms:

- An authorised unit trust
- A common contractual fund, or
- An investment company.

Trustees of a unit trust generally are subject to tax on the profits and gains of the trust. Distributions of capital to the unit holders are treated as partial disposals of the units.

Authorised unit trusts and all forms of UCITS are taxed as collective investment undertakings (CIUs). A CIU is not taxable on its profits, and instead applies an exit tax on payments to unit holders, subject to exemptions. Where exit tax arises, the tax rate depends on the circumstances of the investor and the type of payment (i.e. regular, non-regular or as a result of disposal).

¶4211.2 Real estate investment trusts (REITs)

A REIT is intended to attract foreign investment in the property market, and must:

- Be resident in Ireland for tax purposes
- Not be a closely held company (i.e. a company under the control of five or fewer participators or under the control of its directors)
- Be listed on a principal EU/EEA stock market
- Be free of taxation on income and gains, and
- Meet certain minimum criteria regarding its status as a rental property investment business.

Shareholders of a REIT are generally liable for tax on gains and income from investments in the REIT.

¶4212 AUDIT AND ACCOUNTING REQUIREMENTS

Companies must keep proper accounts that reflect a true and fair view of their financial affairs. Consolidated financial statements of companies whose securities are traded in a regulated market must be prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. Details for the accounts, along with (where required) a directors' report and an auditor's report, must be presented at the annual general meeting (AGM), or be submitted to the company's members if an AGM is not held. The annual accounts and the directors' report must be signed, on behalf of all directors, by two directors where there are two or more directors.

Qualifying micro companies are exempted from the full annual accounts requirements if they satisfy at least two of the following three conditions:

- The balance sheet total does not exceed €350,000
- Annual turnover does not exceed €700,000
- The company employs no more than 10 staff.

Qualifying small companies are exempted from the full annual accounts requirements if they satisfy at least two of the following three conditions:

- The balance sheet total does not exceed €6m
- Annual turnover does not exceed €12m
- The company employs no more than 50 staff.

An audit exemption may also apply, although other certification requirements would have to be met.

For group companies, the parent must prepare consolidated accounts for the whole group and present those accounts, along with its own accounts, at the AGM. Some groups may be exempt from the consolidated accounts requirement, for example in certain situations in which the parent is a private limited company (as described in ¶4207.1).

¶4213 FILING REQUIREMENTS

Annual returns, along with annexed directors' and auditor's reports where required, must be filed electronically with the CRO within 28 days of the date to which the annual return is made up.

The annual return date may be extended by application to the court. The court may grant an extension if it is satisfied that it would be just to do so.

FINANCE AND INVESTMENT

¶4214 EXCHANGE CONTROL

There are no restrictions on foreign currency exchange or the import or export of capital. Both residents and non-residents may hold bank accounts in any currency.

Anti-money laundering and anti-terrorist financing legislation requires designated persons, including financial institutions, property service providers, independent legal professionals, auditors, tax advisers, trust or company service providers, dealers in high value goods and private members' clubs, to carry out customer due diligence and report suspicious activities to the Anti Money Laundering Compliance Unit in the Department of Justice and Equality.

¶5510 BRANCHES AND REPRESENTATIVE OFFICES

A foreign company may generally conduct business in Malaysia through a branch. A branch must comply with certain registration requirements, including the filing of the name and address of a person resident in Malaysia appointed by the foreign company as its agent under a memorandum of appointment or power of attorney. The agent is answerable for all legal requirements of the foreign company in Malaysia, and is personally liable for any penalties imposed.

Branches must be registered with the Companies Commission of Malaysia.

Branches are taxed at the corporate level and are subject to corporate income tax.

A foreign company operating in the manufacturing and services sectors may establish a representative office in Malaysia, subject to Governmental approval. A representative office may conduct activities such as gathering information, but may not conduct commercial activities.

¶5511 BUSINESS TRUSTS

A business trust is a unit trust scheme where the operation or management of the scheme, and the scheme's property or asset, is managed by a trustee-manager. The trustee-manager must be a corporation (excluding a private exempt company). A business trust actively undertakes business operations, and income may be distributed to investors from the business trust's cash flow (subject to the satisfaction of solvency requirements).

A business trust is treated as a company for tax purposes and is taxed at the business trust level.

¶5512 AUDIT AND ACCOUNTING REQUIREMENTS

Companies are required to keep accounting and other records that sufficiently explain the transactions and financial position of the company, and enable true and fair profit and loss accounts, balance sheets, and associated documents to be prepared.

Companies are generally required to prepare their financial statements in accordance with the Malaysian Financial Reporting Standards (MFRS), which are identical to International Financial Reporting Standards (IFRS). Private entities (as defined) are required to prepare their financial statements in accordance with the Malaysian Private Entities Reporting Standard (MPERS), which are almost identical to IFRS for SMEs.

Companies are generally required to have their financial statements audited.

Accounting records must be kept for a period of seven years after the completion of operations or transactions to which they relate.

¶5513 FILING REQUIREMENTS

The audited financial statements and reports of a private company must be lodged with the Companies Commission of Malaysia within 30 days from when they are circulated to members (within 30 days of the annual general meeting for public companies). An exempt private company is not generally required to lodge audited financial statements if a certificate stating certain information (including that the audited financial statements comply with legislation and were presented at the annual general meeting) is lodged in the alternative.

Companies are required to lodge an annual return with the Companies Commission of Malaysia within 30 days from the anniversary of its incorporation date.

Companies listed on the Bursa Malaysia stock exchange must also submit their audited financial statements, auditor's report, and directors' report to Bursa Malaysia within four months from the close of the company's financial year.

FINANCE AND INVESTMENT

¶5514 EXCHANGE CONTROL

Malaysia has a very liberal foreign exchange control system with few, if any, restrictions.

Anti-money laundering and anti-terrorism financing legislation requires reporting institutions (as defined) to ascertain the identity of their customers, to report cash transactions exceeding set limits, and to report suspicious transactions, circumstances and property. The Financial Intelligence and Enforcement Department of Bank Negara Malaysia is responsible for receiving, investigating, and examining reports from reporting institutions, and disseminating information to law enforcement agencies for further action.

