


Personal Tax in the European Union*

How much do you get to take home from your pay packet and how do your European colleagues fare?

2009 edition



*connectedthinking

PRICEWATERHOUSECOOPERS 

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Introduction



How much do you get to take home from your pay packet and how do your European colleagues fare?

In recent months, as the financial crisis continued to be played out, this interesting, and challenging, question was posed by our personal tax specialists in Poland. Not surprisingly, the answer varies considerably as a result of the continued differences between national tax systems – as things currently stand there is little uniform in the approach Member States take with the regard to personal taxation or social security!

This first report examines the extent to which personal taxation and employee social security impacts the net income of employees across the whole of the European Union. Clearly the political agenda of the various nations has a significant impact on the results, as Governments look to raise revenues, adjust their budgets and to provide “services” to their people. However, while these national differences must be acknowledged, we see an analysis of the impact of personal taxation and social security on net incomes to be extremely relevant. At the end of the day, the majority of employees go to work with an eye on how much they will ultimately take home (net) and how much will be “taken” by the authorities! As we continue this survey over the coming years (we intend this to be an annual report), we hope to identify trends in the approach to the taxation of employees. For example, will there be a relative shift away from the burden of taxation placed on employees. If so, what will be the target of the legislators to fill the budgetary holes – will there be a greater reliance on consumption taxes, property taxes, or indeed the taxation of the corporate. Also we have seen in the early 2000s an increase in the prevalence of “flat rate taxes”, with just over a quarter of member states having implemented a flat rate tax, with rates ranging from 10% in Bulgaria to 25% in Latvia. With additional countries sporting flat rate taxes on the Eastern border of the European Union it will also be interesting to see whether this “competition” will impact the approach taken to the taxation of employees in the European Union, resulting in their westward spread. And, ultimately, in the context of uniformity within the European Union, will the coming years, by legislative means or by market pressures, see a greater convergence of the percentage impact of employee taxation on our incomes?

In the current context of budgetary challenges for many European Union Governments, the approach to taxation is going to become even more of a headline generator. We do not propose through this report to enter into the debate as to the correct level of taxation, or the appropriate elements of the economy to target. Nor do we comment on how Governments should be spending their money, on the services to be provided to their populations, the level of welfare to be provided or to the provision and funding of future pensions. These are all areas for the political agenda. However, through this report, we propose to provide interested parties with a high level snap shot of the taxation of employees in the European Union. As Government's balance the need to generate income with the need to attract investment, promote jobs growth and plan for future generations the various policies towards personal taxation will need to be reviewed. Tax is a competitive market and will become ever more so.

In our report we also consider the extent to which employer social security contributions increase the cost of employment. Moreover, we investigated the extent of electronic filing of tax returns.

Generally, our report focuses on personal income tax and social security burdens in 2009. However, at the end of our report we present a summary of major changes in legislation in EU countries introduced in area of various taxes and social security not only in 2009, but also in 2010, partially in response to the global economic crisis.

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Highlights

- The average net salary received by EU residents in the scenarios analysed is approximately 70% of gross remuneration. Personal income tax burdens constitute on average about 20% and employees social security costs – about 10% of gross income.

- Countries which can be proud of an average net salary higher than 70% are: Estonia, Cyprus, the Czech Republic, Slovakia, Bulgaria, Malta, Lithuania, Portugal, Spain, Latvia, Poland, Luxemburg and Romania.

- This list includes all countries with flat personal income tax rates (Estonia, Czech Republic, Slovakia, Bulgaria, Lithuania, Latvia and Romania). The average salary in these countries in the scenarios analysed is approximately 78% of gross remuneration (while the average net salary in countries with progressive taxation is about 67%). Certainly there are significant differences among particular countries with flat tax rates. For example, in Romania the average net salary is approximately 71% while in Estonia it is 82% of gross remuneration.

- However, residents of a few countries with progressive taxation can enjoy average net salaries at a level comparable to the average net salary in several of the lower taxed flat tax rate countries, for example Cyprus (81%). This is the effect not only of the level of the tax burden but also of employee social security costs.

- Moreover, it should be noted that the average net levels for various countries may differ if we look at different groups, for example individuals with relatively low salaries compared to wealthy individuals, or single persons versus couples. Therefore, in our report we have analyzed a number of different scenarios.

Methodology

In terms of methodology we feel it important to compare apples with apples!

We have, therefore, opted to approach the task of net income comparisons, not from an analysis in pure currency terms, which is fraught with currency relativities, cost of living comparatives and in fact return on “investment” (what does the taxpayer receive in return for their payments?), but rather what percentage of income, based on the average salary for that particular state, is retained by the employee. The scenarios we use are very simple, to make the comparisons clear and straightforward.

Assumptions

We looked at 4 scenarios which we believe are representative.

The assumptions underpinning all scenarios are as follows:

- the individuals are tax residents in a given country;
- their employer is a registered employer in that country;
- their total annual employment income equals 12 times the average monthly salary in a given country in 2009 (the average salary is denominated in the local currency of the given country);
- the only source of income is employment;
- no tax reliefs (other than family) are taken into account;
- tax and social security rates binding in 2009 were used.



Scenarios

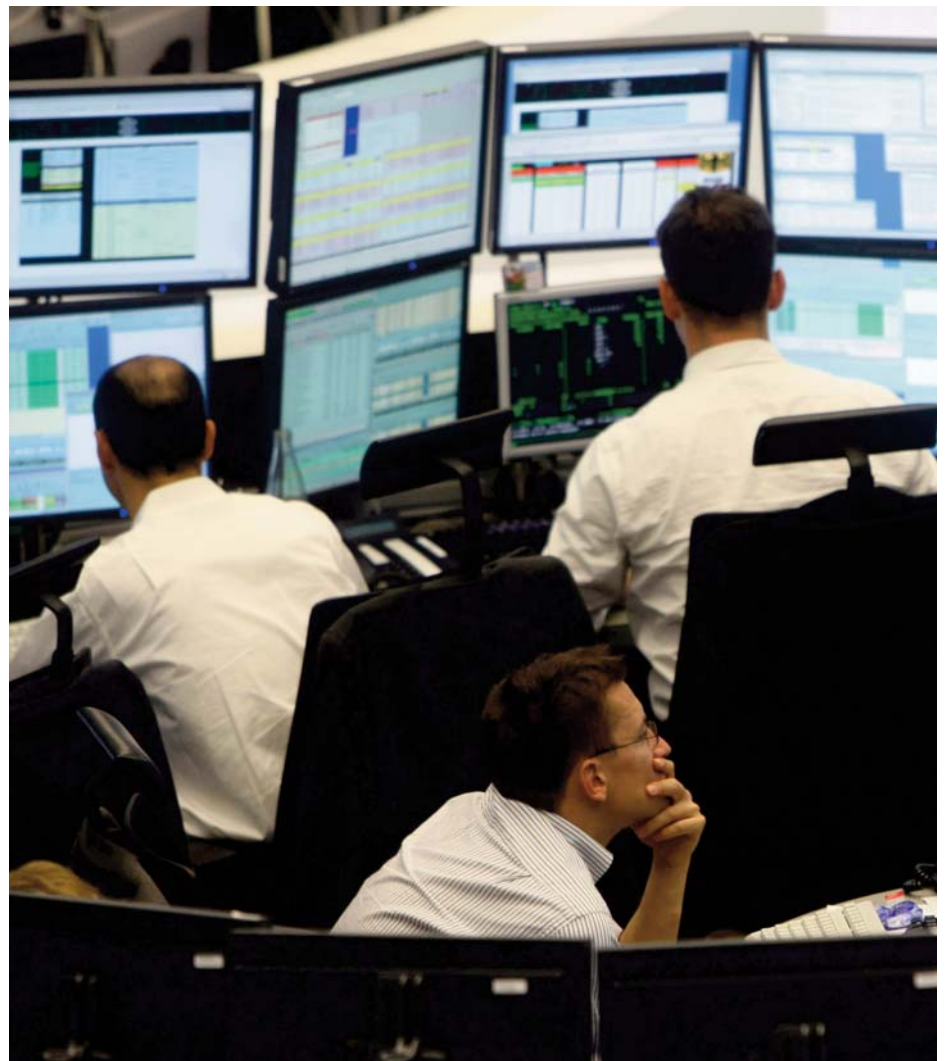
- Scenario 1** relates to an individual who is single (no spouse or children) and earns the average annual salary.
- Scenario 2** relates to a married person whose spouse earns no income. We also assumed two dependent children who earn no income. We took into account all family tax reliefs available e.g. joint tax return, child relief etc. The working individual earns the average annual salary.
- Scenario 3** relates to an individual who is single (no spouse or children) and earns five times the average annual salary.
- Scenario 4** relates to a married person whose spouse earns no income. We also assumed two dependent children who earn no income. We took into account all family tax reliefs available e.g. joint tax return, child relief etc. The working individual earns five times the average annual salary.

