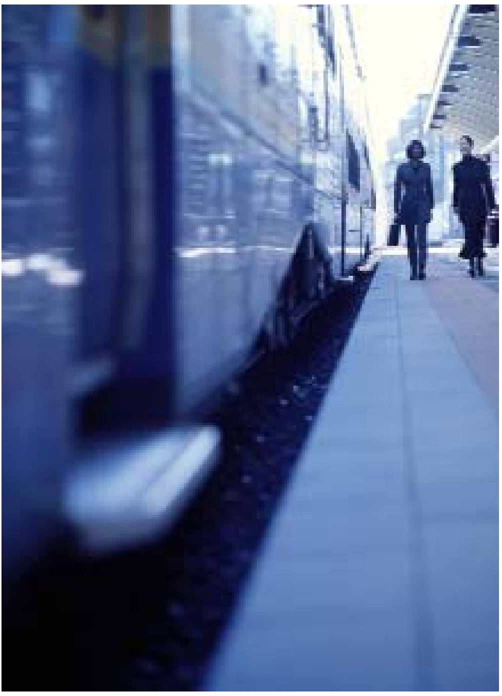
KPMG

KPMG's Corporate Tax Rate Survey 2006

TAX

AUDIT ▪ TAX ▪ ADVISORY

KPMG's Corporate Tax Rates Survey January, 2006



KPMG's International Tax Center has great pleasure in presenting its 2006 global survey of statutory corporate income tax rates. The survey (begun in 1993) now covers 86 countries, including the 30 member countries of the Organisation for Economic Cooperation and Development (OECD), the 25 European Union (EU) member states, 19 countries in the Asia Pacific region, and 19 countries in the Latin America region. Tax professionals at KPMG member firms in all these countries have contributed to this survey.

Continued downward pressure on tax rates

Among nations that changed their statutory corporate income tax rates over the past 12 months, the overwhelming majority cut them, continuing a trend towards lower rates that has persisted for several years.

Rate reductions were most pronounced in Europe where the average statutory corporate income tax rate fell from 25.32 percent to 25.04 percent, thanks to rate cuts in six EU member states. The reduction in the EU average rate compares with a reduction in the OECD's average rate from 28.55 percent to 28.31 percent. This has had the effect of widening the gap between the EU and OECD averages slightly from 3.23 to 3.27 percentage points.

This may reflect intensifying tax competition within the EU as a result of the accession of 10 new member states last year and the encouragement EU law and jurisprudence has been giving to capital mobility within the EU.

Elsewhere, national tax systems are less permeable, and tax competition is consequently less evident. In Asia-Pacific region, India reduced its rate by three percentage points during the year, the Philippines increased its rate by the same proportion, but the region's average rate remained unchanged. The picture was much the same in Latin America. The region's average fell very slightly by less than a tenth of a percentage point. In terms of statutory rates, Europe looks distinctly more attractive than either Asia-Pacific or Latin America:

Region	Average statutory rate
EU	25.04
Asia Pacific	29.99
Latin America	28.25

Balancing the government books

Conspicuously low headline tax rates can help a country to increase, or at least to maintain, revenue if they expand the tax base (attract additional investment) sufficiently to offset the revenue effects of those low rates. This becomes less effective, however, as other countries begin to employ competitive rate-cutting to defend their own tax bases.

The progressive lowering of trade barriers particularly in the EU, and the increasingly sophisticated supply chain options available to large, global companies provide credible alternatives for locating investments so exerting constant downward pressure on headline rates.

But although important, economically and symbolically, statutory corporate income tax rates are not, of course, the only considerations for companies seeking low tax jurisdictions. A low tax rate does not necessarily mean a low tax burden. An apparently high tax jurisdiction can be attractive for investment if its effective rate is significantly lower than its statutory rate.

Other tools in government armories include special regimes for particular types of investment, such as headquarter companies, treasury companies and research and development, and shifting the burden to indirect taxes. More subtle competitive variables include the attitude of governments and their tax authorities to corporate tax payers, ranging from aggressive policing to promoting business collaboration; tax certainty or the lack of it (deriving from such factors as complexity of tax law and the availability of binding agreements) and the efficiency or otherwise of tax administration and the costs it imposes on tax payers. In time as tax competition progressively erodes differences in rates, such factors are likely to assume more importance and one of the keys to tax competitiveness could become the "business friendliness" of a nation's tax environment.

For the moment, factors to consider other than headline rates when gauging the corporate tax burdens of particular jurisdictions include:

- Indirect taxes
- Other financial inducements for domestic investment
- The sophistication of tax law.

Click on country name to go to information update

OECD	European Union	Asia - Pacific	Latin America	Country	1 Jan 2005 (%)	1 Jan 2006 (%)	Footnote
				Albania	23	20	1
			■	Argentina	35	35	2
			■	Aruba	35	35	3
■		■		Australia	30	30	4
■	■			Austria	25	25	5
		■		Bangladesh	30	30	6
			■	Barbados	30	25	7
■	■			Belgium	33.99	33.99	8
			■	Bolivia	25	25	9
				Botswana	25	25	10
			■	Brazil	34	34	11
				Bulgaria	15	15	12
■				Canada	36.1	36.1	13
			■	Cayman Islands	0	0	14
			■	Chile	17	17	15
		■		China	33	33	16
			■	Colombia	35	35	17
			■	Costa Rica	30	30	18
				Croatia	20.32	20.32	19
	■			Cyprus	10	10	20
■	■			Czech Republic	26	24	21
■	■			Denmark	28	28	22
			■	Dominican Republic	25	30	23
			■	Ecuador	25/15	25/15	24
	■			Estonia	0/24	0/23	25
		■		Fiji	31	31	26
■	■			Finland	26	26	27
■	■			France	33.83	33.33	28
■	■			Germany	38.31	38.34	29
■	■			Greece	24/32	22/29	30
			■	Honduras	30	30	31
		■		Hong Kong	17.5	17.5	32
■	■			Hungary	16	16	33
■				Iceland	18	18	34
		■		India	36.5925	33.66	35
		■		Indonesia	30	30	36
■	■			Ireland	12.5	12.5	37
				Israel	34	31	38
■	■			Italy	37.25	37.25	39
■		■		Japan	40.69	40.69	40
			■	Jamaica	33.3	33.3	41
				Kazakhstan	30	30	42
■		■		Korea, Republic of	27.5	27.5	43