¶5515 BANKING AND SOURCES OF FINANCE

Bank Negara Malaysia, the Central Bank of Malaysia, is responsible for (amongst others) monetary and financial stability, payment systems infrastructure, issuing national currency, and managing international reserves. Bank Negara Malaysia is also responsible for the supervision and prudential regulation of financial institutions.

Commercial banks operating in Malaysia provide the majority of financial services.

There are generally no restrictions on foreigners opening bank accounts in Malaysia; however, certain documentation and a minimum deposit may be required. There are generally no restrictions on accounts containing foreign currency.

Bursa Malaysia provides a marketplace for listing and exchanging securities.

Malaysia Venture Capital Management Berhad (MAVCAP) provides details of private equity and venture capital investors.

¶5516 INVESTMENT INCENTIVES AND RESTRICTIONS

For business related tax incentives, see ¶5506.

There are generally no restrictions on foreign business investment in Malaysia; however, holdings by foreigners in certain industries, including telecommunications, may be subject to caps and other possible restrictions.

EMPLOYMENT REGULATIONS

For employment tax considerations, see ¶5502.

¶5517 GENERAL EMPLOYMENT MATTERS

¶5517.1 National employment standards

Legislation provides minimum rights and conditions of employment in Malaysia, including maximum daily and weekly working hours, rest periods, public holiday entitlement, annual paid leave entitlement, maternity leave rights, and sick leave.

A contract of service may generally be concluded orally or in writing. Certain contracts of service must be concluded in writing, including those for a specific period of time exceeding one month, and those for a specific piece of work where the time reasonably required for the completion of the work exceeds or may exceed one month. Written contracts of service must include provisions for the termination of employment by either party.

Either party to a contract of service may at any time give written notice to the other party of an intention to terminate the contract. The notice period, which must be the same for the employer and employee, is as stated in the written contract. If there is no written contract, the notice period required by legislation ranges from four to eight weeks,

depending on the length of employment. The notice periods provided by legislation supersede any contracted shorter notice periods in certain circumstances, such as in cases of change of ownership of the business. The notice period may be partially or fully waived if the party giving notice compensates the other party for wages due or paid during the notice period.

Either party may terminate a contract of service without notice if there has been a wilful breach by the other party of a condition of the contract. An employer may dismiss an employee without notice for misconduct after due inquiry. An employee may terminate the contract without notice where they, or their dependants, are immediately threatened by violent danger or disease not agreed to in the contract of service.

The above termination and contract-in-writing requirements do not apply to apprenticeship contracts approved by the Director General of Labour.

From January 1, 2019, the minimum wage is MYR1,100 per month and MYR5.29 per hour.

¶5517.2 Pensions and other benefits

Insured persons, their dependents and other qualified persons are eligible for social security benefits (see ¶5502.2).

¶5518 VISAS

Citizens of certain countries, including the USA, do not require a visa to visit Malaysia for social, business or academic purposes (not employment). Citizens of certain other jurisdictions may enter Malaysia for such visits without a visa for up to 14 days (e.g. Sierra Leone), one month (e.g. Russia), or three months (e.g. United Kingdom). Citizens of other jurisdictions generally require a visa to enter Malaysia. Visas available include the single entry visa, multiple entry visa, and the transit visa.

Expatriates seeking to work in Malaysia are required to make an application for a post with the relevant authorised agency/body. If approved, an application must be made for an Employment Pass. A Professional Visit Pass is available to foreign citizens for short term visits to Malaysia for the provision of specific services.

For further information on Malaysian visa requirements, visit www.imi.gov.my.

There are generally no restrictions on foreigners purchasing real property in Malaysia; however, minimum purchase prices may apply, and restrictions apply to purchases of agricultural land.

¶5606.3 Enterprise support incentives

Under the Malta Enterprise Act, qualifying projects that may make a substantial contribution to the development of Malta's economy and that are consistent with the aims and objectives of the Government may benefit from support such as tax credits.

¶5606.4 Other incentives

Other tax incentives available in Malta include deductions for qualifying intellectual property income, and tax credits for private pension contributions.

FORMS OF DOING BUSINESS

The main company form in Malta is the limited liability company (private or public). Other business forms include partnerships, branches and associations *en participation*.

¶5607 COMPANIES**¶5607.1 Limited liability companies**

A limited liability company is formed by two or more persons by subscribing to the company's memorandum of association. A private limited liability company may also be formed as a single-member limited liability company. The capital of the company is divided into shares held by the members of the company. The liability of members is limited to the amount unpaid on any shares held by them (if any).

The memorandum of association of a private limited liability company is required to:

- Restrict the right to transfer its shares
- Limit the number of members to 50, and
- Prohibit any public invitation for the subscription of the company's shares or debentures.

Public limited liability companies may issue shares or debentures to the public if the company has complied with legislative requirements.

The minimum authorised and issued share capital requirement for a private limited liability company subscribed to by two or more persons is EUR1,164.69. The minimum authorised and issued share capital requirement for a public limited liability company subscribed to by two or more persons is EUR46,587.47.

An annual general meeting must be held. Private limited liability companies are managed by one or more directors. Public limited liability

companies are managed by two or more directors. Limited liability companies are also required to appoint a company secretary (which may be an individual or a qualifying body corporate and may not be the sole director of the company) and one or more auditors.

¶5607.2 Company names and registration

The name of the company must be followed by its legal form or relevant abbreviation. The name must not be:

- The same as the name of another entity, or so similar that it could cause confusion
- Offensive or undesirable, or
- Already reserved for registration.

The company's memorandum of association must be submitted to the Registrar of Companies. The company will be registered if all requirements have been satisfied.

¶5608 PARTNERSHIPS**¶5608.1 General partnerships (partnership en nom collectif)**

A general partnership may be formed by two or more partners by a partnership deed. Partners are jointly and severally liable to an unlimited extent for the debts and obligations of the partnership.