The table below presents the rough average annual salaries for particular states (denominated or recalculated in EUR)

Country	Average annual gross salary (EUR)
Austria	40 000
Belgium	40 000
Bulgaria	3 683
Cyprus	26 400
Czech Rep.	11 817
Denmark	34 738
Estonia	9 027
Finland	32 000
France	34 000
Germany	40 044
Greece	36 000
Hungary	8 690
Ireland	36 318
Italy	30 000
Latvia	7 664
Lithuania	7 994
Luxembourg	44 400
Malta	13 960
Netherlands	32 500
Poland	9 176
Portugal	11 076
Romania	4 781
Slovakia	8 025
Slovenia	16 790
Spain	22 000
Sweden	21 881
UK	28 356

Average salaries

Where national currencies were not the EURO, they were calculated with application of the average exchange rate reported by Oanda.com valid at 16 December 2009.



Overview of the national tax systems

Before we go to a detailed analysis of the impact of personal taxation and social security on the net income of employees, in our view, it is necessary to put our findings into a broader perspective. Personal income tax and social security are only a part of national taxation systems. Also taxes as such are only an element of GDP. Thus, the total tax taken as a percentage of GDP and breakdown of taxes should be considered at the very beginning in order to better understand the context. Thus, in our view, the tables below constitute the appropriate perspective for our inquiries.

Breakdown of tax take by country in 2007 (% of total taxation)

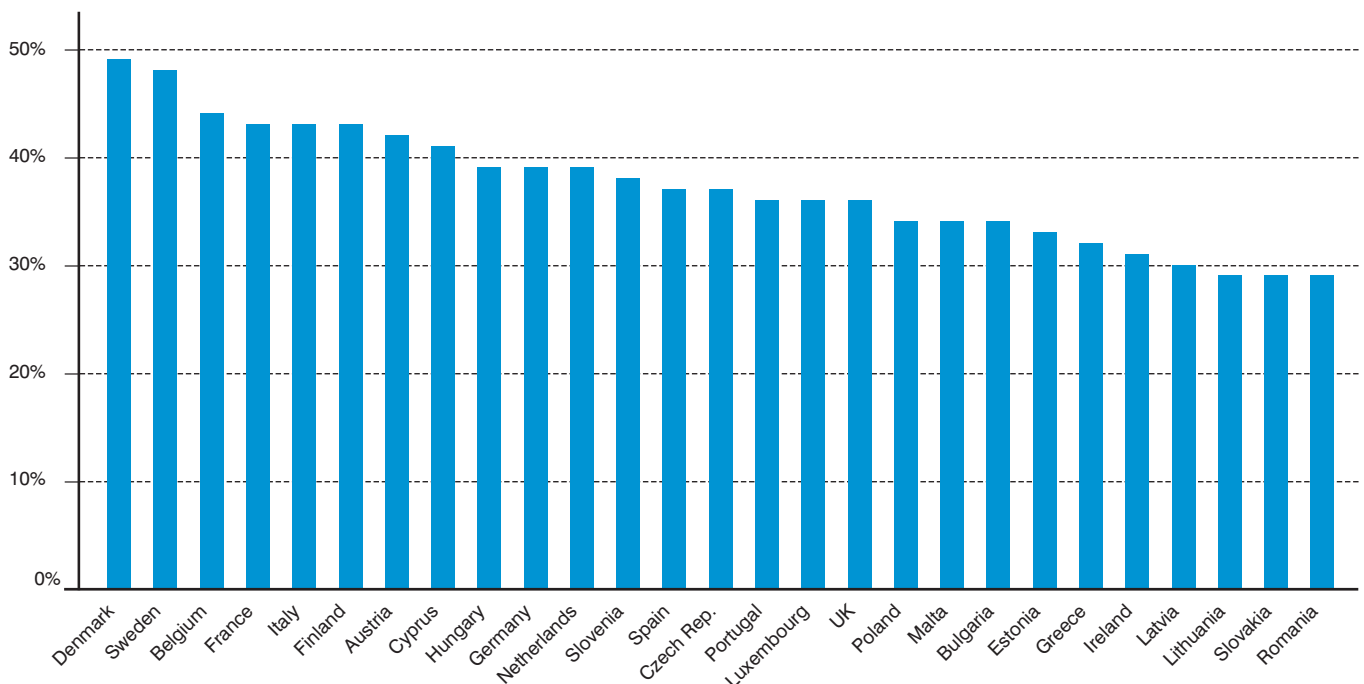
	Indirect Taxes: VAT	Indirect Taxes: Excise duties and consumption taxes	Indirect Taxes: Other taxes on products (incl. import duties)	Indirect Taxes: Other taxes on production	Direct Taxes: Personal income taxes	Direct Taxes: Corporate income tax	Direct Taxes: Other	Social Contributions
Austria	18,4	6,0	2,7	7,1	23,7	6,2	2,3	33,8
Belgium	16,2	5,0	5,6	3,8	27,3	8,2	3,0	30,9
Bulgaria	35,4	17,2	1,2	1,3	9,4	9,5	2,1	25,3
Cyprus	27,2	9,0	4,7	7,1	15,1	16,6	2,0	18,4
Czech Rep.	17,8	10,3	1,3	1,1	11,7	13,1	0,4	44,2
Denmark	21,4	6,7	5,3	3,7	51,8	7,4	2,0	2,0
Estonia	28,2	11,4	1,4	2,0	18,5	5,2	0,0	33,3
Finland	19,4	7,8	3,1	0,6	30,3	9,0	2,1	27,7
France	16,6	4,6	4,4	9,8	17,3	6,9	3,4	37,6
Germany	17,8	6,7	2,5	5,8	23,4	3,5	1,9	38,5
Greece	22,6	7,8	7,2	0,9	14,7	8,0	2,6	36,3
Hungary	19,9	8,4	10,2	1,7	18,0	6,9	0,8	34,1
Ireland	24,2	7,6	8,4	3,0	23,5	10,7	6,8	15,9
Italy	14,4	4,8	7,0	8,4	26,3	7,5	1,5	30,1
Latvia	26,9	9,4	2,6	2,4	20,1	8,9	1,2	28,6
Lithuania	27,4	9,8	1,3	1,8	22,2	8,6	0,1	28,8
Luxembourg	15,9	10,1	3,6	5,7	20,1	14,8	2,1	27,8
Malta	22,2	9,7	10,4	1,4	17,0	19,4	2,8	17,1
Netherlands	19,4	6,3	5,3	2,6	19,1	9,1	3,4	34,8
Norway	19,0	4,8	3,7	1,3	22,1	26,0	2,3	20,8
Poland	24,1	12,1	1,1	4,4	15,3	7,9	1,7	34,6
Portugal	23,9	7,9	7,7	2,2	15,5	10,1	1,0	31,8
Romania	27,7	10,4	2,4	2,8	11,2	10,5	1,3	33,6
Slovakia	22,9	12,0	1,3	3,2	8,7	10,0	2,1	39,8
Slovenia	22,4	8,6	2,8	5,5	15,0	8,8	1,1	36,0
Spain	16,5	6,0	7,0	2,9	20,9	12,8	2,4	32,9
Sweden	19,1	5,8	1,6	8,9	30,2	8,3	0,9	25,3
UK	18,1	8,8	4,2	4,2	28,9	8,8	8,6	18,4

Source: "Taxation trends in the European Union" by European Commission (2009 Edition)



The table on the previous page visibly shows the overall balance of tax revenues, i.e. in countries where the level of direct taxes is relatively high, indirect taxes imposed on goods, services and consumption or production is significantly lower and vice versa. Only some countries raise roughly equal shares of revenues from direct taxes, indirect taxes and social security contributions. Particularly important is that the level of direct taxes is generally lower in countries being new members of the European Union (CEE) in comparison to old Member States. In these countries the level of tax as percentage of GDP is also lower (please see below). On the other hand, indirect taxes tend to be quite high. In later parts of our report we analyze other differences between these countries and EU-15, especially when it comes to flat taxation.

Tax as % of GDP



Source: "Taxation trends in the European Union" by European Commission (2009 Edition)

Summarised below are high level results, simply focusing on the resulting net income

Cyprus	89%
Malta	84%
Portugal	84%
Spain	82%
Ireland	81%
Estonia	81%
Slovakia	80%
Bulgaria	78%
Sweden	77%
Lithuania	77%
Czech Rep.	77%
UK	77%
Luxembourg	75%
Latvia	75%
Finland	74%
France	72%
Poland	72%
Romania	72%
Greece	71%
Netherlands	71%
Italy	70%
Slovenia	67%
Austria	66%
Denmark	65%
Hungary	61%
Germany	59%
Belgium	58%