Click on country name to
go to information update

OECD	European Union	Asia - Pacific	Latin America	Country	1 Jan 2005 (%)	1 Jan 2006 (%)	Footnote
	■			Latvia	15	15	44
	■			Lithuania	15/13	15/13	45
■	■			Luxembourg	30.38	29.63	46
				Macau	12	12	47
		■		Malaysia	28	28	48
	■			Malta	35	35	49
				Mauritius	25/15	25/15	50
■			■	Mexico	30	29	51
				Mozambique	32	32	52
■	■			Netherlands	27/31.5	25.5/29.6	53
			■	Netherlands Antilles	34.5	34.5	54
■		■		New Zealand	33	33	55
■				Norway	28	28	56
				Oman	12	12	57
		■		Pakistan	35	35	58
			■	Panama	30	30	59
		■		Papua New Guinea	30	30	60
			■	Peru	30	30	61
		■		Philippines	32	35	62
■	■			Poland	19	19	63
■	■			Portugal	27.5	27.5	64
				Romania	16	16	65
				Russia	24	24	66
		■		Singapore	20	20	67
■	■			Slovak Republic	19	19	68
	■			Slovenia	25	25	69
				South Africa	37.8	36.9	70
■	■			Spain	35	35	71
		■		Sri Lanka	32.5	32.5	72
■	■			Sweden	28	28	73
■				Switzerland	21.3	21.3 (12.97-29.07)	74
		■		Taiwan	25	25	75
		■		Thailand	30	30	76
				Tunisia	35	35	77
■				Turkey	30	30	78
				Ukraine	25	25	79
				United Arab Emirates	20/55	20/55	80
■	■			United Kingdom	30	30	81
■				United States	40	40	82
			■	Uruguay	30	30	83
			■	Venezuela	34	34	84
		■		Vietnam	28	28	85
				Zambia	35	35	86

Click to go back to country list

1 **Albania** (2006 rate = 20%)

The corporate income tax is 20 percent of the taxable profit earned during a fiscal year (January 1 to December 31). A taxable profit is defined as the generated gross income, minus related expenses. There are certain non-deductible expenses outlined in the law, such as expenses without a regular invoice. There are no reduced rates, but there are certain tax incentives for tourism.

2 **Argentina** (2006 rate = 35%)

A one percent tax on the company's assets (liabilities cannot be deducted) is payable as a minimum income tax. Some assets, such as stocks, shares of other entities subject to taxation, and assets of mining companies, are exempt from minimum income tax. The acquisition of new goods – apart from automobiles - and investment in the construction of new buildings or refurbishing (for the first two years) are also excluded from minimum tax. The minimum income tax system 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 carry forward of 10 years).

3 **Aruba** (2006 rate = 35%)

In general, Aruban companies are subject to a corporate income tax rate of 35 percent. Companies operating in the free zone are taxed at a rate of two percent. A so-called Imputation Payment Company (IPC) is subject to an effective corporate tax rate of two percent; an IPC pays 35 percent corporate income tax, but shareholders are entitled to an imputation payment of 33 percent from the Aruban government after a dividend distribution by an IPC.

4 **Australia** (2006 rate = 30%)

The corporate income tax rate is set at a flat rate of 30 percent, and applies to both resident and non-resident companies. A resident company is liable to income tax on worldwide income and capital gains. A non-resident company is liable to income tax on Australian-source income only, and on capital gains from the disposal of particular types of assets that have a necessary connection with Australia. 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 July 1 to June 30 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 June 30 year-end (e.g. a year ended December 31, 2004 will generally relate to the year of income in which the accounting period ends; i.e. June 30, 2005). For the year July 1, 2001 to June 30, 2002 and later income years, the corporate tax rate is 30 percent.

5 **Austria** (2006 rate = 25%)

There are no notes for 2006.

6 **Bangladesh** (2006 rate = 30%)

The income of publicly traded companies, i.e. listed companies, other than banks and financial institutions, is taxed at a 30 percent. If a publicly traded company, other than a bank or financial institution, pays a dividend that exceeds 20 percent of the paid-up capital for an income year, it receives a 10 percent rebate on the tax payable. If the company pays a dividend lower than 10 percent of the paid-up capital, the company is taxed at a 40 percent rate. All other companies, including branches of foreign companies, are taxed at 40 percent. Banks, insurance

Click to go back to country list

companies, leasing companies and other financial institutions are taxed at 45 percent. A rebate amounting to 50% of the income derived from export business will be granted to companies registered in Bangladesh. Garment industries are subject to 10 percent corporate income tax and textile/jute industries to 15 percent, but these industries do not qualify for an export rebate.

If a listed company other than a bank, insurance or leasing company pays a dividend of less than 15 percent, despite having sufficient distributable profits, it is subject to an additional five percent tax on the undistributed profits. 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.

7 **Barbados** (2006 rate = 25%)

In 2003 the Government initiated a tax rate reduction program to reduce tax rates from 40 percent to 25 percent by 2006. The 25 percent corporate income tax rate applies to all corporate entities with respect to income not qualifying for international business concessions. The domestic corporate tax rate of 25 percent may be reduced, on a sliding scale, to 1.75 percent, by a foreign currency tax credit granted for qualifying foreign currency generating activities. An international financial service centre tax regime provides for exemption for qualifying insurance companies and a variable rate of 1 to 2.5 percent for other qualifying international business activities.

8 **Belgium** (2006 rate = 33.99%)

A lower tax rate applies to companies that are owned more than 50 percent by individuals. The tax rate incorporates a “crisis” levy of three percent. As of fiscal year 2007 (income years starting January 1, 2006 or later) Belgian companies and foreign companies that have an establishment in Belgium benefit from a risk capital deduction (also called notional interest deduction) equal to a percentage (based on the return of a 10-year government bond; 3.442 percent for fiscal year 2007:) of the companies’ “adjusted” equity capital (including retained earnings). The notional interest deduction is expected to reduce the effective tax rate to an average of 26 to 27 percent (or even lower, depending on the equity capital of the company).

9 **Bolivia** (2006 rate = 25%)

The corporate tax levied by the central government is the 25 percent annual profit tax (IUE). Payments of this tax are considered on-account payments for any subsequent year’s three 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 four percent of this tax is considered an on-account payment for any subsequent year’s three percent Transactions Tax.

10 **Botswana** (2006 rate = 25%)

The corporate income tax rate is 25 percent, consisting of a 15 percent Company Tax and an additional 10 percent Company Tax (ACT). The ACT can be used to offset any withholding tax payable on dividend distributions. This arrangement can limit the overall corporate tax levied on both the company and the shareholder to 25 percent. Lower Company Tax rates are available for manufacturing entities (five percent). An approved International Financial Service Centre entity is only liable for Company Tax, not for ACT. Mining entities (with the exception of Diamond mining) are taxed at rates between 15 and 45 percent. Diamond mining taxation is negotiated with the Government.