¶5608.2 Limited partnerships (partnership en commandite)

A limited partnership may be formed by a partnership deed by one or more general partners with one or more limited partners. General partners are jointly and severally liable to an unlimited extent for the debts and obligations of the partnership. The liability of limited partners is generally limited to their unpaid contribution (if any). If a limited partner, or any other person, holds themselves out to be a general partner, that partner/person will be jointly and severally liable to an unlimited extent for the debts and obligations of the partnership along with the general partners. Limited partners may not take part in the management of the partnership. If they do so, they become jointly and severally liable to an unlimited extent for the debts and obligations of the partnership along with the general partners, and are liable to be expelled from the partnership (unless acting on the instructions of the general partners). Limited partners have the right to access accounting records and other documents of the partnership.

¶5608.3 Partnership names and registration

The name of the partnership must meet certain conditions, and must not be:

- The same as the name of another entity, or so similar that it could cause confusion
- Offensive or undesirable, or
- Already reserved for registration.

The partnership deed must be submitted to the Registrar of Companies. The partnership will be registered if all requirements have been satisfied.

¶15609 BRANCHES

A foreign company (overseas company) may generally establish a branch or place of business in Malta. An overseas company must submit certain documents and information to the Registrar of Companies within one month of establishment of a branch or place of business in Malta.

¶15610 ASSOCIATION EN PARTICIPATION

An association *en participation* may be formed by contract where one party takes part in the profits and losses of the business of the other party, or of one or more commercial transactions, in exchange for valuable consideration. Unless otherwise stated, the liability of the contributing party is limited to their contribution. An association *en participation* is not a separate legal entity and is not subject to registration requirements.

¶15611 AUDIT AND ACCOUNTING REQUIREMENTS

Companies are required to keep proper accounting records. For each accounting period, the director/s of the company are required to prepare individual accounts comprised of the balance sheet, profit and loss account, notes to the accounts, and any other required financial statements. Individual accounts must provide a true and fair view of the company's assets, liabilities, financial position and profit or loss. Parent company directors are generally required to prepare consolidated accounts in addition to individual accounts. Company directors must prepare a directors' report in respect of each accounting period.

Financial statements must generally be prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. Malta has not adopted the IFRS for SMEs. Qualifying small and medium sized entities may prepare their financial statements in accordance with the General Accounting Principles for Smaller Entities (GAPSE).

The annual accounts of the company must be audited by the company's auditor/s.

Accounting records must be kept at the company's registered office or at another location deemed fit by the director/s for a period of at least 10 years.

¶15612 FILING REQUIREMENTS

The director/s of the company are required to submit a copy of the annual accounts, a copy of the auditors' report, and the directors' report to the Registrar of Companies within 42 days from the end of the period for laying the annual accounts at the annual general meeting (which is 10 months after the end of the accounting period for private companies, and within seven months after the end of the accounting period for public companies).

FINANCE AND INVESTMENT

¶15613 EXCHANGE CONTROL

There are generally no exchange control restrictions. However, legislation reserves the right for the Minister responsible for finance to enact regulations on the recommendation of the Central Bank of Malta imposing restrictions on capital transactions and related payments in exceptional circumstances.

Anti-money laundering legislation requires subject persons to maintain internal reporting procedures and to report transactions suspected to involve money laundering or terrorist financing to the Financial Intelligence Analysis Unit (FIAU).

¶15614 BANKING AND SOURCES OF FINANCE

The Central Bank of Malta is responsible for (amongst others) maintaining price stability, implementing monetary policy, financial stability, and issuing euro currency.

The Malta Financial Services Authority (MFSA) is responsible for supervising financial services in Malta.

Commercial banks operating in Malta provide the majority of financial services.

There are generally no restrictions on foreigners opening bank accounts in Malta (certain documentation and minimum deposit may be required), or on accounts containing foreign currency.

The Malta Stock Exchange (*Borża ta' Malta*) provides a marketplace for listing and exchanging securities.

Private equity and venture capital investors provide investment in Malta.

¶5615 INVESTMENT INCENTIVES AND RESTRICTIONS

For business related incentives, see ¶5606.

There are generally no restrictions on foreign business investment in Malta.

EMPLOYMENT REGULATIONS

For employment tax considerations, see ¶5602.

¶5616 GENERAL EMPLOYMENT MATTERS

¶5616.1 National employment standards

Legislation provides minimum rights and conditions of employment in Malta, including maximum weekly working hours, rest periods, paid annual leave entitlement, paid national and public holiday entitlement, sick leave entitlement, and maternity and parental leave rights.

The conditions of a contract of employment must be provided to the employee in a written statement which should include:

- date of commencement of employment
- probation period
- normal and overtime rates of wages payable and when wages are paid
- normal hours of work
- duration of the contract period (for contracts of a fixed or definite duration)
- paid holidays, and vacation, sick leave and other leave
- conditions when fines may be imposed by the employer
- title, grade, nature or category of work for which the employee is employed
- notice periods required by the employer and the employee
- the collective agreement, if any, governing the employee's conditions of work, and
- any other relevant or applicable condition of employment.

A contract of employment may include a probationary period of employment not exceeding six months in duration. For technical, executive, administrative, or managerial staff whose salary is at least twice the minimum wage, the maximum probationary period permitted is one year. During the probationary period, the employer or employee may terminate the contract of employment without reason; one week's notice is required if the employment has exceeded one month.

An employee may terminate a contract of employment of indefinite duration without providing a reason. Where terminated by the employee, an employer may pay wages in lieu of notice. An employer may terminate a contract of employment of indefinite duration on the grounds of redundancy. Where terminated by the employer, the employee may require payment of half-wages in lieu of notice. The notice period required for terminating the contract varies depending on the employee's length of continuous employment. An employer or employee may terminate a contract of employment without notice and without compensation if there is a good and sufficient cause.

From January 1, 2019, the statutory weekly minimum wage for those aged 18 and over is EUR175.84.

¶5616.2 Pensions and other benefits

Social security contributions (see ¶5602.2) generally provide associated benefits.

¶5617 VISAS

Citizens of certain countries (including EU member states and Schengen area countries) do not generally require a visa for visits to Malta.

Visas available for entry into Malta include:

- Short-stay "C" visa (Schengen), and
- National long-stay "D" visa.

For further information on Malta's visa requirements, visit <https://identitymalta.com/central-visa-unit/>.