Summary of high level results

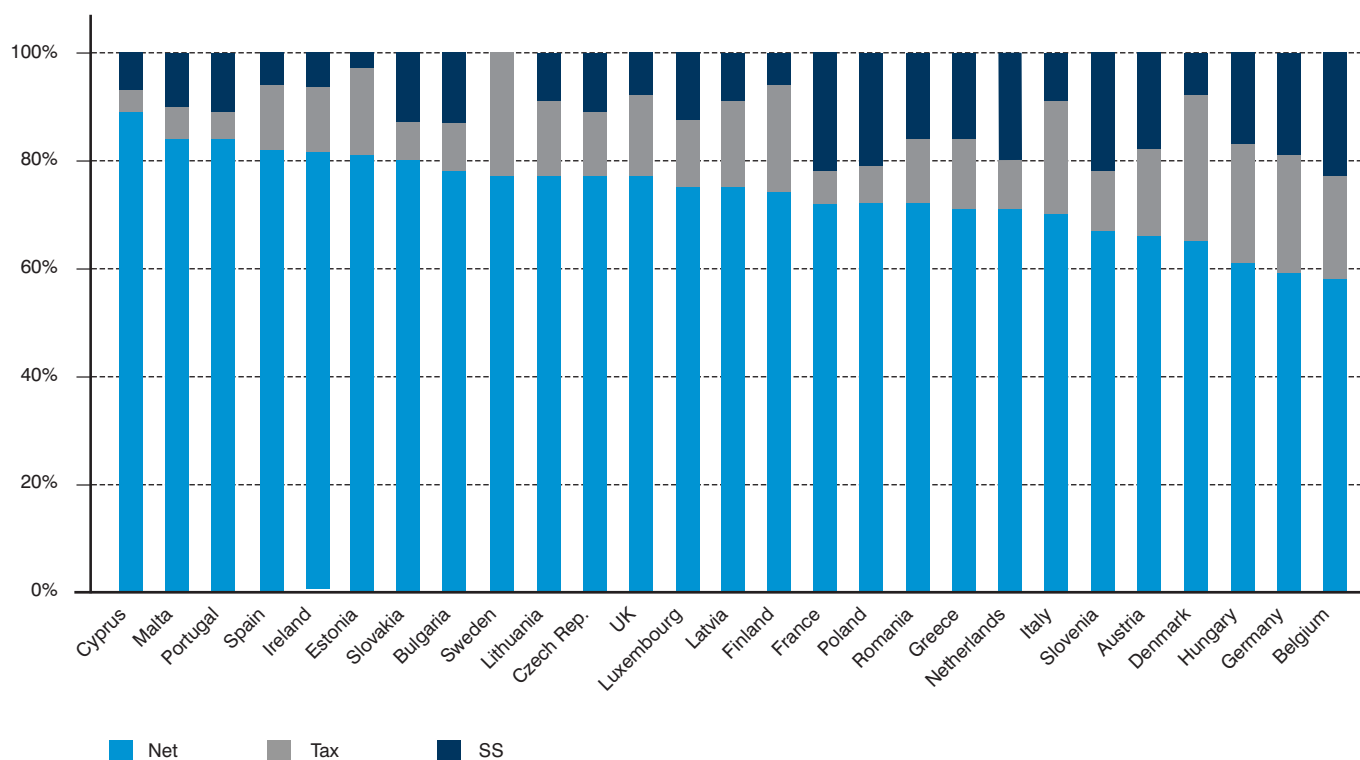
Scenario 1 single, average salary

In this scenario the lowest average tax and social security burden is in Cyprus where individuals keep 89% of their annual gross salary. The highest average tax burdens are in Belgium (58%) and Germany (59%). In Germany the tax burden is lower than e.g. in Denmark but social security charges levied in Germany result in overall lower net income.

Other interesting aspect that arose is the absence of employee social security in Sweden.

The EU average net income in this scenario is 74% of gross remuneration.

Net, tax and employee's social security within gross earnings



Summarised below are high level results, simply focusing on the resulting net income

Spain	94%
Slovakia	92%
Czech Rep.	92%
Cyprus	89%
Portugal	89%
Estonia	89%
Ireland	88%
Malta	88%
Luxembourg	84%
Latvia	84%
Lithuania	79%
Poland	79%
Bulgaria	78%
France	78%
Sweden	77%
Netherlands	77%
UK	77%
Italy	76%
Slovenia	75%
Finland	74%
Romania	74%
Greece	73%
Denmark	71%
Belgium	71%
Austria	68%
Germany	68%
Hungary	61%

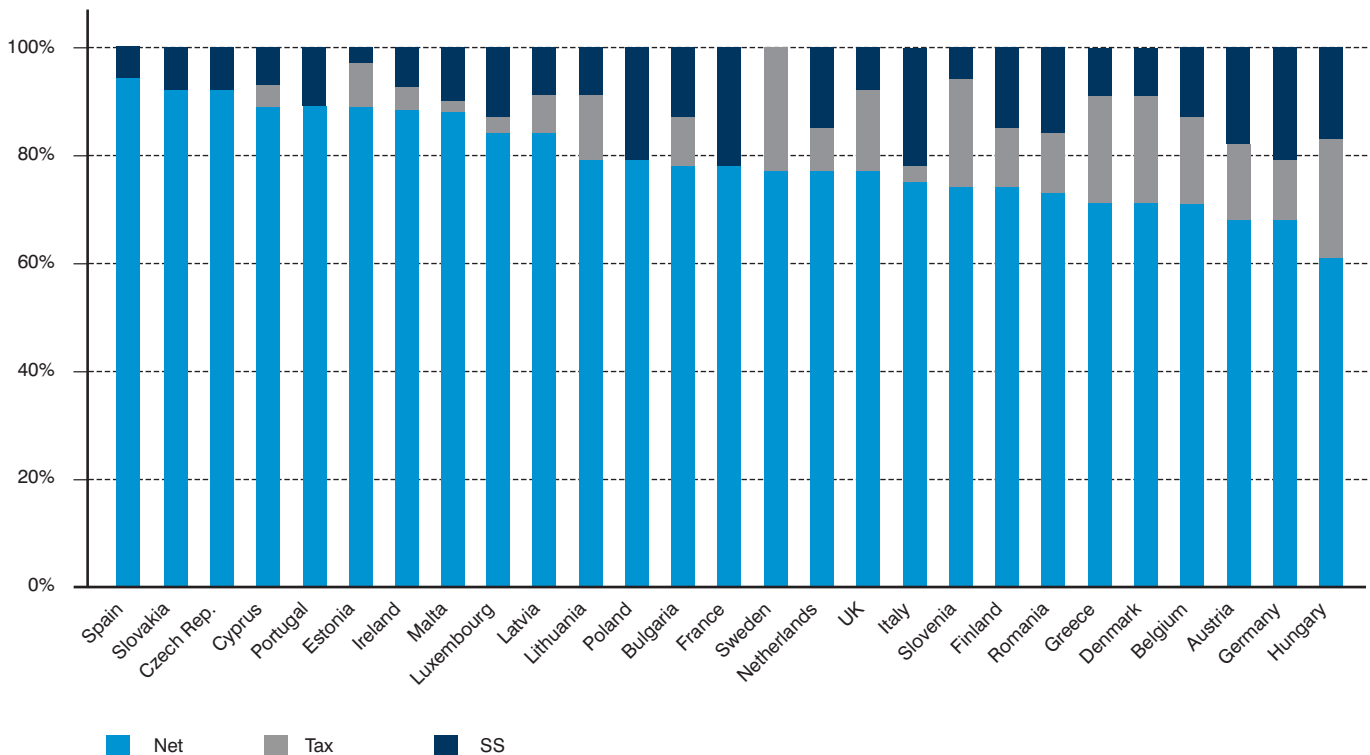
Scenario 2 married, average salary

Having a family has a significant impact in many surveyed countries with noticeably higher net remuneration in Czech Republic (increase of 15 percentage points), Belgium (increase of 13 percentage points), Slovakia and Spain (increase of 12 percentage points) compared with the scenario for a single individual earning the average salary. Nonetheless, Belgium remains relatively high tax jurisdictions.

The results of Slovakia, Czech Republic, Portugal, Poland, Spain and France are interesting. In these countries, in the case of individuals earning the average salary, family tax reliefs are higher than the tax. Consequently they pay only social security premiums but no personal income tax on their earnings.

The EU average net income in this scenario is 79% of gross remuneration.

Net, tax and employee's social security within gross earnings



Summarised below are high level results, simply focusing on the resulting net income

Bulgaria	82%
Estonia	78%
Lithuania	76%
Czech Rep.	75%
Cyprus	74%
Slovakia	74%
Latvia	71%
Romania	70%
Malta	69%
Poland	68%
Spain	65%
UK	64%
Portugal	64%
Greece	62%
Luxembourg	61%
Austria	59%
France	58%
Ireland	56%
Germany	55%
Sweden	55%
Italy	54%
Netherlands	54%
Finland	54%
Hungary	52%
Slovenia	51%
Denmark	46%
Belgium	44%

