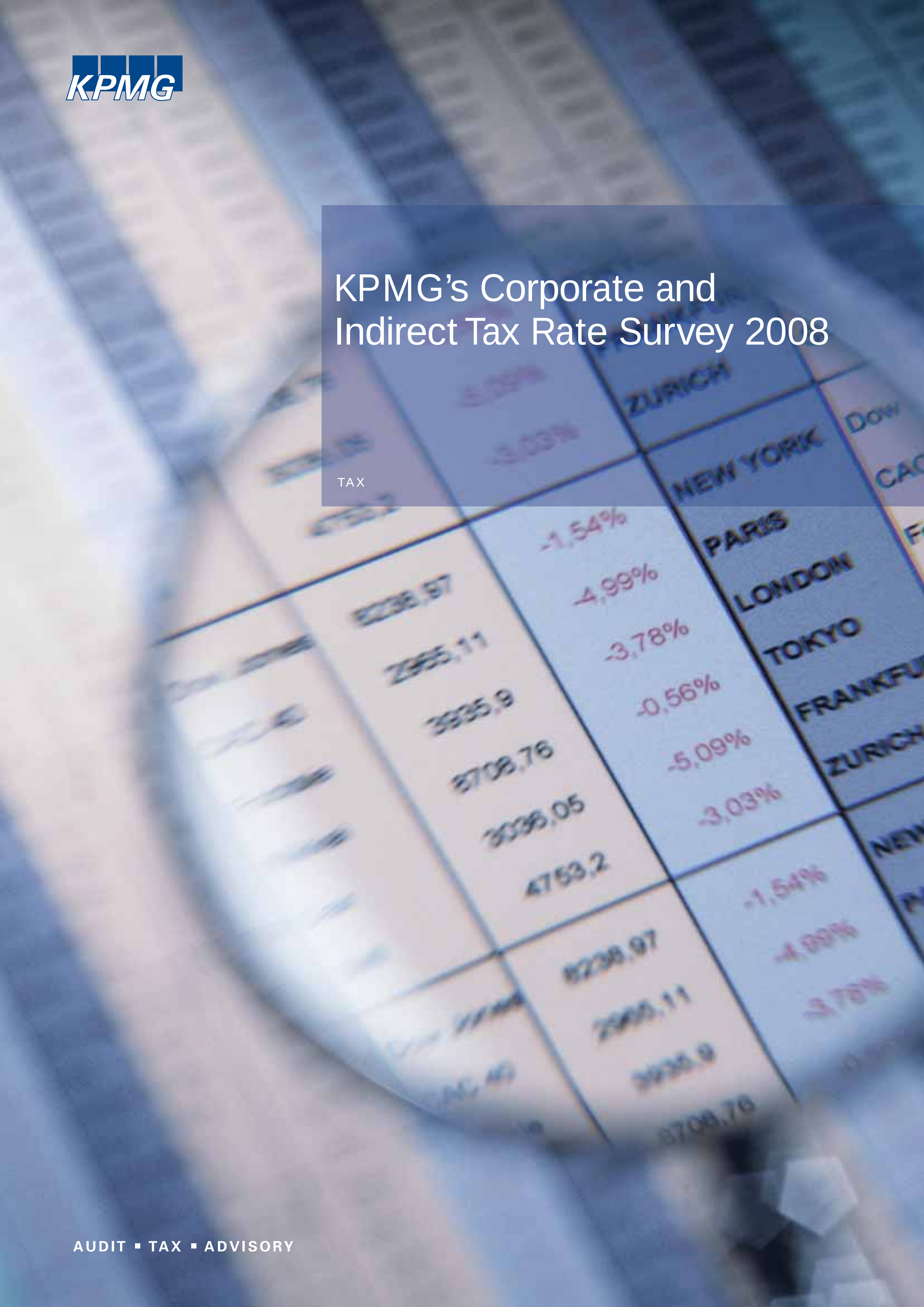

KPMG's Corporate and Indirect Tax Rate Survey 2008

TAX

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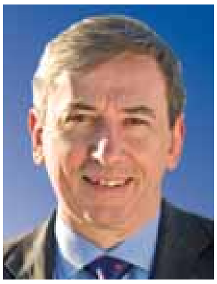
Introduction



Welcome to the 2008 edition of KPMG's Corporate and Indirect Tax Rate Survey. This is the 16th year that we have asked our member firms for details of the corporate tax rates charged in their countries, and in many ways, the changing results over the years reflect an increasingly global mindset among tax policy makers as well as corporates.

To help our member firm clients and other organizations consider developments across borders, we have included both corporate and indirect tax rates from 106 and 90 countries, respectively. We started reporting on indirect tax rates in our 2007 survey and everything we have seen since appears to confirm that indirect taxes are either at the same level as, or surpassing, corporate taxes as a concern for international business. So, for the first time, we have looked back five years to show trends in indirect tax rates.

In the commentary accompanying the information tables, and in the detailed notes on current tax systems, KPMG's tax specialists have looked behind the figures to pick out the trends driving tax policy throughout the world. Our aim is to add value to the important global debate on how corporates and governments should deal with two major challenges they both face, namely constant competitive pressures and accountability to multiple stakeholders.

We hope our readers find this an informative and stimulating study.

Loughlin Hickey
Global Head of Tax
KPMG in the United Kingdom

Commentary

The global trends in taxation identified in our 2007 Corporate and Indirect Tax Rate Survey have continued and intensified during the course of the past year. Average corporate tax rates among the 106 countries surveyed this year have fallen again, from 26.8 percent in 2007 to 25.9 percent in 2008, while average indirect tax rates have remained steady at 15.7 percent.

This in itself shows that revenues from indirect taxes are becoming more and more important to governments around the world, as direct corporate taxes fall while indirect taxes stay broadly the same. But maintaining the level of indirect tax rates is only the first of three key trends which point to a global shift towards indirect taxes.

The second trend is the steady expansion in the number of governments which have adopted or are planning to adopt a Value-Added Tax (VAT) or Goods and Services Tax (GST). Today, there are 135 jurisdictions in the world with taxes of this kind, and the countries either considering them, or with firm plans to introduce them include India (see below), and the UAE. Most interestingly, the debate on whether to introduce a federal VAT system has also begun in the U.S., the only OECD economy not to have one.

The third trend is the steady expansion of the indirect tax base, a process already familiar to businesses operating in the European Union and now, more than ever before, a significant part of the tax challenge facing businesses in other parts of the world. This is partly because governments may want to make use of the flexibility and stability that indirect taxation offers in order to protect their revenues. It is also necessary to keep the tax system up to date as new products, services, and methods of doing business are constantly being developed, often aided by new technology. An effective indirect tax system needs to evolve constantly if it is to keep up with the pace of commercial and technological change.

Looking back at indirect tax rates

To try to put these trends into an historic context, for this year's survey we have collected indirect tax rate information going back five years, to see how these rates have moved over time.

At first glance, it appears that there has been very little movement. The 87 countries reporting indirect rates for 2004 had an average rate of 15.6 percent, the 88 countries reporting for 2005 also averaged 15.6 percent, whilst the 89 countries reporting for 2006 saw a small drop in their average to 15.4 percent and the 90 countries reporting for 2007 and 2008 averaged 15.7 percent for both years.

But looking more closely, at the country level there are movements both up and down. Some of these reflect the global trends identified above whilst others have been driven by local social, political and economic factors.

Canada, for example, has seen a two point cut in its Goods and Services Tax (GST) from seven percent in 2004-2006 to six percent in 2007 and five percent in 2008. The reasons for this are largely down to Canadian politics; the GST is widely disliked in Canada and having enjoyed a budget surplus for some years the government has reduced this tax along with others. Its direct corporate tax rate has come down from 36.1 percent in 2007 to 33.5 percent in 2008.

There have also been reductions in India, which took the opportunity in 2005, with the introduction of a state-level VAT system, to cut its main indirect tax rate from 16 percent to 12.5 percent. (The figure of 16 percent is an average of the sales taxes imposed by Indian states at the time).

This is essentially a local realignment of existing indirect tax systems with two aims. The first is to improve international trade and encourage the import of technology into India, by bringing Indian taxation into line with the generally lower taxes found in the Association of Southeast Asian Nations (ASEAN). The second is to prepare the ground for a move to a national GST by 2010.

If Canada and India are being driven by local considerations, Germany and Singapore show global trends in action. We previewed Singapore's increase from five percent to seven percent in our 2007 report, and that budget measure, plus the reduction in corporate tax rate from 20 percent to 18 percent, has now come into force.

Germany raised its VAT rate from 16 percent to 19 percent in 2007, in a response to long-standing budget deficits on one hand and the need to reduce its corporate tax rate to remain internationally competitive on the other. Germany's corporate tax rate fell from 38.4 percent in 2007 to 29.5 percent in 2008.

Changes in regulation and enforcement

But it is not just in rate changes that government tax policies are revealed. In a move that is being replicated elsewhere in the world, both Singapore and Germany have introduced specialized groups within their tax authorities, focused on helping businesses to improve their handling of VAT/GST. This may reflect another growing trend, seen in Europe in particular, towards greater co-operation and transparency between tax authorities, businesses and their advisors. While this process may result in improvements and simplifications, the ultimate objective is clearly to ensure protection of the indirect tax base.

In Singapore, the GST Compliance Assurance Program (CAP) was launched in 2006. Its officers work with large businesses on GST accounting, record keeping and reporting, by developing their understanding of the company's systems and internal controls and identifying compliance risks through field visits. The government plans to introduce this program systematically to all businesses starting with those making annual GST supplies of SGD $1 billion (USD $740 million at July 2008 rates) or more.

The German equivalent is a pilot scheme, currently running in one federal state, where a specialist tax office has been created dealing solely with VAT issues. All other tax offices in the state are obliged to report significant VAT cases to this central group, to help develop a highly experienced, centralized VAT regulatory system. Again, this is very likely to be rolled out to other states.

As further proof of the progressively tougher application of indirect tax regulations, a separate survey of finance professionals in 22 countries, carried out for KPMG's Global Indirect Tax practice earlier in the year, revealed that errors in VAT compliance are now a bigger concern for them than errors in corporate tax. It should come as no surprise that 75 percent of those polled expected governments to rely more on indirect taxation in the next five years.

Asia Pacific experience

Among respondents in the Asia Pacific countries this rose to 88 percent, and looking at the average indirect tax rates in countries in this part of the world we can see why.

Average Asia Pacific indirect rates have risen by half a percentage point since 2006, the largest regional rate of increase we have recorded. But even so, at an average of 11.1 percent, indirect taxes in the Asia Pacific region are the lowest in the world. They are nearly five points below the global average of 15.7 percent, and 8.4 points below the EU average of 19.5 percent. Meanwhile, Asia Pacific average corporate tax rates, at 28.4 percent, are the highest in the world even though they have been falling steadily, year on year.

The impact of globalization on Asia Pacific economies is clearly bringing with it the same pressures on taxation policy that have been felt in Europe and the Americas for some time. The response of governments seems to be following the same pattern that has been played out elsewhere. More revenue from indirect taxes is clearly seen as the way forward.

Looking ahead, the combination of international pressure for reductions in corporate taxes, a global reduction in economic activity, and the ever-rising demand for spending on social and capital programs suggests that indirect tax rates are most likely to rise.

In a world where companies and their profits are increasingly mobile, taxes on consumption present a source of revenue that few can avoid. They draw on the whole economy, rather than on corporate profits, offer a steady stream of income rather than large sums at widely spaced intervals, and are collected much more rapidly after the event than corporate taxes. Despite the political problems which introducing these taxes inevitably present, this is a combination that few governments will be able to resist.

Transfer pricing regulations rise as corporate taxes fall

Turning to corporate tax rates, the most remarkable result of our 2008 survey is that we have found no country anywhere that has raised its rate since last year. The global average is, once again, down nearly a full point to 25.9 percent with the EU average down to 23.2 percent, the Latin American rate down half a point to 26.6 percent, and the Asia Pacific rate down 0.8 percent to 28.4 percent.

Here, again, we are seeing a steady strengthening of efforts to widen the tax base and improve enforcement. This is especially so in the area of transfer pricing, where a rapidly increasing number of countries is introducing rules to regulate the prices at which companies in the same group buy and sell from each other across borders.

The international standard in transfer pricing is a framework of guidelines laid down by the OECD. Most countries with transfer pricing regimes have been happy to adhere to its principles. In practical terms, enforcement of these rules has often taken the form of demands for more and better documentation of cross-border transactions, to prove that they were undertaken at open market prices. More frequently, however, we are seeing countries setting their own rules on what is acceptable as a legitimate business cost, with the aim of keeping taxable profits in their jurisdiction.

One notable example of this is the Indian government's tough attitude to companies using India's low cost base to improve margins elsewhere in the world. India's tax authorities insist on assigning high profit margins to the Indian operations of foreign companies, because of their belief that location savings generate significantly higher operating profits than companies would earn if they were based in another country.

The international development of transfer pricing regulations is still in its relatively early stages, but the rapid spread of this new arm of taxation is further evidence of the globalization of tax policy.

New forms of tax, new tax competition, new challenges for corporates

Taking these themes together, we seem to be seeing a global move towards real time taxation rather than the traditional, retrospective taxation that has driven the development of most corporate systems. Real time taxation demands that tax departments have a real time view of what is going on in their companies, with a far greater degree of daily detail and accuracy than many enjoy today.

Indeed, with the implementation of legislation like the U.S.'s FIN 48, tax directors may have to predict for official purposes the real time tax obligations of their companies for some time into the future. The penalties for getting this wrong are no less severe than for errors in retrospective tax calculations. No wonder that this presents quite a challenge for even the best run tax department.

On a macroeconomic level, governments are increasingly exchanging information and revising their tax structures to meet the demands of a commercial world where country borders matter less and less. At the same time, they are looking for new ways to encourage companies to repatriate earnings, as evidenced by the discussions now under way in the U.K., Japan and elsewhere over appropriate tax treatment of dividends earned abroad and profits from controlled foreign companies.

There is an obvious tension here between the undoubted economic benefits to all of more efficient supply chains and freer trade, and the need for governments to secure their revenues. Tax professionals are right in the middle of this dilemma. They need to be able both to articulate the economic benefits of efficient cross-border business to the countries in which they operate, and to help develop the new fiscal policies that these countries will have to adopt if they are to balance budgets and secure their share of global wealth.

This is a difficult political as well as economic problem, but it is of huge importance to companies and governments alike. This is why we believe that the need for a forward thinking, value-orientated, global mindset in corporate tax matters is greater now than ever before.

Niall Campbell
Global Head of Indirect Tax Services

Wilbert Kannekens
Global Head of International Corporate Tax

Corporate Tax Rates 1999 - 2008

OECD	European Union	Asia - Pacific	Latin America	Country	1 Jan 1999 (%)	1 Jan 2000 (%)	1 Jan 2001 (%)	1 Jan 2002 (%)
				Afghanistan				
				Albania				
				Angola				
			■	Argentina	35	35	35	35
			■	Aruba				
■		■		Australia	36	36	34	30
■	■			Austria	34	34	34	34
				Bahrain				
		■		Bangladesh	35	35	35	35
			■	Barbados	40	40	40	37.5
				Belarus				
■	■			Belgium	40.17	40.17	40.17	40.17
			■	Bolivia	25	25	25	25
				Bosnia and Herzegovina				
				Botswana	25	25	25	25
			■	Brazil	33	37	34	34
	■			Bulgaria				
■				Canada	44.6	44.6	42.1	38.6
			■	Cayman Islands	0	0	0	0
			■	Chile	15	15	15	16
		■		China	33	33	33	33
			■	Colombia	35	35	35	35
			■	Costa Rica	30	30	30	30
				Croatia	25	25	20	20
	■			Cyprus			28	28
■	■			Czech Republic	35	31	31	31
■	■			Denmark	32	32	30	30
			■	Dominican Republic	25	25	25	25
			■	Ecuador	15	25	25	25
				Egypt				
	■			Estonia				
		■		Fiji	35	35	34	32
■	■			Finland	28	29	29	29
■	■			France	40	36.66	35.33	34.33
■	■			Germany	52.3	51.6	38.36	38.36
■	■			Greece	40	40	37.5	35
				Guatemala	27.5	25	31	31
			■	Honduras	25	25	25	25
		■		Hong Kong	16	16	16	16
■	■			Hungary	18	18	18	18
■				Iceland	30	30	30	18
		■		India	35	38.5	39.55	35.7
		■		Indonesia	30	30	30	39
				Iran				
■	■			Ireland	28	24	20	16
				Israel	36	36	36	36
■	■			Italy	41.25	41.25	40.25	40.25
			■	Jamaica				
■		■		Japan	48	42	42	42
				Jordan				
				Kazakhstan				
■		■		Korea, Republic of	30.8	30.8	30.8	29.7
				Kuwait				

Country	1 Jan 2003 (%)	1 Jan 2004 (%)	1 Jan 2005 (%)	1 Jan 2006 (%)	1 Jan 2007 (%)	1 April 2008 (%)	Footnote
Afghanistan					20	20	1
Albania			23	20	20	10	2
Angola					35	35	3
Argentina	35	35	35	35	35	35	4
Aruba			35	35	28	28	5
Australia	30	30	30	30	30	30	6
Austria	34	34	25	25	25	25	7
Bahrain				0	0	0	8
Bangladesh	30	30	30	30	30	30	9
Barbados	36	33	30	25	25	25	10
Belarus					24	24	11
Belgium	33.99	33.99	33.99	33.99	33.99	33.99	12
Bolivia	25	25	25	25	25	25	13
Bosnia and Herzegovina					30	10	14
Botswana	25	25	25	25	25	25	15
Brazil	34	34	34	34	34	34	16
Bulgaria			15	15	10	10	17
Canada	36.6	36.1	36.1	36.1	36.1	33.5	18
Cayman Islands	0	0	0	0	0	0	19
Chile	16.5	17	17	17	17	17	20
China	33	33	33	33	33	25	21
Colombia	35	35	35	35	34	33	22
Costa Rica	36	30	30	30	30	30	23
Croatia	20	20	20	20	20	20	24
Cyprus	15.00	15.00	10	10	10	10	25
Czech Republic	31	28	26	24	24	21	26
Denmark	30	30	28	28	28	25	27
Dominican Republic	25	25	25	30	29	25	28
Ecuador	25	25	25	25	25	25	29
Egypt				20	20	20	30
Estonia			24	23	22	21	31
Fiji	32	31	31	31	31	31	32
Finland	29	29	26	26	26	26	33
France	34.33	34.33	33.83	33.33	33.33	33.33	34
Germany	39.58	38.29	38.31	38.34	38.36	29.51	35
Greece	35	35	32	29	25	25	36
Guatemala	31	31			31	31	37
Honduras	25	25	30	30	30	30	38
Hong Kong	16	17.5	17.5	17.5	17.5	16.5	39
Hungary	18	16	16	16	16	16	40
Iceland	18	18	18	18	18	15	41
India	36.75	35.875	36.5925	33.66	33.99	33.99	42
Indonesia	30	30	30	30	30	30	43
Iran					25	25	44
Ireland	12.5	12.5	12.5	12.5	12.5	12.5	45
Israel	36	36	34	31	29	27	46
Italy	38.25	37.25	37.25	37.25	37.25	31.4	47
Jamaica			33.33	33.33	33.33	33.33	48
Japan	42	42	40.69	40.69	40.69	40.69	49
Jordan					35	35	50
Kazakhstan			30	30	30	30	51
Korea, Republic of	29.7	29.7	27.5	27.5	27.5	27.5	52
Kuwait					55	55	53

OECD	European Union	Asia - Pacific	Latin America	Country	1 Jan 1999 (%)	1 Jan 2000 (%)	1 Jan 2001 (%)	1 Jan 2002 (%)
	■			Latvia				
				Libya				
	■			Lithuania				
■	■			Luxembourg	37.45	37.45	37.45	30.38
		■		Macau				
		■		Malaysia	28	28	28	28
	■			Malta				
				Mauritius	35	35	35	25
■			■	Mexico	35	35	35	35
				Montenegro				
				Mozambique				
■	■			Netherlands	35	35	35	34.5
			■	Netherlands Antilles				
■		■		New Zealand	33	33	33	33
■				Norway	28	28	28	28
				Oman	12	12	12	12
		■		Pakistan	35	43	34.65	35
				Palestine				
			■	Panama	37	37	37	37
		■		Papua New Guinea	25	25	25	25
			■	Paraguay	30	30	30	30
			■	Peru	30	30	30	30
		■		Philippines	33	32	32	32
■	■			Poland	34	30	28	28
■	■			Portugal	37.4	37.4	35.2	33
				Qatar				
	■			Romania			25	25
				Russia			43	24
				Saudi Arabia	45	30	30	30
				Serbia				
		■		Singapore	26	26	25.5	24.5
■	■			Slovak Republic			29	25
	■			Slovenia	25	25	25	25
				South Africa			37.8	37.8
■	■			Spain	35	35	35	35
		■		Sri Lanka	35	35	35	42
				Sudan				
■	■			Sweden	28	28	28	28
■				Switzerland	25.1	25.1	24.7	24.5
				Syria				
		■		Taiwan	25	25	25	25
		■		Thailand	30	30	30	30
				Tunisia				
■				Turkey	33	33	33	33
				Ukraine			30	30
				United Arab Emirates				
■	■			United Kingdom	31	30	30	30
■				United States	40	40	40	40
			■	Uruguay	30	30	30	30
			■	Venezuela	34	34	34	34
		■		Vietnam	35	32.5	32	32
				Yemen				
				Zambia				
				Average corporate tax rate	31.4	31.1	30.6	29.8