Click to go back to country list

11 **Brazil** (2006 rate = 34%)

The 34 percent rate includes Corporate Income Tax and Social Contribution Tax. The 25 percent corporate income tax comprises a 15 percent basic rate and a 10 percent surtax on income over BRL 240,000. The taxable income is adjusted in accordance with the Brazilian Corporate Income Tax Code. In addition, there is a nine percent Social Contribution on corporate taxable income, adjusted in accordance with Brazilian Social Contribution on Net Profits legislation. Depending on the type of income and further conditions a Social Contribution on Net Profits tax credit (bonus de adimplência fiscal) may be granted to certain Corporate Tax Payers. Some deferral of Social Contribution on Net Profits tax is available to companies that purchase new assets for industrial plants between October 1, 2004 and December 31, 2006. Each year, for four years, the qualifying taxpayer can decrease the payment of Social Contribution tax by 25 percent of the depreciation of these assets. At the end of the four-year period the Social Contribution tax deferred must be paid (it's a tax deferral; not a tax credit). Additional conditions must be met to be eligible for this tax incentive.

12 **Bulgaria** (2006 rate = 15%)

The 2006 Central government Corporate Income Tax rate is 15 percent. The tax year is on a calendar year basis and the annual return must be filed by March 31 of the following year. Annual corporate income tax liabilities must be settled within the same term (after deduction of the advance corporate income tax installments paid in the course of the tax year). Other taxes on corporate income include 10 percent on Representation expenses (for meals and entertainment), specific endowments and sponsorship, as well as corporate expenses for the maintenance and repair of automobiles. Social expenses (i.e. certain expenses for employee fringe benefits) are generally subject to a 15 percent tax.

13 **Canada** (2006 rate = 36.1%)

Includes federal tax of 22.1 percent (including surtax) for 2006 plus provincial tax. Depending on the province, the total effective general corporate income tax rate for 2006 ranges from 32.0 percent to 39.1 percent (27.1 percent to 38.1 percent for manufacturers). Lower rates are available to Canadian-controlled private corporations (CCPC) on their first $300,000 to $475,000 of taxable active business income. A representative tax rate for 2006 for a CCPC on its first $300,000 of eligible taxable income is approximately 18.6 percent (13.1 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 14.6 percent to 21.6 percent. The representative federal, provincial and combined federal/provincial corporate tax rates cited for Canada are compiled from the Income Tax Act (Canada), RSC 1985, c. 1 (5th Supp.) as amended; and the Ontario Corporations Tax Act, RSO 1990, c. 40, as amended.

14 **Cayman Islands** (2006 rate = 0%)

There are no notes for 2006.

15 **Chile** (2006 rate = 17%)

Chilean Corporate Tax ("First Category Tax") does not apply to income from dependent employees and independent personal services realized by taxpayers, individual or legal entities, regardless of their nationality, residence or domicile. The tax base is the accrued net taxable income after allowable deductions and expenses. First Category Tax paid can be credited against personal taxes.

Click to go back to country list

16 **China** (2006 rate = 33%)

A tax reform is being carried out in China. Details may be issued in 2006 and become effective in 2007 at the earliest. The 33 percent tax rate is applicable to Foreign Investment Enterprises (FIE) and includes both the state tax rate of 30 percent and a local tax of three percent. Domestic enterprises are subject to a different set of tax laws and regulations. The state tax rate of 30 percent may be reduced to 15 percent or 24 percent if the FIE is located in one of the specially designated zones in the People's Republic of China (PRC) and/or engaged in associated operations or projects. In addition, a qualified FIE may be entitled to a tax exemption or reduction during a tax holiday period. The local tax of 3 percent may be waived or reduced by the local government.

17 **Colombia** (2006 rate = 35%)

The corporate income tax is levied at a rate of 35 percent. For 2006 there is a 10 percent surcharge resulting in an overall rate of 38.5 percent. Colombian companies and foreign branches that qualify as "industrial users" established in Colombian Duty Free Zones will be taxed at a 15 percent corporate income tax rate from 2007 onwards. Dividends and participations transferred abroad are kept to a 7 percent income tax rate. In addition a regional tax, the Industry and Commerce Tax, is levied on industrial, commercial and service activities carried out within the municipality. The rate depends on the municipality and ranges between 4.14 and 13.8 per thousand. 80 percent of the Industry and Commerce Tax is deductible for tax purposes.

18 **Costa Rica** (2006 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 27,811,000 are subject to a 10 percent corporate income tax rate; corporate entities with gross income of more than 27,811,000 but less than 55,943,000 are subject to a 20 percent corporate income tax rate. Corporate entities with gross income exceeding 55,943,000 are subject to the ordinary 30 percent rate.

19 **Croatia** (2006 rate = 20.32%)

The accounting profit adjusted in accordance with the provisions of the corporate income tax law is taxed at a 20.32 percent rate. Tourist tax, forestry tax and the monumental protection fee are based on turnover.

20 **Cyprus** (2006 rate = 10%)

The corporate income tax for 'public corporate bodies' is 25 percent, plus a special three percent Contribution for the Defense of the Republic on the taxable income (before the deduction of losses) minus income from dividends, interest and rent.

21 **Czech Republic** (2006 rate = 24%)

A special rate of five 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 its subsidiary (currently defined as a company resident in the Czech Republic, Switzerland or the EU in which the parent has held at least 10 percent for at least 12 months), zero percent. Subject to certain conditions manufacturing companies can benefit from a corporate income tax relief for up to 10 years.

Click to go back to country list

22 **Denmark** (2006 rate = 28%)

Two prepayments of corporate income tax during the taxable year are mandatory. If the final tax liability exceeds the prepayments a surcharge of 5.4 percent of the outstanding tax liability is payable. There are no local taxes on corporate income.

23 **Dominican Republic** (2006 rate = 30%)

The 2005 Tax Reform Act increased the corporate income tax and withholding rates from 25 percent to 30 percent. These rates will fall to 29 percent in 2007, 27 percent in 2008 and 25 percent in 2009.

24 **Ecuador** (2006 rate = 25%/15%)

The 15 percent rate applies to re-invested profits.

25 **Estonia** (2006 rate = 23% on distributed profits)

Only profit distributions are subject to taxation. So a zero percent tax applies to profits that are not distributed, but retained in the company and/or re-invested; a 24 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).

26 **Fiji** (2006 rate = 31%)

In 2004 the corporate tax rate was reduced from 32 percent to 31 percent for companies incorporated in Fiji and also companies operating as branches of non-resident companies.