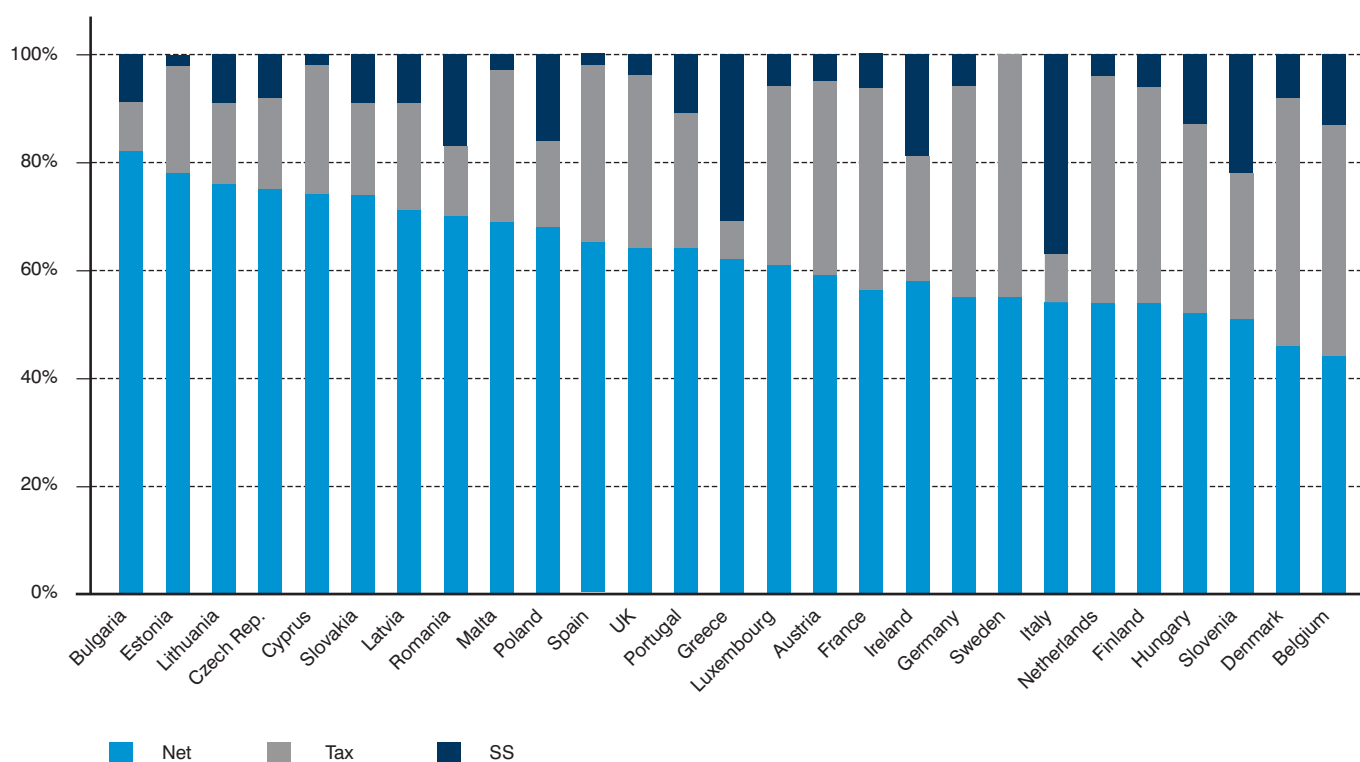
Scenario 3 single, earning five times the average salary

This scenario shows for that those countries with a flat tax rate (Bulgaria, Estonia, Lithuania, Czech Republic, Slovakia, Latvia and Romania), the net remuneration (as a percentage of gross salary) is higher than for countries with progressive taxation. Cyprus is an exception.

In Denmark and Belgium the tax and social security burden is higher than 50%, reflecting their progressive tax systems, especially affecting those individuals with high incomes.

The EU average net in this scenario is 63% of gross remuneration.

Net, tax and employee's social security within gross earnings



Summarised below are high level results, simply focusing on the resulting net income

Bulgaria	82%
Estonia	79%
Czech Rep.	78%
Lithuania	76%
Poland	76%
Slovakia	76%
Cyprus	74%
Latvia	73%
Malta	72%
Portugal	70%
Romania	70%
Spain	68%
France	67%
Luxembourg	65%
UK	64%
Greece	62%
Germany	60%
Austria	59%
Ireland	58%
Netherlands	55%
Sweden	55%
Slovenia	54%
Italy	54%
Finland	54%
Hungary	52%
Danmark	49%
Belgium	47%

Scenario 4 married, two children, earning 5 times the average salary

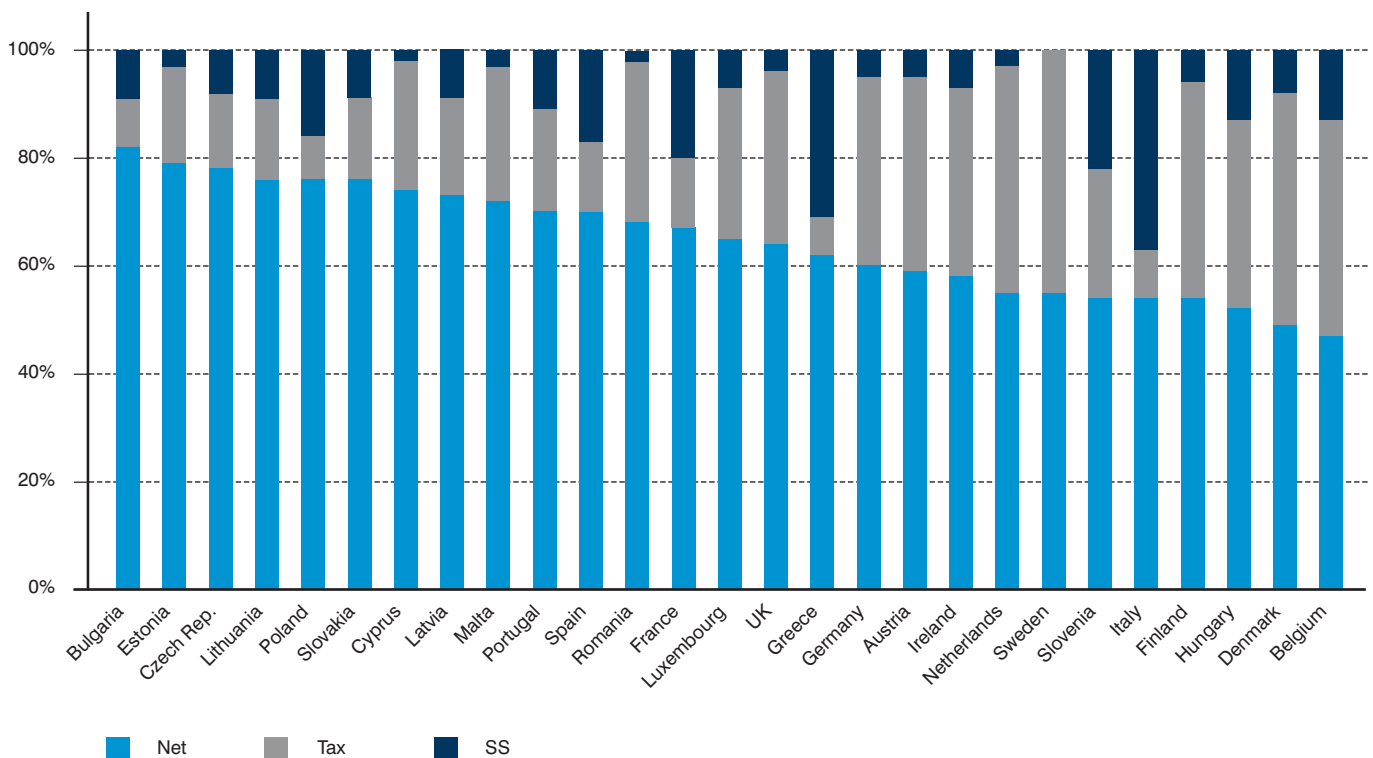
Surprisingly perhaps, family does not have a great impact in this scenario – in comparison to scenario 3. France and Poland show the greatest difference (being 9 percentage points for France and 8 percentage points for Poland).

Generally the difference between scenarios 4 and 3 is much lower than the difference between scenarios 1 and 2. This is evident when we take into account the EU average net in scenario 1 (74%) and in scenario 2 (79%), a difference of 5 percentage points. In the case of scenario 3 (63%) and scenario 4 (65%), the difference is only 2 percentage points.

Why is this? Family reliefs and joint tax returns have less impact in reducing tax and social security burdens for higher earners.

The EU average net in this scenario is 65% of gross remuneration.

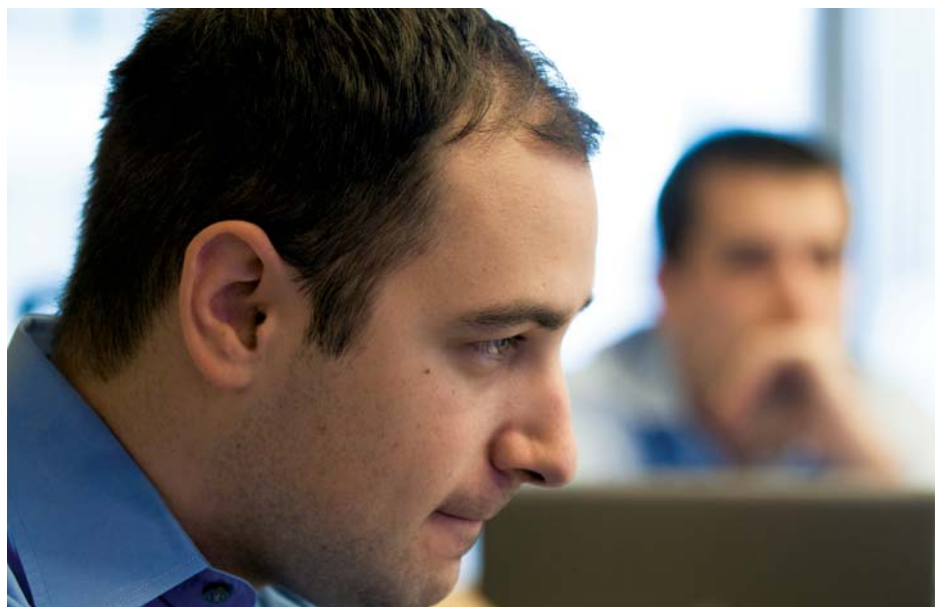
Net, tax and employee’s social security within gross earnings



Summary of all 4 scenarios

Below we present a table summarising the average results from all 4 scenarios for particular countries which reflects, to some extent, the average level of net salary received by residents of a given country.