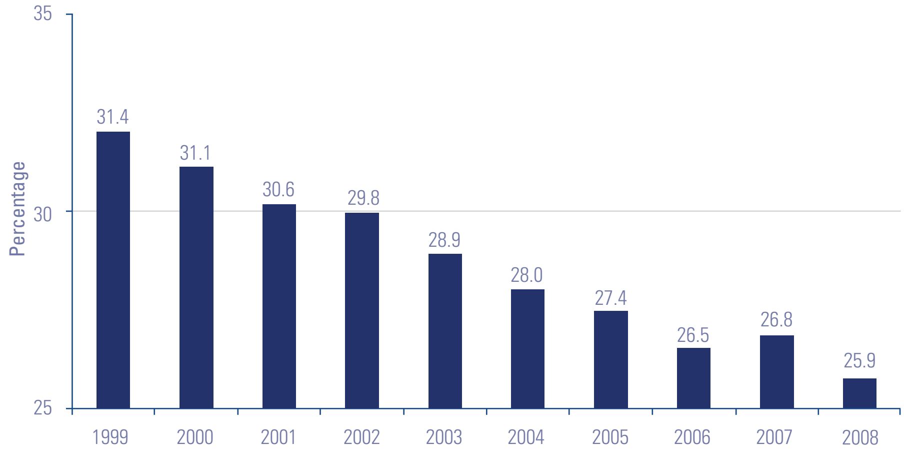
Country	1 Jan 2003 (%)	1 Jan 2004 (%)	1 Jan 2005 (%)	1 Jan 2006 (%)	1 Jan 2007 (%)	1 April 2008 (%)	Footnote
Latvia			15	15	15	15	54
Libya					40	40	55
Lithuania			15	15	15	15	56
Luxembourg	30.38	30.38	30.38	29.63	29.63	29.63	57
Macau			12	12	12	12	58
Malaysia	28	28	28	28	27	26	59
Malta			35	35	35	35	60
Mauritius	25	25	25	25	22.5	15	61
Mexico	34	33	30	29	28	28	62
Montenegro	20	20	9	9	9	9	63
Mozambique			32	32	32	32	64
Netherlands	34.5	34.5	31.5	29.6	25.5	25.5	65
Netherlands Antilles			34.5	34.5	34.5	34.5	66
New Zealand	33	33	33	33	33	30	67
Norway	28	28	28	28	28	28	68
Oman	12	12	12	12	12	12	69
Pakistan	35	35	35	35	35	35	70
Palestine					16	16	71
Panama	30	30	30	30	30	30	72
Papua New Guinea	30	30	30	30	30	30	73
Paraguay	30	30	20	10	10	10	74
Peru	27	30	30	30	30	30	75
Philippines	32	32	32	35	35	35	76
Poland	27	19	19	19	19	19	77
Portugal	33	27.5	27.5	27.5	25	25	78
Qatar					35	35	79
Romania	25	25	16	16	16	16	80
Russia	24	24	24	24	24	24	81
Saudi Arabia	30	30	30	20	20	20	82
Serbia	14	12.33	10	10	10	10	83
Singapore	22	22	20	20	20	18	84
Slovak Republic	25	19	19	19	19	19	85
Slovenia	25	25	25	25	23	22	86
South Africa	37.8	37.8	37.8	36.9	36.9	34.55	87
Spain	35	35	35	35	32.5	30	88
Sri Lanka	35	35	32.5	32.5	35	35	89
Sudan					35	35	90
Sweden	28	28	28	28	28	28	91
Switzerland	24.1	24.1	21.3	21.3	21.32	19.2*	92
Syria					28	28	93
Taiwan	25	25	25	25	25	25	94
Thailand	30	30	30	30	30	30	95
Tunisia	33	33	35	35	30	30	96
Turkey	30	33	30	20	20	20	97
Ukraine	30	30	25	25	25	25	98
United Arab Emirates	40	40	55	55	55	55	99
United Kingdom	30	30	30	30	30	28	100
United States	34	34	40	40	40	40	101
Uruguay	35	30	30	30	30	25	102
Venezuela	34	34	34	34	34	34	103
Vietnam	32	28	28	28	28	28	104
Yemen					35	35	105
Zambia			35	35	35	35	106

Average corporate tax rate	28.9	28.0	27.4	26.5	26.8	25.9	

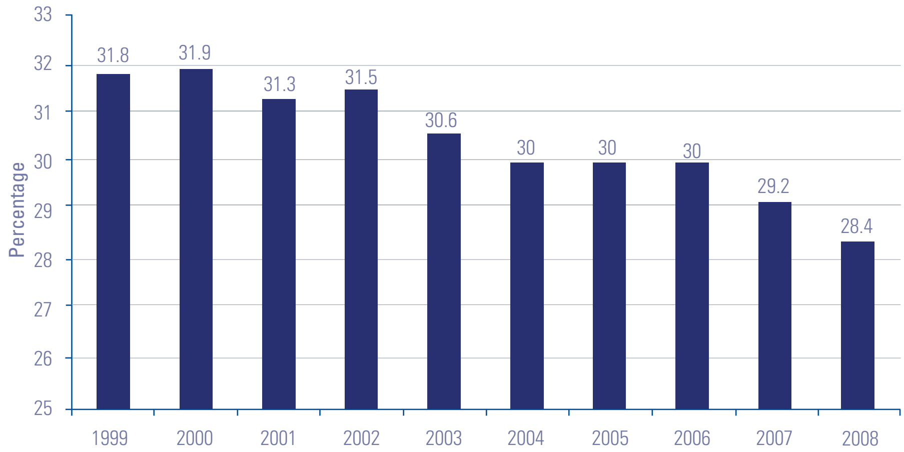
Source for all rates: KPMG member firms. Rates as at 1 January each year except 2008, where rates are as at 1 April.
*Figures for Switzerland relate to taxes in Zurich for the years to 2007. From 2008, the figure shown is an average of rates charged in all cantons.

Corporate Tax Rates

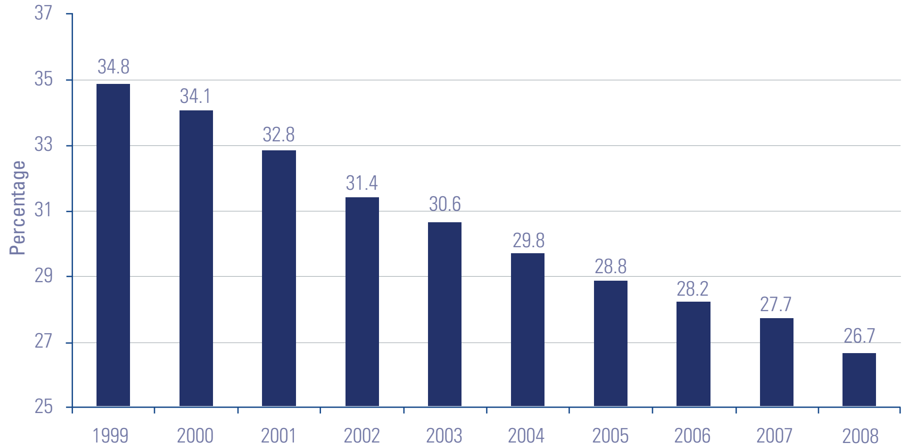
All Countries 1999 – 2008



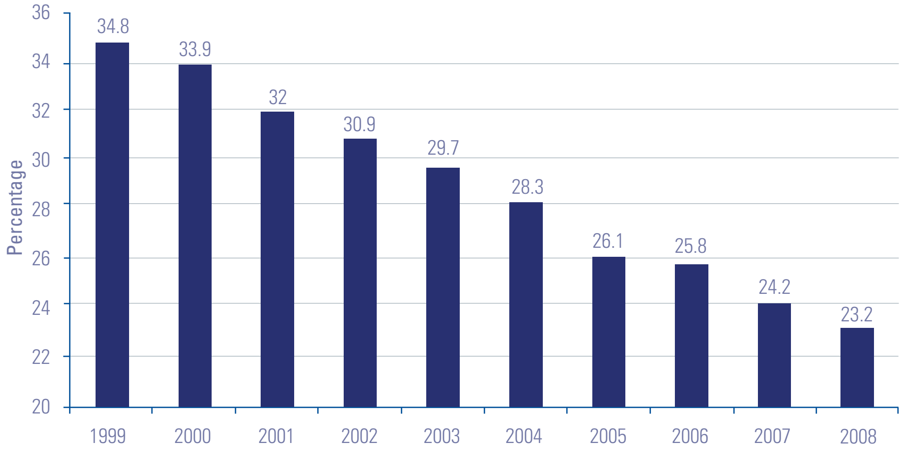
ASPAC 1999 – 2008



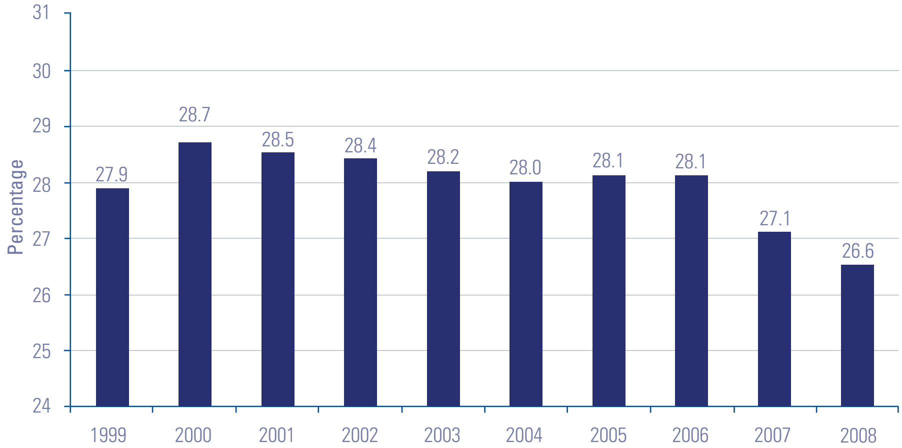
OECD 1999 – 2008



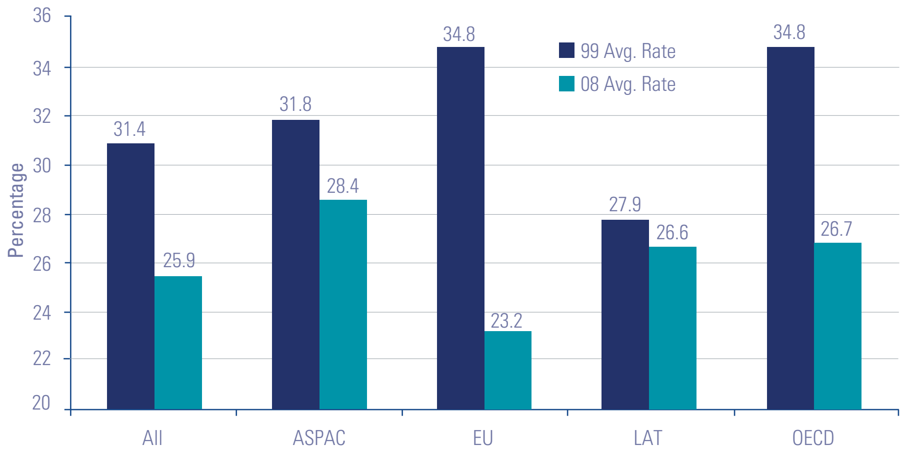
EU 1999 – 2008



Latin America 1999 – 2008



Comparison by Global Region 1999 – 2008



Source for all graph information: KPMG member firms.

Corporate Tax Rates Footnotes

1 **Afghanistan** (2008 rate = 20%)
Generally, two types of taxes are payable by the corporations. The corporate income tax rate is 20 percent. It is applied to the taxable income. Whereas the business receipt tax (ranging from 2 percent to 10 percent) is applied to the gross revenue. Qualifying extractive industries (mines and hydrocarbons) are exempt from the business receipt tax. Taxable income is determined by deducting all business-related tax deductible expenses from gross revenue. The tax deductible expenses also include dividends paid by the corporation and business receipt tax. Expenses which are subject to withholding tax are not tax deductible if the taxpayer fails to withhold withholding tax and to pay it to the tax authorities. Under a tax incentive scheme, so-called approved enterprises (that is, enterprises registered with the Afghanistan Investment Support Agency according to the Investment Law) are eligible for accelerated depreciation (four years for buildings and two years for other assets).

2 **Albania** (2008 rate = 10%)
The corporate income tax rate is applied to the taxable profit of the fiscal year (1 January to 31 December). Taxable profit is defined as gross income generated minus related tax deductible expenses. There are certain non-tax deductible expenses, for instance, business expenses unsupported by a regular invoice, interest accrued up to a certain limit, interest paid on loans and pre-payments which exceed four times the amount of owned equity during the period, representation expenses over a certain limit, cost of fringe benefits, voluntary pension contributions. Setting up of reserves do not lead to tax deductible expenses, except for banks and insurance companies. Dividends by an Albanian resident entity which is subject to corporate income tax to Albanian resident taxpayers who own more than 25 percent of the capital of such entity are tax exempt.

3 **Angola** (2008 rate = 35%)
Corporate taxpayers may fall under Group A, Group B, or Group C. Group A generally includes state companies, financial and credit institutions, insurance companies, foreign exchange houses, and all the properly registered companies and permanent establishments. Group B comprises of taxpayers that do not fall under Groups A or C, as well as those who carry out a one-off activity of a commercial or industrial nature. Group C comprises any individual that cumulatively fulfils the following conditions: works for himself/herself and does not have more than three employees; does not keep a set of accounts; does not make use of more than two vehicles; and whose annual gross turnover is below 13 UCFs.

4 **Argentina** (2008 rate = 35%)
A minimum income tax at a rate of 1 percent applied to the tax value of the company's assets (liabilities cannot be deducted). Some assets, such as stocks, shares in other entities subject to taxation, and assets of mining companies, are exempt from minimum income tax. The acquisition of new goods, except for automobiles, as well as the investment in newly constructed or refurbished buildings (for the first two years) are also excluded from minimum income tax. Minimum income tax only applies to the extent it exceeds the (regular) income tax calculated as a percentage of the taxable income. Minimum income tax paid in any given year reduces the (regular) income tax of subsequent years (maximum carryforward of 10 years).

5 **Aruba** (2008 rate = 28%)
The corporate income tax rate is 28 percent. Companies operating in the so-called Free Zone are taxed at a rate of 2 percent. A so-called imputation payment company (IPC) is subject to an effective corporate tax rate of 2 percent; an IPC pays 28 percent corporate income tax while the shareholder is entitled to an imputation payment of 26 percent from the Aruban government upon distribution of a dividend by the IPC.

6 **Australia** (2008 rate = 30%)
The corporate income tax rate is 30 percent, and applies to both resident and non-resident companies. A resident company is liable to corporate income tax on its worldwide income and capital gains. A non-resident company is liable to corporate income tax on its Australian-source income only, and on capital gains from the disposal of an asset that is taxable Australian real property (TARP). Broadly, TARP will include Australian real property and an indirect interest in Australian real property. The Australian tax system provides taxation relief against international double taxation by granting foreign tax credits in some circumstances and in others, by exempting the foreign income from Australian tax.The corporate income tax rate applies to income earned during

the period from 1 July to 30 June of the following year. If a company has approval to use a different year-end for tax purposes, the approved period must still relate to a 30 June year-end (that is, year ended 31 December 2006 in lieu of 30 June 2007). For the year 1 July 2001 to 30 June 2002 and later taxable years, the corporate income tax rate has been 30 percent.

7 **Austria** (2008 rate = 25%)

The corporate income tax rate is 25 percent. There are no trade income or net worth taxes. Austrian corporations may benefit from the liberal international participation exemption and the group taxation (including cross-border loss utilization and good-will depreciation for the acquisition of qualifying Austrian subsidiaries).

8 **Bahrain** (2008 rate = 0%)

Bahrain is an income tax-free country. There is no corporate or personal income tax in Bahrain. Accordingly, all profits, dividends, or any other income is tax-free. Bahrain only taxes oil and gas companies in the drilling and exploration sector at a rate of 46 percent. There are no exchange control regulations and accordingly there is no restriction on repatriation of capital, profits, royalties, or wages, and free movement if foreign exchange is permitted.

9 **Bangladesh** (2008 rate = 30%)

The corporate income tax rate is 30 percent for corporations (except banks and other financial institutions) listed at a stock exchange. If such listed corporation pays a dividend that exceeds 20 percent of the paid-up capital for a taxable year, it receives a 10 percent rebate on the tax payable. In case the dividend is lower than 10 percent of the paid-up capital, the corporate income tax rate is increased to 40 percent. Should the dividend amount be less than 15 percent in spite of having sufficient distributable profits, the company is subject to an additional 5 percent tax on the undistributed profits. Banks, insurance companies, leasing companies, and other financial institutions, and mobile phone operators are taxed at 45 percent. All other companies including branches of foreign companies are taxed at 40 percent. A rebate in the amount of 50 percent of the income derived from export business will be granted to companies registered in Bangladesh. Textile/jute industries are subject to 15 percent but these industries will not qualify for an export rebate. Tax at 0.25 percent deducted by the bank from export proceeds received by export-oriented knitwear and woven garment industries is treated as final tax. If the profit earned by a bank exceeds 50 percent of its capital and reserves, the bank is subject to a 15 percent excess profits tax on the additional profit. The aforesaid rates will remain valid for companies whose accounting year ends on any dates within 30 June 2007.

10 **Barbados** (2008 rate = 25%)

The corporate income tax rate is 25 percent. The corporate income tax rate may be reduced, on a sliding scale, to 1.75 percent, by a foreign currency tax credit granted for qualifying foreign currency generating activities. For small business, manufacturing, or certain insurance concessions special rates apply. An international financial service center tax regime provides for exemption for certain insurance companies, a 1.75 percent rate for qualifying insurance companies and a variable rate of 1 percent to 2.5 percent for other qualifying international business activities. Recent changes to note in domestic legislation include an exemption from tax in Barbados for certain dividends received by companies resident in Barbados from non-resident companies, as well as an exemption from withholding tax in Barbados on certain dividends paid by companies resident in Barbados out of foreign-source income to non-resident shareholders. These changes are applicable from the taxable year 2007 onwards.

11 **Belarus** (2008 rate = 24%)

The corporate income tax rate is 24 percent. For special zones the corporate income tax rate may be reduced to approximately 10 percent. There are various requirements and every case should be analyzed closely.

12 **Belgium** (2008 rate = 33.99%)

A lower tax rate applies to companies that are more than 50 percent owned by individuals. All companies subject to resident or non-resident corporate tax benefit from the risk capital or notional interest deduction that is computed on the companies' adjusted equity capital (including retained earnings). The deduction equals 4.307 percent (4.807 percent for small companies) for fiscal year 2009 (taxable years starting 1 January 2008 or later). The notional interest deduction reduces the effective tax rate to an average range from 25 percent to 27 percent (or lower depending on the equity capital).

13 Bolivia (2008 rate = 25%)
The corporate income tax rate is 25 percent (annual profit tax IUE). Payments of this tax are considered an on-account payment for any subsequent year's 3 percent transactions tax. Certain foreign companies` activities performed in Bolivia through branches or agencies are subject to different tax rules. Such activities include transportation, international news agencies, foreign insurance companies, and distribution of movies and videotapes. An effective rate of 5.5 percent is applied to gross income arising from these activities. Up to 4 percent of this tax is considered an on-account payment for any subsequent year's 3 percent transactions tax.

14 Bosnia and Herzegovina
(2008 rate = FBiH and RS: 10%)
Please note that Bosnia and Herzegovina consists of two separately administered territorial entities: Federation of Bosnia and Herzegovina (FBiH) and Republic of Srpska (RS). The Corporate Profit Tax Law (CPT Law) is subject to the respective entity's legislation. In FBiH, the new CPT Law has been recently adopted and it became applicable as of 1 January 2008. The corporate income tax rate (CPT) is 10 percent in both entities. Tax incentives are envisaged in both entities; in FBiH a tax holiday is allowed for the year in which over 30 percent of total taxpayer's incomes is realized through export as well as tax incentives in both entities related to investment as per the FBiH CPT Law and the RS CPT Law. Further in FBiH, tax losses can be carried forward for five years, the same rule applies in RS.