There are generally no restrictions on citizens from EU member states acquiring immovable property in Malta. However, a permit is required by EU citizens for acquisition of immovable property for use other than for that person's primary residence or business/service activity if that person has not resided continuously in Malta for at least five years. Citizens of non-EU member states require a permit in order to acquire immovable property in Malta.

¶5618 TRADE UNIONS

One or more organisations of employees may negotiate and conclude collective agreements with an employer or with one or more organisations of employers.

Group tax consolidation is not available in Panama; consequently losses cannot be offset against the profits of another company in the same group.

The tax year is generally the calendar year. Companies may request that a different 12 month period should apply.

Tax returns are generally due for filing within three months of the end of the tax year. Companies may request an extended filing date.

Advance payments of corporate income tax, based on taxable income in the previous tax year, are due in three installments generally on June 30, September 30, and December 31. Any remaining corporate income tax due is payable with the corporate tax return, and any excess payments are applied against future liabilities or refunded.

¶6601 PERSONAL TAXES

Resident and non-resident individuals are generally subject to tax only on their Panama source income.

Individuals are generally subject to tax on net income at the following rates:

Taxable Income (USD)	Tax Payable and Rate
Up to 11,000	0%
Over 11,000 – 50,000	15%
Over 50,000	USD5,850 plus 25% on the excess

Amounts paid for representation expenses are generally subject to withholding tax at the rate of 10% on income up to USD25,000, and 15% on income exceeding USD25,000.

Capital gains which are not part of the taxpayer's business activities are generally subject to tax at the rate of 10%. For certain gains (e.g. in respect of real property or securities transfers) an advance withholding tax is payable (3% for real property and 5% for securities), which may be final, or the 10% capital gain may be assessed. Alternative rates may apply to specific gains.

There are no separate inheritance, gift or wealth taxes in Panama.

¶6602 EMPLOYMENT RELATED COSTS AND TAXES

¶6602.1 Fringe benefits

There is no separate fringe benefits tax. Unless specifically exempt, taxable benefits-in-kind form part of the taxable income of individuals and are subject to personal income tax.

¶6602.2 Education tax

Employers are subject to a 1.5% education tax on employee salary. Employees are subject to education tax at the rate of 1.25%.

¶6602.3 Social security costs

Employers are generally required to make social security contributions in respect of employees at the rate of 12.25% of employee salary. The employee contribution rate is 9.75%.

An occupational accident insurance premium of up to 5.67% is required for employers.

¶6603 WITHHOLDING TAXES ON PAYMENTS ABROAD

The rates of withholding tax on the following payments made abroad to non-resident companies are generally:

	Rate
Dividends	5%/10%/20%
Interest	Effective rate 12.5%
Royalties	Effective rate 12.5% (generally)

Payments to jurisdictions deemed to discriminate against the economic or commercial interests of Panama are subject to withholding tax at higher rates, including 40% on bearer share dividends and the full corporate income tax rate for other payments.

For payments made to recipients in countries with which Panama has a double tax treaty, the rates of withholding tax may be reduced under the terms of the treaty.

¶6604 INDIRECT TAXES

Transfer tax on movable goods and services (*Impuesto sobre la Transferencia de Bienes Corporales Muebles y la Prestación de Servicios*) is generally levied on the supply of goods and services in Panama, and the importation of goods.

The standard rate is 7%. A 10% rate applies to public establishment accommodation services, and alcoholic beverages, and a 15% rate applies to tobacco products. Certain supplies are exempt, including exports, foodstuffs, medicines, and certain financial services.

The registration threshold is average annual monthly income exceeding USD3,000, and average annual gross income exceeding USD36,000.

Registered businesses can generally recover the tax with which they themselves are charged on their purchases of goods and services, subject to conditions and possible exceptions.

¶6605 OTHER TAXES

¶6605.1 Stamp duty

Stamp duty is generally levied on certain documents at the varying rates, subject to exemptions.

¶6605.2 Immovable property tax

An annual tax is generally levied on immovable property at progressive rates of up to 1%, subject to exemptions.

¶6605.3 Immovable property transfer tax

Immovable property transfer tax is generally levied on transfers of immovable property at the rate of 2% on the greater of the value as per the transfer deed, or the original cadastral value including improvements adjusted to current value by 5% per year.

¶6605.4 Municipal tax

Municipalities generally levy a monthly or annual tax on business turnover. Rates are variable and liabilities can range up to USD2,000 per month.

¶6605.5 Operations notice tax

An annual operations notice tax is generally levied on businesses at the rate of 2% of capital, subject to a minimum of USD100 and a maximum of USD60,000. Businesses are exempt from this tax if capital is less than USD10,000. For businesses established in a free zone, the rate is 0.5% of capital, subject to a minimum of USD100 and a maximum of USD50,000.

¶6605.6 Consumption tax

Consumption tax is generally imposed on certain goods and services, including alcoholic beverages, tobacco products, jewellery, mobile phone services, and certain television services.

¶6605.7 Minimum dividend tax

Companies which distribute as dividends less than 40% of their post-tax earnings are charged a tax of 10% of the shortfall. The rate of dividend tax is increased to 20% for bearer shares.

¶6605.8 Banks and insurance

Additional taxes may apply to licensed banks and insurance companies.

¶6606 TAX INCENTIVES FOR BUSINESSES

¶6606.1 Free zones and special economic areas

Business established in a free zone or the Panama-Pacific special economic area may benefit from incentives, including exemptions from corporate income tax, import duties, and transfer tax on movable goods and services.

¶6606.2 Multinational headquarters

Companies which are licensed as multinational headquarters are subject to a reduced tax rate of 5% on profits from services provided to non-resident entities provided they themselves do not derive income from sources in Panama.

¶6606.3 Other incentives

Incentives are available to certain other businesses, including those in the tourism, financing, maritime and agricultural sectors.

FORMS OF DOING BUSINESS

The company forms available in Panama include the corporation and the limited liability company. Other business forms include partnerships, limited liability micro-enterprises, and branches.