27 **Finland** (2006 rate = 26%)

In 2004, the Finnish government proposed to lower the corporation tax rate to 26%. After the proposal was approved by the Parliament the tax rate became effective as of 1 January 2005, and generally applies to all Finnish corporations.

28 **France** (2006 rate = 33.33%)

For fiscal years ending after 1 January 2006, the corporate tax rate is 33.33%. A 3.3 percent social contribution on the corporate income tax is applicable if the tax exceeds EUR 763,000, resulting in an overall tax rate of 34.43 percent. Companies (i) which have a turnover of up to EUR 7,630,000 and (ii) of which individuals hold at least 75 percent of the share capital (or are owned by companies meeting the same conditions) are subject to a corporate tax rate of 15 percent on the taxable profit in excess of EUR 38,120 and are exempt from the 3.3 percent contribution.

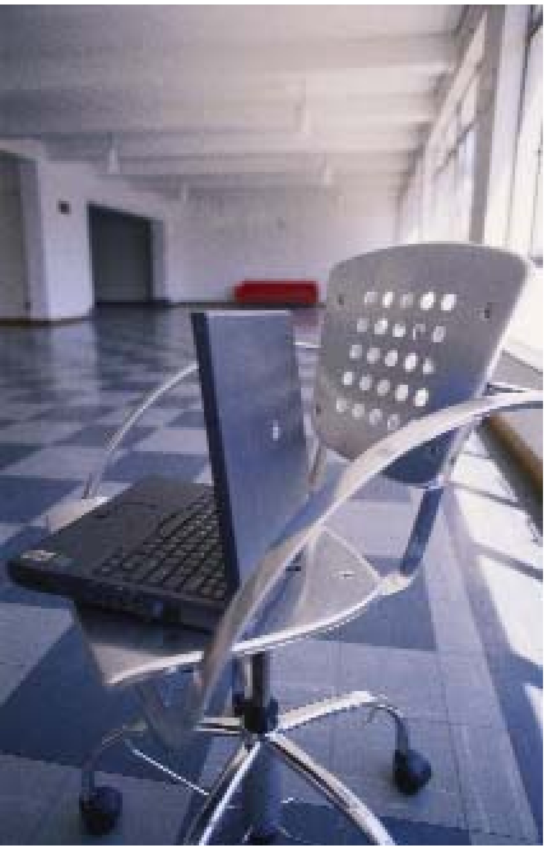
29 **Germany** (2006 rate = 38.34%)

This rate applies to both retained and distributed profits. The rate includes corporate tax at 25 percent (plus a 5.5 percent solidarity surcharge thereon) and trade tax on income. The trade tax varies from 13.04 percent to 20 percent, assuming a municipality multiplier (Hebesatz) ranging normally from 300 percent to 500 percent (The average multiplier for 2004 was 388 percent. Since 2004 legislation has imposed a minimum trade tax multiplier of 200 percent to eliminate trade tax oases). Since the trade tax is a deductible item when calculating the corporate income tax, the corporate tax rate is based on the operating profit reduced by the trade tax (e.g. 16.25 percent based on an average multiplier of 388 percent).

Click to go back to country list

30 **Greece** (2006 rate = 22%/29%)
The 29 percent rate applies to listed A.E. companies (corporations), E.P.E. entities (limited liability companies), domestic unlisted A.E. 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 22 percent. The above rates will be 25 percent and 20 percent, respectively, for accounting years starting after January 1, 2007. A discount of 1.5 percent is given to companies that settle their corporate tax liabilities in full when they file their tax returns. A three percent surcharge applies to gross rental income, but the surcharge may not exceed the primary corporate tax.

31 **Honduras** (2006 rate = 30%)
The overall rate comprises a 25 percent corporate income tax rate and a temporary five percent solidarity surcharge that applies if the taxable income exceeds L.1,000,000. In addition, there is a net assets tax of one percent of the value of the assets of the company, less allowances for doubtful accounts and accumulated tax depreciation. Net assets tax is payable only to the extent that it exceeds the corporate income tax.



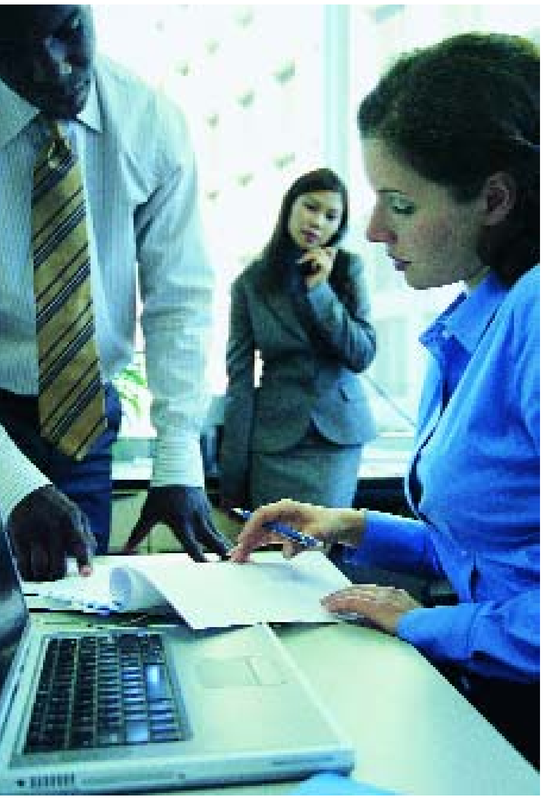
32 **Hong Kong** (2006 rate = 17.5%)
Hong Kong SAR is a Special Administrative Region of the People's Republic of China. The 17.5 percent rate (with effect from financial year 2003/04) applies to Hong Kong sourced profits that are derived from a business carried on in Hong Kong. Offshore profits, capital gains, dividends and most bank deposit interest income are also exempt from tax. Profits derived from certain securities or types of business (e.g. 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 concessionary rate of 8.75 percent (half the 17.5 percent standard rate).

33 **Hungary** (2006 rate = 16%)
The corporate income tax rate is 16 percent in 2006. From January 1 2006, twice the local business tax of up to 2 percent of turnover is deductible from the taxable income.

34 **Iceland** (2006 rate = 18%)
The corporate income tax rate is 18 percent for limited liability companies and 26 percent for other legal entities, such as limited partnerships, associations, private non-profit institutions, trust funds, estates of deceased persons and bankrupt estates. Non-resident companies are subject to income tax on their income from Icelandic sources. Tax is imposed on their net income, after allowable deductions, at the same rate as that levied on resident companies. Interest derived by non-resident companies from Icelandic sources is not subject to income tax.