15 Botswana (2008 rate = 25%)
The corporate income tax rate is 25 percent. It is split into a 15 percent company tax and a 10 percent additional company tax (ACT). The ACT can be used to offset any withholding tax payable on dividend distributions. ACT unused after a period of five years will be lost. This arrangement can limit the overall corporate income tax levied on both the company and the shareholder to 25 percent. Lower company tax rates are available for manufacturing entities (5 percent). An approved International Financial Service Center entity is only liable for company tax and not for ACT. Mining entities (with the exception of diamond mining) are taxed at a rate between 15 percent and 45 percent (excluding ACT). Diamond mining taxation is negotiated with the government.

16 Brazil (2008 rate = 34%)
The corporate income tax rate is 25 percent. In addition social contribution on net profits at a rate of 9 percent are levied, leading to a overall rate of 34 percent. Please note that the social contribution on net profits tax rate has been increased from the current 9 percent to 15 percent to financial institutions, private insurance, and capitalization companies starting 1 May 2008. The 25 percent corporate income tax rate comprises of a 15 percent basic rate and 10 percent surtax on income over BRL 240,000 per year. The tax base for the corporate income tax are the adjusted net profits. Depending on the type of income and further conditions a social contribution on net profits tax credit (bônus de adimplência fiscal) may be granted to certain corporate income tax payers. A tax deferral of four years of social contribution on net profits tax may be available for companies that purchase certain industrial assets between 1 October 2004 and 31 December 2010 (MP 428/08). Deferral is equivalent to 25 percent of the depreciation of these assets. Reduced effective corporate tax rates may be applicable for companies qualifying for the election of the presumed profit system (such as those with gross revenues lower than BRL 48 million on the year preceding the election).

17 Bulgaria (2008 rate = 10%)
The corporate income tax rate is 10 percent of the taxable profit. The taxable profit is determined by adjusting the financial result (under IFRS or Bulgarian National Accounting Standards) due to certain tax non-deductible and/or non-taxable items. Corporate income tax returns should be filed and the reported in it liabilities settled by 31 March of the following year. Tax of 10 percent is levied on certain types of expenses.

18 Canada (2008 rate = 33.5%)
Includes federal tax of 19.5 percent for 2008 plus provincial tax. Depending on the province, the total effective general corporate income tax rate for 2008 ranges from 29.5 percent to 35.5 percent (24.5 percent to 35.5 percent for manufacturers). Lower rates are available to Canadian-controlled private corporations (CCPC) on their first CAD 400,000 to CAD 500,000 of taxable active business income. A representative tax rate for 2008 for a CCPC on its first CAD 400,000 of eligible taxable income is approximately 16.5 percent (11 percent federal tax plus 5.5 percent provincial tax). Depending on the province, the total effective tax rate for a CCPC on its eligible income ranges from 13 percent to 19 percent.

19 Cayman Islands (2008 rate = 0%)
There are no notes for 2008.

20 Chile (2008 rate = 17%)
Chilean corporate tax (named first category tax) applies to all types of taxable income realized by a taxpayer, individual or legal entity, regardless of its nationality, residence or domicile, with the exception of income from dependent employee's and independent personal services. Tax base is the accrued net taxable income after allowable deductions and expenses. First category tax paid can be credited against final taxes, which are global complementary tax in case of Chilean resident individuals and withholding tax in case of non-residents.

21 **China** (2008 rate = 25%/20%/15%)
As of 1 January 2008, a new corporate income tax applies to resident enterprises and non-resident enterprises with establishments in China or without establishments in China but having China-sourced income. The corporate income tax rate is 25 percent. The reduced rate applicable to small-scale enterprises with low profitability is 20 percent and to hi-tech enterprises eligible for key support from the state is 15 percent.

22 **Colombia** (2008 rate = 33%)
The corporate income tax rate is 33 percent from 2008 onwards (it was already reduced for 2007 from 35 percent to 34 percent). The surcharge of the 10 percent which previously applied was abolished. Colombian companies and foreign branches qualifying as industrial users established in Colombian Duty Free Zones are subject to a reduced corporate income tax rate of 15 percent from 2007 onwards. The 7 percent income tax rate that applied to dividends and participations transferred abroad was reduced to 0 percent. In addition, there is a regional tax called the industry and commerce tax levied on industrial, commercial, and service activities carried out within a municipality. The rate depends on the municipality and ranges between 4.14 and 13.8 per thousand. For corporate income tax purposes, 100 percent of the industry and commerce tax and of the property tax is deductible. Also, 25 percent of the financial transactions tax effectively paid is deductible for corporate income tax purposes.

23 **Costa Rica** (2008 rate = 30%)
The corporate income tax rate is 30 percent. Reduced rates are available for smaller companies. Corporate entities with a gross income under CRC 33.701 million are subject to a 10 percent corporate income tax rate; corporate entities with gross income of more than CRC 33.701 million but less than CRC 67.791 million are subject to a 20 percent corporate income tax rate. Corporate entities with gross income exceeding CRC 67.791 million are subject to the ordinary 30 percent rate.

24 **Croatia** (2008 rate = 20%)
The corporate income tax rate is 20 percent. The taxable income is determined by adjusting the accounting profit in accordance with the provisions of the Corporate Profit Tax Law. Dividends received are not subject to corporate income tax. A company can reduce its tax base if it qualifies under the Investment Promotion Law, Special State Care Areas Law, Hill and Mountain Areas Law, Free Trade Zones Law, and Law on Renewal and Development of the City of Vukovar. Tourist tax, forestry tax, and monumental protection fee are taxes based on turnover.

25 **Cyprus** (2008 rate = 10%/25%)
The corporate income tax is 10 percent applicable on active income whereas dividend received are tax exempt. Income deriving from the sale of securities is also tax exempt.
In ascertaining a company's taxable income all outgoings and expenses wholly and exclusively incurred by such person in the production of the income are deducted. The corporate income tax for public corporate bodies (meaning legal persons of public law or any other public corporate body established by law for the public interest) is at 25 percent plus 3 percent special contribution for the defense of the republic.

26 **Czech Republic** (2008 rate = 21%)
A special rate of 5 percent applies to profits of investment, mutual, and pension funds. Dividend income is taxed at 15 percent or, if received by a parent company from a subsidiary (currently defined as a company in which the parent has held at least 10 percent for at least 12 months and which is resident in the Czech Republic, EU, Switzerland, or a country with which the Czech Republic has signed a double-tax treaty, as long as the corporate tax rate is at least 12 percent), 0 percent. Income tax relief for up to five years is available under special investment incentive schemes.

27 **Denmark** (2008 rate = 25%)
Two prepayments of corporate income tax during the taxable year are mandatory. If the final tax liability exceeds the prepayments a surcharge of 6.3 percent (2008) of the outstanding tax liability is payable. There are no local taxes on corporate income.

28 **Dominican Republic**
(2008 rate = 25%)
In July 2007, the tax rate reduction (Law 172-07) entered into force which reduces the corporate tax rate to 25 percent from 2007 onwards.

29 **Ecuador** (2008 rate = 25%)
A corporate income tax rate of 15 percent applies when the taxpayer decides to reinvest its profits. This reinvestment shall be intended to the acquisition of new machinery or equipment and the company's capital must be increased by the reinvested amount.

30 **Egypt** (2008 rate = 20%)
The corporate income tax rate is 20 percent applicable for active income whereas dividend received are tax exempt. Income deriving from the sale of securities registered in the Egyptian stock market is also tax exempt. In ascertaining a company's taxable income all outgoings and expenses wholly and exclusively incurred by such person in the production of the income are deducted so long as they are supported by external documents and related to business.

31 **Estonia** (2008 rate = 21%)
Only profit distributions are subject to taxation. Profits that are not distributed but retained in the company and/or reinvested are not subject to taxation; a 21 percent tax applies to profit distributions including dividend payments and other forms of profit transfers (transfer pricing items, non-business costs, payments to low-tax territories).

32 **Fiji** (2008 rate = 31%)

The corporate income tax rate is 31 percent (reduced in 2004 from 32 percent to 31 percent). It applies to companies incorporated in Fiji and branches of non-resident companies. Dividend distribution out of full corporate tax paid retained earnings are not subject to any further income tax. With effect from 1 January 2008, an additional 15 percent normal tax will be charged on remittance of branch profits on which full corporate income tax has not been paid.

33 **Finland** (2008 rate = 26%)

The corporate income tax rate is 26 percent (effective as of 1 January 2005).

34 **France** (2008 rate = 33 1/3%) plus additional contribution if applicable)

For fiscal years ending after 1 January 2007, the corporate tax rate is 33.33 percent. A 3.3 percent social contribution of the corporate income tax is applicable to the portion of corporate income tax exceeding EUR 763,000 resulting in an overall tax rate of 34.43 percent (for this portion). Companies which have a turnover of up to EUR 7.63 million and of which individuals hold at least 75 percent of the share capital (or which are owned by companies meeting the same conditions) are subject to a corporate income tax rate of 15 percent. This applies to the part of the taxable profit up to EUR 38,120. These companies are exempted from the 3.3 percent contribution.

35 **Germany** (2008 rate = 29.51%)

The overall income tax rate for corporations includes corporate income tax at a rate of 15 percent, solidarity surcharge at a rate of 0.825 percent (5.5 percent of the corporate income tax) and local trade tax. The local trade tax generally is in a range between 7 percent and 17.15 percent, assuming a municipality multiplier (Hebesatz) ranging normally from 200 percent to 490 percent. (The average multiplier for 2006 was 391 percent. The minimum trade tax multiplier is 200 percent). The local trade tax is not deductible as a business expense from 2008 onwards.

36 **Greece** (2008 rate = 20%/25%)

The 25 percent rate applies to listed AE companies (corporations) and to EPE entities (limited liability companies).The same rate applies to domestic unlisted AE companies, banks, and credit institutions operating as co-operatives and branches of foreign entities. General partnerships (OE) and limited partnerships (EE) are considered legal entities in Greece and are subject to the corporate tax rate of 20 percent for fiscal year 2007. A 3 percent surcharge applies to gross rental income, but the surcharge may not exceed the primary corporate tax.

37 **Guatemala** (2008 rate = 31% or 5%)

The system operates based on the territoriality principle; that is, all Guatemalan-source income is taxed. Beginning 1 July 2004 two systems for payment of ISR exist; one calls for payment of 5 percent on gross income and the other for payment of 31 percent on taxable income; taxpayer's choice. Under the 31 percent on taxable income system, tax is paid annually but advanced quarterly. Under the 5 percent on gross income system, tax is paid monthly.

38 **Honduras** (2008 rate = 30%)

The overall income tax rate for corporations comprises of a 25 percent corporate income tax rate and a temporary 5 percent solidarity surcharge that applies if the taxable income exceeds HNL 1 million. In addition, there is a net assets tax of 1 percent of the value of the assets of the company less allowances for certain accounts and accumulated tax depreciation. Net assets tax is payable only to the extent it exceeds the corporate income tax.

39 **Hong Kong** (2008 rate = 16.5%)

Hong Kong SAR is a special administrative region of the People's Republic of China. The 16.5 percent rate (with effect from the year assessment 2008/09) applies to Hong Kong sourced profits that are derived from a business carried on in Hong Kong. Offshore profits, capital gains, dividends, and most bank deposit interest income are exempt from tax. Profits derived from certain securities or types of business (such as qualifying debt instruments or profits derived from the business of reinsurance of offshore risks by a professional re-insurer) are either exempt from tax or subject to a concessional rate of 8.25 percent (half of the 16.5 percent standard rate).

40 **Hungary** (2008 rate = 16% plus 4%)

The corporate income tax rate is 16 percent, which can be reduced to 10 percent on the first HUF 50 million (approximately, HUF 200,000) positive tax base if the company meets certain requirements, (the excess is subject to 16 percent). Effective from September 1, 2006, a so-called solidarity tax of 4 percent was introduced for all companies which is based on pretax profit modified by certain items. An additional local business tax of up to 2 percent is applicable based on the total trading turnover (two times the local business tax is deductible for CIT purposes). In addition, effective from 1 July 2007, a minimum tax was also introduced. The AMT base is calculated by 2 percent of total incomes less COGS and value of mediated services; there are some other adjustments as well. If it exceeds the greater of profit before tax or the normal corporate income tax base then either a declaration needs to be attached to the tax return or tax needs to be paid on the minimum tax base.

41 **Iceland** (2008 rate = 15%)

The corporate income tax rate for resident limited liability companies is 15 percent. The income tax rate for other resident legal entities, such as limited partnerships, associations, private nonprofit institutions, trusts funds, estates of deceased persons, and bankrupt estates is 23.5 percent. Tax is imposed on their net income, after allowable deductions. Non-resident entity's tax rate and deduction depends on the type of income and the entity's residence. Interest derived by non-residents from Icelandic sources is not subject to corporate income tax in Iceland.

42 **India** (2008 rate = 33.99%/30.90%)
For the fiscal year ending 31 March 2008 the basic corporate income tax rate for domestic companies is 30 percent, and the surcharge is 10 percent of the corporate income tax if the income is in excess of INR 10 million. The effective tax rate for domestic companies having income less than INR 10 million of income is 30.90 percent (30 percent plus education tax of 3 percent on tax); otherwise, 33.99 percent (30 percent, plus surcharge of 10 percent of the tax, plus education tax of 3 percent on tax and surcharge). A minimum alternate tax (MAT) is levied at 10 percent of the adjusted profits of companies where the tax payable is less than 10 percent of their book profits. In the case of companies having income of more than INR 10 million, the effective rate would be 11.33 percent/10.558 percent (10 percent plus a surcharge of 10 percent/ 2.5 percent of the tax, plus an education tax of 3 percent on the tax plus surcharge). The effective tax rate for foreign companies having income less than INR 10 million is 41.2 percent (40 percent plus education tax of 3 percent on tax); otherwise, 42.23 percent (40 percent, plus surcharge of 2.5 percent of the tax, plus education tax of 3 percent on tax and surcharge). Income of domestic shipping companies can be computed under the tonnage tax scheme. Non-residents and foreign companies engaged in shipping, aviation, oil/gas, and turnkey power projects are taxed on a deemed profit basis of 7.5 percent, 5 percent, and 10 percent respectively, plus surcharge and education tax. Dividend distribution tax (DDT) is levied at 16.995 percent (15 percent, plus surcharge of 10 percent of the tax, plus education tax of 3 percent of tax and surcharge) on dividends distributed by a domestic company. In case of money market mutual fund or liquid fund to unit holders it is increased to 28.33 percent (25 percent, plus surcharge of 10 percent of the tax, plus education tax of 3 percent on tax and surcharge). For non-equity oriented mutual fund other than money market mutual fund or liquid fund to individuals or HUF unit holders, the rate is 14.163 percent (12.5 percent, plus surcharge of 10 percent of the tax, plus education tax of 3 percent on tax and surcharge). For non-equity oriented mutual fund, other than money market mutual fund or liquid fund to unit holders other than individual and HUF, the rate is 22.66 percent (20 percent, plus surcharge of 10 percent of the tax, plus education tax of 3 percent on tax and surcharge).

43 **Indonesia** (2008 rate = 30%)
The corporate income tax rate is 30 percent for resident corporations with income over IDR 100 million. Taxable income between IDR 0 to IDR 50 million is taxed at a rate of 10 percent and income between IDR 50 to IDR 100 million is taxed at a rate of 15 percent. Certain income received by non-residents is taxed at 20 percent. An additional 20 percent branch profit tax is imposed on the after-tax profits of a permanent establishment (subject to income tax treaty relief).

44 **Iran** (2008 rate = 25%)
The corporate income tax is 25 percent. There are no other direct taxes imposed on the profit or the dividend distributions or reserves. All corporate entities engaged in any kind of commercial activity in the Free Trade and Industrial Zones are exempt from payment of corporate income corporate tax for 15 years from the date of commencement of operations in the zones. There is no legislation regarding capital gains or losses. Except for the transfer of freehold property and stocks/shares in corporate entities which are subject to tax at fixed rates on transfer, gains/losses are aggregated with other corporate results. Transfer of freehold property is subject to tax at a rate of 5 percent of the taxable value. Transfer of shares and their right in the listed companies on the Tehran Stock Exchange is subject to tax at 0.5 percent of the sales price. Transfer of shares in other corporate entities is taxed at the rate of 4 percent of the par value.

45 **Ireland** (2008 rate = 12.5%)
The corporate income tax rate is 12.5 percent for active income of new operations. A corporate income tax rate of 25 percent applies to passive income and income from certain land dealing activities, mining, and petroleum activities. A corporate income tax rate of 20 percent applies to dealing in undeveloped residential land in Ireland. A special corporate income tax rate of 10 percent applies to active trading income earned by certain existing manufacturing companies. This special corporate income tax rate will expire in 2010 and will be replaced by the standard corporate income tax rate of 12.5 percent. Capital gains are taxed at 20 percent with a participation exemption for gains on disposals of shareholdings of 5 percent or more of companies resident in EU or income tax treaty states.

46 **Israel** (2008 rate = 27%)
The corporate income tax rate will be gradually reduced: 27 percent in 2008, 26 percent in 2009, and 25 percent in 2010. Financial institutions are subject to a profit tax and a payroll tax at a 15.5 percent rate; both of which are deductible for corporate income tax purposes. The effective tax rate of financial institutions is 36.8 percent (for the year 2008). Companies with an approved enterprise are taxed at a reduced tax rate that varies depending on the national priority zone in which the company is located, the type of

incentive scheme applied for, and the level of foreign ownership in the company. Capital gains are subject to 25 percent tax. Special terms apply to assets purchased prior to 31 December 2002. Dividends from foreign sources are subject to a 25 percent tax, with a credit for foreign withholding tax, or, in certain circumstances, the corporate income tax rate with an underlying tax credit for tax paid by the distributing company.

47 **Italy** (2008 rate = 31.4%)
This overall income tax rate for corporations consists of a 27.5 percent corporate income tax (the so-called IRES) and a basic 3.9 percent regional tax (the so-called IRAP). The taxable basis differs as certain expenses are allowed for IRES purposes but not for IRAP, for instance, interest and almost all labor costs. Italian regions have the right to vary the basic IRAP rate up to 1 percent. The 2008 Italian Budget Law reduced the IRES rate from 33 percent to 27.5 percent and the IRAP rate from 4.25 percent to 3.9 percent (with an overall reduction of nominal 5.85 percent). IRAP rates varied by regions (in force on 1 January 2008) must be multiplied by the coefficient 0.9176; such coefficient (equal to the ratio 3.9:4.25) is coherent with the IRAP rate reduction.

48 **Jamaica** (2008 rate = 33 1/3%)
Companies must declare their income and make prepayments of the corporate tax in four installments (15 March, 15 June, 15 September, and 15 December) during the taxable year. If the final tax exceeds the prepayments, the balance is payable by the due date of filing the income tax return (15 March of the year following the year of assessment).

49 **Japan** (2008 rate = 40.69%)
Japanese corporate income taxes consist of corporation tax (national tax), business tax (local tax), and prefectural and municipal inhabitant taxes (local tax). The corporation tax rate is 30 percent (22 percent on the first JPY 8 million for small and medium-sized companies with paid-in capital of JPY 100 million or less). Local tax rates vary depending, for instance, on local government and the amount of paid-in capital of the company. The tax rate shown is the illustrative effective tax rate for a company in Tokyo with paid-in capital of more than JPY 100 million after taking into account a deduction for business tax (business tax itself being tax deductible). Size-based business tax is also levied on a company with paid-in capital of more than JPY 100 million, in addition to the income-based business tax. So the overall tax rate for such companies can be higher than 40.69 percent. The size-based business tax rates in Tokyo are 0.504 percent on the added-value component tax base (total of labor costs, net interest payments, net rent payments, and income/loss of the current year) and 0.21 percent on the capital component tax base (total paid-in capital and capital surplus). For small and medium-sized companies with paid-in capital of JPY 100 million or less, the effective tax rate in Tokyo is 42.05 percent with no size-based business tax imposed.

50 **Jordan**
(2008 rate = 15%/25%/35%)
The corporate income tax rate of 15 percent applies in case of mining, industry, hotels, hospitals, transportation, contracting, and other sectors approved by the Council of Ministers. The corporate income tax rate of 35 percent applies in case of banks, financial and finance companies, exchange companies, and brokerage companies. The corporate income tax rate of 25 percent applies to all other companies.

51 **Kazakhstan** (2008 rate = 30%)
The corporate income tax rate is 30 percent. Branches of foreign companies operating in Kazakhstan are subject to an additional branch profits tax of 15 percent of their after-tax income resulting in an overall tax rate of 40.5 percent for branch offices. Income tax treaties may reduce the branch profits tax.

52 **Korea, Republic of**
(2008 rate = 27.5%)
The corporate income tax rate is 27.5 percent (including resident surtax) if the taxable income exceeds KRW 100. For lower taxable income a corporate income tax rate of 14.3 percent (including resident surtax) applies.