Total average	Net	Tax + SS
Estonia	82%	18%
Cyprus	81%	19%
Czech Rep.	80%	20%
Slovakia	80%	20%
Bulgaria	80%	20%
Malta	78%	22%
Spain	77%	23%
Lithuania	77%	23%
Portugal	77%	23%
Latvia	76%	24%
Poland	74%	26%
Luxembourg	72%	28%
Ireland	71%	29%
Romania	71%	29%
UK	70%	30%
France	69%	31%
Greece	67%	33%
Sweden	66%	34%
Netherlands	64%	36%
Finland	64%	36%
Italy	64%	36%
Austria	63%	37%
Slovenia	62%	38%
Germany	60%	40%
Denmark	58%	42%
Hungary	56%	44%
Belgium	55%	45%



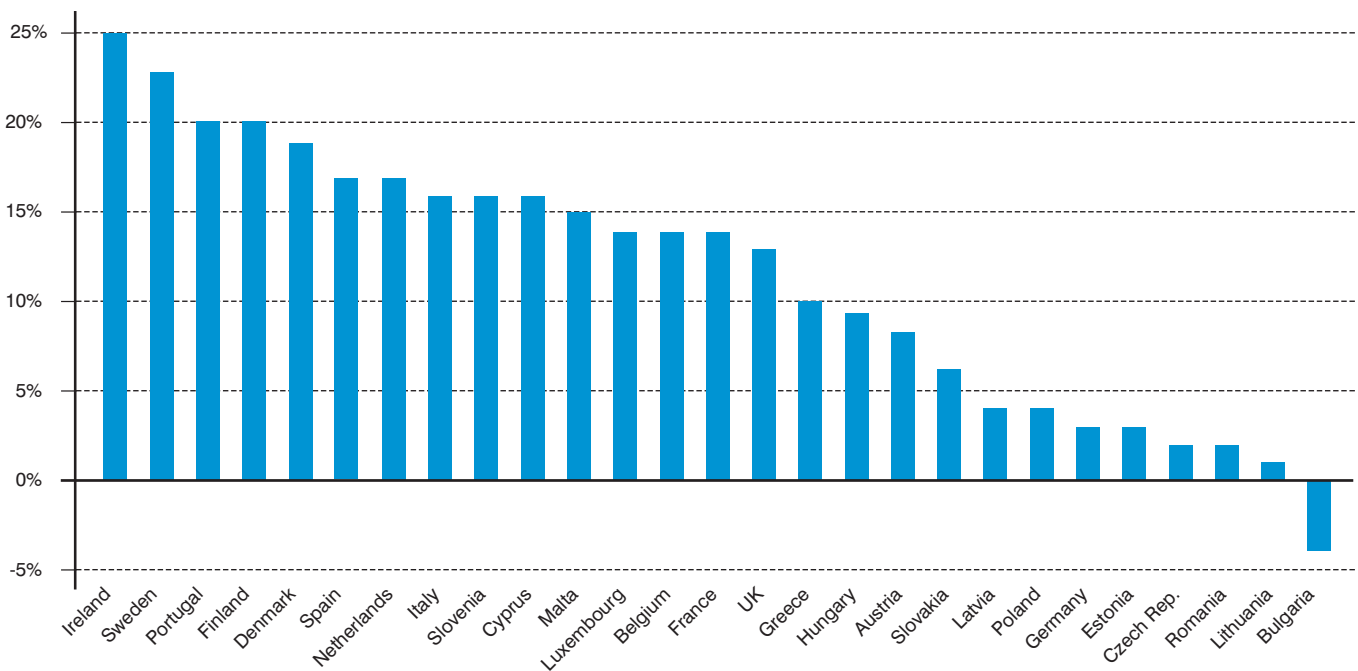
Detailed consideration of the results

We now move on to focus on more detailed findings of the survey including: impact of salary level on the tax and social security burden; family as factor lowering the tax burden; flat tax rate versus the more traditional progressive tax system; employer social security relative to gross earnings; and the extent of electronic tax filing.

Impact of salary level on the tax and social security burden

To compare the impact of higher salary levels on the net position of individuals, we compared scenarios 1 and 3 (for single persons) as well as 2 and 4 (for married persons).

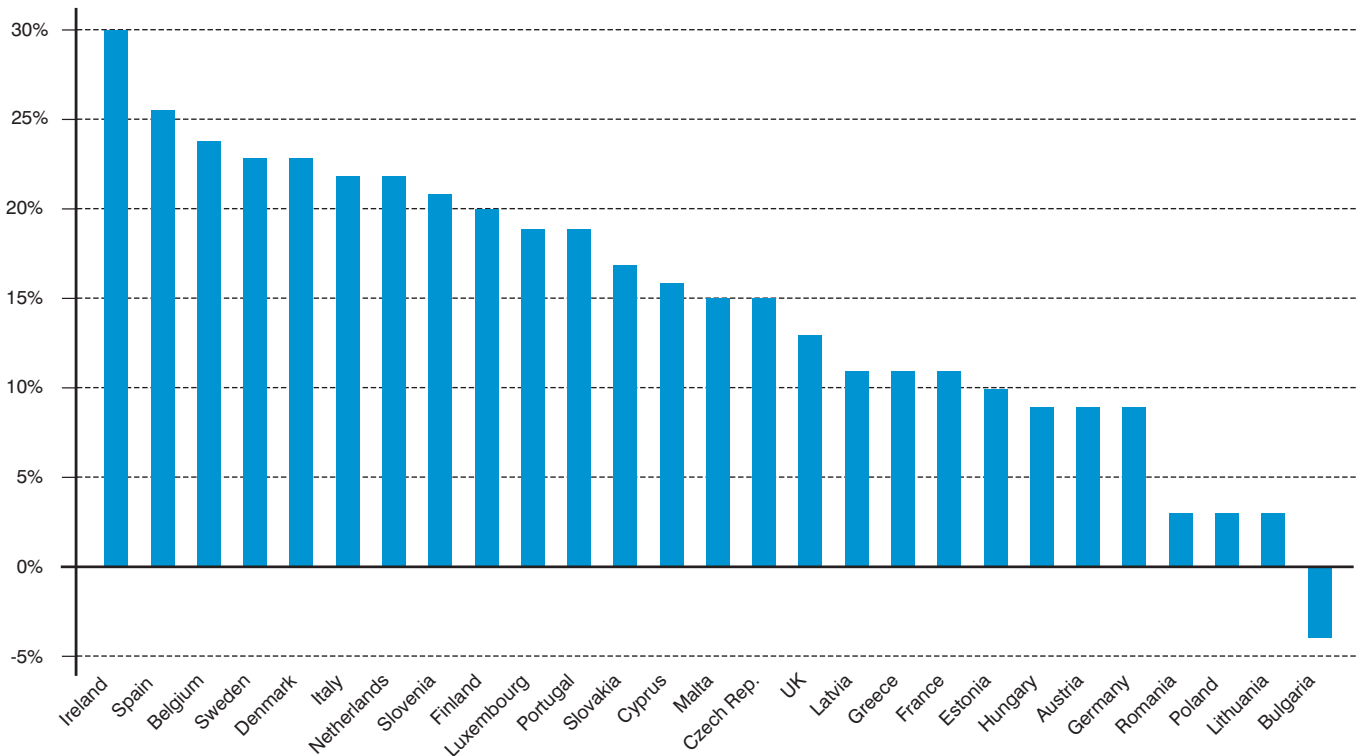
Net difference between Scenario 1 & 3



The table and the chart above show a truly progressive personal income tax. In Ireland, for instance, the difference in taxation of an average earner (19%) and an individual earning 5 times average (44%) is significant. Only in Bulgaria is higher gross income associated with a higher net income percentage. This is the effect of a combination of the flat personal tax rate and the social security cap i.e. the social security burden diminishes as the earnings increase (once the cap is reached) and the tax rate remains the same.

The difference between Ireland and Bulgaria may lead to exaggerated findings about huge discrepancies between countries in the EU. One should remember, however, that the gap between their results is partly balanced by other taxes (for instance – in Bulgaria the average VAT rate is almost 1,5 times higher than in Ireland). Additionally, the actual average salary in Bulgaria is almost 12 times lower than in Ireland, not to mention the difference in spending power of money in both countries.

Net difference between Scenario 2 & 4



The chart above looks at married persons.