¶6607 COMPANIES

¶6607.1 Corporations

A corporation (*sociedad anónima*) may be formed by two or more natural or legal persons, and one or more of them may be shareholders, directors, officers, manager, agents, or liquidators of the corporation. Corporations are separate legal entities. There is no minimum share capital requirement.

Corporations are administered by the general meeting of shareholders, and by a board of directors.

Corporations are required to be registered in the Public Registry of Panama (*Registro Público de Panamá*).

¶6607.2 Limited liability companies

A limited liability company (*sociedad de responsabilidad limitada*) may be formed by two or more natural or legal persons. Limited liability companies are separate legal entities. There is no minimum share capital requirement, and contributions may be made in money, goods or services. Contributions in kind must be fully paid up on incorporation.

The liability of partners is limited to the contribution amount promised or made.

The company's articles of association may state that an annual general meeting is required. The company is managed by natural or legal persons appointed by the articles of association.

Limited liability companies are required to be registered in the Public Registry.

¶6608 PARTNERSHIPS

Under a general partnership (*sociedad colectiva*), the partners are jointly and severally liable for the obligations of the partnership.

Under a limited partnership (*sociedad en comandita*), general partners are jointly and severally liable for the obligations of the partnership, whereas the liability of limited partners is generally limited to the amount of their contributions.

Under a partnership limited by shares (*sociedad en comandita por acciones*), general partners have unlimited liability for the obligations of the partnership, whereas the liability of limited partners is generally limited to the value of their shares.

¶6609 BRANCHES

A foreign company may establish a branch in Panama by registering in the Public Registry and by submitting certain documentation.

¶6610 LIMITED LIABILITY MICRO-ENTERPRISES

Natural persons may establish a limited liability micro-enterprise (*microempresa de responsabilidad limitada*) if all qualifying conditions are satisfied.

Limited liability micro-enterprises must be incorporated with the Micro, Small and Medium-sized Businesses Authority (AMPYME).

¶6611 AUDIT AND ACCOUNTING REQUIREMENTS

Businesses are generally required to prepare financial statements that correctly reflect the operations of the business, and include a balance sheet, income statement, a statement of assets including changes in retained earnings, and a cash flow statement. Financial statements must be countersigned by an authorised public accountant if the business's capital or turnover exceeds set limits.

Businesses with a commercial establishment in Panama are required to keep their accounting records in Spanish, and in the Panamanian Balboa or the US dollar. Supporting documentation and correspondence

may be in the language in which it originates, but is required to be translated by a competent authority.

Certain entities incorporated in Panama are required to keep accounting records and supporting documentation for five years from the end of the relevant financial year.

Financial statements must generally be prepared using the International Financial Reporting Standards (IFRS). Companies listed on the stock exchange may alternatively use US Generally Accepted Accounting Principles (US GAAP). Small and medium-sized enterprises (as defined) may use the IFRS, IFRS for SMEs, or national standards.

¶6612 FILING REQUIREMENTS

Financial statements must be prepared within 120 days following the closing date of the fiscal period and be made available to the competent authorities.

FINANCE AND INVESTMENT

¶6613 EXCHANGE CONTROL

There are generally no foreign exchange controls.

Anti-money laundering and anti-terrorist financing legislation requires obligated subjects to identify their customers and to report transactions exceeding set limits, and suspicious operations and transactions, to Panama's Financial Analysis Unit (*Unidad de Análisis Financiero* (UAF)).

¶6614 BANKING AND SOURCES OF FINANCE

Panama has no official central bank. However the state-owned National Bank of Panama (*Banco Nacional De Panamá*) undertakes banking operations. The Superintendency of Banks of Panama (*Superintendencia de Bancos de Panamá*) regulates and supervises the banking sector.

Commercial banks operating in Panama provide the majority of financial services.

The Panama stock exchange (*Bolsa de Valores de Panamá, S.A.* (BVPA)) provides a marketplace for listing and exchanging securities.

Venture capital investors provide investment in Panama.

¶6615 INVESTMENT INCENTIVES AND RESTRICTIONS

For business related incentives, see ¶6606.

There are generally no restrictions on foreign investment in Panama; however, restrictions may apply in specific circumstances.

a foreign legal entity); consequently losses cannot generally be offset against the profits of another company in the same group.

The fiscal year is the calendar year. Taxpayers may use an alternative fiscal year that matches their financial year.

Tax returns are generally due for filing by March 25, following the tax year for taxpayers using the calendar year as their fiscal year; otherwise by the 25th day of the third month following the fiscal year end. Different deadlines apply to certain taxpayers. Corporate income tax returns must be filed electronically.

Corporate income tax is generally payable in advance on a quarterly basis for the first three quarters of the year. A final balancing payment is due with the submission of the corporate tax return.

¶7201 PERSONAL TAXES

Romanian resident individuals are generally subject to tax on their worldwide income. Other resident individuals are generally subject to tax on their worldwide income from the date they are assessed as being a resident in Romania.

Non-resident individuals are generally subject to income tax on their Romanian source income. However, Romanian resident individuals that change their state of residence to a country with which Romania does not have a double tax treaty are generally subject to tax on their worldwide income for the calendar year in which the change of residence occurs, and the following three calendar years.

The standard personal income tax rate for the taxable income of individuals is 10%, subject to personal allowances, deductions and exemptions. Income from gambling in excess of set limits is generally subject to withholding tax at the rate of 25%.

Taxable income must generally include any taxable capital gains. Gains from real property are generally subject to tax at a rate of 3%, subject to exemptions (e.g. for qualifying relatives).

Income or goods received by way of gift or inheritance are not generally subject to tax. However, inherited estates may be subject to tax at the rate of 1% if succession occurs more than two years after death.

There is no wealth tax in Romania.

¶7202 EMPLOYMENT RELATED COSTS AND TAXES

¶7202.1 Fringe benefits

There is no separate fringe benefits tax. Unless specifically exempt, taxable benefits-in-kind form part of the taxable income of individuals and are subject to personal income tax.

¶7202.2 Social security costs

Employers and employees are generally subject to compulsory social security contributions.