53 **Kuwait** (2008 rate = 0%/55%)
The corporate income tax rates range from 0 percent to 55 percent. On 26 December 2007, the Kuwait National Assembly approved the passing of a bill which would result in a corporate income tax rate of 15 percent for non-resident corporations. The bill has yet to become law. This will occur on the bill being signed by the Amir of Kuwait and the notification of this being published in the Official Gazette of Kuwait. The proposed change in tax rate is expected to become effective in the first half of 2008.The existing Kuwait Income Tax Decree No.3 of 1955 will remain in force until such time as the new law takes effect.

54 **Latvia** (2008 rate = 15%)
The corporate income tax rate is 15 percent. There are four regions in Latvia called Special Economic Zones (SEZ). Companies operating in these zones are subject to a corporate income tax rate of 25 percent, but are granted a 80 percent corporate income tax relief.

55 **Libya** (2008 rate = 15%/20%/25%/30%/35%/40%)
The annual corporate income tax rates are on slices basis as follows: the first LYD 200,000 at 15 percent; the following LYD 300,000 at 20 percent; the following LYD 500,000 at 25 percent; the following LYD 500,000 at 30 percent; the following LYD 500,000 at 35 percent; and over LYD 2 million at 40 percent.

56 **Lithuania** (2008 rate = 15%/13%)

The corporate income tax rate is 15 percent. A rate of 13 percent applies if the average number of employees of an entity does not exceed 10 and the income does not exceed LTL 500,000 (EUR 144,810) (additional conditions have to be satisfied). Currently, corporate income tax relieves are available for agricultural companies, free economic zone companies, manufacturing companies employing people with disabilities, credit unions, and cooperatives. All relieves are applied only if certain conditions are satisfied and their impact on corporate income tax varies with regard to the particular situation. Additionally, the income of investment companies with variable capital and insurance companies' income from investments (except for dividends) are exempt from corporate income tax.

57 **Luxembourg** (2008 rate = 29.63%)

A corporate income tax rate of 22.88 percent includes a 4 percent employment fund contribution. The municipal business tax rate varies; for example, the rate for the City of Luxembourg is 6.75 percent.

58 **Macau** (2008 rate = 12%)

An exemption on the taxable income up to MOP 200,000 has been announced by the government in 2008 and was introduced retrospectively in 2007. Income between MOP 200,000 and MOP 300,000 is taxable at 9 percent; 12 percent is applicable to the portion of income over MOP 300,000.

59 **Malaysia** (2008 rate = 26%)

Resident companies with paid up capital of MYR 2.5 million and below at the beginning of the basis period for a Year of Assessment (YA) are subject to corporate tax at a rate of 20 percent on the first MYR 500,000 of chargeable income. For chargeable income in excess of MYR 500,000, corporate tax is at the rate of 26 percent (reduced to 25 percent from YA 2009). Leasing income (from moveable property) derived by a permanent establishment in Malaysia is taxed at 26 percent whereas a non-resident corporation with no Malaysian permanent establishment is taxed at 10 percent. A special 5 percent tax rate applies to corporations which conduct an inward reinsurance business or an offshore insurance business. Income generated by a life fund of an insurance company is taxed at 8 percent. A non-resident corporation with shipping or air transport income is taxed at 26 percent either on 5 percent of its gross shipping or air transport income derived in Malaysia or on that part of the Malaysian gross income computed as a proportion of worldwide profits to worldwide gross income. Income of resident corporations derived from the transportation of passengers or cargo on Malaysian ships is exempt. Finally, companies engaged in petroleum operations are subject to tax at 38 percent.

60 **Malta** (2008 rate = 35%)

The corporate income tax at a rate is 35 percent. Malta operates a full imputation system of taxation for both residents and non-residents, which ensures the full relief of economic double taxation upon the distribution of taxed profits by companies resident in Malta. On the distribution of taxed profits the shareholders may opt to claim a partial/full refund of the tax paid by the distributing company. As a general rule the tax refund amounts to six-sevenths of the tax paid. The refund will be reduced to two-thirds if the shareholder claims double-taxation relief and five-sevenths in those cases where the distributed profits are derived from passive interest or royalty income being subject to foreign tax at less than 5 percent. Dividends and capital gains derived from participation holdings will qualify for a full refund. The Malta tax suffered on distributed profits hence ranges between 0 percent to 10 percent. The tax paid on profits derived, directly or indirectly, from immovable property situated in Malta is not available for refund.

61 **Mauritius** (2008 rate = 15%)

The corporate income tax rate is 15 percent.

62 **Mexico** (2008 rate = 28%)

The corporate income tax rate is 28 percent. In addition, effective 1 January 2008, a new business flat tax (IETU) is in force. Such flat tax is paid at the rate of 16.5 percent (17 percent in 2009 and 17.5 percent in 2010) on a cash flow basis. It is provided that income on sale of goods, rendering of independent services and temporary use or enjoyment of goods will be considered to determine such retribution, with certain expenses being tax deductible. The IETU is defined as a minimum tax in respect to income tax (IT), but with a wider taxable base as many of the tax deductions authorized for IT purposes are not permissible for the IETU.

63 **Montenegro** (2008 rate = 9%)

The corporate income tax rate is 9 percent. Taxable profit is calculated by adjusting the company's profit or loss declared in the P&L account according to the provisions of the CIT Law. Adjustments include certain disallowed costs, as well as depreciation. Operating losses stated in the tax balance may be carried forward for five years and offset against operating profit declared in the tax balance. Capital losses could be carried forward and offset against capital gains up to five years.

64 **Mozambique** (2008 rate = 32%)

The corporate income tax rate is 32 percent. In addition, income of agricultural companies or organizations is taxed at 10 percent until 31 December 2010. Furthermore, agricultural, cultural, and artisan cooperatives benefit from a 50 percent reduction in the tax rate, resulting in an effective tax rate of broadly 16 percent. Generally, certain investment projects approved by the government of Mozambique prior to 1 January 2003 are subject to various lower tax rates, applicable until the end of the project. Those investment projects approved as of 1 January 2003 are, in general, subject to the standard tax rate of 32 percent but receive a tax credit of 5 percent of the investment made in the first five years of a project.

65 **Netherlands** (2008 rate = 20%/23%/25.5%)

In 2008 taxable profits of up to EUR 40,000 are taxed at 20 percent, profits between EUR 40,000 and EUR 200,000 are taxed at 23 percent, and profits over EUR 200,000 are taxed at 25.5 percent. In 2007, taxable profits of up to EUR 25,000 were taxed at 20 percent, profits between EUR 25,000 and EUR 60,000 were taxed at 23.5 percent, and profits over EUR 60,000 were taxed at 25.5 percent.

66 **Netherlands Antilles** (2008 rate = 34.5%)

The corporate income tax rate is 34.5 percent and includes a 15 percent surcharge although, for certain activities, tax holidays are available which generally lower the tax rate to 2 percent. Companies operating in economic zones are also taxed at a rate of 2 percent. The income of qualified limited liability companies engaged in certain financial activities is exempt.

67 **New Zealand** (2008 rate = 30%)

The corporate income tax rate is 30 percent. A flat tax of 3 percent applies to general insurance premiums and film hire taxes paid to non-residents. The New Zealand government has introduced the large budget screen production grant scheme which, provided certain requirements are met, allows for a rebate of 12.5 percent of the qualifying New Zealand production expenditure on film and television production companies. A film or television company is eligible for the grant if it is a resident company or a foreign corporation operating with a permanent establishment in New Zealand.

68 **Norway** (2008 rate = 28%)

The corporate income tax rate is 28 percent.

69 **Oman** (2008 rate = 12%)

The corporate income tax rate is 12 percent on taxable profits exceeding OMR 30,000 and applies to all companies incorporated in Oman and branches and permanent establishments in Oman of companies incorporated in the other Gulf Co-operation Council (GCC) countries (Bahrain, Kuwait, Qatar, Saudi Arabia, and United Arab Emirates). In the case of branches and permanent establishments in Oman of non-GCC companies the tax rates range from 0 percent to 30 percent depending upon amount of taxable profits.

70 **Pakistan** (2008 rate = 35%)

The corporate income tax rate is 35 percent and applies to all banking, public, and private limited companies. However, subject to certain conditions being met, small companies are taxed at 20 percent.

71 **Palestine** (2008 rate = 15% and 16%)

The 15 percent corporate income tax rate is applied in the case of local companies and the 16 percent corporate income tax rate is applied in the case of foreign companies.

72 **Panama** (2008 rate = 30%)

Tax due is the higher of 30 percent of net taxable income and 1.4 percent of Panamanian-source gross income (alternative minimum tax). Corporations with losses may request a three-year holiday from the application of alternative minimum tax. If there is no distribution, or if the distributed amount is less than 40 percent of net earnings, a complementary tax of 4 percent is due as an advanced dividend tax.

73 **Papua New Guinea** (2008 rate = 30%)

For mining and gas companies, the corporate income tax rate is 30 percent. Existing petroleum projects are subject to a 50 percent tax rate while new petroleum projects are taxed at either 45 percent or 30 percent depending on when the license is issued. Non-resident mining companies pay tax at 40 percent. In case of other businesses, a branch of a foreign company is taxed at 48 percent. Non-residents are taxed on a deemed profit basis (shipping: 5 percent, that is, an effective tax rate of 2.4 percent of gross income; insurance: 10 percent, that is, an effective tax rate of 4.8 percent of gross income). Foreign contractors can elect to be taxed on a deemed profit basis of 25 percent (that is, an effective tax rate of 12 percent of gross income).

74 **Paraguay** (2008 rate = 10%)

The corporate income tax rate is 10 percent. If the company distributes utilities to shareholders domiciled in Paraguay, a 5 percent rate will be applied to distributed utilities, resulting an effective rate of 14.5 percent. To utilities distributed to shareholders not domiciled in Paraguay a 15 percent rate will be applied, resulting an effective rate of 27.33 percent. There are differential effective rates for the following taxed acts carried out by non-domiciled entities: insurance premium that covers risks of people/goods in the country: 3 percent; people transportation fares/freight of goods: 3 percent; communications (phone, internet, and similar): 3 percent; news agencies: 4.5 percent; distributors of movies, cinema/television, and similar: 12 percent; and transfer of the use of containers: 4.5 percent. For financings received from external banks, current effective rate is 6 percent. Corporate income earned by individuals/foreign entities for their activities carried out in Paraguay (independently of their branches, agencies or permanent establishment) is currently at an effective rate of 15 percent.

75 **Peru** (2008 rate = 30%)

The corporate income tax rate is 30 percent. Additionally, dividends are subject to the rate of 4.1 percent when paid by a domiciled corporation to individuals (domiciled or not) or to foreign entities. Branches of foreign entities are also subject to the 4.1 percent tax rate. A tax on net assets has been introduced with effect from 2005. A marginal rate system is applied to determine this tax (the rate varies from 0 percent to 0.5 percent depending on the amount of taxable net assets). The tax is based on the net assets of domiciled corporate taxpayers after deducting certain balance sheet items specified in the legislation. This tax can be applied as a tax credit against corporate income tax.

76 **Philippines** (2008 rate = 35%)

The corporate tax rate increased to 35 percent effective 1 July 2005 and will be reduced to 30 percent effective 1 January 2009. On the fourth taxable year following the start-up year, domestic corporations and resident foreign corporations are subject to a 2 percent minimum corporate income tax (MCIT). This tax is calculated based on gross income and is due if the MCIT is greater than the corporation's corporate income tax liability, determined by applying the 35 percent tax rate to net income. A 10 percent improperly accumulated earnings tax (IAET), subject to certain exceptions, is also imposed on undistributed earnings of closely-held corporations. These are corporations in which at least 50 percent of the value of outstanding capital stock or at least 50 percent of the total combined voting power of all classes of stock entitled to vote is owned directly or indirectly by 20 individuals or less. Philippine branches of foreign corporations are exempt from the 10 percent IAET. Foreign corporations with Philippine branches pay 15 percent branch profits remittance tax. Philippine branches of foreign corporations are not subject to the 10 percent IAET. Philippine Economic Zone Authority (PEZA) registered corporations which enjoy payment of special tax rate on their registered operations or activities in lieu of other taxes, national and local are exempt from the 10 percent IAET. There are also several other special tax regimes for certain types of activity.

77 **Poland** (2008 rate = 19%)

The corporate income tax rate is 19 percent, with no other taxes on corporate income. However, a 50 percent penalty rate applies for transfer pricing adjustments if a taxpayer is unable to provide, within seven days of a request by the tax authorities, transfer pricing documentation (as required under statute) in respect of transactions with related parties. Companies located in the special economic zones may benefit from tax exemptions. Dividend income is taxed at 19 percent; under certain conditions exemptions are available for dividends received from subsidiaries resident in Poland, Switzerland, Member States of the European Union, and the European Economic Area.

78 **Portugal** (2008 rate = 25%)

The corporate income tax rate is 25 percent. This rate is to be increased by a municipal surcharge of up to 1.5 percent, which is to be levied over the company's taxable profit.

79 **Qatar** (2008 rate = 35%)

The corporate income tax rate is 35 percent. It is the maximum rate in a progressive rate structure and is applicable to income in excess of QAR 5 million. However, tax is only imposed on foreign companies operating in Qatar or Qatari companies with foreign shareholders. Companies which are wholly owned by Qatari shareholders or GCC nationals are exempt. Certain companies established pursuant to an emiree decree may be subject to a specific flat tax rate rather than the standard progressive rates.

80 **Romania** (2008 rate = 16%)

The corporate income tax rate is 16 percent. Profits earned from nightclubs, casinos, discotheques, and sport betting organizers are subject to tax at 16 percent as well, although the tax payable cannot be lower than 5 percent of the taxpayer's qualifying gross revenue earnings. A special relief is available for small companies.

81 **Russia** (2008 rate = 24%)

The corporate income tax rate is 24 percent. Federal tax authorities determine the applicable tax rates, however, tax payments are split into federal taxes (6.5 percent) and regional taxes (17.5 percent with the right to reduce to 13.5 percent). Local taxes are no longer payable. Interest income on state securities is taxed at 15 percent or 0 percent.

82 **Saudi Arabia** (2008 rate = 20%)

The corporate income tax rate is 20 percent. Corporate tax is payable by non-Saudi shareholders only. Zakat (a religious tax) at 2.5 percent is levied on Saudi and GCC shareholders.
In addition, withholding tax of 5 percent is payable on dividends distributed to non-resident shareholders.

83 **Serbia** (2008 rate = 10%)

The corporate income tax rate is 10 percent. Taxable profit is calculated by adjusting the company's profit or loss declared in the P&L account according to the provisions of the CIT Law. Adjustments include certain disallowed costs, as well as depreciation.

84 **Singapore** (2008 rate = 18%)

The corporate income tax rate is 18 percent. A partial tax exemption is granted on 75 percent of the first SGD 10,000 of regular income (excluding Singapore franked dividends) and 50 percent on the next SGD 290,000.
For the first three assessment years for new companies, full tax exemption of regular income (excluding Singapore franked dividends) up to SGD 100,000 can be claimed provided certain conditions are met and a partial tax exemption of 50 percent on the next SGD 200,000 of regular income (excluding Singapore franked dividends). A concessionary tax rate of 10 percent or lower applies to entities engaged in certain prescribed activities or granted tax incentives.

85 **Slovak Republic** (2008 rate = 19%)

The corporate income tax rate is 19 percent.

86 **Slovenia** (2008 rate = 22%)
The corporate income tax rate is 22 percent. However, the corporate income tax rate will be 21 percent in 2009 and 20 percent in 2010. Taxable persons performing non-profit activities are exempt. There is also a special rate of 0 percent which under certain conditions applies to investment funds, pension funds, insurance undertakings for pension plans, and venture capital companies (only for activities based on venture capital).

87 **South Africa** (2008 rate = 34.55%)
The corporate income tax rate is 28 percent. However, South Africa imposes an additional secondary tax on companies (STC) at 10% on any net dividends declared by them. Therefore, if a company distributes 100 percent of its after-tax earnings as a dividend, an effective tax rate of 34.55 percent will apply. This does not apply to gold mining companies (which are taxed on a formula basis) or to South African branches of foreign entities which are taxed at a rate of 33 percent. Further, it is proposed that STC will be replaced by a withholding tax from next year.

88 **Spain** (2008 rate = 30%)
Companies with tax years starting from 1 January 2008 are subject to tax at 30 percent. Where a company's turnover (alone or combined with other group companies) in the immediately preceding tax period is less than EUR 8 million, it is taxed on the first EUR 120,202 of taxable income at 25 percent with the balance of its taxable income being subject to tax at 30 percent. The following entities will be taxed at 25 percent: general mutual insurance companies, social welfare institutions and qualified social security mutual entities for accidents at work and occupational diseases, mutual guarantee entities and guarantee underwriting companies regulated by Law 1/1994 of 11 March on the Legal Regime for Mutual Guarantee Societies Registered with the Bank of Spain; and credit and rural credit co-operatives. Tax protected co-operatives will be taxed at 20 percent, except in respect of results not related to their corporate purpose, which will be taxed at the general rate.

89 **Sri Lanka** (2008 rate = 35%)
For the assessment year 2008/09 (1 April 2008 to 31 March 2009), the corporate income tax rate is 35 percent. However, small companies (with taxable income not exceeding LKR 5 million and not being a holding, subsidiary, or any associate company of a group of companies) are taxed at 15 percent and companies in the first five years of listing are taxed at 33.33 percent. Certain identified sectors also enjoy concessionary rates, such as exports (other than traditional products), tourism, agriculture, and construction at 15 percent and venture capital companies/ specialized housing banks at 20 percent. Dividends or the repatriation of profits by a non-resident company are taxed at 10 percent. An economic service charge (ESC) is 1 percent of turnover (although lower rates are applicable where companies benefit from tax holidays or concessionary rates) but can be set-off against corporate tax liability. The social responsibility levy is 1.5 percent on income tax for year 2008/2009. A deemed dividend tax at 15 percent is applicable for non-declaration of dividends.

90 **Sudan**
(2008 rate = 10%/15%/30%/35%)
Industrial companies are subject to corporate income tax at 10 percent; trading, real estate, and banks service companies are subject to corporate income tax at 15 percent; tobacco companies are subject to corporate income tax of 30 percent; and oil companies are subject to 35 percent.

91 **Sweden** (2008 rate = 28%)
The corporate income tax rate is 28 percent. An optional provision for untaxed income is available. The provision must not exceed 25 percent of the tax base and must be dissolved within the following six years. Starting 1 January 2005, a taxable interest charge is levied on such provisions.

92 **Switzerland**
(2008 rate = 12.66% to 25.45%)
The corporate tax rate in the city of Zurich is 21.17 percent. All 26 cantons apply different tax rates and in most of them the statutory tax rate needs to be multiplied with the communal and/or cantonal coefficients that may vary from tax period to tax period. The rate shown above comprises federal, cantonal, and communal taxes. As corporate income taxes are deductible when computing the tax basis, the effective corporate income tax rates are lower than the statutory rates published in the tax codes. In 2008, the cantons of Obwalden and Appenzell Ausserrhoden have the lowest corporate income tax rate (12.66 percent) while the canton of Berne and the community of Malleray have the highest (25.45 percent). However, if a company qualifies for a holding, principal, or mixed company ruling, effective tax rate can be reduced to 5 percent/12 percent. Additionally, full tax holiday up to 10 years might be available in some regions.

93 **Syria** (2008 rate = 28%)
The corporate income tax rate is 28 percent. Lower progressive rates apply to the first SYP 3 million of net profit. Investment law entities are taxed at a flat rate of 22 percent, industrial entities at a flat rate of 25 percent, and public majority joint stock companies at a flat rate of 14 percent. Local administration surcharges vary from 4 percent to 10 percent of the tax amount, depending upon location. Foreign-controlled service sector entities are subject to withholding taxes on gross turnover in lieu of corporate income tax on their net profits, at rates that vary from 3 percent to 10 percent according to industry type. Tourism entities (domestic or foreign) are subject to withholding tax at 2.5 percent of gross turnover.

94 **Taiwan** (2008 rate = 25%)
The corporate income tax rate is 25 percent. It is the maximum rate in a progressive rate structure. The rate is applicable to income in excess of TWD 100,000.

95 **Thailand** (2008 rate = 30%)
The corporate income tax rate is 30 percent but it may be reduced to 20 percent or 25 percent for certain Thai companies which are listed on the Stock Exchange of Thailand prior to 31 December 2009. A tax rate of 10 percent applies to the remittance of dividends or branch profits abroad. For companies small and medium sized enterprises (SME) with less than THB 5 million paid up capital, the corporate income tax rate is reduced to 0 percent for the initial taxable profits of THB 150,000, 15 percent on THB 150,001 to the first THB 1,000,000 of net taxable profits, and 25 percent on the THB 1,000,001 to 3,000,000 of net taxable profits next THB 2,000,000 but not exceeding THB 3,000,000. Corporate income tax exemptions (tax holidays and corporate tax rate reductions) are granted to companies promoted by the board of investment (BOI), asset management companies (AMCs) and venture capital companies investing in SMEs subject to certain conditions. Corporate income tax incentives were introduced in 2002 for Thai regional operating headquarters (ROH). The corporate income tax rate for a ROH is reduced to 10 percent on qualifying ROH service income, royalties, and interest and 0 percent on dividends received from associated enterprises. A rate of 3 percent applies to gross income of companies engaged in international transportation. A rate of 10 percent applies to the net taxable profits of commercial banks which are engaged in obtaining deposits or loans from foreign countries and re-lending such loans or amounts to other, or the same, foreign countries. A rate of 10 percent also applies to the net taxable profits of commercial banks derived from obtaining deposits or loans from foreign countries and re-lending such loans or amounts in Thailand (which were undertaken before 18 April 2006) and to gross income (reduced to 2 percent for certain types of income) of foundations and associations engaged in business activities. A petroleum (oil, gas, and derivatives) tax rate of 50 percent applies to the net taxable profits of companies with concessions to explore for and produce petroleum.