The results are similar to those comparing scenarios 1 & 3 i.e. a falling net income % associated with higher earnings. The exception again is Bulgaria. This is the only surveyed country where tax/social security costs as a percentage of gross income decreases for “wealthy” individuals, married or single.



Country	Joint tax return	Child relief
Austria	-	+
Belgium	+	-
Bulgaria	-	-
Cyprus	-	-
Czech Rep.	-	+
Denmark	-	-
Estonia	+	+
Finland	-	-
France	+	+
Germany	+	+
Greece	+	+
Hungary	-	-
Ireland	+	-
Italy	-	+
Latvia	-	+
Lithuania	-	+
Luxembourg	+	+
Malta	+	+
Netherlands	+	+
Poland	+	+
Portugal	+	+
Romania	-	+
Slovakia	-	+
Slovenia	-	+
Spain	+	+
Sweden	-	-
UK	-	-

Family tax reliefs

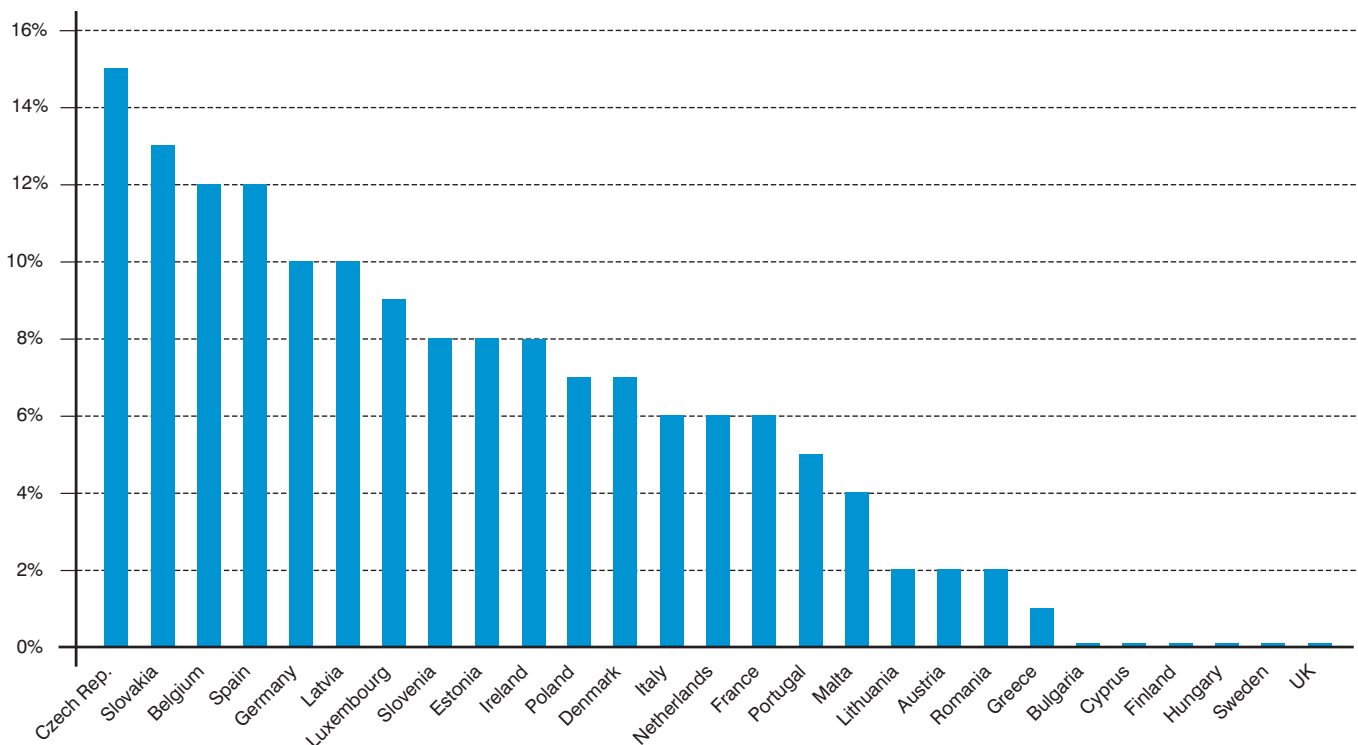
The expectation is that tax relief associated with families (specific tax deductions and reliefs) should result in lower tax burdens. We focused on two of the most common forms of family tax relief, being a joint tax return and child relief.

From the table, it appears that most countries (to include flat tax rate countries) do have some form of family tax support.

Please note that in some countries (for instance in the Netherlands, Portugal, France, Luxembourg) joint tax returns may be filed by couples not officially married but just registered in a court (the forms of registration differ from country to country) or living together at the same place for a specified period of time. Moreover, in France the tax benefits may be claimable by couples of the same sex.

The table below compares scenario 1 (single person with average salary) and scenario 2 (married person with average salary).

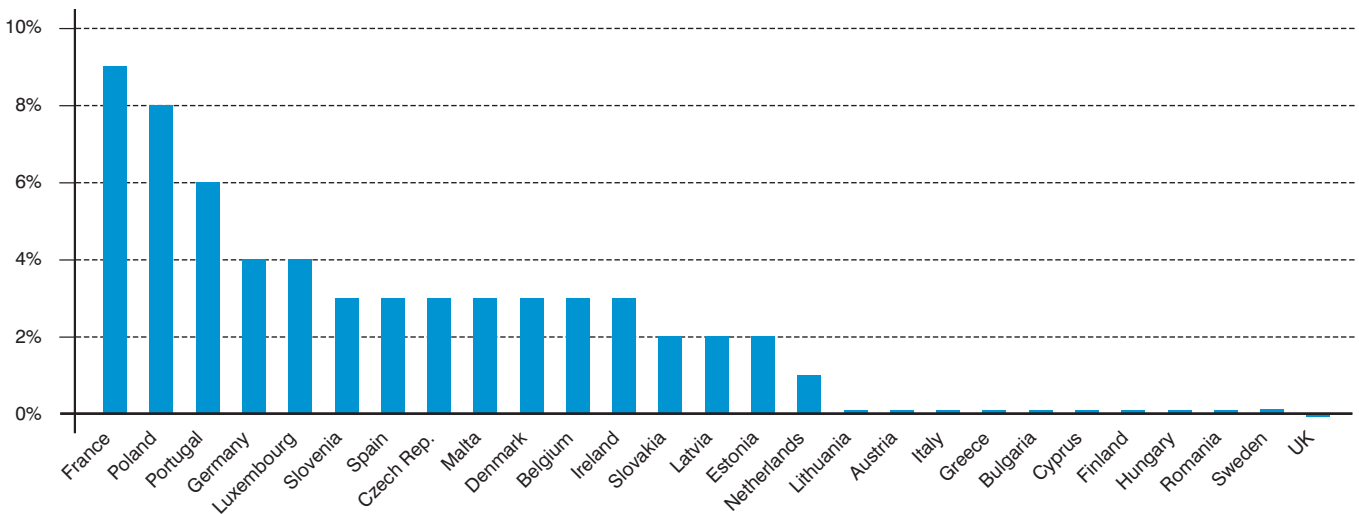
Net difference between Scenario 1 & 2



The table shows that for Czech Republic, family tax reliefs are most effective in lowering the tax burden. When there is no difference the reason is that either the countries have not introduced joint tax returns/child relief as tax benefits¹ (the UK, Sweden, Hungary, Finland, Cyprus and Bulgaria).

The chart below shows the differences resulting from higher income by comparing scenarios 3 and scenario 4. The table shows that family tax reliefs are most effective in lowering the tax burden for higher earners in France.

Net difference between Scenario 3 & 4

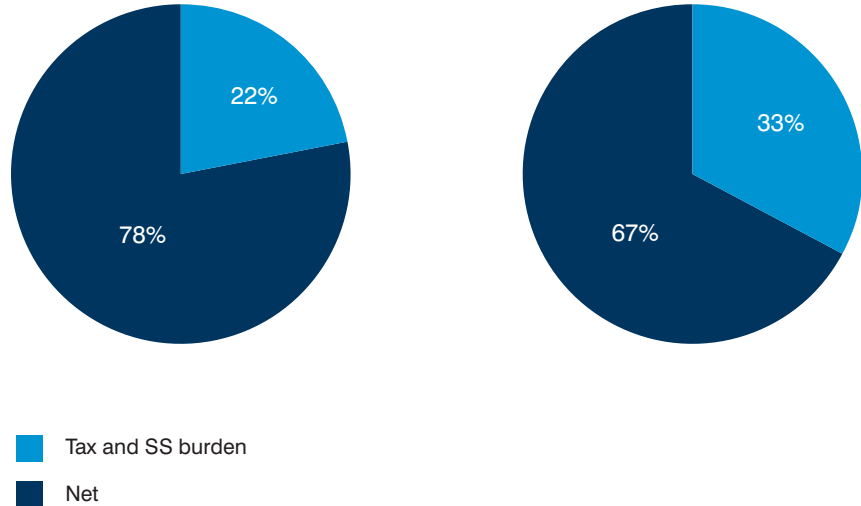


Flat tax rate

Currently seven member states in the EU have a flat rate tax i.e. Latvia (25%), Lithuania (24%), Estonia (21%), Slovakia (19%), Romania (16%), Czech Republic (15%) and Bulgaria (10%). The chart on the next page shows the average tax and social security burden for all 4 scenarios in these countries (“flat tax rate countries”) compared to countries taxing individuals according to the progressive scale (“progressive rates countries”).