The standard rates are as follows (subject to possible caps):

Contribution Category	Employer Contribution	Employee Contribution
Social security	4% or 8%, depending on working conditions classification	25%
Health insurance	N/A	10%
Labour insurance	2.25%	N/A

¶7203 WITHHOLDING TAXES ON PAYMENTS ABROAD

The rates of withholding tax on the following payments made abroad by companies are generally:

	%
Dividends	5; certain dividend payments are exempt
Interest	16; certain interest payments are exempt
Royalties	16
Services, commission fees	16

Dividend, interest and royalty payments made to recipients in EU countries are not subject to withholding tax if the terms of the EU Parent-Subsidiary Directive or the EU Interest and Royalties Directive are satisfied.

A 50% withholding tax rate generally applies to services fees, commission fees, dividend, interest and royalties paid to a recipient in a country which has not concluded a tax information exchange agreement (TIEA) with Romania, if the transaction for which the payments are made is found to be artificial by the tax inspectors.

For payments made to recipients in countries with which Romania has a double tax treaty, the rates of withholding tax may be reduced under the terms of the treaty.

¶7204 VALUE ADDED TAX (VAT)

VAT is generally levied on the supply of goods and services in Romania, the intra-Community acquisition of goods, and on the importation of goods.

The standard VAT rate is 19%. A reduced rate of 9% applies to certain supplies, including drugs, prostheses and related accessories, orthopaedic aids, foodstuffs, non-alcoholic beverages, seeds and plants, restaurant and catering services, and water for drinking and irrigation. A reduced 5% rate applies to certain supplies including textbooks, books, newspapers and magazines (except those used solely or principally for advertising), admissions to castles, museums, exhibitions and cultural events, hotel or similar accommodation, and social housing. VAT exempt supplies include medical care and dental services, certain financial and banking services, insurances and reinsurance services, and most exports.

The registration threshold is RON300,000 of turnover in the preceding 12 months (increased from RON220,000 for the period April 1, 2018 to December 31, 2020).

Registered traders can generally recover the VAT with which they themselves are charged on their purchases of goods and services, subject to conditions and possible exceptions.

¶7205 OTHER TAXES

¶7205.1 Fees

Fees are generally payable at varying rates for the issuance of certificates, permits and authorisations, (such as building permits and authorisations to dismantle buildings in whole or in part), subject to exemptions.

¶7205.2 Property taxes

A local building tax is imposed on owners of buildings located in Romania, subject to exemptions. The rates for individuals and legal entities are generally 0.08% – 0.2% (residential use) or 0.2% – 1.3% (non-residential use) of the taxable value of the building (as defined). The tax rate may be considerably increased if the taxable value can not be determined, or if a building has not been revalued for over three years.

A local land tax is levied on owners of land located in Romania, subject to exemptions. The land tax is determined by several factors, including the size of the land, the area where the land is located, and the land use category.

¶7205.3 Tax on specific activities

Romanian legal entities operating in certain sectors, including accommodation, restaurants and catering, may be subject to an activities tax calculated using sector-specific criteria.

¶7205.4 Excise duties

Excise duties are imposed at varying rates on certain goods, including energy products and electricity, cigarettes and tobacco products, and alcohol and alcoholic beverages.

¶7205.5 Financial assets tax

From January 1, 2019, banking institutions (including credit institutions and branches in Romania of foreign credit institutions) are subject to financial assets tax. The tax rates are 0.2% for banking institutions with a market share of less than 1%, and 0.4% for banking institutions with a market share of 1% or more.

¶7206 TAX INCENTIVES FOR BUSINESSES

¶7206.1 Research and development (R&D)

Eligible R&D expenditure is granted an additional 50% deduction from taxable income.

Salary income from carrying out eligible research and development and/or technological development activities is exempt from personal income tax.

Companies that solely perform qualifying R&D and innovation activities are exempt from corporate income tax for a period of 10 years from the commencement of qualifying activities.

¶7206.2 Incentives for reinvested profits

A tax exemption is available for profits reinvested into qualifying technological equipment, machinery, and installation works that are used for economic activity.

¶7206.3 Free trade zones

Businesses established in a free trade zone in Romania benefit from VAT and customs duty exemptions.

¶7206.4 Industrial parks

Businesses established in an industrial park in Romania benefit from incentives, including exemptions from building tax and land tax.

¶7206.5 Incentive for activity of creating computer programs

Income from salaries as a result of the activity of creating computer programs is tax exempt, under certain conditions imposed by the Minister of Labour, Social Solidarity and Family, the Minister of Communication and Information Technology and the Minister of Public Finance.

FORMS OF DOING BUSINESS

The main company forms in Romania are the limited liability company and the joint stock company. Other business forms include partnerships, individual enterprises, family enterprises, authorised persons, and branches.

¶7207 COMPANIES

¶7207.1 Limited liability companies

A limited liability company (SRL) may be formed by one or more persons, subject to a maximum of 50 partners. The minimum share capital requirement is RON200, divided into equal shares of not less than RON10. The liability of shareholders is limited to the payment of their contributions. Limited liability companies are generally prohibited from offering shares to, or taking deposits from, the public.

Limited liability companies are generally required to hold an annual general meeting. A sole shareholder is required to conduct the same duties as required by an annual general meeting. A limited liability company is managed by one or more directors.

¶7207.2 Joint stock companies

A joint stock company (SA) may be formed by a minimum of two shareholders. The minimum share capital requirement established by legislation is RON90,000. The Government has the power to alter the minimum share capital requirement no more than once every two years taking into account the currency rate. The liability of shareholders is limited to the payment of their shares. Joint stock companies may offer their shares to the public.

Joint stock companies are generally required to hold an annual general meeting. The company may be administrated under a single management system or a dual management system. Under the single management system, one or more administrators must be appointed amounting to an odd number. If there is more than one administrator, a board of directors is formed. If the company is subject to statutory auditing obligations, the minimum number of directors is three. The dual management system involves administration by a directorate and a supervisory board. A joint stock company may stipulate in their articles of association that this management structure is being used. The directorate must be comprised of one or more members amounting to an odd number. If the company is subject to statutory auditing obligations, the minimum number of directorate members is three. The supervisory board must be comprised of no less than three and no more than 11 members. A joint stock company is also required to appoint at least three auditors (amounting to an odd number) and one alternate.