96 **Tunisia** (2008 rate = 10%/30%/35%)
Companies are taxed at 10 percent, 30 percent, or 35 percent depending on industry. The corporate income tax rate applies to resident companies and to permanent establishments of non-resident companies with a minimum tax payable of 0.1 percent under certain conditions. Fully export companies are taxable at the rate of 10 percent effective 1 January 2011. The fully export companies established before 1 January 2011 continue to benefit from the exoneration for the period of 10 years. Financial institutions working with residents as well as banks for their transactions of the same nature with residents are taxable at the rate of 35 percent. For regional development projects, there is exoneration for 10 years and 50 percent tax base reduction for additional 10 years.

97 **Turkey** (2008 rate = 20%)
The corporate income tax rate is 20 percent.

98 **Ukraine** (2008 rate = 25%)
The corporate income tax rate is 25 percent. Special tax rates may apply depending on the business activities (for instance a nil or 3 percent rate is applied to insurance income earned by Ukrainian insurance companies). Also, small-size Ukrainian companies can elect to be taxed under a simplified taxation regime that exempts the eligible corporate taxpayer from the payment of virtually all other Ukrainian taxes. An eligible taxpayer can elect to be taxed at 6 percent or at 10 percent of all revenues from the sale of goods and services depending on the VAT status of such taxpayer. An eligible corporate taxpayer is a Ukrainian company with annual revenues of less than UAH 1 million (approximately USD 200,000) and the annual average number of employees of less than 50, and that which is predominantly (that is, in excess of 75 percent) owned by individuals and/or small-size Ukrainian companies. No election is available for small-size Ukrainian companies that are engaged in manufacturing and trading of excise goods, gambling, and certain other businesses.

99 **United Arab Emirates**
(2008 rate = 0%/20%/55%)
The UAE consists of seven emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Fujairah, and Ras Al Khaimah. While there are no corporate income taxes at a federal level, some emirates have issued their own income tax decrees. Although in theory these emirate level decrees impose tax on the income of all corporate entities, in practice tax is currently only enforced on foreign oil companies and branches of foreign banks. Although the tax rate applicable to oil companies is generally 55 percent of operating profits, the amount of tax actually paid by such companies is based on a rate agreed in individual concessions between the company and the respective emirate. This rate can range between 55 percent and 85 percent. Branches of foreign banks are taxed at 20 percent of their taxable income in the emirates of Abu Dhabi, Dubai, Sharjah, and Fujairah. Municipal taxes are also levied in some of the emirates. In Dubai, a 10 percent municipal tax is charged on hotel revenues (usually passed on to the consumer as a service charge), a 10 percent municipality fee is levied on the rent from commercial property, and a 5 percent fee is levied on the rent of residential property. Abu Dhabi does not levy a municipality tax on rented premises, but landlords are required to pay certain annual license fees (which they may pass on to tenants).

100 **United Kingdom** (2008 rate = 28%)
A 21 percent rate applies to companies with taxable profits of up to GBP 300,000 with marginal relief up to GBP 1.5 million. Companies with taxable profits of GBP 1.5 million or more pay tax at the full rate of 28 percent. All these thresholds are reduced for accounting periods of less than 12 months and if there are associated companies. Bermuda, Gibraltar, Guernsey, Isle of Man, and Jersey: these countries are dependent territories or crown dependencies of the United Kingdom, which has formally confirmed that the OECD Convention applies to these countries. These countries are not included when calculating the averages and ranges indicated above.

101 **United States** (2008 rate = 40%)
The marginal federal corporate income tax rate on the highest income bracket of corporations (for 2007, USD 18,333,333 and above) is 35 percent. State and local governments may also impose income taxes ranging from less than 1 percent to 12 percent, and the top marginal rates of which average approximately 7.5 percent. A corporation may deduct its state and local income tax expense when computing its federal taxable income, generally resulting in a net effective rate of approximately 40 percent. The effective rate may vary significantly depending on the locality in which a corporation conducts business. The United States also has a parallel alternative minimum tax (AMT) system, which is generally characterized by a lower tax rate (20 percent) but a broader tax base.

102 **Uruguay** (2008 rate = 25%)
The corporate income tax rate is 25 percent.

103 **Venezuela** (2008 rate = 34%)
The corporate income tax rate is 34 percent. However, corporations engaged in the exploitation of hydrocarbons and related activities are generally subject to corporate income tax at 50 percent (also applicable to income from any other sources). This rate does not include municipal business taxes which range from 0.3 percent to 9.4 percent of gross income, depending on the district and the business activity.

104 **Vietnam** (2008 rate = 28%)
The corporate income tax rate is 28 percent and applies to resident companies with foreign investors (including, joint ventures, 100 percent foreign-owned companies, and business co-operation contracts) licensed from 1 January 2004 (25 percent if licensed before 1 January 2004) and Vietnamese enterprises. However, incentive corporate income tax rates (10 percent, 15 percent, and 20 percent) will apply for certain projects. Corporate income tax rates from 28 percent to 50 percent apply to businesses conducting prospecting, exploration, and exploitation of petroleum and gas and other rare and precious natural resources.

105 **Yemen** (2008 rate = 35%)
The corporate income tax rate is 35 percent and applies to all categories of commercial activity. Tax holidays of seven years or more are available to projects licensed under the investment law. Oil and mineral activities are subject to special regimes of taxation, and education and agriculture are tax exempt.

106 **Zambia** (2008 rate = 35%)
The corporate income tax rate is 35 percent. However, income earned by banking institutions is subject to 40 percent tax on profits in excess of ZMK 250 million. Profits from farming, chemical fertilizer production, and export of non-traditional items are taxed at a rate of 15 percent. Companies with a turnover of ZMK 200 million or less pay a turnover tax of 3 percent. Tax on foreign exchange earned by sun hotel is subject to tax at 15 percent. Windfall tax has been introduced on companies producing base metals of copper and cobalt which will be calculated on the basis of the price obtaining on the London metal exchange. Where there is no windfall tax, there will be variable tax. The variable tax rates will vary between 1 percent and 15 percent. The windfall tax rates will be 25 percent, 50 percent, and 75 percent.

Indirect Tax Rates 2004 - 2008

OECD	European Union	Asia - Pacific	Latin America	Country	1 Jan 2004 %	1 Jan 2005 %	1 Jan 2006 %	1 Jan 2007 %	1 Jan 2008 %	Footnote
				Afghanistan	15	15	15	15	15	1
				Albania	20	20	20	20	20	2
				Angola	N/A	N/A	N/A	N/A	N/A	3
			■	Argentina	21	21	21	21	21	4
			■	Aruba	N/A	N/A	N/A	3	3	5
■		■		Australia	10	10	10	10	10	6
■	■			Austria	20	20	20	20	20	7
				Bahrain	N/A	N/A	N/A	N/A	N/A	8
		■		Bangladesh	15	15	15	15	15	9
			■	Barbados	15	15	15	15	15	10
				Belarus	18	18	18	18	18	11
■	■			Belgium	21	21	21	21	21	12
			■	Bolivia	13	13	13	13	13	13
				Bosnia and Herzegovina	N/A	N/A	17	17	17	14
				Botswana	10	10	10	10	10	15
			■	Brazil	19	19	19	19	19	16
	■			Bulgaria	20	20	20	20	20	17
■				Canada	7	7	7	6	5	18
			■	Cayman Islands	N/A	N/A	N/A	N/A	N/A	19
			■	Chile	19	19	19	19	19	20
		■		China	17	17	17	17	17	21
			■	Colombia	16	16	16	16	16	22
			■	Costa Rica	13	13	13	13	13	23
				Croatia	22	22	22	22	22	24
	■			Cyprus	15	15	15	15	15	25
■	■			Czech Republic	22	19	19	19	19	26
■	■			Denmark	25	25	25	25	25	27
			■	Dominican Republic	12	16	16	16	16	28
			■	Ecuador	12	12	12	12	12	29
				Egypt	10	10	10	10	10	30
	■			Estonia	18	18	18	18	18	31
		■		Fiji	12.5	12.5	12.5	12.5	12.5	32
■	■			Finland	22	22	22	22	22	33
■	■			France	19.6	19.6	19.6	19.6	19.6	34
■	■			Germany	16	16	16	19	19	35
■	■			Greece	18	18	19	19	19	36
				Guatemala	12	12	12	12	12	37
			■	Honduras	12	12	12	12	12	38
		■		Hong Kong	N/A	N/A	N/A	N/A	N/A	39
■	■			Hungary	25	25	20	20	20	40
■				Iceland	24.5	24.5	24.5	24.5	24.5	41
		■		India	16	16	12.5	12.5	12.5	42
		■		Indonesia	10	10	10	10	10	43
				Iran	N/A	N/A	N/A	N/A	N/A	44
■	■			Ireland	21	21	21	21	21	45
				Israel	17	18	16.5	15.5	15.5	46
■	■			Italy	20	20	20	20	20	47
			■	Jamaica	15	15	16.5	16.5	16.5	48
■		■		Japan	5	5	5	5	5	49
				Jordan	16	16	16	16	16	50
				Kazakhstan	15	15	15	14	13	51
■		■		Korea, Republic of	10	10	10	10	10	52
				Kuwait	N/A	N/A	N/A	N/A	N/A	53
	■			Latvia	18	18	18	18	18	54
				Libya	N/A	N/A	N/A	N/A	N/A	55
	■			Lithuania	18	18	18	18	18	56
■	■			Luxembourg	15	15	15	15	15	57
		■		Macau	N/A	N/A	N/A	N/A	N/A	58
		■		Malaysia	10	10	10	10	10	59

OECD	European Union	Asia - Pacific	Latin America	Country	1 Jan 2004 %	1 Jan 2005 %	1 Jan 2006 %	1 Jan 2007 %	1 Jan 2008 %	Footnote
	■			Malta	18	18	18	18	18	60
				Mauritius	15	15	15	15	15	61
■			■	Mexico	15	15	15	15	15	62
				Montenegro	17	17	17	17	17	63
				Mozambique	17	17	17	17	17	64
■	■			Netherlands	19	19	19	19	19	65
			■	Netherlands Antilles	*	*	*	*	*	66
■		■		New Zealand	12.5	12.5	12.5	12.5	12.5	67
■				Norway	24	25	25	25	25	68
				Oman	N/A	N/A	N/A	N/A	N/A	69
		■		Pakistan	15	15	15	15	20	70
				Palestine	14.5	14.5	14.5	14.5	14.5	71
			■	Panama	5	5	5	5	5	72
		■		Papua New Guinea	10	10	10	10	10	73
			■	Paraguay	10	10	10	10	10	74
			■	Peru	17	17	17	17	17	75
		■		Philippines	10	10	10	12	12	76
■	■			Poland	22	22	22	22	22	77
■	■			Portugal	19	19	21	21	21	78
				Qatar	*	*	*	*	*	79
	■			Romania	19	19	19	19	19	80
				Russia	18	18	18	18	18	81
				Saudi Arabia	N/A	N/A	N/A	N/A	N/A	82
				Serbia	N/A	18	18	18	18	83
		■		Singapore	5	5	5	5	7	84
■	■			Slovak Republic	19	19	19	19	19	85
	■			Slovenia	20	20	20	20	20	86
				South Africa	14	14	14	14	14	87
■	■			Spain	16	16	16	16	16	88
		■		Sri Lanka	15	15	15	15	15	89
				Sudan	10	10	10	12	15	90
■	■			Sweden	25	25	25	25	25	91
■				Switzerland	7.6	7.6	7.6	7.6	7.6	92
		■		Taiwan	5	5	5	5	5	93
		■		Thailand	7	7	7	7	7	94
				Tunisia	18	18	18	18	18	95
■				Turkey	18	18	18	18	18	96
				Ukraine	20	20	20	20	20	97
				United Arab Emirates	**	**	N/A	N/A	N/A	98
■	■			United Kingdom	17.5	17.5	17.5	17.5	17.5	99
■				United States	*	*	*	*	*	100
			■	Uruguay	23	23	23	23	22	101
			■	Venezuela	16	15	14	14	9	102
		■		Vietnam	10	10	10	10	10	103
				Zambia	17.5	17.5	17.5	17.5	17.5	104

Average indirect tax rate	15.6	15.6	15.4	15.7	15.7	

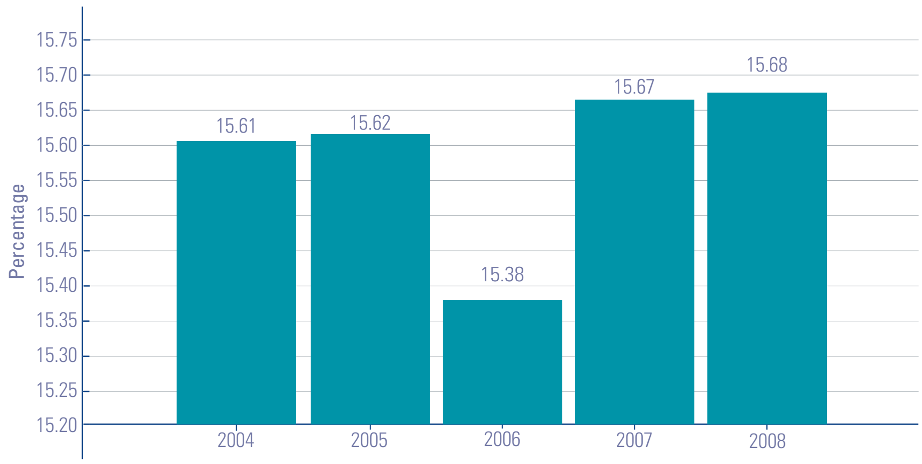
*See footnote

** No IBFD info

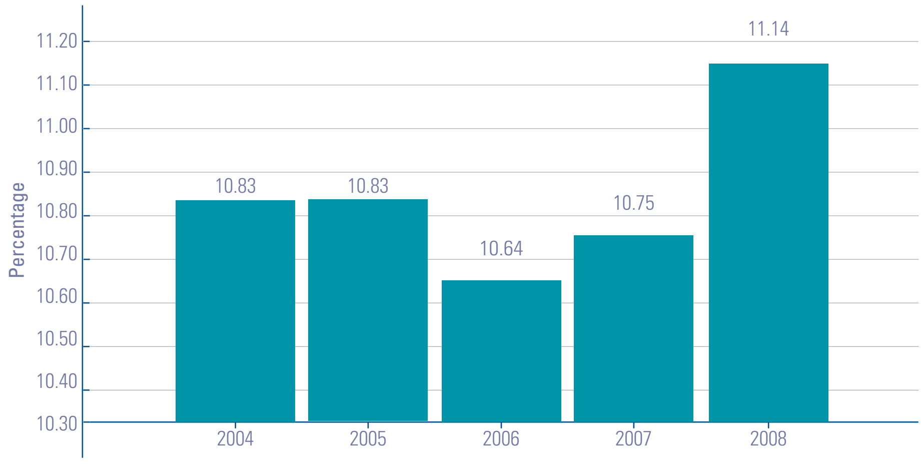
Source for all rates: KPMG member firms. Rates as at 1 January each year.

Indirect Tax Rates

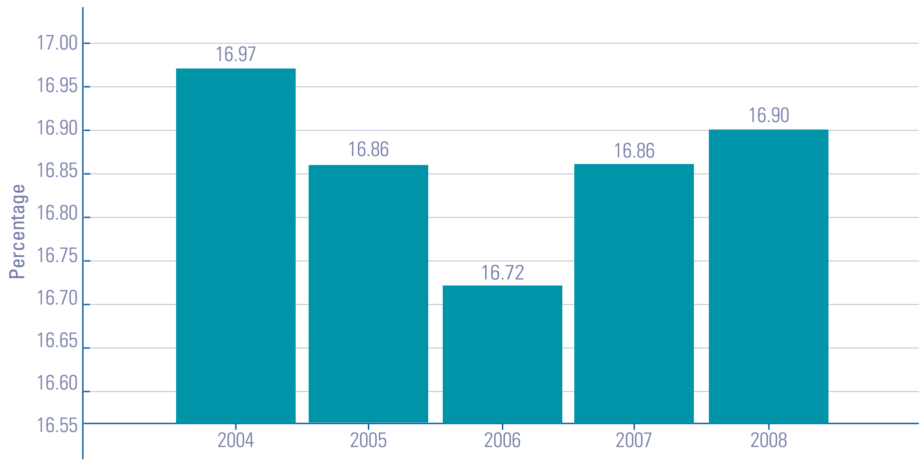
All countries 2004 – 2008



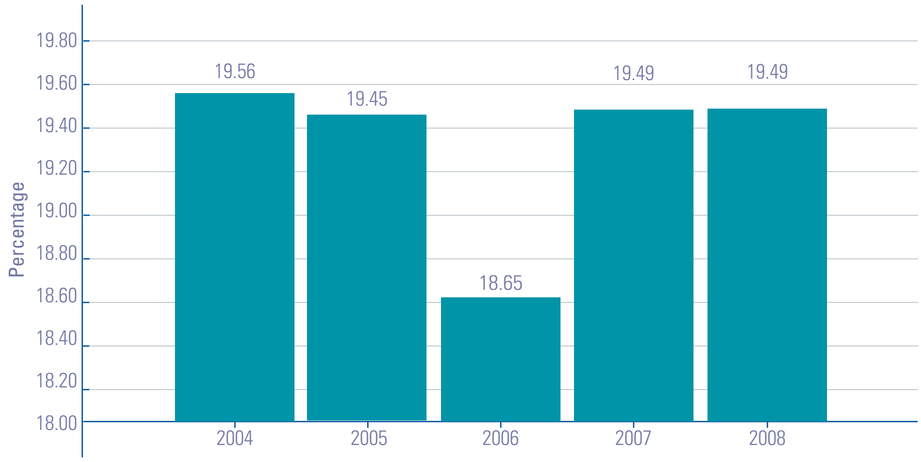
ASPAC 2004 – 2008



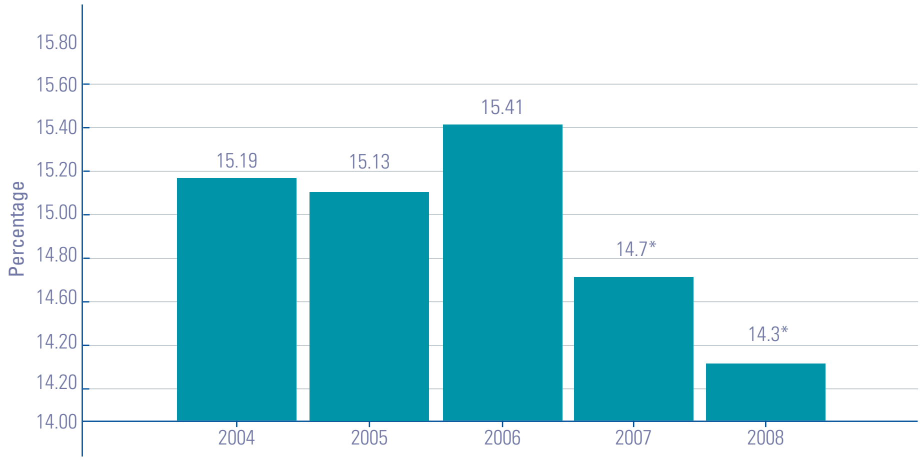
OECD 2004 – 2008



EU 2004 – 2008



Latin America 2004 – 2008



*The average rates for 2007 and 2008 reflect the introduction of the BBO in Aruba in January 2007, at a rate of 3 percent.

Source for all graph information: KPMG member firms.

Indirect Tax Rates
Footnotes

1 Afghanistan

Consumption tax rate (instead of VAT) ranges from 1 percent to 15 percent and is payable by corporation, partnerships, limited liability companies, and state owned enterprises that are engaged in manufacturing, processing, assembling, and mining. The tax is payable on quarterly basis. Some essential items like flour, bread, stationery, books, pharmaceuticals, coal, chemical fertilizer, moves, etc. are tax exempt. The government has recommended the abolishment of this tax to Parliament; however, the final approval is awaited.

2 Albania

The standard rate of value-added tax (tatimi mbi vleren e shtuar; TVSH) is 20 percent. There is a reduced rate of 0 percent applicable to exports of goods and services (under certain conditions) and supplies related to international transport. Supplies of certain goods and services are exempt from VAT, for example lease and sale of land, sale of real estates, financial services, medicines, medical equipment, and certain supplies in connection with oil exploration.