¹ In some countries, e.g. in the UK, there are some other family/child benefits/tax credits but they are separately claimable and have nothing to do with the tax return.

Average net, tax and employee's social security in countries with flat tax rate and progressive rates



The tax and social security burden is over 10 percentage points lower in flat tax rate countries, which is a significant difference.

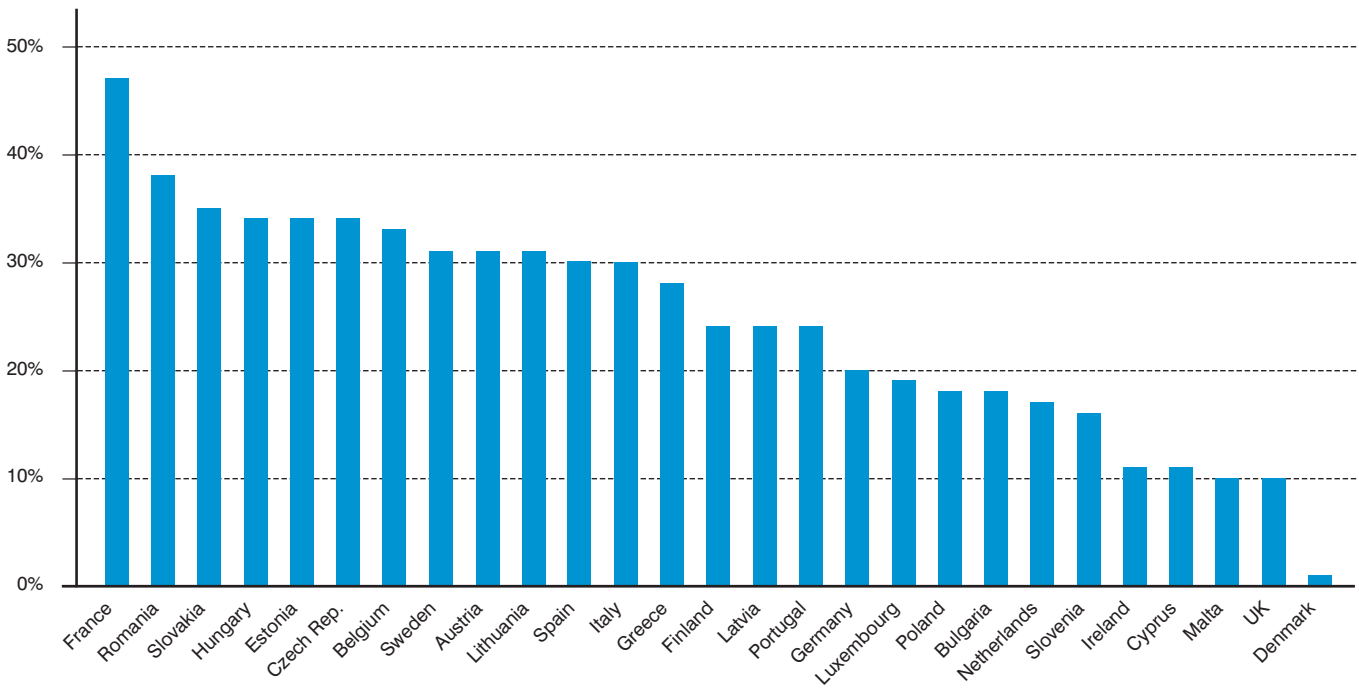
However, looked at a country-by-country basis (refer to the chart on page 11) it is clear that not all flat tax rate countries have the lowest tax/social security burdens. In fact Cyprus, a country with a progressive tax system, has almost the lowest tax and social security costs (the highest net income percentage) when looking at all four scenarios (just after Estonia). The highest tax and social security burdens for flat tax rate countries are in Romania. Clearly the level of social security charges significantly influences the final net position.



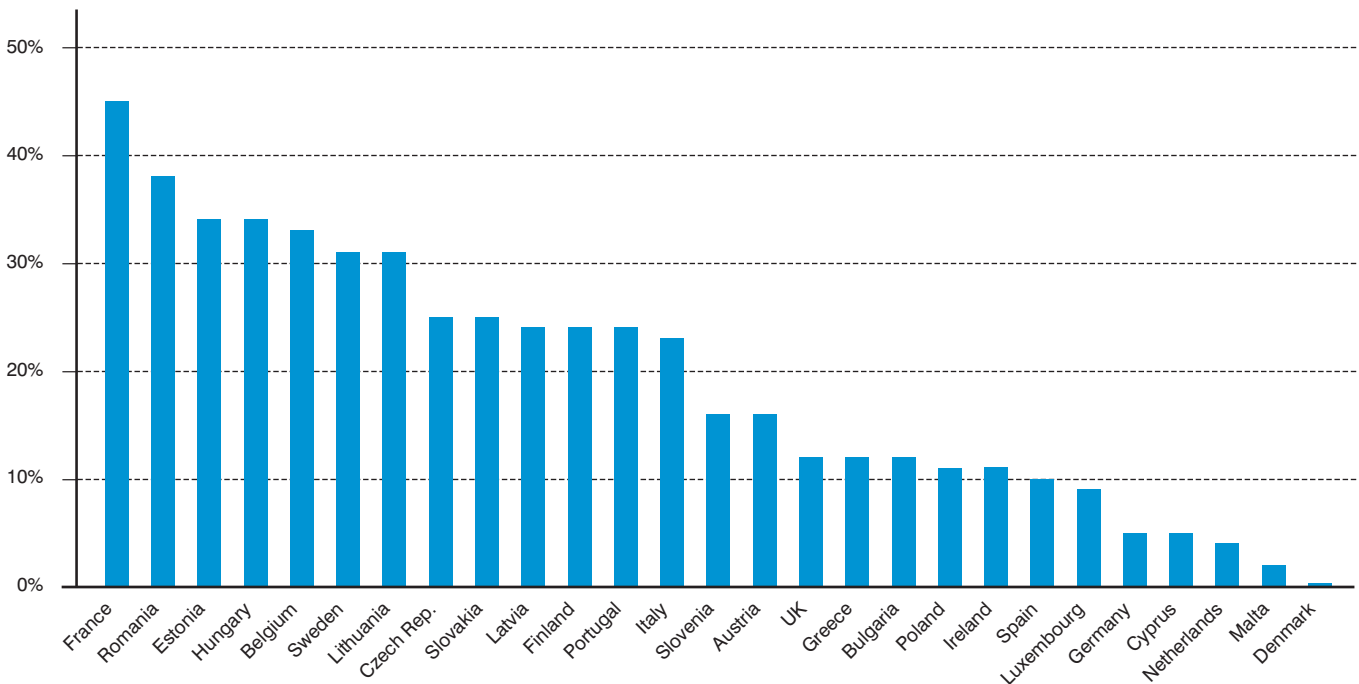
Employer's social security charges

Employer social security contributions are a significant component of employment cost. The charts below show the charges for scenarios 1 & 2 and then for scenarios 3 & 4. Employer's social security costs relate only to income and not to the marital status of individuals.