35 **India** (2006 rate = 33.66%)
For the fiscal year ending March 31 2006 the basic corporate tax rate for domestic companies was reduced to 30 percent, and the surcharge was increased to 10 percent. The effective tax rate for domestic companies is 33.66 percent (30 percent, plus surcharge of 10 percent of the tax, plus education cess of two percent on tax and surcharge). A minimum alternate tax

Click to go back to country list



(MAT) is levied at 7.5 percent (plus a surcharge of 10 percent of the tax, plus an education cess of two percent on the tax plus surcharge) of the adjusted profits of companies where the tax payable is less than 7.5 percent of book profits. This adds up to an effective 8.415 percent minimum tax rate. Foreign companies are taxed at 41.82 percent (40 percent, plus a surcharge of 2.5 percent of the tax, plus education cess of two percent on the tax and its 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, five percent and 10 percent respectively, resulting in effective tax rates for these companies, including surcharge and education cess, of 3.1365 percent, 2.091 percent and 4.182 percent respectively. Dividend Distribution Tax (DDT) is levied at 14.025 percent (12.5 percent, plus surcharge of 10 percent of the tax, plus education cess of two percent of tax and surcharge) on dividends distributed by a domestic company and by a domestic mutual fund to individual unit holders of non-equity mutual funds. The DDT is levied at 22.44 percent (20 percent, plus surcharge of 10 percent of the tax, plus education cess of two percent on tax and surcharge) on the income distributed by domestic mutual funds to corporate unit holders of non-equity mutual funds. Securities Transaction Tax (STT) is levied at varying rates on the value of specified taxable securities transactions through a recognized stock exchange, or on the sale of units of equity-oriented mutual funds to the mutual fund. Fringe Benefit Tax (FBT) is levied on certain fringe benefits provided to employees at 33.66 percent for domestic companies and 31.365 percent for foreign companies. The budget proposing rates of tax effective from 1 April 2006 was issued on 28 February 2006.

36 **Indonesia** (2006 rate = 30%)
This rate applies to a resident corporation's income over IDR 100 million. Income between IDR 0 – 50 million is taxed at 10 percent and income between IDR 50 – 100 million is taxed at 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 treaty relief).

37 **Ireland** (2006 rate = 12.5%)
The current corporate tax rate on the active income of new operations is 12.5 percent. A 25 percent rate applies to passive income and income from certain land dealing, mining and petroleum activities. A 20 percent tax rate applies to dealing in undeveloped residential land in Ireland. A special 10 percent rate applies to active trading income earned by certain existing manufacturing companies, qualifying income of International Financial Services Centres (IFSCs) and Shannon companies. This special rate will expire between 2003 and 2010 (depending on the type of company in question and when it received approval for its project qualifying for the 10 percent rate) and will be replaced by the standard 12.5 percent rate. Capital gains are taxed at 20 percent, but the disposal of a substantial interest in certain offshore funds attracts capital gains tax at 40 percent.

38 **Israel** (2006 rate = 31%)
The corporate rate will be gradually reduced: 31 percent in 2006, 29 percent in 2007, 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 17 percent rate, both of which are deductible for income tax purposes. The effective tax rate of

Click to go back to country list

financial institutions is 43.59 percent (for the year 2005). Companies with an "approved enterprise" are taxed at a reduced 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. It should be noted that significant changes were enacted in this area in 2005. Capital gains are subject to 25 percent tax. Special terms apply to assets purchased prior to December 31, 2002. Dividends from foreign sources are subject to a 25% tax, with a credit for foreign withholding tax, or, in certain circumstances, the corporate tax rate with an underlying tax credit for tax paid by the distributing company.

39 **Italy** (2006 rate = 37.25%)

This rate consists of a 33 percent corporate income tax (the so-called IRES) and a basic 4.25 (5.25 for banks and finance institutions) percent regional tax (IRAP). Certain expenses are not deductible for tax purposes and increase the taxable income. Italian regions have the right to amend (up to one percent either way) the basic 4.25 percent IRAP rate on a yearly basis. Lombardy, Sicily, and Veneto have already exercised that right.

40 **Japan** (2006 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 8 million yen for companies with paid-in capital of JPY 100 million or less). Local tax rates vary depending on the locality, the amount of paid-in capital of the company, etc.. 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 (the business tax itself is 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 and no size-based business tax is imposed.

41 **Jamaica** (2006 rate = 33.3%)

Companies must declare their income and make prepayments of the corporate tax in four installments (March 15, June 15, September 15 and December 15) 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 (March 15 of the year following the year of assessment).

42 **Kazakhstan** (2006 rate = 30%)

The regular rate of corporate income tax is a flat rate of 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 produce a lower branch profits tax.

Click to go back to country list

43 **Korea, Republic of** (2006 rate = 27.5%)

Effective January 1 2005, the corporate income tax rate was reduced by two percent as part of the Korean government's measures to stimulate corporate investment in Korea. Therefore, where taxable income exceeds KRW 100 million a tax rate of 27.5 percent (previously 29.7 percent) applies (including resident surtax). For lower taxable income a tax rate of 14.3 percent (previously 16.5 percent) applies (including resident surtax).

Click to go back to country list p7

44 **Latvia** (2006 rate = 15%)

The tax rate on corporate income is 15 percent. There are four regions in Latvia called Special Economic Zones (SEZ). Companies operating in these zones pay a 25 percent corporate income tax, but are granted 80 percent corporate income tax relief.

45 **Lithuania** (2006 rate = 15%/13%)

The standard corporate 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 if the income does not exceed LTL 500,000 (app. EUR 144,800). Certain exemptions apply. If an entity' average number of employee's does not exceed 10 and the income does not exceed LTL 1,000,000 (app. EUR 289,600), the income minus LTL 25,000 (ca EUR 7,240) is taxed at a 15 percent rate. The following special profit tax reliefs are currently in force:

1) Free economic zone companies in which capital investment is at least one million EUR – such companies are exempt from profit tax for six taxable periods, starting with the taxable period in which the investment reached one million EUR. For the subsequent 10 taxable periods a 50 percent reduction in the profit tax rate applies. To qualify for these reductions, at least 75 percent of the companies' income must be from the production, treatment, processing, etc. of goods in a free economic zone.
2) The profit tax is reduced by 20 percent or more for manufacturing companies deriving more than half their income from their own production activities and employing people with disabilities.
3) Tax reliefs for credit unions and agricultural companies.

From January 1 2006 to December 31 2007 Lithuanian and foreign taxable units are subject to social tax. The social tax rates are four percent on a taxable profit of a Lithuanian taxable unit in 2006 and three percent in 2007. The provisional social tax is similar to a corporate income tax, so the taxable profit is subject to an overall tax rate of 19 percent (for 2006) and 18 percent (for 2007).