3 Angola

There is no VAT system in Angola at this time. However, there is a consumption tax which to some extent substitutes VAT. Consumption tax is levied on: importation of goods, local production of goods, and telecommunication, electricity, water, and tourism services. The rate for goods varies from 2 percent to 30 percent with the general rate being 10 percent. The rate for the services is 2 percent.

4 Argentina

The standard rate of value-added tax (impuesto al valor agregado; IVA) is 21 percent. There is a reduced rate of 10.5 percent for certain goods and services, including, sales or imports of cattle, sheep, camels, goats, and derivatives which are fresh or frozen under certain conditions, imports of certain capital goods included in the tariffs list of the Common Nomenclature of Mercosur (Southern Cone Common Market), certain supplies of services related to the soil (such as, preparation) and farming activities (such as, sowing and harvest), certain constructions related to dwelling houses, interest on loans from foreign banks located in a country the central bank of which has adopted the international supervision standards of the base Banks Committee, the processing and manufacturing of movable goods in Argentina by a third party, even if the movable property is fixed to immovable property. Such supplies do not include tax-free services supplied through the delivery of movable goods representing simply the material support in relation to a supply, subject to certain restrictions, sales, hiring, and imports of animals alive or their meat, fruits, vegetable, honey, grains, dried vegetable, common bread, bakery products, and wheat flour, provision of certain services including sowing, plantation, harvesting, use of chemicals to enrich the soil, building, installation, repairing, maintenance, and preservation of properties destined for housing, sales and imports of newspapers and periodicals, transport services supplied by taxis and other means of transport if the distance traveled is more than 100 km, medical services in specific cases, sales and services provided by certain cooperatives, sales, hiring, and imports of certain gases, and production and distribution of programs, films, and record of any type to be transmitted by radio or television.

There is an increased rate of 27 percent for certain services if they are rendered outside properties exclusively used as a dwelling, entertainment, summer homes or vacant land and the beneficiary of the services is a registered or a small taxpayer: telecommunication services (except services rendered by the national telecommunications agency or news agencies), the supply of gas or electrical power (except public illumination), certain supplies of water, and sewage services.

Exports of goods and services are zero-rated. Exempt goods include, among others: imports and sales of books, retail distribution of newspapers, and periodicals, shares, bonds, and securities, stamps, gold and metallic currency, and airplanes constructed and destined for the transportation of passengers and/or freight and ships for the exclusive use in commercial activities or for defense and security. Exempt services include: services rendered by the state, provinces, municipalities, and institutions belonging thereto, specified medical services, transportation of persons and freight, including international transportation, financial placements and services in those cases listed in the law, services proper of directors, controllers and members of boards of stock corporations and those of managers and members of managing boards of other companies, the letting of immovable property relating to dwelling houses and to farming and the letting of immovable property with monthly rents less than ARG 1,500.

5 Aruba
The standard rate of turnover tax (belasting op bedrijfsomzetten; BBO) is 3 percent. The reduced rate of 1 percent applies to goods sold and exported directly by seller.

6 Australia
The standard rate of goods and services tax (GST) is 10 percent. There is a reduced rate of 0 percent which applies to, for example, some food products, most medical and health services, drugs, medical aids, and appliances, exports of goods and services, supply of a business as a going concern, eligible education, some religious and charitable activities, water, sewerage, and drainage services. Supplies of certain goods and services are exempt from GST, for example financial services, residential rent, residential premises (not new), and some fund-raising events conducted by charitable institutions.

7 Austria
The standard rate of value-added tax (Umsatzsteuer; USt) is 20 percent. There are reduced rates of 10 percent and 0 percent which apply to, for example, food, books and newspapers, passenger transport, hotel accommodation, letting of residential property and cultural services (10 percent), exports of goods, supply, import, repair, and maintenance of certain ships and aircraft, and international passenger transport by air or sea (0 percent). There is a special rate under the farmer's flat rate scheme; a rate of 12 percent is applicable to supplies of typical agricultural goods and services. Certain supplies of goods and services are exempt from VAT, for example financial services, insurance services, leasing or letting of immovable property (with some exceptions), education, and health and welfare.

8 Bahrain
There is no value-added tax or sales tax. Bahrain follows the GCC Unified Customs Duty law and imposes 5 percent on most imports.

9 Bangladesh
The standard rate of value-added tax is 15 percent. There are reduced rates of 9 percent, 5 percent, 4.5 percent, 2.25 percent, 1.5 percent, and 0 percent which apply to, for example, certain categories of advertisement (9 percent), the supply of electricity, air conditioned bus service (5 percent), engineering services, security services, services rendered by construction contractors, audit and accounting firms, consultants, printing press, architects, interior and graphic designers, immigration adviser, coaching center, English medium school, non-government medical and engineering college, photo producer, courier and EMS services, specialized doctor, legal adviser (4.5 percent), supplies of goods and services through participation in a tender/quotation and for pathological laboratory work, supplies of goods and services by hospitals and petroleum carriers, maintenance and cleaning of building floors/premises, dental medical center (2.25 percent), trading services, land development and construction of apartments, retail sales of furniture (1.5 percent), and exports of goods and services (0 percent). Supplies of certain goods and services are exempt from VAT, for example, certain food items (such as meat, fish, potatoes, vegetable, and fruits), jute and jute goods and social welfare, cultural, training, rehabilitation services, and agricultural development.

10 Barbados
The standard rate of value-added tax is 15 percent. There is a 7.5 percent rate which applies to the provision of hotel and condo-hotel accommodation. Zero-rated supplies include: exports of goods and services, basic food items, printed matter, certain agricultural machinery, and international transport of passengers and freight, as well as importations by approved educational institutions and companies in the international financial services sector, among others. Exempt supplies include certain financial services, health and educational services, and specific supplies of real property.

11 Belarus
The standard VAT rate in Belarus is 18 percent. Reduced rates are 10 percent (applied for clothes for children and some social products, such as milk, butter, horseflesh, and other products included in a list approved by the President), 2.4 percent (from 2008) for white sugar, and 0.5 percent (from 2007) for diamonds delivered from Russia for processing in the territory of Belarus, and 0 percent (export). Some goods and services are exempt from VAT application, such as medical equipment, remedy included, and other goods included in the list approved by the President.

12 Belgium
The standard rate of value-added tax (taxe sur la valeur ajoutée; TVA / belasting over de toegevoegde waarde; BTW) is 21 percent. There are reduced rates of 12 percent, 6 percent, and 0 percent. The 12 percent rate applies to, for example, social housing (as from 1 January 2007, 6 percent in certain circumstances), margarine, and pay

television. Most food and drinks, books, pharmaceuticals, hotel and camping accommodations, passenger transportation, agricultural services are charged at a 6 percent rate, newspapers and periodicals published (in certain conditions), supplies related to aircrafts and sea-going vessels and exports of goods are charged with 0 percent. Supplies of certain goods and services are exempt from VAT, for example financial services, letting of immovable property, hospital services, medical care, and cultural activities.

13 **Bolivia**

The standard rate of value-added tax (impuesto al valor agredado; IVA) is 13 percent of the total price of the service rendered for an effective rate of 14.943 percent. Exports of goods and services are zero-rated. Exempt services include: financial transactions such as insurance and reinsurance, interest, commissions on financial services and sales, and purchases of shares.

14 **Bosnia and Herzegovina**

The standard rate of value-added tax (porez na dodanu vrijednost; PDV) is 17 percent. There is a reduced rate of 0 percent which applies to, for example, exports of goods and certain related services. Supplies of certain goods and services are exempt from VAT, for example financial services, insurance and reinsurance services, education, healthcare, rent of residential property for a period longer than 60 days, certain supplies of immovable property, dealing in shares, management of investment funds, and stamps.

15 **Botswana**

The standard rate of value-added tax is 10 percent. There is a reduced rate of 0 percent which applies to, for example, exports of goods and services, international transport services, disposal of businesses as going concerns, certain food products not mixed with other products, some pesticides, fertilizers, farming tractors and supplies to the Head of State. Certain supplies of goods and services are exempt from VAT, for example, prescription drugs, residential accommodation, education at approved institutions, public medical facilities and services, non-fee based financial services, and passenger transportation (excluding the transportation of tourists).

16 **Brazil**

There are two types of value-added tax in Brazil: a state sales tax (imposto sobre circulação de mercadorias e serviços; ICMS) and a federal excise tax (imposto sobre produtos industrializados; IPI). There are other taxes on supplies of goods or services: a services tax (imposto sobre serviços; ISS), a social contribution for social security financing (contribuição para o financiamento da seguridade social; COFINS) and an employees' profit participation program (programa de integração social; PIS).

The standard rate of ICMS is 17 percent (in São Paulo, Minas Gerais, and Paraná the standard rate is 18 percent and in Rio de Janeiro it is 19 percent). IPI is normally charged at an ad valorem (value) rate according to the classification of the product based upon the international Harmonized Commodity Description and Coding System, administered by the World Customs Organization in Brussels. Rates range from 0 percent to a maximum of 330 percent and average about 10 percent. The standard rate of ISS is ranges from 2 percent to 5 percent. The standard rates of PIS and COFINS under the so-called non-cumulative regime are 1.65 percent and 7.6 percent, respectively.

There are reduced rates of 7 percent and 12 percent ICMS which apply to inter-state supplies within Brazil depending on the region into which goods are sold and to certain intra-state supplies, for example, to diesel oil and hydrated ethyl alcohol fuel, motor vehicles and transport services (12 percent), products that are part of the basic food basket and products from the electronic data processing industry (7 percent). Certain supplies are exempt from ICMS, for example supplies of books, newspapers, periodicals, and the paper consumed in the printing of such products, sale of fixed assets, fruits, vegetables, and farm and garden produce and preservatives.

The reduced IPI rate of 0 percent applies to, for example, live animals and animal products, plant products, chemical products, textile products, and shoes. Certain supplies are exempt from IPI, for example supplies of vessels (except sporting or pleasure boats), exports, books, newspapers, periodicals, and paper consumed in the printing of such products, electric energy, petroleum products, fuel, and minerals belonging to the country.

There are reduced rates of ISS which vary from one municipality to another. Certain supplies are exempt from ISS, for example exports of services, amounts intermediated in the bonds and securities market, the amount of bank deposits, the capital, interests, and default interests regarding credit operations performed by financial institutions.

Reduced rates of 0.65 percent PIS and 3 percent COFINS apply under a so-called cumulative regime. Unlike the non-cumulative regime there is no recognition of any tax credits under the cumulative regime. Certain supplies are exempt from PIS and COFINS, for example the exportation of goods, the exportation of services with payment in convertible currency, sales of products to a commercial export company for export purpose specifically and sales of fixed assets.

17 Bulgaria

The standard rate of value-added tax (danak dobawena stoinost; DDS) is 20 percent. There are reduced rates of 7 percent and 0 percent which apply to, for example, hotel accommodation services where part of a package tour (7 percent), exports and intra community supplies of goods, international transport of goods and passengers, transport processing of goods and passengers when part of international transport, supplies of goods for fuelling and provisioning of aircrafts and ships engaged in international transportation, construction, repair, modification, maintenance, assembly, equipment, transportation, and destruction aircrafts and ships (0 percent). Supplies of certain goods and services are exempt from VAT, for example health, social, education, and cultural services, transfer of property rights over land and old buildings under special conditions, financial, insurance, and postal services.

18 Canada

The standard rate of goods and services tax (GST) is 5 percent (decreased from 6 percent as of 1 January 2008). There is a reduced rate of 0 percent which applies to zero-rated supplies, for example, exports of certain goods, prescription drugs, and basic groceries. Also, certain goods and services are exempt from GST, for example some supplies of residential property, financial and insurance services, educational, and health care services.

In addition, all provinces, except for Alberta, impose a value-added tax or a retail sales tax on the sales of taxable goods and services.

The provinces of New Brunswick, Nova Scotia, and Newfoundland apply a harmonized value-added tax, the harmonized sales tax (HST), at a rate of 13 percent (decreased from 14 percent as of 1 January 2008) or 0 percent for zero-rated supplies. The HST applies to the same base of goods and services as the GST.

The province of Québec applies its own value-added tax, the Québec sales tax (QST), at a rate of 7.5 percent or 0 percent to generally the same base of goods and services as the GST, except for financial services which are zero-rated. The QST applies to the GST-included price of taxable supplies made in Québec.

The provinces of British Columbia, Saskatchewan, Manitoba, Ontario, and Prince Edward Island levy retail sales taxes in their respective jurisdictions. The rates vary from 5 percent to 10 percent.

19 Cayman Islands

There is no value-added tax or goods and services tax in Cayman Islands.

20 Chile

The standard rate of value-added tax (impuesto al valor agregado; IVA) is 19 percent. Exports of goods are zero-rated. Exempt supplies include: capital goods imported by foreign investors or companies receiving foreign investment that have subscribed an investment agreement with state of Chile under Decree Law 600; income from tickets to sports events and certain artistic and cultural events; international transportation of cargo or people; certain types of insurance premiums; remuneration for services provided by persons who are neither domiciled non-resident in Chile and who are subject to income withholding tax; certain kind of interests on financial and credit transactions and instruments; services provided to persons neither domiciled nor resident in Chile and which are qualified as export services by the National Customs Service; radio broadcasters and concessionaires of television channels (except for advertising income); educational establishments and universities on educational activities and public hospitals.

21 China

There are three types of indirect taxes in China: value-added tax, consumption tax, and business tax.

The standard rate of value-added tax is 17 percent. There are reduced rates of 13 percent and 0 percent which apply to, for example, basic necessities, agricultural products, utility services (13 percent), and exports of goods (0 percent). Exports of various goods are not wholly zero-rated and all the associated input tax is not refundable in full to the exporters. There are two special rates under the small-scale taxpayers' flat rate scheme; a rate of 6 percent for businesses engaged in production and 4 percent for businesses engaged in wholesale or retail. Certain supplies of goods and services are exempt from VAT, for example, agricultural products self-produced for the purpose of sale, ancient and antiquated books, and imported equipment for scientific research and experiment.

Business tax rates are: 3 percent, 5 percent, and a range of 5 percent to 20 percent. For example, services of transportation, construction, post and telecommunication, cultural activities, and sports (3 percent), services of finance and insurance, hotels, restaurants, catering, tourist, rental, leasing, advertising, the sale of intangible assets, transferring immovable property (5 percent), and entertainment (5 percent to 20 percent).

There are 14 categories of goods that are subject to consumption tax, including tobacco, liquor, cosmetics, jewelers, firecrackers, refined oil, motor vehicle tires, motorcycles, motor vehicles, golf balls and clubs, luxury watches, yachts, disposable wooden chopsticks, and wooden floor panels. Normally, consumption tax is charged at an ad valorem (value) rate that ranges from 3 percent to 45 percent, while exports are zero-rated. Some goods such as refined oil are levied at quantum (unit/volume) basis.

As for tobacco and some types of liquor, compound rate calculations, at both an ad valorem and quantum rate are applied.

22 Colombia

The standard rate of value-added tax (impuesto sobre las ventas) is 16 percent. The reduced rate of 1.6 percent applies to certain cleaning and security services and certain services rendered by the cooperatives and pre-cooperatives of associated work. The reduced rate of 10 percent applies to (among others): coffee, cereals, chocolate, prepaid health services, accommodation services in hotels, and commercial real property leasing. The increased rate of 20 percent applies to mobile telephone services and certain motor vehicles and ships. The increased rates 25 percent and 35 percent apply to certain motor vehicles and motorcycles. Zero-rated supplies (referred to as exempt supplies in Colombia) include: exports of goods, certain foods items, school notebooks, fuel alcohol destined to be mixed with gasoline, books and magazines of a scientific and cultural nature, and services that are rendered within the country and used exclusively abroad by enterprises or individuals without business or activities in Colombia (exports of services). Exempt supplies (referred to as non-taxable or excluded supplies in Colombia) include basic food items, certain export services, passenger public transportation to some municipalities within Colombia, cargo transportation, certain financial transactions, public services of energy, water, sewer, public cleaning, garbage collection, domestic gas, building rental service used for residential purposes, certain agricultural services, certain life, health, and education insurances and items, medicines, chemical, and mineral fertilizers, crude oil for its refining, natural gas, butanes and natural gasoline, wood, newspapers, certain arms of war, and purchase of goods for human and animal consumption from specific neighboring states.

23 Costa Rica

The standard rate of value-added tax (impuesto general sobre las ventas; IGV) is 13 percent. There are two reduced rates: wood is subject to a 10 percent rate and residential electricity is subject to a 5 percent rate. Zero-rated supplies include: basic food and other basic necessities (basic basket or canasta básica) and exports. Exempt goods are defined in Article 9 of the Sales Tax Law including: tires for agricultural equipment, veterinary supplies defined by the Ministry of Agriculture and the Ministry of Finance, medicines, kerosene, diesel for fishing activities (others than sport fishing), books, musical compositions, paintings created within Costa Rica by Costa Rican or non-Costa Rican painters, coffins, the monthly consumption of electric energy when it does not exceed 250 kW/h, the re-importation of merchandise of Costa Rican origin, occurring within the three years following their exportation.

24 Croatia

The standard rate of value-added tax (Porez na dodanu vrijednost; PDV) is 22 percent. There are reduced rates of 10 percent and 0 percent which apply to, for example, tourist accommodation, full or half board services and tourist agents' commission with regards to those services, daily and periodic newspapers and magazines (10 percent), exports of goods, bread, milk, certain books, certain medicines, medical implants, and orthopedic devices and scientific magazines (0 percent). Certain supplies of goods and services are exempt from VAT, for example financial transactions, insurance and reinsurance services, rent of residential property, supplies by medical practices and institutions, supplies by social, children and youth care institutions, supplies by schools and other educational institutions, supplies by cultural public institutions, transfer of securities, shares, and receivables.

25 Cyprus

The standard rate of value-added tax (Foros prostithemenis axias; FPA) is 15 percent. There are reduced rates of 8 percent, 5 percent, and 0 percent, which apply to, for example, certain passengers transportation services, hotel accommodation, restaurant and similar catering services excluding alcohol (8 percent), non-bottled water, books, newspapers, magazines, and similar publications, gas, aid to disabled persons, animal feed, fertilizers and insecticides, waste treatment (5 percent), exports of goods, drugs and medicines, and most food items for human consumption (0 percent). Supplies of certain goods and services are exempt from VAT, for example financial services, postal services, education, and health care and welfare services, and cultural services by public bodies or non-profit organizations.

26 Czech Republic

The standard rate of value-added tax (daň z přidané hodnoty; DPH) is 19 percent. There is a reduced rate of 9 percent which apply to, for example, food products, books, brochures, newspapers and magazines, public transport services, social residential housing construction, and transfer of residential houses unless exempt. Exports and intra-Community supplies of goods, international transport of goods relating to exports or imports of goods are zero-rated. Certain supplies of goods and services are exempt from VAT, for example, insurance and financial services, postal services, education, health and welfare services, transfer of land including financial leasing of land, transfer and financial leasing of immovable property in certain conditions, and renting of land and immovable property.

27 **Denmark**

The standard rate of value-added tax (merværdiafgift; MOMS) is 25 percent. There is a reduced rate of 0 percent which applies to, for example, exports of goods, newspapers, and sale and leasing of ships and aircrafts until 2010. Supplies of certain goods and services are exempt from VAT, for example health and welfare services, education, certain sport and cultural activities, land, financial and insurance services, postal services by Post Denmark, passenger transport services (excluding transport of tourists by bus), and travel agency services.

28 **Dominican Republic**

The standard rate of value-added tax (impuesto sobre transferencia de bienes industrializados y servicios; ITBIS) is 16 percent. Exports of goods and services are zero-rated. Exempt supplies include: basic consumption items, educational materials, medicines, services of health, financial, utilities, and inland transport of persons and cargo.

29 **Ecuador**

The standard rate of value-added tax (impuesto al valor agregado; IVA) is 12 percent. Exports are zero-rated, with certain exceptions. Exempt supplies include: natural food products, milk, and certain industrialized food products for human consumption, medicines and drugs of human use, seeds, bulbs, plants, live roots, fish flour, animal feed, fertilizers, insecticides, pesticides, herbicides, and veterinarian products, tractors with tires up to 200 HP and other agricultural implements, paper, newspaper, magazines, and books, fluvial, maritime, and terrestrial transportation of passengers and cargo as well as, international air transportation of cargo and air cargo transportation from and to the province of Galapagos, financial and investment services for entities legally authorized to provide them, the transfer of securities, health and education services, public services of electricity, water, sewer and trash collection, leasing of residential property, book printing and aerial fumigation services, services provided by artisans, and services of health and life insurance and reinsurance.