¶7207.3 Registration and taxation

Limited liability companies and joint stock companies are required to register with the Trade Register, and become separate legal entities at the date of registration.

Limited liability companies and joint stock companies are taxed at the corporate level and are subject to corporate income tax.

¶7208 PARTNERSHIPS

A general partnership is generally formed by two or more partners to undertake business as co-owners. Partners have unlimited and joint liability for the debts/obligations of the partnership.

A limited partnership must have at least one general partner and at least one limited partner. General partners have unlimited and joint liability for the debts/obligations of the partnership. The liability of limited partners is limited to the value of their interest.

A partnership limited by shares is formed by at least two partners. The minimum share capital requirement established by legislation is RON90,000. The Government has the power to alter the minimum share capital requirement no more than once every two years taking into account the currency rate. General partners have unlimited and joint liability for the debts/obligations of the partnership. The liability of limited partners is limited to the payment of their shares.

General partnerships, limited partnerships, and partnerships limited by shares are required to register with the Trade Register and are separate legal entities.

General partnerships, limited partnerships, and partnerships limited by shares are taxed at the corporate level and are subject to corporate income tax.

¶7209 INDIVIDUAL ENTERPRISES, FAMILY ENTERPRISES AND AUTHORISED PERSONS

Legislation permits the formation of individual enterprises (II), family enterprises (IF) and authorised persons (PFA). An individual enterprise is defined as an economic enterprise without legal personality that is organised by a sole proprietor. A family enterprise is defined as an economic enterprise without legal personality that is organised by an enterprising individual with his/her family. An authorised person is defined as an individual authorised to conduct any form of economic activity permitted by law, using primarily a workforce. All three forms of business may be formed by a Romanian citizen, or by a foreign citizen resident in a European Union (EU) or European Economic Area (EEA) country.

Individual enterprises, family enterprises, and authorised persons are required to be registered in the Trade Register.

The profits of individual enterprises, family enterprises, and authorised persons are taxed in the hands of the individual.

companies with net turnover of €60 million or more the limit is 25%. A change in company ownership or business activity may restrict a loss carry-forward. Losses may not be carried back.

Corporate groups can lodge a consolidated tax return including all subsidiaries that are at least 75% owned (70% for listed subsidiaries). All transactions within a consolidated group are ignored for income tax purposes.

The tax year is the company's fiscal year. Tax returns are generally due for filing within six months and 25 calendar days after the end of the tax year.

Corporate income tax is payable in advance generally on April 20, October 20 and December 20. The amount to be paid is computed by applying a rate to the tax liability. The general interim payment rate is 18%, based on tax liability for the previous tax year. Companies with net revenue exceeding €10 million are subject to:

- an interim payment rate of 24% (29% for financial institutions and hydrocarbon sector companies)
- a mandatory minimum prepayment of 23% of accounting profits (25% for financial institutions and hydrocarbon sector companies), subject to exclusions and exceptions.

¶7901 PERSONAL TAXES

Spanish resident individuals are subject to tax on their worldwide taxable income. Non-resident individuals are subject to tax on their Spanish source taxable income only.

The rates and tax brackets for 2019 for residents are as follows:

Taxable Income	Tax Rate
€ – €12,450	19%
over €12,450 – €20,200	24%
over €20,200 – €35,200	30%
over €35,200 – €60,000	37%
over €60,000	45%

These tax rates consist of a national tax and an Autonomous Communities tax. Some regions have higher tax rates, which means that the maximum tax rate is higher. For example, the maximum tax rate is 48% for Andalusia and Catalonia.

For savings income (which includes passive income such as interest, dividends and capital gains), the following rates generally apply for residents for the 2019 tax year:

Savings Net Tax Base	Tax Rate
€0 – €6,000	19%
over €6,000 – €50,000	21%
over €50,000	23%

For non-residents, the income tax rate is 24% (19% for residents of other EU countries).

Capital gains realised from assets sold within one year of ownership are taxed as for ordinary income. Gains realised from the sale of a taxpayer's main private residence are exempt; however, this applies to Spanish residents only, which has been challenged by the European Court of Justice as discriminating against non-residents. Gains realised on certain shares purchased in newly or recently established companies are also exempt.

Capital losses can be used to reduce any current year capital gains. Capital losses cannot be offset against income and vice versa.

No deductions are permitted for employment income obtained by non-residents without a permanent establishment (PE) in Spain, other than certain charitable donations recognised by statute. Withholding tax paid on a taxable event is deducted from the overall tax liability.

Gift and inheritance tax rates may vary between Autonomous Communities and are based on the degree of family relationship between the beneficiary and benefactor. Under national legislation, rates (after reductions) are on a sliding scale ranging from 7.65% to 34%, depending on the value of the gift/estate received by the beneficiary.

A wealth tax is imposed. For residents, the tax applies to worldwide assets; for non-residents it applies to Spanish assets. Generally, the first €700,000 of assets are excluded; after that, rates of between 0.2% and 2.5% apply through eight bands. Exemptions include the taxpayer's main residence up to a maximum value of €300,000.

Residents of Spain for at least 10 of the previous 15 years losing Spanish tax residency may be subject to an exit tax on unrealised capital gains on shareholdings above €4,000,000, or above €1,000,000 where the taxpayer owns more than 25% of the shareholding.

¶7902 EMPLOYMENT RELATED COSTS AND TAXES

¶7902.1 Social security costs

Employers and employees are required to make social security contributions of around 29.9% and 6.35%, respectively, on maximum monthly salary of up to €4,070.10.

¶7902.2 Fringe benefits

Resident and non-resident employees are liable to income tax on fringe benefits earned through their employment. The market value of the fringe benefit is added to the employee's salary; the tax is then withheld at source by the employer as payroll tax.

¶7902.3 Pensions and superannuation

Employers' compulsory contributions are considered fringe benefits enjoyed by employees and are subject to income tax. Employers' contributions are not deductible from the employers' taxable income.

Employees' compulsory contributions to pension plans are deductible up to certain limits.

¶7903 WITHHOLDING TAX**¶7903.1 Domestic payments**

Dividend, interest and royalty payments are generally subject to a 19% withholding tax.