46 **Luxembourg** (2006 rate = 29.63%)

A corporate tax rate of 22.88 includes a four percent employment fund contribution. Municipal business tax rates vary; the rate for the city of Luxembourg is 6.75 percent.

47 **Macau** (2006 rate = 12%)

Progressive tax rates apply from three percent to a maximum rate of 12 percent for taxable income over MOP 300,000.

48 **Malaysia** (2006 rate = 28%)

A special five percent corporate income tax rate applies to corporations which conduct an inward reinsurance business or an offshore insurance business (as defined in the Malaysian Income Tax Act, 1967). Income generated by a life fund of an insurance company is taxed at eight percent. A non-resident corporation is

Click to go back to country list

taxed either on five percent of gross shipping or air transport income derived from Malaysia or on that part of the Malaysian gross income computed in the proportion of world-wide profits to world-wide gross income. Income of resident corporations deriving from the transportation of passengers or cargo on board Malaysian ships is tax exempt. Companies engaged in petroleum operations are subject to petroleum income tax at 38 percent. Income from leasing movable property received by a non-resident corporation without a permanent establishment in Malaysia is taxed at 10 percent. Leasing income of a permanent establishment in Malaysia will be taxed at 28 percent. Effective from the assessment year 2004, a resident company with a paid-up ordinary share capital of up to RM2.5 million at the beginning of a basis period is taxed 20 percent on its first RM500,000 chargeable income. The remainder is taxed at 28 percent.

49 **Malta** (2006 rate = 35%)

Companies are subject to corporate income tax at a rate of 35 percent, levied on taxable profits (whether or not distributed) and on capital gains realized upon the transfer of assets. 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.

50 **Mauritius** (2006 rate = 25%)

The corporate income tax rate is 25 percent. A 15 percent corporate income tax rate applies to companies qualifying for a tax incentive. A company holding a Banking License under the Banking Act 2004 operating under Segment B (formerly called offshore banking) is now taxed at 25 percent (previously 15 percent).

51 **Mexico** (2006 rate = 29%)

The Mexican corporate income tax rate for 2005 is 30 percent. This rate will be reduced to 29 percent for 2006 and to 28 percent from 2007 onwards.

52 **Mozambique** (2006 rate = 32%)

Agricultural companies and organizations are taxed at 10 percent on taxable income until December 31 2010. Agricultural, cultural and artisan cooperatives are subject to a 50 percent reduction in the rate, effectively resulting in a rate of 16 percent. Some investment projects approved by the Government of Mozambique prior to January 1, 2003 are, in general, subject to various lower rates, which are applicable until the end of the period specified for each project. Investment projects approved as from 1 January 2003, are in general subject to the normal rate of 32 percent, but get a tax credit of five percent of the investment made in the first five years of implementation of the project.

53 **Netherlands** (2006 rate = 25.5%/29.6%)

The lower rate applies to the first EUR 22,689 of taxable profits. Rates will be reduced on January 1, 2007 to 24.5/29.1 percent.

54 **Netherlands Antilles** (2006 rate = 34.5%)

The rate of 34.5 percent includes the islands' 15 percent surcharge. Companies operating in economic zones are taxed at the rate of two percent. For certain activities, tax holidays are available lowering the tax rate to six percent or less. Qualified limited liability companies engaged in certain financial activities are exempt from corporate income tax.

Click to go back to country list

55 **New Zealand** (2006 rate = 33%)

The corporate income tax rate is 33 percent. A flat tax of 3.3 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 provides a rebate of 12.5 percent of the Qualifying New Zealand Production Expenditure to film and television production companies, provided certain requirements are satisfied. A film or television company will be eligible for the grant if it is a New Zealand resident company or a foreign corporation operating with a permanent establishment in New Zealand.

56 **Norway** (2006 rate = 28%)

The corporate income tax rate for 2006 is 28 percent.

57 **Oman** (2006 rate = 12%)

The corporate income tax rate of 12 percent on taxable profits exceeding RO 30,000 applies to (1) all companies incorporated in Oman and (2) 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. For these entities, the rate once determined will be applied to the total taxable profits.

58 **Pakistan** (2006 rate = 35%)

Corporate income tax rates differ according to the status of the company, and may vary from period to period. For example, for a 2006 tax year ending on June 30, 2006 or December 31, 2005, a rate of 37 percent applies to private companies, a rate 35 percent applies to public companies and a rate of 38 percent applies to banks.

59 **Panama** (2006 rate = 30%)

Tax due will be 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 break 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 so-called complementary tax of four percent is due as an advanced dividend tax.

60 **Papua New Guinea** (2006 rate = 30%)

For mining and gas companies the tax rate is 30 percent. Existing Petroleum projects are subject to a 50 percent tax. 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. A branch of a foreign company is taxed at 48 percent. Non-residents are taxed on a deemed profit basis (shipping: 5 percent, i.e., an effective tax rate of 2.4 percent of gross income; insurance: 10 percent, i.e., 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 (i.e., an effective tax rate of 12 percent of gross income).

Click to go back to country list

61 **Peru** (2006 rate = 30%)

Domestic corporations are subject to a corporate income tax rate of 30 percent under the general regime of Income Tax (IT). Branches of foreign companies are also subject to the IT rate of 30 percent, but only to the extent of their Peruvian source income. 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 IT rate when determining profits in the corresponding fiscal year, after applying the IT. A tax on net assets was introduced with effect from 2005. A bracket/marginal rate system is applied to determine this tax (the rate varies from zero percent to 0.6 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 the IT.

62 **Philippines** (2006 rate = 35%)

After a four year start-up phase, domestic corporations and resident foreign corporations are subject to a 2 percent minimum corporate income tax (MCIT) based on gross income if the MCIT is greater than the corporate income tax determined by applying the 35 percent corporate income tax rate to the net income. A 10 percent Improperly Accumulated Earnings Tax (IAET), subject to certain exceptions, is also imposed on undistributed earnings of closely-held corporations, which are corporations in which at least 50 percent in value of the 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 Economic Zone Authority (PEZA) registered corporations are exempt unless the applicable tax treaty provides otherwise. There are several other special tax regimes for certain types of activity.

63 **Poland** (2006 rate = 19%)

Income from dividends are taxed at 19 percent, interest and royalties due to foreign companies are taxed at 20 percent and certain transportation services provided by foreign companies are taxed at 10 percent.

64 **Portugal** (2006 rate = 27.5%)

This rate includes municipal tax at a rate of 2.5 percent. This is the maximum municipal tax rate levied by most municipalities.