30 **Egypt**

The standard rate of general sales tax (GST) is 10 percent. There are other rates that vary from 0 percent to 45 percent. The reduced rates apply to, for example, coffee, all products made of flour, soap, fertilizers, gypsum, and iron bars (5 percent), and exports of goods (0 percent). The increased rates apply to, for example, national and international telecommunication services using mobile phones, motor vehicles of a cylinder capacity less than 1600 cc (15 percent), some colored televisions, refrigerators or deep freezes, sound recorders, air-conditioning units, cameras, perfumery, cosmetics or toilet preparations and products prepared for the care of hair and skin (25 percent), motor vehicles of a cylinder capacity of 1600 cc up to 2000 cc, motor vehicles for the transport of goods and persons, jeep motor vehicles, camping trailers (30 percent), motor vehicles of a capacity of more than 2000 cc, and vehicles for trips and camping (45 percent). GST is imposed on some commodities according to their collection unit (ton, liter, or value) for example, tea, beet, and cane sugar, soda water, petroleum products, medicaments, and water cement. Certain supplies of commodities are exempt from GST, for example, dairy products, vegetable oils (subsidized), conserves, processed or prepared meat and fish items (with some exceptions), natural and butane gas, newsprint, paper, and macaroni made of ordinary flour.

31 **Estonia**

The standard rate of value-added tax (käibemaks) is 18 percent. There are reduced rates of 5 percent and 0 percent which apply to, for example books, certain periodicals, medicines, cultural performances, accommodation (5 percent), international and passenger transport, exports of goods, supply of aircraft operating on international routes, supply of sea-going vessels for navigation on high seas, services on board of such vessels or aircrafts, goods placed in free zone, free warehouse, or VAT warehouse, (0 percent). Supplies of certain goods and services are exempt from VAT, for example immovable property, financial and insurance services, postal services, education, and health and welfare.

32 **Fiji**

The standard rate of value-added tax is 12.5 percent. There is a reduced rate of 0 percent which applies to, for example, exports of goods and certain services, prescribed medication, some basic food items (such as rice, flour, locally produced eggs, tea, edible oil, tinned fish, and powdered milk) and kerosene. Supplies of certain goods and services are exempt from VAT, for example financial and insurance services, residential accommodation, and education.

33 **Finland**

The standard rate of value-added tax (arvonlisävero; ALV) is 22 percent. There are reduced rates of 17 percent, 8 percent, and 0 percent which apply to, for example, food and animal feed (17 percent), accommodation, books, pharmaceuticals, passenger transport, and cultural and sporting services (8 percent), newspaper subscriptions, and the sale and hire of certain transport vessels and exports of goods (0 percent). Supplies of certain goods and services are exempt from VAT, for example immovable property (with some major exceptions), financial and insurance services, education, and health and welfare.

34 **France**

The standard rate of value-added tax (taxe sur la valeur ajoutée; TVA) is 19.6 percent. There are reduced rates of 5.5 percent, 2.1 percent, and 0 percent which apply to, for example, food, water, passenger transportation, some pharmaceutical products, books, hotel accommodation (5.5 percent), newspapers and medicines for human health when reimbursed by social security (2.1 percent), and exports of goods and intra-Community supplies (0 percent). Certain supplies of goods and services are exempt from VAT, for example certain medical supplies, postal services, education, certain financial transactions, and insurance services.

35 Germany

The standard rate of value-added tax (Umsatzsteuer; USt) is 19 percent (increased from 16 percent as from 1 January 2007). There are reduced rates of 7 percent and 0 percent which apply to, for example, foods, plants and animals, books and newspapers, entrance fees to cultural sites and passenger transport (journeys of not more than 50 km) (7 percent), the supply, import, repair, and maintenance of certain ships and aircraft, cross-boarder passenger transport by air, financial transactions rendered to a recipient resident outside the European Union (EU), and exports of goods (0 percent). There are two special rates under the farmer's flat rate scheme; a rate of 5.5 percent (increased from 5 percent as from 1 January 2007) applicable to supplies of forestry products which are not the products of saw mills and a rate of 10.7 percent (increased from 9 percent as from 1 January 2007) applicable to supplies of typical agricultural goods and services as well as to specific supplies of sawmill products. Certain supplies of goods and services are exempt from VAT, for example, the services of transport agencies rendered as a result of statutory command to the German Federal Mail, financial transactions rendered to recipient resident within the EU, insurance services, supplies falling under the Real Estate Acquisition Law, land (limited), health and welfare, and education.

36 Greece

The standard rate of value-added tax (foros prostithemenis axias; FPA) is 19 percent. There are reduced rates of 9 percent, 4.5 percent, and 0 percent which apply to, for example, fresh food products, pharmaceuticals, passenger transport services, electricity, natural gas, and certain professional services such as those which are provided by hotels, restaurants, and coffee shops (9 percent), newspapers, periodicals, books, and theatre tickets (4.5 percent), export transactions, international transit of goods and transactions in relation to shipping (0 percent). VAT rates are further reduced by 30 percent if goods or services are supplied to or by taxpayers established in the Dodecanese Islands and other Aegean Islands (that is 13 percent, 6 percent, and 3 percent, respectively). Certain supplies of goods and services are exempt from VAT, for example used immovable property, medical, educational and cultural services and insurance, financing, and most banking activities provided to EU residents.

37 Guatemala

The standard rate of value-added tax (impuesto al valor agregado; IVA) is 12 percent. Exports are zero-rated. Exempt supplies include: certain imports, certain medicines, specified financial services, and specified supplies of real property.

38 Honduras

The standard rate of sales tax (impuesto sobre ventas; ISV) is 12 percent. An increased rate of 15 percent applies to imports and national supplies of alcoholic beverages and tobacco products. The goods and services exported abroad are subject to 0 percent. Exempt supplies include: basic food items for human consumption, livestock and certain agricultural goods, and machinery, pharmaceutical products for humans and animals, books, magazines, newspapers, and school supplies, most financial services, educational services, the supply of water and electricity, professional and sports services, and terrestrial transportation of passengers.

39 Hong Kong

There is no value-added tax or goods and services tax in Hong Kong.

40 Hungary

The standard rate of value-added tax (általános forgalmi adó; ÁFA) is 20 percent. There are reduced rates of 5 percent and 0 percent, which apply to, for example, books, newspapers, medicines, some medical instruments (5 percent), and exports of goods (0 percent). There are two special rates under the farmer's flat rate scheme; a rate of 12 percent applicable to supplies of agricultural products and a rate of 7 percent applicable to supplies of live animals and animal products. Supplies of certain goods and services are exempt from VAT, for example sale, rental and leasing of land parcels other than building land, rental and sale of real property, postal services, financial services, certain education activities, human health care services, social services, and recreational and amateur sports services.

41 Iceland

The standard rate of value-added tax (virdisaukaskattur; VSK) is 24.5 percent. There are reduced rates of 7 percent (reduced from 14 percent as from 1 March 2007) and 0 percent. The 7 percent rates apply to, for example, accommodation, books and periodicals, licenses to use radio and television broadcasting services, and certain food intended for human consumption. The 0 percent rate apply to, for example, exports of goods and services, international transportation, fuel and equipment delivered for use in ships and aircraft engaged in international traffic, sales and rentals of ships and aircraft, and repairs and maintenance services rendered to ships and aircraft. Certain supplies of goods and services are exempt from VAT, for example, real estate and parking space leases, health services, social services, educational and sport activities, passenger transport, postal services, financial services, and services of travel agencies.

42 **India**

India has a federal structure with both federal and state-specific indirect tax. Intra-State sale of goods is subject to a VAT and sale of goods occasioning movement across States is subject to a central sales tax (CST).

In addition there is another indirect tax on supply of services, service tax.

Prior to introduction of state specific VAT regime in April 2005 in India, the average State sales tax rate was 16 percent. The standard rate of VAT is currently 12.5 percent. There are reduced rates of 4 percent, 1 percent, and 0 percent which apply to, for example, IT products, intangible goods (such as patents and copyrights), capital goods, chemical fertilizers, cotton, drugs and medicines, iron and steel, industrial inputs, sports goods, tractors (4 percent), gold, silver, precious stones (for example diamonds), articles or ornaments made of the aforementioned (1 percent), and exports of goods (zero rated). There are increased rates of 20 percent and above, applicable to petroleum products (such as diesel, petrol, lubricants, and aviation turbine fuel), natural and other gases used as fuel, liquor and beer. Certain supplies of goods are exempt from VAT, for example books, periodicals and journals, electric energy, milk, fresh plants, flowers, vegetables and fruits, meat, fish, prawn, rice, and wheat.

CST is charged at the rate of 3 percent or alternatively at the VAT rate applicable in the originating State. (The said rate is proposed to be reduced to 2 percent from subject to issue of relevant notification by the Government).

The standard rate of service tax is 12.36 percent. Currently, more than 100 taxable categories of services are subject to service tax, for example advertising services, financial and insurance services, business auxiliary and support services, telecommunication, cargo handling, intellectual property services, maintenance and repair services, certain IT services, management consultation, scientific and technical consultancy, renting of immovable property service, and works contract services. In budget 2008, certain additional services such as information technology software services, supply of tangible goods for use service, etc. have been proposed to be made liable to service tax from a date to be notified in the near future.

43 **Indonesia**

There are two types of indirect tax in Indonesia: a value-added tax (pajak pertambahan Nilai; PPN) and a sales tax on luxury goods (pajak penjualan atas barang mewah; PPnBM). The standard rate of PPN is 10 percent. The rates of PPnBM range from 10 percent to 75 percent. The reduced PPN and PPnBM rates of 0 percent apply to exports of goods. Certain supplies of goods and services are exempt from PPN, for example, unprocessed minerals, agricultural products, basic necessities, banking and insurance services, finance leasing, hotel and restaurant activities, employment and manpower services, various social services, and the supply of electric power and potable water.

44 **Iran**

There is no VAT or GST in Iran at present. However, a bill for introducing VAT is under review. There is sales tax and levy on certain finished products and services: locally manufactured beverage and carbonated drinks (excluding soft drink made of dairy products, concentrated fruit syrups and mineral water (15 percent of the factory sale price)), locally produced cigarettes (15 percent of the factory sale price), petrol (20 percent of approved sale price), kerosene and diesel oil (10 percent of approved sale price),and fuel oil (5 percent of approved sale price).

Other manufactured products (excluding agricultural products) which may be used as final consumable products shall be subject to tax and levy of 3 percent of sale price. The list of such products shall be approved by the Council of Ministers for each year.

Telecommunication services including subscription fee of stationery and mobile telephones, local, and international call fees (6 percent of service fees), and assignment of mobile telephone lines (20 percent of transfer cost). Electricity, natural gas, and water consumed by subscribers (except for industrial, mining and agricultural proposes) within the borders of cities (3 percent of their consumption value), services rendered by hotels, motels, and hotel apartments (2 percent), and inter-city transport (5 percent).

45 **Ireland**

The standard rate of value-added tax is 21 percent. There are reduced rates of 13.5 percent, 4.8 percent, and 0 percent which apply to, for example, immovable goods, building services, hotel and holiday accommodation, hotel and restaurant meals, newspapers and repair and maintenance services (13.5 percent), supply of livestock, live greyhounds and hire of horses (4.8 percent), exports of goods, most food and drink suitable for human consumption, oral medicines, medical equipment, and appliances (0 percent). There is also a special farmer's flat rate addition of 5.2 percent which applies to certain sales by unregistered farmers. Supplies of certain goods and services are exempt from VAT, for example certain lettings of immovable property, financial and insurance services, passenger transport, education, and health and welfare services.

46 Israel

The standard rate of value-added tax (mas erech musaph; Ma'am) is 15.5 percent. There is a reduced rate of 0 percent which apply to, for example, exports of goods, supply of intangible property to non-residents (with exceptions), supply of services to non-residents in limited circumstances, international cargo transport services, sale of assets in limited conditions, and supply of certain services in connection with the entry or departure of aircrafts or vessels into or from Israel. Supplies of certain goods and services are exempt from VAT, for example residential (excluding hotels) leases for a period not exceeding 25 years, and sale of an approved rental building under the Encouragement of Capital Investments Law (subject to certain conditions), deposit of funds by a dealer with a financial institution or the grant of a loan by a dealer to a financial institution.

47 Italy

The standard rate of value-added tax (imposta sul valore aggiunto; IVA) is 20 percent. There are reduced rates of 10 percent, 4 percent, and 0 percent which apply to, for example, certain foods, hotel accommodation, public transport, pharmaceuticals, water (10 percent), basic foodstuffs, books and newspapers, main residence, medical equipment, and aids for handicapped (4 percent), exports of goods and intra-Community supplies, international transport services, and services directly connected with exports or imports. Supplies of certain goods and services are exempt from VAT, for example financial and insurance services, lotteries, betting, and other games of chance, postal services, education services, and welfare.

48 Jamaica

The standard rate of value-added tax (general consumption tax) is 16.5 percent. The rate of 8.25 percent applies to certain tourism services. The rate of 20 percent applies to telephone services. Zero-rated supplies include: exports, agricultural equipment and material, health supplies, and medication, and goods purchased by or services rendered to government entities. Exempt supplies include: medical supplies and equipment, books and educational supplies, energy-saving devices and miscellaneous services including construction, health, public utilities, and financial services.

49 Japan

The standard rate of consumption tax is 5 percent. There is a reduced rate of 0 percent, which applies to, for example, export transactions, including the transfer or lease of goods, other export related activities such as international transportation, services provided to a non-resident (except transport or storage of assets in Japan, provision of accommodation and food in Japan, provision of services of a similar nature in Japan). Supplies of certain goods and services are exempt from consumption tax, for example sale and lease of land, rental of housing, sale of securities, and similar instruments, monetary transactions, medical treatment under public medical insurance law, social welfare activities, school tuition, and examination services.

50 Jordan

The sales tax rate is ranging 4 percent to 16 percent of the value of the goods. The rate is fixed at 16 percent in case of services. Sales tax is payable when the sale is accomplished or the service is rendered. In the case of imported goods, the sales tax is payable at the customs clearance stage, before the release of such goods.

51 Kazakhstan

The standard value-added tax rate is 13 percent (down from 14 percent in 2007). A 0 percent VAT rate applies to exports of goods and international transportation of passengers, baggage, and goods into or out of Kazakhstan. Certain supplies of goods and services are exempt from VAT, including leases or sales of residential buildings, leases or sales of land plots, financial and insurance services by companies licensed in Kazakhstan, geological exploration work, contributions to the charter capital of legal entities, assignments of rights under subsoil use contracts, sales of ownership stakes in legal entities, medical and veterinary services, and financial leases.

52 Korea, Republic of

The standard rate of value-added tax is 10 percent. There is a reduced rate of 0 percent which applies to, for example, the exports of goods, services rendered outside the Republic of Korea, international transportation by ships and aircraft, other goods or services supplied to earn foreign exchange. Supplies of certain goods and services are exempt from VAT, for example unprocessed foodstuffs, medical and health services, certain educational services and passenger transport services, books, newspapers and magazines, postage stamps, and public telecommunication services.

53 Kuwait

There is no indirect tax in Kuwait at this time.

54 Latvia

The standard rate of value-added tax (pievienotās vērtības nodoklis; PVN) is 18 percent. There are reduced rates of 5 percent and 0 percent which apply to, for example, pharmaceuticals, accommodation in hotels, books and newspapers, water and heating, passenger transport and entrance fees to sport events (5 percent), supply, import, repair and maintenance of certain ships and aircraft, passenger transport by air or sea, financial transactions outside the EU and exports (0 percent). Supplies of certain goods and services are exempt from VAT, for example, land and used immovable property, financial and insurance services, education, and health and welfare services.

55 **Libya**

There is no value-added tax applicable in Libya.

56 **Lithuania**

The standard rate of value-added tax (pridetines vertes mokestis; PVM) is 18 percent. There are reduced rates of 9 percent, 5 percent, and 0 percent which apply to, for example, supplies of services relating to construction and reconstruction of residential houses financed by state or municipality (9 percent), passenger transport services, books, newspapers and periodicals, pharmaceuticals and certain medical products, accommodation at hotels, organic food products, chilled meat, live, fresh, and frozen fish (5 percent), exports of goods, intra-Community supplies and supply, modification, modernization, hiring of sea-going ships and aircraft (0 percent). There is a special rate of 6 percent under the farmer's flat rate scheme. Supplies of certain goods and services are exempt from VAT, for example health and welfare, social, educational (including professional education), culture, sports, postal, financial, insurance services, sale of real estate (older than 24 months), and leasing of real estate.

57 **Luxembourg**

The standard rate of value-added tax (taxe sur la valeur ajoutée; TVA) is 15 percent. There are reduced rates of 12 percent, 6 percent, 3 percent, and 0 percent which apply to, for example, certain wines, fuel (other than gas and electricity), safekeeping and management of securities, management of credit by persons not granting it (12 percent), electricity, gas (6 percent), food (except drinks containing alcohol), and animal feed, books, newspapers and periodicals, passenger transport, hotel accommodation, certain sporting and cultural services, and certain pharmaceutical products (3 percent), exports and intra-Community supplies of goods, supplies of goods and services used by airlines operating for reward chiefly on international routes, and services supplied for the needs of seagoing vessels and international passenger transport services (0 percent). Supplies of certain goods and services are exempt from VAT, for example banking and financial services, management of investments funds, SICAR, some pension funds and securitization vehicles, insurance and reinsurance operations, supply and letting of immovable property, postal services, education, and certain medical supplies.

58 **Macau**

There is no value-added tax or good and services tax in Macau.

59 **Malaysia**

There is no VAT or GST in Malaysia at present. In its place, Malaysia has sales tax and services tax. Sales tax is imposed on taxable goods manufactured locally/imported, unless exempted. Service tax is charged on specific type of services (taxable service) provided by taxable persons. The standard rate of sales tax and service tax is 10 percent and 5 percent, respectively. A reduced sales tax rate of 5 percent is applicable to certain items such as foodstuffs, alcoholic beverages, and tobacco products. In addition certain services provided within a group and services provided offshore are exempted subject to conditions.

60 **Malta**

The standard rate of value-added tax (taxxa fuq il-valur miżjud) is 18 percent. There are reduced rates of 5 percent and 0 percent which apply to, for example, letting of or provision of accommodation in premises (in certain conditions), the supply of electricity, medical accessories, printed matter, items for the exclusive use of the disabled (5 percent), exports of goods, international transport and ancillary services, supplies of certain qualifying vessels and aircraft, the chartering thereof and certain services provided thereto, food, and pharmaceutical goods (0 percent). Supplies of certain goods and services are exempt from VAT, for example immovable property (with some exceptions), insurance services, credit, banking, and other related services, cultural, sporting and religious services, postal services, education, and health and welfare.

61 **Mauritius**

The standard rate of value-added tax is 15 percent. There is a reduced rate of 0 percent which applies to, for example, exports of goods other than exempt goods, sugar, wheat flour, books, booklets, brochures of specific customs headings, the supply of electricity, water, international transport of passengers and goods, supplies of services to non-residents. Supplies of certain goods and services are exempt from VAT, for example rice, wheat, bread, butter, milk and cream, medical, hospital and dental services, certain pharmaceutical products, educational and training services, postal services, cargo handling, and certain residential buildings.

62 **Mexico**

The standard rate of value-added tax (impuesto al valor agregado; IVA) is 15 percent. The reduced rate of 10 percent applies to the frontier region (defined as 20 kilometers parallel to the northern and southern international divisions of Mexico). Zero-rated supplies include: exports, non-industrialized animals and vegetables (except rubber), patent medicines and products intended for food, except beverages other than milk, syrups or concentrates for preparation of beverages, ixtle, palm leaves and type of agave, tractors and agricultural implements, reinsurance, and supplies of water for domestic use. Exempt supplies include: sales of land, books, newspapers and magazines under certain conditions, commissions on mortgages and retirement funds, public transport of persons by land (except by railway), international maritime transport, insurance and reinsurance, certain interests, derived financial operations, professional medical services, authors royalties, leasing of residential property, books, newspapers, and magazines.

63 Montenegro

The standard rate of value-added tax (porez na dodatu vrijednost; PDV) is 17 percent. There are reduced rates of 7 percent and 0 percent which apply to, for example, basic foodstuffs, medicines not listed on the Health Fund list, textbooks and teaching aids, books and serial publications, daily and periodic press (with some exceptions), hotel and other accommodation, public transportation of passengers and their personal baggage (7 percent), exports of goods, transport and other services in relation to export, goods and services used in international air and maritime traffic, and medicines and medical devices listed on Health Insurance Fund list (0 percent). Supplies of certain goods and services are exempt from VAT, for example financial and banking services, insurance and reinsurance services, the supply of immovable property (except the first transfer), health and social security services, cultural, sport, and religious services.

64 Mozambique

The standard rate of value-added tax (imposto sobre o valor acrescentado; IVA) is 17 percent. There is a reduced rate of 0 percent which applies to, for example, exports of goods, services linked to exports of goods, international passenger transportation, and some basic foodstuffs. Supplies of certain goods and services are exempt from VAT, for example medical and health services, goods and services linked to welfare and social security, education (with some exceptions), banking and financial transactions, insurance and reinsurance transactions, leasing of immovable property for residence or commercial and industry in rural zones, goods and services related to agricultural, forestry, livestock and fishing activities, and importation of certain goods approved for mining and industrial free-zone operations.