Employer's social security charges – Scenario 1 & 2



Employer's social security charges – Scenario 3 & 4

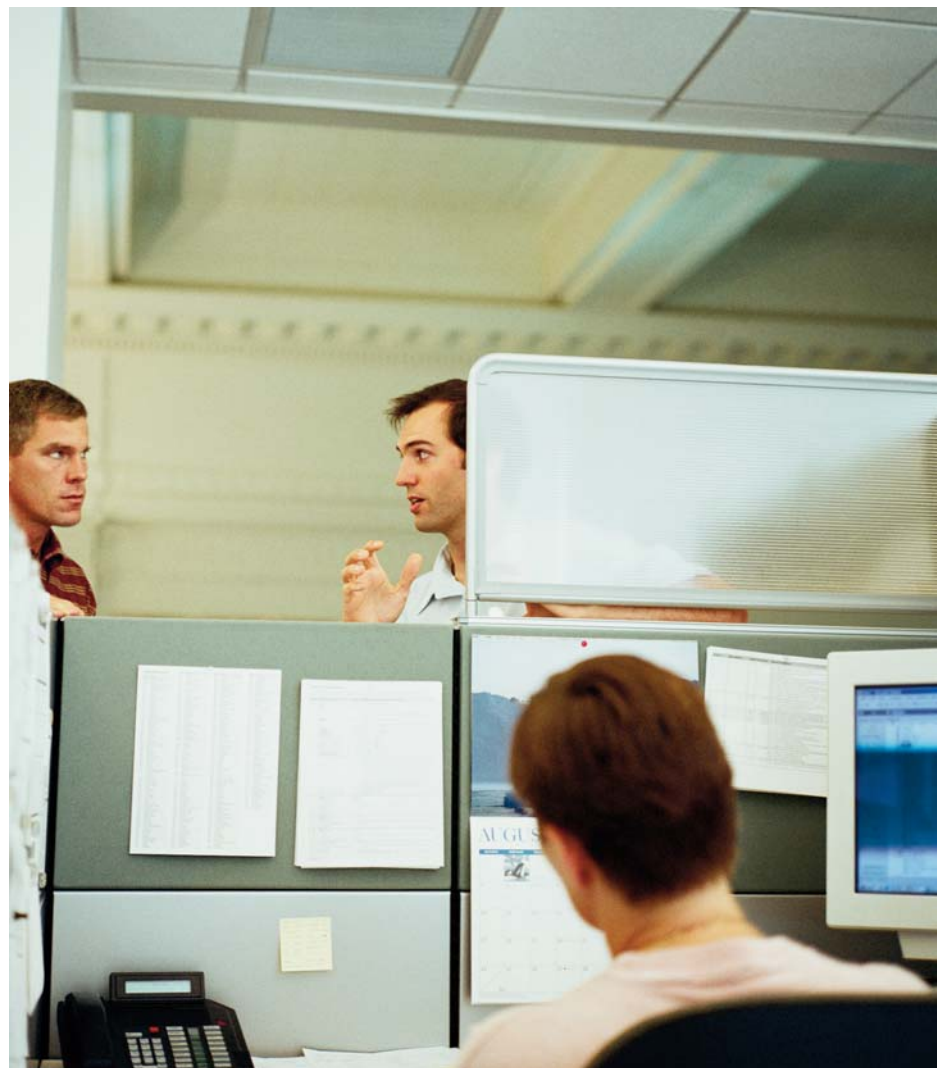


The results shown in the charts are similar, with France emerging as the most expensive jurisdiction purely from the cost perspective i.e. no consideration given to the value of services received in return. In some cases the charges are lower at higher income levels (scenarios 3 and 4). This reflects the fact that the charges are capped in some member states.

Denmark stands out in both cases. The reason is that the employee primarily pays the charges. Employer charges are minimal.

Electronic tax filing

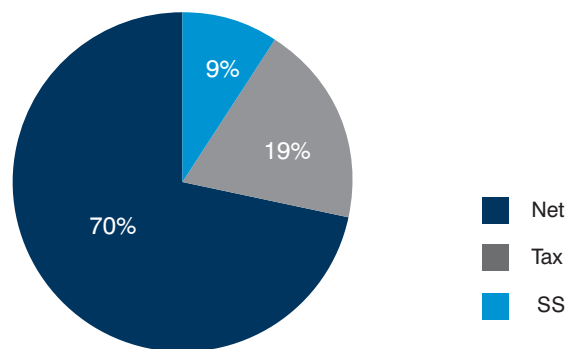
The surveyed countries, except for Finland and Romania, provide the possibility of filing annual tax returns electronically. Before drawing any conclusions, however, note that electronic filing is limited to very basic returns in some cases. Nonetheless it shows progress towards a more user-friendly manner of handling tax matters.



Conclusions

Our final insight is something we refer to as an “average of averages”, providing a basic insight into tax systems of EU countries. It shows that generally in the EU our net income far exceeds what we remit to the tax and social security authorities.

Average of average



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Overview of major tax and social security changes in European Union countries in 2009 and 2010

Appendix

Below you will find a summary of significant tax and social security changes which were introduced in 2009 or 2010 in EU countries. We focused on major amendments to tax law in the areas of personal income tax ("PIT"), corporate income tax ("CIT"), social security and value added tax ("VAT"). We do not refer to countries where no significant changes were made.

The Czech Republic

As of 2010, VAT rates were increased from 9% to 10% and from 19% to 20% respectively. The corporate income tax rate was decreased from 20% to 19%.

The social security cap was increased by 50% (from CZK 1 130 640 to CZK 1 707 048).

Estonia

As of 1 July 2009 the VAT rate was increased from 18% to 20%.

In addition, unemployment insurance contributions were increased several times and as of 1 August 2009 remain at maximum rates allowed by law – 2,8% for employees and 1,4% for employers.

PIT and CIT rates were frozen at 21%. (According to the previous version of the law, these rates should have been reduced to 20% as of 1 January 2010).

Finland

The municipal tax rates were increased from 16,5% to 21%.

Personal income tax rates were decreased by 0,5% and currently range between 6,5% and 30%.

The general VAT rate will be increased from 22 % to 23 % as of 1 July 2010. The reduced rate of 12 %, currently applied to food and animal feed, will be increased to 13 % effective as of the same date. The rate of 13 % will also be applied to restaurant and catering services which until 1 July 2010 are taxed at the standard rate of 22 %. The reduced VAT rate of 8 %, applicable to e.g. books, accommodation and passenger transport, will be increased to 9 % as of 1 July 2010.

France

The French "Taxe Professionnelle", which is a direct local tax due by companies, has been suppressed as from 1 January 2010 and replaced by the "contribution économique territoriale" composed by a local contribution based on the landed property of companies and a progressive contribution based on the added value, for companies whose turnover exceeds Euros 500'000 per year. Tax allowances are provided for small businesses.

For employees who work with the financial trading markets and whose activities are likely to have a material impact on the bank's risks exposure as well as those who work with the financial trading market and who are supervising these employees, a new tax of 50% has been introduced on the bonus paid exceeding Euros 27'500 and granted in respect of the 2009 financial year. The new tax applies to bonus paid in cash, stock options, free share awards and other equity rewards.

Capital gains realized as from 1 January 2010 will be subject to the 12.1% social surtaxes (including: 8.2.% CSG, 0.5% CRDS, 2.3% social levy and 1.1% solidarity surtax) as from the first euro although the annual sales proceeds threshold of Euros 25'830 (for 2010) for tax purposes, is not reached.

Germany

The lowest personal income tax rate was decreased from 15% to 14% (retroactively for 2009).

The child allowance was increased by approximately EUR 1 000.

Hungary

The progressive personal income tax rates were decreased from 18% to 17% and from 36% to 32% respectively. The threshold for the lowest rate was increased significantly, from HUF 1 700 000 up to HUF 5 000 000. However, the calculation of the consolidated tax base has changed – in order to get the consolidated tax base the taxable gross income has to be multiplied by 1,27 (a so called “tax base addition”).

Solidarity tax was abolished while most benefits in kind became subject to personal income tax (at a rate of 25% or 54%).

In 2010 employer social security contributions decreased from 32% to 27%. Additionally itemized healthcare tax was abolished.

The corporate income tax rate increased from 16% to 19% as of 1 January 2010.

The VAT rate also increased from 20% to 25% as of 1 July 2009. Furthermore there are 2 preferential rates (18% and 5%) used in relation to certain products and services. Most tax allowances were abolished as of January 2010, but the family allowance remained. It can only be used, if there are at least 3 children in the family and taxable income does not exceed specified amounts

Ireland

The VAT rate was decreased from 21,5% to 21%. Also social welfare payments and child benefits payments are reduced as of 2010.

Latvia

As of 1 January 2010 the flat personal income tax rate was increased from 23% to 26%.

A new tax on dividends and interest at a rate of 10% was introduced as well as income tax on sale of capital assets at a rate of 15%.

The social security cap was removed as of 1 January 2009 (until December 2013).

Lithuania

The corporate income tax rate was decreased from 20% to 15% as of 1 January 2010 while the VAT rate was increased from 19% to 21% as of 1 September 2009.

As of 1 January 2010 the health tax (rate of 6%), generally applies only to employment related income (previously it was also due on capital gains).

Luxembourg

In Luxembourg capital duty was abolished as of 2009.

The corporate income tax rate was decreased from 29.63% to 28.59% as of 2009 and should decrease to 25.5% in 2010.

Personal income tax brackets were increased by 9% in 2009.

Malta

Tax incentives associated with research and development, the local labour market, family and real estate were introduced in 2010.

As an example, a tax deduction of EUR 1 000 was introduced for personal income tax purposes for parents of children more than three years old if specified conditions are met.

No refunds of overpaid income tax or VAT will be paid to taxpayers who have outstanding income tax/VAT returns respectively.

Poland

Personal income tax rates were reduced as of 1 January 2009 from 19%, 30% and 40% to 18% and 32% (as foreseen in 2006).

Slovenia

As of 2010 the corporate income tax rate was reduced from 21% to 20%.

Spain

As of 2010 personal income tax rates for investment income were increased from 18% to 19% on the first EUR 6 000 and to 21% on the excess over this amount.

VAT rates were also increased from 16% to 18% (general rate) and from 7% to 8% (reduced VAT rate).

United Kingdom

The highest personal income tax rate will increase to 50% as of 6 April 2010 (once income exceeds GBP 150 000). Furthermore, bonuses in the banking sector, exceeding GBP 25 000 will be subject to 50% tax, and not deductible for the corporate income tax purposes. A tax free threshold of GBP 6 475 will be reduced once taxable income reaches GBP 100 000 and will be entirely eliminated when taxable income reaches GBP 112 950.

Tax relief for qualifying pension contributions is reduced for individuals with taxable income over GBP 130 000 as of 6 April 2011.

Relief is tapered until it is 20% for income over GBP 180 000. Moreover, a special annual allowance charge has been introduced to discourage individuals making significant contributions before 6 April 2011 to gain a full tax relief.

Employee and employer social security rates will be increased by 1 percentage point.

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