65 **Romania** (2006 rate = 16%)

Profits earned from operations in Free Trade Zones are subject to the regular corporate income tax of 16 percent. Note that until December 31, 2006 a special tax exemption applies to certain companies carrying out manufacturing activities within Free Trade Zones, which had been pre-invested in the Free Trade Zone prior to July 1, 2002. Profits earned from nightclubs, casinos, discotheques and sport betting organizers are levied at the standard corporate tax rate of 16 percent, but the tax cannot be lower than five percent of the taxpayer's qualifying gross earnings. A special relief is available for very small companies.

Click to go back to country list

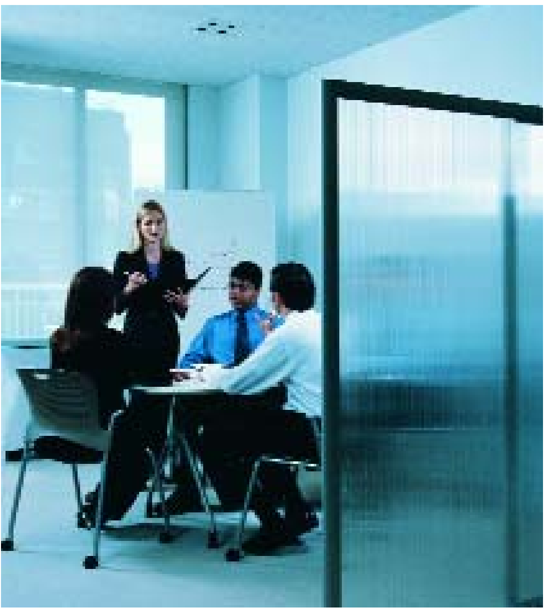
66 **Russia** (2006 rate = 24%)
Federal tax authorities determine the applicable tax rates, but tax payments are split into federal taxes (6.5 percent) and regional taxes (17.5 percent with the right to reduce to 13.5 percent). Local taxes are no longer payable. Interest income on state securities is taxed at 15 percent or zero percent.

67 **Singapore** (2006 rate = 20% on income derived in 2005)
From the Year of Assessment (YA) 2002 onwards, a partial tax exemption is granted on the first S$100,000 of income as follows: 75 percent up to the first S$10,000 of income and 50 percent on the next S$90,000 are exempt from corporate income tax. For new companies whose first three assessment years fall within YA 2005 to 2009, full tax exemption of regular income (excluding Singapore franked dividends) up to S$100,000 can be claimed provided certain conditions are met. Entities engaged in certain prescribed activities are subject to a concessionary tax rate of 10 percent or lower, or are granted tax incentives. Such activities or incentives include the financial sector incentive scheme, offshore leasing, offshore insurance and reinsurance, offshore global trading, international art and antique dealers, cyber trading, finance and treasury centers, international headquarters and shipping enterprises. For certain activities, approval needs to be sought before tax exemption or the concessionary tax rate can apply.

68 **Slovak Republic** (2006 rate = 19%)
The corporate income tax rate is 19 percent.

69 **Slovenia** (2006 rate =25%)
The corporate income tax rate is 25 percent.

70 **South Africa** (2006 rate = 36.9%)
The corporate income tax rate applicable to companies is currently 29 percent. However South Africa imposes an additional 'Secondary Tax on Companies' at the rate of 12.5 percent on any net dividends declared by the company. The tax is levied on the company declaring the dividend. The effect of this additional tax is that if a company distributes 100 percent of its after-tax earnings as a dividend, an effective tax rate of 36.89 percent will apply. This does not apply to gold mining companies, which are taxed on a formula basis.



71 **Spain** (2006 rate = 35%)
Companies whose turnover (alone, or with Group companies) in the immediately preceding tax period was less than six million Euros are taxed at the rate of 30 percent on the first EUR 90,151 of taxable income and at the general tax rate of 35 percent for the rest of their taxable income. The following will be taxed at a rate of 25 percent: (a) General Mutual Insurance Companies, Social Welfare Institutions and qualified Social Security Mutual Entities for Accidents at Work and Occupational Diseases. (b) 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 (c) Credit and rural credit cooperatives. Tax protected cooperatives will be taxed at the rate of 20 percent, except in respect of results not related to their corporate purpose, which will be taxed at the general rate. Entities qualifying to benefit from the special tax regime on Foundations and Tax Incentives for Private Participation in Activities of General Interest will be taxed at the rate of 10 percent.

Click to go back to country list

72 **Sri Lanka** (2006 rate = 32.5%)

For the assessment year 2005/6 (April 1, 2005 to March 31, 2006), the corporate income tax rates, inclusive of 2.5 percent contribution to the Human Resource Endowment Fund, are as follows: Companies with a taxable income exceeding SLRS 5 million, are taxed at 32.5 percent (quoted companies at 30 percent). This is supposed to be increased to 35 percent with effect from year of assessment 2006/07. Companies with a taxable income of SLRS five million or less (including Venture Capital Funds and Specialized Housing Banks) are subject to tax at a rate of 20 percent. It is proposed to reduce this to 15 percent. Priority sectors, i.e. exports (other than traditional products), tourism, agriculture and construction activity carried on by resident companies, enjoy a concessionary corporate income tax rate of 15 percent. A non-resident company is subject to 10 percent tax on profits remitted. The general rate of Economic Service Charge (ESC) levied under the Finance Act is one percent on turnover, but available for set-off from the corporate tax liability. A new levy called the Social responsibility levy was introduced under the Finance Act, at 0.25 percent on income tax and other specified taxes, with effect from January 1, 2005. The rate is supposed to be increased to one percent with effect from January 1, 2006.

73 **Sweden** (2006 rate = 28%)

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 January 1, 2005, a taxable interest charge is levied on such provisions.

74 **Switzerland** (2006 rate = 21.3% (12.97 percent - 29.07 percent))

All 26 cantons apply different tax rates and in all except two cantons (Basel-Stadt, Obwalden) the statutory tax rate needs to be multiplied by communal and/or cantonal coefficients that may vary from tax period to tax period. The rates shown above comprise federal, cantonal and municipal taxes. As corporate income taxes are deductible when computing the tax basis, the Swiss effective corporate income tax rates are lower than the statutory rates published in the tax codes. The above tax rates apply a to company domiciled in (1) the city of Zurich where the corporate income tax rate of 21.32 percent is representative for most cantons, (2) the canton of Zug and the city of Zug with one of the lowest corporate income tax rates (12.97 percent), and (3) in the canton of Graubünden and the city of Chur which have the highest applicable corporate income tax rate in Switzerland (29.07 percent). Some cantonal income tax rates, like that of Zug and Graubünden, are progressive, and the tax basis is usually determined on the ratio of income to the company's equity. Others, like Zurich, have recently changed to a flat statutory rate. As of January 1, 2006, the canton of Obwalden no longer applies multipliers; their statutory tax rate is set at 6.5 percent flat for all municipalities. Thus profit before tax of a company subject to tax in the Canton of Obwalden is taxed at an effective rate of 13.12 percent.