65 Netherlands

The standard rate of value-added tax (omzetbelasting; BTW) is 19 percent. There are reduced rates of 6 percent and 0 percent which apply to, for example, food, drink (excluding alcoholic beverages), medicines, books, daily newspapers and magazines, passenger transport, some labor intensive services, admission to cultural, entertainment and sports events (6 percent), exports of goods, intra-Community supplies, and services regarding goods not yet imported and supplies of sea-going vessels or aircrafts (0 percent). Supplies of certain goods and services are exempt from VAT, for example immovable property (with some major exceptions), financial and insurance services, education, and health and welfare.

66 Netherlands Antillies

The standard rate of turnover tax is 5 percent in Curaçao and Bonaire (Omzetbelasting; OB) and 3 percent in St. Maarten, St. Eustatius, and Saba (Belasting op Bedrijfsomzetten; BBO). Exempt supplies include medical services and certain fuels used for business purposes.

67 New Zealand

The standard rate of goods and services tax (GST) is 12.5 percent. The rate is reduced to 0 percent in certain situations such as the export of goods and services, the supply of a business as a going concern, and the supply of financial services under the business-to-business regime. Supplies of certain goods and services are exempt from GST unless the supplies can be zero-rated. Exempt supplies include the supply of financial services, the supply by non-profit bodies of donated goods and services, the supply of residential accommodation, and the supply of fine metals.

68 Norway

The standard rate of value-added tax (merverdiavgift; MVA) is 25 percent. There are reduced rates of 14 percent (increased from 13 percent as from 1 January 2007), 8 percent, and 0 percent which apply to, for example, food (14 percent), hotel accommodation, passenger transportation, communication of such services, the right to attend cinemas (8 percent), exports of goods, supplies relating to ships and aircrafts, books, magazines, newspapers, and construction services relating to public roads (0 percent). Supplies of certain goods and services are exempt from VAT, for example financial services, real estate (with some major exceptions), education, health services, and social services.

69 Oman

There is no value-added tax or goods and services tax in Oman.

70 Pakistan

Indirect taxes in Pakistan include a sales tax and a federal excise duty (FED).

The standard rate of sales tax is 15 percent; however certain goods are subject to sales tax at higher rates of 17.5 percent and 20 percent. There is a reduced rate of 0 percent, which applies to, for example, all exports of goods, local supplies of raw materials, and supplies of specified export sectors, import, and local supplies of capital goods. Certain supplies of goods and services are exempt from sales tax, for example agricultural products, unprocessed food items, animals and their meat, fisheries, dairy products, construction materials, computer software, ships, navigation equipments, and the sale to hospitals and educational non-profit organizations. FED applies to the import and manufacturing of specified goods and provision of specified services at different rates. The rate of FED on specified services ranges from 5 percent to 15 percent. Special excise duty (SED) at uniform rate of 1 percent is applicable on import of goods and locally manufactured goods, except the goods specifically exempt from SED.

71 Palestine

The value-added tax rate is fixed at 14.5 percent.

72 **Panama**

The standard rate of value-added tax (impuesto sobre la transferencia de bienes corporales muebles y la prestación de servicios; ITBMS) is 5 percent. The increased rate of 10 percent applies to the import, wholesale, and retail sale of alcoholic beverages and the 15 percent increased rate applies to the import, wholesale, and retail of all kinds of cigarettes and cigars. Zero-rate supplies include: exports and re-exports of goods and the sales of pharmaceutical and food products when certain conditions are met (that is, the taxable person is engaged exclusively in such activities and its total output is sold within the Panamanian territory). Exempt supplies include (among others): the sales of food and pharmaceutical products, sales of oil, lubricants, fuel, and similar products, newspapers, magazines, educative magnetic media, notebooks, pencils, and other items for school purposes, medicines and pharmaceutical products, and payments (including interest paid and received) arising from financial services and financial leasing contracts.

73 **Papua New Guinea**

The standard rate of goods and services tax (GST) is 10 percent. There is a reduced rate of 0 percent which applies to, for example, exports of goods and services, medical supplies, supplies of goods and services to prescribed foreign aid provider, supplies of goods and services to a non-profit body. Supplies of certain goods and services are exempt from GST, for example financial, medical, and educational services, public road transport, postage stamps and the retail supply of newspapers.

74 **Paraguay**

The standard rate of value-added tax (impuesto al valor agregado; IVA) is 10 percent. The 5 percent rate applies to transfers of real state, transfers of the right to use goods, certain basic food items (cesta básica), loans and financial interests, commissions and surcharges, and supplies of pharmaceutical products. Exports are zero-rated. Exempt supplies include: certain diplomatic and investment imports, farm products in their natural state, foreign currencies, governmental or private securities including shares of stock, goods received through inheritance, transfer of credits, books, magazines, and others of scientific, educational, and general interest, interest on public or private shares and securities, deposits in financial entities authorized by the Central Bank of Paraguay, services of cooperatives, home savings, and loans under the Sistema de Ahorro y Préstamo para la Vivienda.

75 **Peru**

The standard rate of value-added tax (impuesto general a las ventas; IGV) is 17 percent. The municipal promotion tax (impuesto de promoción municipal; IPM) of 2 percent is also added to the value of goods or services used to determine the IGV, which results in a 19 percent sales tax overall. Zero-rated supplies include: the export of goods, the export of services detailed in the sole arranged text of sales tax and the supplies in the Amazon region perform by companies located in the Amazon region. Exempt supplies include: fresh fish, vegetables, seeds, fruit, educational and cultural books, credit services granted by banks, financial and credit institutions, public transportation services within the country, cargo transportation, cultural performances, and life insurance.

76 **Philippines**

The standard rate of value-added tax is 12 percent (increased from 10 percent as of 1 February 2006). A reduced rate of 0 percent is imposed on specified transactions: such as, export sales or services rendered to persons/entities exempt from VAT. Certain specified transactions are exempt from VAT such as, educational services, services rendered pursuant to an employer-employee relationship, services rendered by regional or area headquarters established in the Philippines. There is a withholding VAT at a rate of 5 percent applicable to payments made to contractors by the government or any of its political subdivisions or instrumentalities.

77 **Poland**

The standard rate of value-added tax (podatek od towarow i uslug; PTU) is 22 percent. There are also reduced rates of 7 percent, 3 percent, and 0 percent which apply to, for example, foods, medicines, books, and newspapers (7 percent), agricultural products, products of fishery, and animal feed (3 percent), supply, import, repair, and maintenance of certain ships and aircraft, international transport, and intra-Community supplies of goods and exports (0 percent). Certain supplies of goods and services are exempt from VAT, for example, supply of second-hand goods, land other than building land, supply of housing structures, and services of management of investment funds.

78 **Portugal**

The standard rate of value-added tax (imposto sobre o valor acrescentado; IVA.) is 21 percent for Portuguese mainland and 15 percent for Madeira and Azores islands. There are reduced rates of 12 percent (8 percent for islands), 5 percent (4 percent islands), and 0 percent which apply to, for example, restaurant services, fruit and vegetables (12 percent (8 percent for islands)), water supply, books and newspapers (5 percent (4 percent for islands)), exports, transport of goods and people between the mainland and the islands (0 percent). Supplies of certain goods and services are exempt from VAT, for example immovable property, financial, and insurance services.

79 **Qatar**

Qatar applies a customs duty rate of 5 percent on most imports to Qatar.

80 **Romania**

The standard rate of value-added tax (taxă pe valoarea adăugată; TVA) is 19 percent. A reduced rate of 9 percent applies, for example, to accommodation, books, newspapers (except for newspapers and magazines for advertising purposes), medicine, museum fees, and cultural and sporting services. Intra-Community supplies and exports of goods are exempt with credit (zero-rated). Supplies of certain goods and services are exempt without credit from VAT, for example rental and/or sale of immovable property (with some major exceptions), financial and insurance services, education, and health and welfare.

81 **Russia**

The standard rate of value-added tax (nalog na dabavlennuyu stoimosty; NDC) is 18 percent. There are reduced rates of 10 percent and 0 percent which apply to, for example, food products, specific goods intended for children, books and periodicals, pharmaceutical and other medical products (10 percent), exports of goods and related services, services related to transit of goods through Russia, international passenger transportation, and fuel for ships and aircraft (0 percent). Supplies of certain goods and services are exempt from VAT, for example lease of premises to foreign companies accredited in Russia, medical services and certain medical products, educational services, public transportation, the sale of securities, banking and insurance services, the rent of apartments, and the sale of apartments and residential property.

82 **Saudi Arabia**

There is no value added tax or goods and services tax in Saudi Arabia.

83 **Serbia**

The standard rate of value-added tax (porez na dodatu vrednost; PDV) is 18 percent. There are reduced rates of 8 percent and 0 percent which apply to, for example, basic foodstuffs, medicines, textbooks and daily newspapers, hotel services, public utility services, gas, and first transfer of ownership on residential buildings (8 percent), exports of goods, transport and other services in relation to export, supply, repair, maintenance, charter and lease of aircraft and river vessels predominantly operating in international traffic, and international air and river transport of passengers under a reciprocity rule (0 percent). Supplies of certain goods and services are exempt from VAT, for example financial and banking services, insurance and reinsurance services, supplies and renting of land, transfer of shares and securities, transfer of immovable property (except first transfer), medical and welfare services, education and professional retraining, cultural, scientific, sport, and religious services.

84 **Singapore**

The standard rate of goods and services tax (GST) is 7 percent as from 1 July 2007. There is a reduced rate of 0 percent which generally applies to exports of goods and international services. Supplies of certain financial services and sale or lease of residential properties are exempt from GST.

85 **Slovak Republic**

The standard rate of value-added tax (daň z přidané hodnoty; DPH) is 19 percent. There are reduced rates of 10 percent and 0 percent which apply to medicaments, certain other medical and pharmaceutical products, contact and spectacle lenses, certain hygienic products, books and other printed products where advertisement does not exceed 50 percent of the content of the product (10 percent), international transportation, exports of goods, supply, rental, repair, and maintenance of seacraft and aircraft (0 percent). Supplies of certain goods and services are exempt from VAT, for example postal services, financial and insurance services, education and training, health and welfare, cultural services, and supply and rental of immovable property (under certain conditions).

86 **Slovenia**

The standard rate of value-added tax (davek na dodano vrednost; DDV) is 20 percent. There are reduced rates of 8.5 percent and 0 percent which apply to, for example, food products, water supplies, medicines, medical equipment, passenger transport and their personal luggage, books and newspapers, apartments intended for permanent residence, use of sports facilities (8.5 percent), exports of goods, certain services connected to export or import of goods and the purchase, repair, maintenance, lease, and rental of sea-going vessels and aircraft (0 percent). Supplies of certain goods and services are exempt from VAT, for example financial and insurance services, supply of immovable properties (with some exceptions), leasing and sub-letting of immovable properties, social security services, and education and cultural services.

87 **South Africa**

The standard rate of value-added tax is 14 percent. There is a reduced rate of 0 percent which applies to, for example, exports of goods and services, certain fuels and oils, foodstuffs (for example fresh fruit and vegetables), supply of an enterprise as a going concern, international transport services, and arranging of certain services for non-residents. Supplies of certain goods and services are exempt from VAT, for example financial services, residential accommodation, certain transport services (for example bus, train and taxi fares), education, and training.

88 Spain

The standard rate of value-added tax (impuesto sobre el valor añadido; IVA) is 16 percent. There are reduced rates of 7 percent, 4 percent, and zero-rated supplies which apply to, for example, delivery of plants and animals, sport events, catering and hotel services, passenger transport (7 percent), books and newspapers, some basic food products, medicines (4 percent), exports of goods and the supply, import, repair, maintenance of ships and aircraft engaged in international navigation (zero-rated). Certain supplies of goods and services are exempt from VAT, for example insurance and financial services, certain real estate transfers, education, and health and welfare.

89 Sri Lanka

The standard rate of value-added tax is 15 percent. There are reduced rates of 5 percent and 0 percent which apply to, for example, essential food items including dhal, dry fish, chilies, importation of potatoes, importation of sugar, importation of onions, and other items such as hi-tech medical equipment, and jewelry (5 percent), exports of goods, and international transportation of goods or passengers (0 percent). There is also a luxury rate of 20 percent which applies to certain luxury items such as liquor, air conditioners, refrigerators, washing machines, TV sets, cameras, and motor vehicles (with some exceptions). Supplies of certain goods and services are exempt from VAT, for example pharmaceutical products and drugs, specified financial services, and educational services.

90 Sudan

The standard rate of value-added tax is 10 percent. The rate has been changed as from July 2007 to be 12 percent instead of 10 percent and 15 percent as from 1 January 2008.

91 Sweden

The standard rate of value-added tax (mervärdesskatt; MOMS) is 25 percent. There are reduced rates of 12 percent, 6 percent, and 0 percent which apply to, for example, food and hotel accommodation (12 percent), domestic passenger transportation including ski lifts, books and newspapers, certain sporting and cultural events (6 percent), exports of goods, fuel to aircrafts, ships and aircrafts for commercial transport, and services related to them and pharmaceuticals (0 percent). Supplies of certain goods and services are exempt from VAT, for example health and welfare, education, financial, and insurance services, and the sale and leasing of real property.

92 Switzerland

The standard rate of value-added tax (Mehrwertsteuer; MWST / taxe sur la valeur ajoutée; TVA / imposta sul valore aggiunto; IVA) is 7.6 percent. There are reduced rates of 3.6 percent, 2.4 percent, and 0 percent which apply to, for example, hotel accommodation (3.6 percent), water in conduits, medication, books, newspaper, food and non-alcoholic beverages (2.4 percent), exports of goods and renting or chartering-out of railway locomotives and wagons and aircraft, if primarily used in foreign territory (0 percent). Supplies of certain goods and services are exempt from VAT, for example official postal service, health and welfare, education, insurance, finance, and supply of certain immovable property.

93 Taiwan

Under the Taiwan value added and non-value-added tax law, there are two systems, one being a value-added tax (VAT) system and the other being the gross business receipts tax (GBRT) system.

The standard rate of value-added tax is 5 percent. There is a reduced rate of 0 percent which applies to, for example, the export of goods, services rendered which relate to the export of goods, vessels and aircraft used for international transportation, goods, and repair services supplied to ships or aircraft used in international transactions or ocean-going fishing boats. Supplies of certain goods and services are exempt from VAT, for example, the sale of land, supplies of medical services, medicine, education services, newspapers and magazines, insurance policies, financial derivative products, corporate bonds, currency call loans, and foreign exchange call loans.

GBRT applies mainly to financial institutions in banking, insurance, trust and investment, securities, futures, and short-term commercial papers industries. The GBRT rate is 2 percent applicable in respect of revenues generated from core business. The GBRT rate for revenue generated from non-core business is 5 percent.

94 Thailand

The standard rate of value-added tax is 7 percent (increased to 10 percent as from 1 October 2010). There is a reduced rate of 0 percent which applies to, for example, exports of goods or services. Supplies of certain goods and services are exempt from VAT, for example domestic transportation, health care, education, leasing of immovable property, the sale of agricultural products, newspapers, magazines and textbooks, services rendered by libraries, museums, and zoos.

95 **Tunisia**

The standard rate of value-added tax is 18 percent. There are reduced rates of 12 percent and 6 percent which apply to, for example, the transport of goods excluding agricultural and fish products and goods used for their production, services rendered to hotels, services rendered by lawyers, notaries, legal and tax counsels and other experts, catering and IT services (12 percent), activities carried out by doctors, nurses, masseurs, veterinarians and analytical laboratories, the transport of persons and agricultural products, the import, production, and sale of fertilizers, supplies of livestock concentrate food, Soya beans, fish meal, products and articles for the pharmaceutical industry (6 percent). Supplies of certain goods and services are exempt from VAT, for example school education, imports, the production and sale of aircrafts for public transport, services rendered by maritime transport and ship agencies, aircraft transport services, leasing of vessels and aircrafts for international maritime and air transport, the production and sale of flower, bread, pasta (normal quality), olive oil, Soya, Soya oil, and the production, refining, and conditioning of vegetable oil.

96 **Turkey**

The standard rate of value-added tax (katma değer vergisi; KDV) is 18 percent. There are reduced rates of 8 percent, 1 percent, and 0 percent which apply to, for example, basic food products, textile products (8 percent), overnight services/accommodation performed in the hotels, motels, holiday villages, and similar accommodation facilities (8 percent), agricultural products, and exports of goods and services and international transportation (0 percent). Note that Turkish VAT Law does not include directly a rate of 0 percent, but only an exemption with credit. Supplies of certain goods and services are exempt from VAT, for example banking and insurance transactions, services rendered in Free Trade Zones, social, cultural, educational, and health services rendered by the government and other related organizations.

97 **Ukraine**

The standard rate of value-added tax (podatok na dodanu vartist; PDV) is 20 percent. There is a reduced rate of 0 percent which applies to, for example, exports of goods and related services, supplies for airplanes and ships used in international traffic. Supplies of certain goods and services are exempt from VAT, for example certain financial services, insurance services, sale of business as a going concern, royalties, subscriptions for and delivery of local newspapers, magazines and books, prescribed pharmaceuticals, certain transfers of immovable residential property and land, local passenger transportation (except for taxis), education, and prescribed health and welfare.

98 **United Arab Emirates**

There is no value-added tax or goods and services tax in the United Arab Emirates.

99 **United Kingdom**

The standard rate of value-added tax is 17.5 percent. There are reduced rates of 5 percent and 0 percent which apply to, for example, children's car seats, certain contraceptive products, domestic fuel and power, and renovations/conversions of residential properties (5 percent), food and animal feed, books and newspapers, prescription drugs and medicines, children's clothes, passenger transport, and exports of goods (0 percent). Supplies of certain goods and services are exempt from VAT, for example financial and insurance services, education services supplied by eligible bodies, certain cultural services, betting, gaming and lotteries, subscriptions, and health and welfare.

100 **United States**

While the United States does not impose a national value-added tax, most states, and some local governments impose transactional based taxes commonly referred to as sales and use taxes. Forty-five states and the District of Columbia impose a state level tax on the sale or use of goods and some services. Local governments in thirty-four states are authorized to impose local sales taxes. There are about 7,600 jurisdictions across the country that has chosen to impose a local sales tax. Which goods and services are subject to tax, along with the applicable tax rates, vary according to the jurisdiction. All states and some localities with sales and use tax regimes possess broad powers to determine whether goods and services are fully taxable, taxable at a special rate, or are fully exempt.

101 **Uruguay**

The standard rate of value-added tax (impuesto al valor agregado; IVA) is 22 percent as from 1 July 2007. The reduced rate of 10 percent (reduced from 14 as from 1 July 2007) applies to specific consumer goods, lodging services, and medicines. Exports are zero-rated. Exempt supplies include certain agricultural goods and machinery, specified fuels, commissions, and interests on specific financial transactions and transport services.

102 **Venezuela**

The standard rate of value-added tax (impuesto al valor agregado; IVA) is 9 percent (the rate was reduced from 14 percent to 11 percent as from 1 March 2007 and then further to 9 percent as from 1 July 2007). The increased rate of 19 percent (which results from adding 10 percent to the standard rate) applies to luxury goods. Certain goods and services (such as red meat, animal oil, or local plane tickets) have temporary rate of 8 percent. Exports are zero-rated. Exempt supplies include basic food items, medicine, fertilizer, fuel, newspapers, books and magazines, education, intangible assets, loans, banks, and financial institutions operations except by leasing, insurance services, payroll, operations performed in specified duty free and tourist areas, national electricity, water, and natural gas.

103 **Vietnam**

The standard rate of value-added tax (gia tri gia tang; GTGT) is 10 percent. There are reduced rates of 5 percent and 0 percent which apply to, for example, medical equipment and instruments, printing of certain books, fresh foodstuffs, scientific and technical services, base chemicals, manufacturing equipment and machinery, processed metals, and most transportation services (5 percent), the exports of goods and services (0 percent) – please note that export services are subject to a consumption in Vietnam test and strict requirements. Supplies of certain goods and services are exempt from VAT, for example equipment, machinery and means of transportation used exclusively in technological chains, construction supplies, transfer of land use rights, credit services, investment funds and securities trading activities, certain insurance services, health care services, computer software, printing, publishing and distribution of newspapers, magazines, and certain books.

104 **Zambia**

The standard rate of value-added tax was reduced from 17.5 percent to 16 percent effective 1 April 2008. There is reduced rate of 0 percent which applies to exports of goods, supplies to privileged persons, building supplies to charitable organizations, hotel accommodation in Livingstone district medical supplies etc. Supplies of certain goods and services are exempt from VAT, for example, water supply services, health services, educational services, books and newspapers, transport services, conveyance of real property, financial services, relief at importation, domestic kerosene, goods under an investment certificate, statutory fees, food, and agriculture.

Notes

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