There is no withholding tax on dividends paid to a company that has a share equal to or above 5% of the paying company's capital, where this share has been held over the previous year.

¶7903.2 Payments abroad

Dividend and interest payments made abroad are generally subject to a 19% withholding tax. Royalty payments are taxed at 19% if paid to a resident of an EU/EEA jurisdiction with which Spain has provisions for the effective exchange of tax information, otherwise 24%.

Dividend and royalty payments made to connected corporate recipients within the EU are generally exempt.

For payments made to recipients in countries with which Spain has a double tax treaty, the rates of withholding tax may be reduced under the terms of the treaty.

¶7904 VALUE ADDED TAX (VAT)

VAT is levied on the supply of goods and services in Spain and on the importation of goods into Spain.

Trading entities which are required to be registered for VAT must generally charge their customers VAT of 21% on the value of their supplies. VAT registration is mandatory for all enterprises supplying goods and services in Spain.

Some supplies are taxable at reduced rates. For example, most food, agricultural and farming products, medical products and tools, prescription spectacles, sales of new houses, transportation, hotel services and

services provided by artists and actors are subject to VAT of 10%. A 4% rate applies to staple foods, books, newspapers, magazines, medicines and care services provided by companies to care homes.

Registered traders can generally recover the VAT with which they themselves are charged on their purchases of goods and services, although there are exceptions.

¶7905 OTHER TAXES**¶7905.1 Stamp duty**

Stamp duty is an indirect tax levied at varying rates on:

- The transfer of assets between private individuals
- Certain corporate transactions, and
- Declarations or transactions documented and registered under seal.

The following corporate transactions are exempt from stamp duty: incorporation, capital increase, other contributions made by shareholders, and change of registered offices to Spanish territories.

¶7905.2 Property taxes

A property transfer tax ranging from 6% to 10% applies to the sale of shares in property holding companies located in tax havens, and in situations where the VAT does not apply.

Non-resident companies usually pay a 3% tax on the cadastral value of property purchased in Spain.

Some municipalities levy a local annual tax on the assessed value of property.

¶7905.3 Environmental taxes

There are a number of environmental taxes including for nuclear fuel and radioactive waste, the sale of electricity, petrol, gas and hydroelectricity.

¶7905.4 Excise taxes

Excise taxes are levied on selected products, including hydrocarbon products, alcohol, alcoholic beverages and tobacco.

¶7906 TAX CREDITS AND INCENTIVES FOR BUSINESSES**¶7906.1 Research and development (R&D) expenditure**

Free depreciation can be applied to R&D expenses recorded as intangible fixed assets, and for new fixed assets and buildings acquired between 2011 and 2015 and used for R&D activities. Generally, the depreciation rate for buildings used for R&D is limited to 10% annually.

The *contrato de cuentas en participación* is a type of unincorporated partnership in which one or more entrepreneurs (non-managing participants) contribute in cash or in kind to a project or venture that is managed by another entrepreneur (managing participant). In consideration, the non-managing participants receive the right to an agreed share of the profit or loss resulting from the project.

¶7912 AUDIT AND ACCOUNTING REQUIREMENTS

All companies are required to prepare (and have audited where required), an annual financial report (including comparatives) that presents a true and fair view of the company's state of affairs, profit or loss, and cash flow. Abbreviated accounts may be prepared in certain circumstances. Financial reports must comply with the Spanish accounting standards.

Consolidated financial statements of companies whose securities are traded in regulated markets must be prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. Other companies, may prepare their consolidated financial statements using either IFRS or Spanish generally accepted accounting principles (GAAP).

When preparing separate financial statements, GAAP must be applied, although this is largely based on IFRS.

Formulation of accounts must be carried out by the company directors within a three-month period after the end of the fiscal year. Most SAs are required to be audited by a registered auditor.

¶7913 FILING REQUIREMENTS

Companies must file their annual accounts (and consolidated annual accounts if applicable), a certificate of the resolution of the shareholders' meeting approving the annual accounts, details of the distribution of earnings, the management report (if applicable), and the audit report (if applicable) with the Commercial Register within one month following approval.

Companies must file tax returns by reference to their financial year, which need not correspond with the calendar year. Returns must be filed within 25 days of the approval of the accounts, which in turn must occur within six months of the financial year end.

FINANCE AND INVESTMENT

¶7914 EXCHANGE CONTROL

There are no exchange control restrictions in Spain. Spanish foreign investment laws guarantee the freedom to repatriate invested capital plus any capital gain realised on the disposal of a foreign investment. The law also guarantees the right to remit profits and dividends. These rights can be exercised without limitation. However, residents are generally required to report all transactions with foreign entities, subject to exceptions.

Spanish companies or branches are freely allowed to open and use foreign currency bank accounts in Spain without being subject to any information requirement. Equally, they may, subject to certain disclosure requirements, freely open and maintain bank accounts abroad, either in Euro or in foreign currency.

Cash currency exports or imports of €10,000 or more per person per journey require prior verification by the authorities.

Certain foreign investments in specific fields of activity require prior authorisation (e.g. gaming, television, radio, air transport and national defence). In general, foreign investments in Spain, including any return on these investments and the results of their liquidation, are free from exchange controls. Nevertheless, they must be reported to the authorities. The authorities require an advance notice when the foreign investment is made from a country or territory qualifying as a tax haven.

¶7915 BANKING AND SOURCES OF FINANCE

The Spanish National Bank (*Banco de España*) is responsible for (amongst others) implementing the Eurosystem's monetary policy, the stability of the financial system and payments system regulation. The prudential regulation of banks, insurance companies, superannuation (pension) funds, credit unions, friendly societies and building societies are also the responsibility of the National Bank.

The commercial banks operating in Spain provide the majority of short and medium-term loans/financing. Spanish banks are free to participate in virtually all forms of financial services. There is also a wide range of merchant banks operating in Spain, many of which are associated with some of the world's largest financial institutions.

¶7916 INVESTMENT INCENTIVES AND RESTRICTIONS

For business related incentives, see ¶4906.

There are generally no restrictions on foreign business investment in Spain (see ¶7914).