75 **Taiwan** (2006 rate = 25%)

The corporate income tax rate of 25 percent is the maximum rate in a progressive rate structure. The rate is applicable on income in excess of TW$100,000.

Click to go back to country list

76 **Thailand** (2006 rate = 30%)

The standard corporate income tax rate is 30 percent, but this may be reduced to 20 percent or 25 percent in the case of certain Thai companies listed on the Stock Exchange of Thailand prior to 31 December 2005. A tax rate of 10 per cent applies to the remittance of dividends or branch profits abroad. For small and medium enterprises (SMEs) with less than Baht five million paid up capital, the corporate income tax rate is reduced to 15 percent on the first Baht one million of net taxable profits and 25 per cent on the next Baht two million, but not exceeding Baht three million. 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 (AMC) 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 is reduced to 10 per cent on qualifying ROH service income, royalties and interest, and zero per cent on dividends received from associated enterprises. A corporate tax rate of three per cent applies to gross income of companies engaged in international transportation (subject to any further mitigation under relevant double taxation treaties).
A corporate tax rate of 10 per cent applies to the net taxable profits of companies engaged in International Banking Facility and to gross income (reduced to two per cent for certain types of income) of foundations and associations engaged in business activities. A petroleum (oil, gas and derivatives) tax rate of 50 per cent applies to the net taxable profits of companies with concessions to explore for and produce petroleum.

77 **Tunisia** (2006 rate = 35%)

The corporate income tax rate applies to resident companies and to permanent establishments of non-resident companies. There is a minimum tax payable of TD 2,000 or 0.5% of the annual turnover. There is a 50 percent tax base reduction for: export profits from the 11th year and for an unlimited period and regional development projects for 10 additional years and a 10 percent tax rate reduction for: education, teaching, vocational training projects and environment protection projects. Business profits of companies established in free zones are only subject to the following taxes and duties: duties and taxes related to passenger cars, single countervailing duty on land transport, contributions to the social security legal scheme, corporate income tax from the 11th year of operation (then from the first effective export sale there is a 50 percent deduction for exports-derived profits). For investments made in free trade zones companies are allowed to deduct the net taxable income and profits for natural persons or companies, provided that the income and profits are re-invested in the free trade zones.

78 **Turkey** (2006 rate = 30%)

From January 1, 2005 onwards, the statutory corporate income tax rate is 30 percent. The Turkish Government plans to reduce the corporate income tax rate from 30 to 20 percent for profits generated from 2006 onwards, but the relevant tax law has not yet been passed.

79 **Ukraine** (2006 rate = 25%)

The basic corporate income tax rate is 25 percent. Special tax rates may apply, depending on the business activities (e.g. a three percent corporate income tax rate is applied to insurance income earned by Ukrainian insurance companies).

Click to go back to country list

80 **United Arab Emirates** (2006 rate = 20%/55%)

The UAE consists of seven Emirates - Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Qaiwain, Fujairah, Ras Al Khaimah. At a Federal level there are no corporate income taxes, but 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. There is no guarantee, however, that this will remain the case. Foreign Oil Companies: Corporate income tax is imposed on foreign oil companies, i.e. companies dealing in oil or oil rights, including crude oil or other hydrocarbon materials produced in the Emirate. Although the tax rate applicable to oil companies is generally 55 percent of operating profits, the amount of tax actually paid by the oil companies is calculated on the basis of a rate agreed in individual concessions by the company and the respective Emirate. This can range between 55 and 85 percent. Foreign Banks: Branches of foreign banks are taxed at 20 percent of their taxable income in the Emirates of Abu Dhabi, Dubai, Sharjah and Fujairah. The basis of taxation does not differ significantly between the Emirates. Dubai, Sharjah and Fujairah have issued specific tax legislation for branches of foreign banks. Abu Dhabi does not have a specific decree for banks. Municipal taxes are charged 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). Income from renting commercial premises is taxed at a rate of 10 percent, and from renting residential premises at a rate of five percent. Abu Dhabi does not levy a municipality tax on rented premises, but landlords are required to pay certain annual license fees (which they may or may not pass on to the tenant).

81 **United Kingdom** (2006 rate = 30%)

A nil rate band (the 'starting rate') applies to companies with taxable profits up to GBP 10,000, with marginal relief up to GBP 50,000. Companies with profits between GBP 50,000 and GBP 300,000 pay tax at a 19 percent small companies' rate, with marginal relief up to GBP 1,500,000. Companies with profits of GBP 1,500,000 or more pay tax at the full rate of 30 percent. All these limits are reduced where there are associated companies. Since 1 April 2004, profits distributed to non-corporate shareholders have been charged at a minimum rate of 19 percent, even where they would otherwise be taxed at a lower rate. From 1 April 2006 the starting rate band and the special rules for non-corporate shareholders are to be abolished and the 19 percent small companies' rate will apply to all profits up to £300,000.

82 **United States** (2006 rate = 40%)

The highest marginal federal corporate income tax rate is 35 percent. State and local governments may also impose income taxes at rates ranging from less than one percent to 12 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.

Click to go back to country list

83 **Uruguay** (2006 rate = 30%)

The Government is currently considering a tax reform to reduce the corporate income tax rate to 25 percent from 2007 onwards.

84 **Venezuela** (2006 rate = 34%)

The income of corporations engaged in the exploitation of hydrocarbons and related activities is generally subject to a corporate income tax rate of 50 percent. This includes income from other sources. The rate indicated does not include municipal business taxes, which apply at rates ranging from 0.3 percent to 9.4 percent of gross income, depending on the district and the business activity.

85 **Vietnam** (2006 rate = 28%)

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

86 **Zambia** (2006 rate = 35%)

The general corporate income tax rate is 35 percent. Income earned by banking institutions is subject to 45 percent tax. Profits from farming, chemical fertilizer production and export of non-traditional items are taxed at a rate of 15 percent. Companies that with a turnover of K200,000,000 or less pay a turnover tax of three percent. Tax on foreign exchange earned by Sun Hotel is subject to tax at 15 percent.

kpmg.com

Publication name: Global Tax Rate Survey 2006

Publication number: 301-261

Publication date: April 2006